

BASE PROSPECTUS DATED 25 June 2012



**BANCO POPOLARE
GRUPPO BANCARIO**

Banco Popolare Società Cooperativa

(incorporated as a cooperative company with limited liability in the Republic of Italy)

€25,000,000,000 EMTN Programme

This Base Prospectus constitutes a base prospectus for the purpose of article 5.4 of Directive 2003/71/EC (and amendments thereto, including the Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**"). Any Notes (as defined below) issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein.

Under this €25,000,000,000 EMTN Programme (the "**Programme**"), Banco Popolare Società Cooperativa ("**Banco Popolare**" or the "**Issuer**") subject to compliance with all relevant laws, rules, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers named under "Subscription and Sale" and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and together the "**Dealers**"). References in this document to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to the lead manager of such issue and, in relation to an issue of Notes subscribed by the Dealer, be to such Dealer.

No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency). Application has been made for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 30) of Notes will be set forth in the final terms (the "**Final Terms**") which, with respect to Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, will be filed with the CSSF and delivered to the Luxembourg Stock Exchange about the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes. Application has been made to the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg, for approval of the Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of 12 months after the date hereof. The CSSF gives no undertaking as to the economic or financial suitability of the transaction or the quality and solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Prospectus Law.

There are certain risks related to the issue of Notes under the Programme which investors should ensure they fully understand (see "Risk Factors" on page 8 of this Base Prospectus).

The Notes of each Tranche issued in bearer form will initially be represented by a temporary global Note (a "**Temporary Global Note**") (or, if so specified in the relevant Final Terms, a permanent global Note (a "**Permanent Global Note**")). Notes in registered form and registered in the name of a nominee for one or more clearing systems will be represented by a global certificate (a "**Global Note Certificate**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("NGN") form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). If a Global Note Certificate is held under the New Safekeeping Structure ("**NSS**") the Global Note Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Note Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions relating to the Notes while in Global Form".

This Base Prospectus may only be used for the purposes for which it has been published. Payments of interest, principal or other amounts relating to the Notes are subject to a withholding tax (referred to as *imposta sostitutiva*) of 20 per cent. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, principal or other amounts relating to the Notes each Noteholder not resident in the Republic of Italy is required to comply with the deposit requirements described in "Taxation" and to certify, prior to or concurrently with the delivery of the Notes that such Noteholder is (i) resident in a country with a double taxation treaty with the Republic of Italy which recognises the Italian tax authorities' right to an exchange of information pursuant to terms and conditions set forth in the relevant treaty (such countries are listed in the Ministerial Decree of 4 September 1996, as amended, supplemented and replaced by a ministerial decree to be enacted according to provisions set forth by Article 168 bis of the Italian Income Tax Code), and (ii) the beneficial owner of payments of interest, principal or other amounts relating to the Notes, all as more fully set out in "Taxation – Republic of Italy" on pages 165 to 172.

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

In case of Notes that qualify as atypical securities, interest, premiums and other income (including the difference between the redemption amount and the issue price) deriving from Notes are subject to withholding tax levied at a rate of 20 per cent. pursuant to Law Decree no. 512 of 30 September 1983, as amended. The Issuer will not be liable to pay any additional amount to the Noteholders in relation to any such holding.

Joint Arrangers for the Programme

Citigroup

**Banca Aletti & C.
Barclays
BofA Merrill Lynch
Crédit Agricole CIB
Deutsche Bank
HSBC
Mediobanca – Banca di Credito Finanziario S.p.A.
Natixis
The Royal Bank of Scotland**

Dealers

J.P. Morgan

**Banca IMI
BNP PARIBAS
Citigroup
Credit Suisse
Goldman Sachs International
J.P. Morgan
Morgan Stanley
Nomura
Société Générale Corporate & Investment Banking
UBS Investment Bank**

This Base Prospectus should be read and construed with any supplement hereto and with any other information incorporated by reference herein. The Issuer has confirmed to the Dealers named under "Subscription and Sale" below that this Base Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed therein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the Programme or the issue of the Notes, make any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Base Prospectus (together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules, regulations and directives.

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

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date thereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers have not separately verified the information contained in the Base Prospectus. No request has been made for a certificate permitting public offers of the Notes in other member states of the European Union (the "EU").

To the fullest extent permitted by law, neither Citigroup Global Markets Limited nor J.P. Morgan Securities Ltd., nor any of the other Dealers, accepts any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by Citigroup Global Markets Limited, J.P. Morgan Securities Ltd. or a Dealer or on their behalf in connection with the Issuer or the issue and offering of the Notes. Citigroup Global Markets Limited, J.P. Morgan Securities Ltd. and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For further details of certain restrictions on the distribution of this Base 2 Prospectus and the offer or sale of Notes in the United States, the United Kingdom, the Republic of Italy and Japan, see "Subscription and Sale" below.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or the Dealers that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. This Base Prospectus is not intended to provide the basis of any credit or any other evaluation. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Further, neither Citigroup Global Markets Limited nor J.P. Morgan Securities Ltd., nor any of the other Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Notes of any information coming to the attention of any of Citigroup Global Markets Limited, J.P. Morgan Securities Ltd. or any other Dealer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €25,000,000,000 (or the equivalent in other currencies at the date of issue). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under "Subscription and Sale".

In this Base Prospectus, unless otherwise specified or the context otherwise requires, all references to "Euro", "euro", "EUR" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended all references to "£" and "Pounds Sterling" are to the lawful currency of the United Kingdom.

References in this Base Prospectus to "Noteholders" are to the holders of the Notes, each a "Noteholder".

Figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising

Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

SUPPLEMENTS TO THE BASE PROSPECTUS

The Issuer has undertaken that, for the duration of the Programme, if at any time there is a significant new factor, material mistake or inaccuracy relating to the Programme which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Base Prospectus in accordance with Article 13 of the Luxembourg Prospectus Law or, as the case may be, publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement to this Base Prospectus as a Dealer may reasonably request.

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

RISK FACTORS

Prospective investors should read the entire Base Prospectus.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. These factors are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section, unless otherwise stated. Prospective investors should consider, among other things, the following:

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risk Factors in relation to the Issuer

Liquidity risks and risks associated with the European sovereign debt crisis

The Banco Popolare Group's businesses are subject to risks concerning liquidity which are inherent in its banking operations and could affect the Banco Popolare Group's ability to meet its financial obligations as they fall due or to fulfil commitments to lend. In order to ensure that the Banco Popolare Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Banco Popolare Group to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The current dislocation in the global and Italian capital markets and credit conditions has led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and has had an impact on the wider economy. Individual institutions have faced varying degrees of stress. Should the Banco Popolare Group be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Banco Popolare

Group's ability to find its financial obligations at a competitive cost, or at all, could be adversely affected.

The global financial system still has to overcome some of the difficulties which began in August 2007 and which were intensified by the bankruptcy of Lehman Brothers in September 2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone and Italy in particular has progressively intensified, and International Monetary Fund and European Union financial support packages have been agreed for Greece, Ireland and Portugal.

Credit quality has generally declined, as reflected by the downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries.

There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries (in Europe, specifically Spain and Italy). If sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the Issuer's ratings and/or the ratings of the sector and/or the Republic of Italy were to be further adversely affected, this may have a materially adverse impact on the Issuer. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the Banco Popolare Group.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Banco Popolare Group's operating results, financial condition and prospects as well as on the marketability of the Notes. This might also impact on the Banco Popolare Group's credit ratings, borrowing costs and access to liquidity. A further Italian sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a deterioration of the "double dip" recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, Ireland, Greece, Portugal, Spain and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion. Such developments have posed a significant risk to the stability and status quo of the European Monetary Union.

These concerns may impact the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which may cause such banks to suffer liquidity stress. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Issuer's access to, and cost of, funding. Should the Issuer be unable to continue to source a sustainable funding

profile, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

The Issuer's financial performance is affected by "systemic risk"

In recent years, the global credit environment has been adversely affected by significant instances of default, and there can be no certainty that further such instances will not occur. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

Rising market tensions might affect negatively the funding costs and economic outlook of some euro member countries, like in the case of the three bailed out countries of Greece, Portugal and Ireland. This, together with the risk that some countries (even if not especially significant in terms of GDP) might leave the euro area, would have a material and negative impact on the Banco Popolare Group and/or on the Banco Popolare Group's clients, with negative implications for the Banco Popolare Group's business, results and the financial position.

The Issuer's financial performance is affected by borrower credit quality and general economic conditions, in particular in Italy and Europe

The results of the Issuer may be affected by global economic and financial conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or their obligations. Interest rates rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in Italy and in the Euro-zone and in the other markets in which the Issuer operates may influence its performance.

The Issuer monitors credit quality and manages the specific risk of each counterparty and the overall risk of the respective loan portfolios, and the Issuer will continue to do so, but there can be no assurance that such monitoring and risk management will suffice to keep the Issuer's exposure to credit risk at acceptable levels. Any deterioration of the creditworthiness of significant individual customers or counterparties, or of the performance of loans and other receivables, as well as wrong assessments of creditworthiness or country risks may have a material adverse effect on the Issuer's business, financial condition and results of operations.

As discussed in "Liquidity risks" above, these risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries. A rating downgrade in one of the countries in which the Issuer operates might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Issuer's operating results, financial conditions and business outlook.

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increase difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco Popolare Group's business, financial condition and results of operations.

Competition

In recent years the Italian banking sector has been characterised by ever increasing competition which, together with the level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates and subsequent difficulties in maintaining a positive growth trend in interest rate margins.

In particular, such competition has had two main effects:

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

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

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

Impact of events which are difficult to anticipate

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

Credit risk

The Banco Popolare Group's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Banco Popolare Group's business and financial results. During a recession, there may be less demand for loan products and a greater number of Banco Popolare Group customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Banco Popolare Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties. In addition, the continued liquidity crisis in other affected economies may create difficulties for the Banco Popolare Group's borrowers to refinance or repay loans to the Banco Popolare Group loan portfolio and potentially increase the Banco Popolare Group non-performing loan levels.

Market risk

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

Changes in interest rates

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

Market decline and volatility

The results of the Banco Popolare Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Banco Popolare Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the

economy and business climate on the credit quality of the Banco Popolare Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

Protracted market decline and reduced liquidity in the markets

In some of the Banco Popolare Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Banco Popolare Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that were initially in an illiquid market. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Banco Popolare Group using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Banco Popolare Group's results of operations and financial condition. In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Banco Popolare Group's securities trading activities and its asset management services, as well as the Banco Popolare Group's investments in and sales of products linked to the performance of financial assets.

Soundness of financial institutions

The Banco Popolare Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Banco Popolare Group to credit risk in the event of default of a counterparty or client. In addition, the Banco Popolare Group credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Banco Popolare Group also involve transactions with financial services counterparties. The potential of insolvency of these counterparties may impair the effectiveness of the Banco Popolare Group's hedging and other risk management strategies.

Value of financial instruments recorded at fair value

Under IFRS, the Banco Popolare Group recognises at fair value: (i) financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss", (ii) financial assets classified as "available for sale" and (iii) derivatives, each as further described in "Accounting Policies" in the notes to the audited consolidated annual financial statements of the Issuer for the year ended 31 December 2010, which are incorporated by reference in this Prospectus. Generally, in order to establish the fair value of these instruments, the Banco Popolare Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in

market conditions. In such circumstances, the Banco Popolare Group internal valuation models require the Banco Popolare Group to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgments and estimates the Banco Popolare Group is required to make often relate to matters that are inherently uncertain. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in fair values of the financial instruments could have a material adverse effect on the Banco Popolare Group's earnings and financial condition.

Risk management and exposure to unidentified or unanticipated risks

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

Operational risk

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

Risks connected to a potential rating downgrade

Banco Popolare is rated by Fitch Ratings Limited ("**Fitch**"), by Moody's Investors Service Limited ("**Moody's**") and by Standard & Poor's Ratings Service, a Division of the McGraw Hill Companies Inc. ("**Standard & Poor's**") each of which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (the "CRA Regulation") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation.

A downgrade of any of Banco Popolare's ratings (for whatever reason) might result in higher funding and refinancing costs for Banco Popolare in the capital markets. In addition, a downgrade of any of Banco Popolare's ratings may limit Banco Popolare's opportunities to extend mortgage loans and may have a particularly adverse effect on Banco Popolare's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on Banco Popolare's financial condition and/or results of operations.

Changes in regulatory framework and accounting policies

The Banco Popolare Group is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the Italian securities markets regulator), the European Central Bank and the European System of Central Banks. The banking laws to which the Banco Popolare Group is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Banco Popolare Group must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the global credit crisis, and new legislation and regulations are being introduced in Italy and in the European Union. The implementation of the Basel Committee's reforms to strengthen global capital and liquidity rules of the banking sector ("**Basel III**") may have a material affect on the Banco Popolare Group's business and operations.

As the new framework of banking laws and regulations affecting the Banco Popolare Group is currently being implemented, the manner in which such laws and regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that such laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Banco Popolare Group.

Evolving regulatory environment

Banco Popolare's business is governed by Italian domestic and European Union legislation relating to the financial and banking sectors and is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank and the European System of Central Banks.

The Banco Popolare Group has as its corporate object, the raising of funds for investment and the provision of credit in its various forms. The banking laws to which the Banco Popolare Group is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Banco Popolare Group must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the Issuer, including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements.

In particular:

- EU Directive 2009/111/EC ("**CRD II**"), which amended EU Directives 2006/48/EC and 2006/49/EC (together, the "**CRD**") and has changed the criteria for assessing capital eligible to be included in Tier I Capital and may require the Banco Popolare Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.
- EU Directive 2010/76/EU ("**CRD III**") was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book

and for re-securitisations, and the supervisory review of remuneration policies. This Directive introduces a number of changes in response to the recent and current market conditions, such as:

- increase of capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- imposition of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and
- restriction on the remuneration payable to individuals fulfilling roles with potential impact on a bank's risk profile.

The changes relating to remuneration have already come into force and the changes relating to the trading book and re-securitisation positions were expected to come into force on 31 December 2011.

In December 2010, January 2011 and July 2011, the Basel Committee on Banking Supervision (the "**Basel Committee**"), issued documents containing a capital and liquidity reform package (the "**Basel III Proposal**"). The main proposals are summarised as follows:

- revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier I and Tier I capital adequacy ratios and introducing requirements for non-Core Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability;
- introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss absorbing capacities which go beyond the minimum Basel III standards, in order to ensure that banking sector capital requirements take into account the macro-financial environment in which banks operate;
- enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);;
- introduction of a leverage ratio requirement as a supplementary measure to the risk based capital requirements;;
- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and

- introduction of a leverage ratio requirement as a supplementary measure to the risk-based capital requirements;
- promotion of stronger provisioning practices mainly by moving towards a forward looking (Expected Loss) provisioning approach; and
- introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for "illiquid" assets.

In order to facilitate the implementation of the Basel III capital and liquidity standards in Europe, in July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector. This package is known as “**CRD IV**”. CRD IV will replace the current Capital Requirements Directives (2006/48 and 2006/49) with a directive and a regulation and aims to create a sounder and safer financial system. The CRD IV directive governs access to deposit-taking activities while the CRD IV regulation establishes the prudential requirements institutions need to respect. It is expected that the implementation of CRD IV will begin to take effect in national legislation as of 1 January 2013 and that the application in full of all measures will have to be completed before 1 January 2019. Significant uncertainty remains around the implementation of some of these initiatives. To the extent certain of these measures are implemented as currently proposed or announced, in particular the changes proposed or announced by the Basel Committee, they would be expected to have a significant impact on the capital and asset and liability management of the Issuer.

Such changes in the regulatory framework and in how such regulations are applied may have a material effect on the Issuer’s business and operations. As the new framework of banking laws and regulations affecting the Issuer is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

Risks arising from pending legal proceedings

For a description of the legal proceedings carrying the most significant risks for the Group, see the paragraph "Pending legal proceedings" in the "Business Description" below.

Although management of the Banco Popolare Group believes that the provisions that have been made in the respective financial statements are appropriate, a worse than expected outcome of any legal proceedings might cause such provisions to be insufficient to cover the Banco Popolare Group's liabilities and have a material adverse effect on the financial condition and results of operations of the Banco Popolare Group.

There can be no assurances of the success of any of the Banco Popolare Group's future attempts to acquire additional businesses or of the Banco Popolare Group's ability to integrate any businesses acquired in the future

The Banco Popolare Group may seek opportunities to expand its operations in the future by way of strategic acquisitions, including in markets in which it does not currently operate. Although the Banco Popolare Group assesses each investment based on financial and market analysis, which include certain assumptions, additional investments could materially adversely affect the Banco Popolare Group's business, results of operations and financial condition, if: (i) the Banco Popolare Group incurs substantial costs, delays or other operational or financial problems in acquiring and/or integrating acquired businesses; (ii) the Banco Popolare Group is not able to identify, acquire or profitably manage such additional businesses; (iii) such acquisitions divert management's attention from the operation of existing businesses; (iv) the Banco Popolare Group is not able to retain key personnel of acquired businesses; (v) the Banco Popolare Group encounters unanticipated events, circumstances or legal liabilities; or (vi) the Banco Popolare Group has difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

Additionally, if such acquisitions are consummated, there can be no assurances that the Banco Popolare Group will be able to successfully integrate any businesses acquired in the future, due to unforeseen difficulties in operations and insufficient support systems among other things.

Risks relating to the Notes

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed within the Republic of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Trading in the Clearing Systems – integral multiples of less than €100,000

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or

its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Some Notes may be subordinated to most of Banco Popolare's liabilities

Subordinated Notes

The terms of the Lower Tier II Subordinated Notes, the Upper Tier II Subordinated Notes and the Tier III Subordinated Notes include provisions, a number of which are mandated by Bank of Italy regulations, which may affect the ability of Banco Popolare to make payments under the Notes. The most significant regulatory limitations are summarised below and are applicable to the Upper Tier II Subordinated Notes and the Tier III Subordinated Notes. Other important provisions with respect to all Subordinated Notes, including the terms of their subordination, the limited number of events of default and the limited right of the Noteholders to accelerate such Notes, are described in the "Terms and Conditions of the Notes" below. Prospective investors in Subordinated Notes should therefore read the relevant provisions of the "Terms and Conditions of the Notes" carefully before making any investment decision.

Upper Tier II Subordinated Notes

As more fully described in the "Terms and Conditions of the Notes" below, the terms of the Upper Tier II Subordinated Notes contain the following provisions:

Bank of Italy approved of repayment – Repayment of principal on the Upper Tier II Subordinated Notes by Banco Popolare whether at the maturity date or otherwise, is subject to the approval of the Bank of Italy, which must take into account the Banco Popolare's compliance with applicable regulatory capital requirements (*requisito di adeguatezza patrimoniale complessivo*) which, as of the date of this Base Prospectus require Banco Popolare to have regulatory capital (*patrimonio di vigilanza*) equal to eight per cent. of total risk-weighted assets on a consolidated basis, plus additional capital to cover market and other risks. Banco Popolare will use its best efforts to maintain such required regulatory capital and to obtain such Bank of Italy approval. Amounts that would otherwise be payable on the maturity date but are unpaid due to a failure to receive such approval will continue to bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes.

Deferral of Interest – Banco Popolare will not be required to pay interest on Upper Tier II Subordinated Notes if (A) no annual dividend has been approved, paid or set aside for payment by the shareholders of Banco Popolare in respect of any class of shares of Banco Popolare during the 12 month period preceding the relevant Interest Payment Date, or (B) Banco Popolare has announced, at the time of publication of any interim accounts published during the six month period preceding such Interest Payment Date, that, based on such interim accounts, no sums are available at such time for payment of interim dividends in accordance with Italian law. Any such unpaid amounts of interest will constitute arrears of interest, which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes and will become due and payable in certain

circumstances (including following the approval of any dividend and on the maturity date), as explained in more detail in the "Terms and Conditions of the Notes" below.

Loss Absorption – To the extent that Banco Popolare at any time suffers losses that, in accordance with Articles 2446 and 2447 of the Italian Civil Code, would require it to reduce its capital and reserves below the Minimum Capital (as defined in Condition 3B.3), the obligations of Banco Popolare in respect of principal and interest under the Lower Tier II Subordinated Notes and the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Banco Popolare to meet such Minimum Capital. Banco Popolare's obligations in respect of the principal and interest will be reinstated (i) in whole or in part to the extent that Banco Popolare again meets such Minimum Capital and (ii) in whole in the event of the winding up, dissolution, liquidation or bankruptcy of Banco Popolare.

Tier III Subordinated Notes

Similarly, the terms of the Tier III Subordinated Notes provide that the payment of sums due with respect to interest and/or principal on the Tier III Subordinated Notes will be entirely suspended and deferred if such payment would reduce Banco Popolare's total regulatory capital below the required regulatory capital as provided by the then applicable Bank of Italy regulations.

Partly paid Notes

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

Notes issued at a substantial discount or premium

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

Redemption for tax reasons

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

Redemption for regulatory reasons

In addition, the Issuer may also, at its option, redeem Subordinated Notes following a Regulatory Event in accordance with Condition 5.3 (*Early Redemption for regulatory reasons*). Any redemption of the Subordinated Notes is subject to the prior approval of

the Bank of Italy. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Index Linked and Credit-Linked Notes

The Issuer may issue Notes with principal or interest which is credit-linked or which is determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors which determine the amount of principal or interest (each a "**relevant factor**"). Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal in case of non-capital guaranteed Notes;
- (e) the relevant factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a relevant factor may effect the actual yield to investors, even if the average level is consistent with their expectations.

Modification, waiver and substitution

The conditions of the Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Notes including holders that did not attend and vote at the relevant meeting and holders that voted in a manner contrary to the majority. The Conditions also provide that the Fiscal Agent or in the case of Registered Notes, the Registrar, may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of Notes and the Deed of Covenant to correct a manifest error or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16 of the Conditions.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Pounds Sterling may become payable in euro (ii) the law may allow or require such Notes to be re-denominated into euro and additional measures to be taken

in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Pounds Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Tax Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a person (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Tax Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Reliance upon clearing systems

Notes may be represented by one or more Global Notes or Global Note Certificate, as the case may be. Such Global Notes or Global Note Certificate, as the case may be will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Note Certificate, as the case may be, investors will not be entitled to receive definitive Notes or Individual Note Certificates, as appropriate. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes or Global Note Certificate, as the case may be.

While the Notes are represented by one or more Global Notes or Global Note Certificate, as the case may be, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Note or Global Note Certificate, as the case may be, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Note Certificate, as the case may be must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificate, as the case may be.

Holders of beneficial interests in the Global Notes or Global Note Certificate, as the case may be will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Note Certificate, as the case may be will not have a direct right under the Global Notes or Global Note Certificate, as the case may be to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Notes issued after 1 January 2013 (and (ii) any Notes which are treated as equity for U.S. federal tax purposes, whenever issued) pursuant to the U.S. Foreign Account Tax Compliance Act ("**FATCA**"). This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined by FATCA), which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (a term which includes the holders of its debt or equity interests that are not regularly traded on an established securities market) (making the Issuer a "participating FFI"), (ii) the Issuer has a positive "passthru percentage" (as defined by FATCA), and (iii)(A) an investor does not provide information sufficient for the participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of such Issuer, or (B) any FFI through which payment on such Notes is made is not a participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with these rules or as a result of the presence in the payment chain of a non-participating FFI, none of the Issuer, any paying agent or any other person would, pursuant to the conditions of the Notes, be required to pay Additional Amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Notes should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

The application of FATCA to Notes issued after 1 January 2013 (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a supplement to the Base Prospectus, as applicable.

Change of law

Except for Condition 3B and any non-contractual obligations arising therefrom or connected therewith (which is governed by Italian law), the Notes and all related contractual documentation and any non-contractual obligations arising therefrom or connected therewith are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to the laws of the Republic of Italy or England or administrative practice after the date of this Base Prospectus.

Regulatory classification of the Notes

The intention of the Issuer is for Subordinated Notes to qualify on issue as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable. Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is the Issuer's expectation that the Notes qualify as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, the Issuer will have the right to redeem the Notes in accordance with Condition 5.3 (*Early Redemption for regulatory reasons*).

Risks relating to the Market Generally

The secondary market generally

Notes may not be widely distributed or may have no established trading market when issued, and one may never develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Liquidity may have a significantly adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

Notes are denominated in such currency as may be specified in the relevant Final Terms. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency of Notes. These include the risk that exchange rates may change significantly (including changes due to devaluation of the currency of Notes or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency of Notes would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

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

Rating

One or more independent rating agencies may assign ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this paragraph, and other factors that may affect the value of the Notes or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price of the Notes.

Factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme

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

1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to the Base Prospectus;
2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in

one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be incorporated in, and form part of, this Base Prospectus:

1. audited consolidated financial statements of Banco Popolare Società Cooperativa in respect of the years ended 31 December 2010 and 2011 together with the auditors' reports and notes thereto;
2. the press release published by the Issuer on 15 May 2012 announcing the approval by the Board of Directors of the Issuer of the unaudited interim reports on operations for the first quarter of 2012 (the "**Press Release**"); and
3. the Base Prospectus in respect of the Banco Popolare Società Cooperativa MTN Programme dated 28 July 2011 (the "**2011 Base Prospectus**").

save that any statement in this Base Prospectus or in any of the documents incorporated by reference and forming part of this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any documents subsequently incorporated by reference by way of supplement prepared in accordance with article 16 of the Prospectus Directive modifies or supersedes such statement. The financial statements of Banco Popolare under point 1 above are translated into English from the original Italian which are the official versions. The Issuer accepts responsibility for the accuracy of such translations.

The table below sets out the relevant page references for the notes and the auditor's report in each of the consolidated financial statements of Banco Popolare for 2010 and 2011 and for specific items of information contained in the Press Release, and the 2011 Base Prospectus. In accordance with article 28.4 of Regulation EC/809/2004, any information not listed in the table below but included in the audited consolidated financial statements of Banco Popolare as at and for the year ended 31 December 2010 and 2011, the Press Release and the 2011 Base Prospectus incorporated by reference herein does not form part of this Base Prospectus, is either not relevant or covered elsewhere in this Base Prospectus. In addition, the supplements to the 2011 Base Prospectus are not relevant in the context of the update of the programme and, therefore, are not incorporated by reference.

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The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the written or oral request of such person, a copy of any or all of the information which is incorporated herein by reference. Written or oral requests for such information should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg. Each of the documents incorporated by reference are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer will, in connection with the listing of the Notes on the official list of the Luxembourg Stock Exchange (the "**Official List**") and admission of the Notes to trading on the Luxembourg Stock Exchange's regulated market, so long as any Note remains outstanding and so listed and admitted to trading, in the event of a material adverse change in the financial condition of the Issuer which is not reflected in this Base Prospectus or any change in the information set out under "Terms and Conditions of the Notes", prepare a supplement to this Base Prospectus for use in connection with any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus inaccurate or misleading, a new Base Prospectus will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

This Base Prospectus and any supplement to the Base Prospectus will only be valid for issuing Notes in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €25,000,000,000 or its equivalent in other currencies. For the purpose of calculating the aggregate principal amount of Notes issued under the Programme from time to time:

- (a) the euro equivalent of Notes denominated in another currency specified in a Final Terms shall be determined, at the discretion of the Issuer, as of the date of agreement to issue such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such other currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on such date;
- (b) the amount (or, where applicable, the euro equivalent) of Partly Paid Notes (as defined under "Terms and Conditions of the Notes" herein) shall be calculated (in the case of Notes not denominated in euro, in the manner specified above) by reference to the original principal amount of such Notes (regardless of the subscription price paid); and
- (c) the amount (or, where applicable, the euro equivalent) of non interest-bearing Notes and other Notes issued at a discount or premium shall be calculated (in the case of Notes not denominated in euro, in the manner specified above) by reference to the net proceeds received by the Issuer for the relevant issue.

The following general description does not purport to be complete and is taken from, and is qualified by the remainder of, this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Summary of Provisions relating to the Notes while in Global Form" and "Terms and Conditions of the Notes" herein, respectively, shall have the same meanings in this general description.

Issuer: Banco Popolare Società Cooperativa ("**Banco Popolare**" or the "**Issuer**")

Description: Euro Medium Term Note Programme

Arrangers: Citigroup Global Markets Limited and J.P. Morgan Securities Ltd.

Dealers: Banca Aletti & C. S.p.A., Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nomura International plc,

Société Générale, The Royal Bank of Scotland plc and UBS Limited, and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes.

Regulatory Matters: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. See "Subscription and Sale" herein and the following summary of certain restrictions applicable at the date of this Base Prospectus.

Fiscal Agent: Citibank, N.A., London Branch

Registrar: Citibank, N.A., London Branch

Luxembourg Listing Agent: BNP Paribas Securities Services, Luxembourg Branch

Initial Programme Amount: Up to €25,000,000,000 (or its equivalent in other currencies calculated as described herein) in aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under "Subscription and Sale".

Issuance in Series: Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations (of at least €100,000 or its equivalent in another currency).

Form of Notes: Notes may be issued in bearer form or in registered form.

Each Global Note which is intended to be issued in CGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is

intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Notes in definitive bearer form ("**Definitive Notes**") and/or (if so specified in the relevant Final Terms) registered form ("**Registered Notes**") in accordance with its terms. Each Permanent Global Note will be exchangeable for Definitive Notes, and/or (if so specified in the relevant Final Terms) Registered Notes, in accordance with its terms (see further under "Summary of Provisions Relating to the Notes While in Global Form" below).

Definitive Notes will, if interest-bearing, have interest coupons ("**Coupons**") attached and, if appropriate, a talon ("**Talon**") for further Coupons and will, if the principal thereof is repayable by instalments, have payment receipts ("**Receipts**") attached.

Registered Notes which are delivered outside any clearing system will be represented by individual certificates ("**Individual Note Certificates**"), one Individual Note Certificate being issued in respect of each holder's entire holding of Registered Notes of one Series. Registered Notes that are registered in the name of a nominee for one or more clearing systems will be represented by global note certificates ("**Global Note Certificates**"). Notes represented by a Global Note Certificate will either be: (a) in the case of a Global Note Certificate which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository; or (b) in the case of a Global Note Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Notes in registered form may not be exchanged for Notes in bearer form.

Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Maturities:	<p>Any maturity is subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Notes (including Notes denominated in Pounds Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).</p> <p>According to the Luxembourg law of 10 July 2005 on prospectuses for securities (the "Act") the <i>Commission de Surveillance du Secteur Financier</i> is not competent to approve prospectuses for the admission of money market instruments (as defined in the Act) to trading on a regulated market situated or operating within the territory of Luxembourg having a maturity at issue of less than 12 months and complying also with the definition of securities in the Act.</p>
Status of the Notes:	<p>Notes may be issued by Banco Popolare on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.</p> <p>Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer. Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes all constitute unsecured subordinated obligations of the Issuer, all as described in "Terms and Conditions of the Notes— Status".</p>
Loss Absorption on Upper Tier II Subordinated Notes:	Unless otherwise permitted by current laws, regulations, directives and/or Bank of Italy requirements applicable, as at the date hereof, (i) Lower Tier II Subordinated Notes (<i>Passività Subordinate di 2 Livello</i>) must have a minimum maturity of not less than five years (or, if issued for an indefinite duration, the redemption may only occur subject to five years' redemption notice), (ii) Upper Tier II Subordinated Notes (<i>Strumenti Ibridi di Patrimonializzazione</i>) must have a minimum maturity of not less than ten years and the redemption is subject to the prior approval of the Bank of Italy, and (iii) Tier III Subordinated Notes (<i>Passività Subordinate di 3 Livello</i>) will have a minimum maturity of not less than

two years (or if issued for an indefinite duration the redemption may only occur subject to two years' redemption notice).

To the extent that Banco Popolare at any time suffers losses which, in accordance with applicable Italian laws and regulations, would require Banco Popolare to reduce its capital to below the minimum capital required for Banco Popolare as provided by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy's authorisation to conduct banking activity, the obligations of Banco Popolare in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Banco Popolare, in accordance with the requirements of Italian law, to maintain at least the required minimum capital. The obligations of Banco Popolare in respect of interest and principal due under Upper Tier II Subordinated Notes which are so reduced will be subject to reinstatement in certain circumstances.

Deferral of Interest on Upper Tier II Subordinated Notes: Banco Popolare is not required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved, paid or set aside for payment by the shareholders of Banco Popolare or paid in respect of any class of shares during the 12 month period ended on the date immediately preceding such Interest Payment Date; or (ii) the Board of Directors of Banco Popolare has announced at the time of publication of any interim accounts of Banco Popolare published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends.

Tier III Subordinated Notes: Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period of at least two years, as specified in the relevant Final Terms, and (ii) be subject to a lockin clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of Banco Popolare's assets below the minimum capital requirements of Italian law.

Negative Pledge: None.

Cross Default: Applicable to Senior Notes only. See "Terms and Conditions of the Notes — Events of Default".

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

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on such redemption not impairing the Issuer's financial condition, results of operations or capital adequacy as prescribed in Title I, Chapter 2, Section II, paragraph 7 of the Bank of Italy's Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the relevant redemption date, Banco Popolare will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again satisfied, by whatever means, such conditions. Amounts that would otherwise be payable on the due date will continue to bear interest as provided in the Terms and Conditions of the Notes and the Fiscal Agency Agreement.

Except as provided in "Optional Redemption" below, Notes will be redeemable at the option of the Issuer prior to maturity only for taxation or regulatory reasons. See "Terms and Conditions of the Notes — Redemption and Purchase".

Optional Redemption: The Final Terms issued in respect of each issue of Notes will state whether such Notes, subject to any applicable legal and regulatory requirements of the Bank of Italy, may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such redemption.

Under applicable laws and regulations at the date of this Base Prospectus, Lower Tier II Subordinated Notes may not be repaid (other than for taxation reasons (subject to the prior approval of the Bank of Italy) or following an Event of Default) prior to five years from the relevant Issue Date, Upper Tier II Subordinated Notes may not be repaid prior to ten years from the relevant Issue Date and Tier III Subordinated Notes may not be repaid prior to two years from the relevant Issue Date.

Variable Coupon Amount Notes:	The Final Terms issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to an index or other variable or formula, credit-linked, or as otherwise provided in the relevant Final Terms.
Variable Amount Notes:	Redemption The Final Terms issued in respect of each issue of variable redemption amount Notes, will specify the basis for calculating the redemption amounts payable, which may be by reference to an index or other variable or formula, credit-linked, or as otherwise provided in the relevant Final Terms.
Withholding Tax:	<p>Save as set out below, all payments of principal and interest in respect of the Notes made by the Issuer in case of payments under the Notes will be made free and clear of withholding taxes in the jurisdiction of incorporation of the Issuer be subject to certain exemption as described in "Terms and Condition of the Notes – Taxation".</p> <p>The Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 on account of Italian substitute tax (<i>imposta sostitutiva</i>), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes.</p> <p>Notes that qualify as atypical securities are subject to withholding tax levied at the rate of 20 per cent. in respect of interest and premium (if any) pursuant to Law Decree No. 512 of 30 September 1983, as amended. Banco Popolare will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.</p>
Issue Price:	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed, floating, index-linked or credit-linked rate and may vary during the lifetime of the relevant Series.
Denominations:	Notes will be issued in such denominations (of at least €100,000 or its equivalent in another currency) as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory

and/or central bank requirements.

- Governing Law:** The Notes and all related contractual documentation and any non-contractual obligations arising therefrom or connected therewith will be governed by English law, except for Condition 3B and any non-contractual obligations arising therefrom or connected therewith which will be governed by Italian law.
- Admission to Trading:** Each Series may be admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or any other stock exchange as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authorities, stock exchanges, regulated markets and/or quotation systems.
- Terms and Conditions:** Final Terms will be prepared in respect of each Tranche of Notes a copy of which will, in the case of Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange be filed with the CSSF and delivered to the Luxembourg Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the relevant Final Terms.
- The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the Dealer(s) at the time of issue in accordance with prevailing market conditions.
- Risk Factors:** There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "Risk Factors" beginning on page 16 of this Base Prospectus).
- Enforcement of Notes in Global Form:** In the case of Notes in global form, individual investors' rights will be supported by a deed of covenant dated 25 June 2012 entered into by Banco Popolare (the "**Deed of Covenant**"), a copy of which will be available for inspection at the specified office of the Fiscal Agent.
- Clearing Systems:** Euroclear, Clearstream, Luxembourg and/or, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms.
- Ratings:** Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Final

Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the European Union and registered (or which has applied for registration and not been refused) under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"), or (2) issued by a credit rating agency which is not established in the European Union but will be endorsed by a CRA which is established in the European Union and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the European Union but which is certified under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (i) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the Republic of Italy and Japan, see under "Subscription and Sale".

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes in definitive form which as supplemented, modified or replaced in relation to any Notes by the relevant Final Terms, will be applicable to each Series of Notes:

The Notes are issued pursuant to and in accordance with a fiscal agency agreement (as amended supplemented or replaced, the "**Fiscal Agency Agreement**") dated 25 June 2012 and made between Banco Popolare Società Cooperativa ("**Banco Popolare**" or the "**Issuer**"), Citibank, N.A., London Branch in its capacities as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) and as transfer agent, Citibank, N.A., London Branch in its capacity as registrar (the "**Registrar**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agent appointed in accordance with the Fiscal Agency Agreement) and the transfer agents named therein (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed in accordance with the Fiscal Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Notes (as defined below), the Issuer may appoint a calculation agent (the "**Calculation Agent**") for the purposes of such Notes, in accordance with the provisions of the Fiscal Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. The Notes have the benefit of a deed of covenant (as amended, supplemented or replaced, the "**Deed of Covenant**") dated 25 June 2012 executed by the Issuer in relation to the Notes issued by the Issuer. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Fiscal Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Notes. Each Tranche will be the subject of a final terms (each, a "**Final Terms**"), a copy of which will be obtainable during normal business hours at the specified office of the Fiscal Agent or, as the case may be, the Registrar and the Paying Agent in Luxembourg. In the case of a Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, a Beneficiary (as defined in the Deed of Covenant) in respect of, such Notes.

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

References in these Terms and Conditions to Notes are to Notes of the relevant Series and any references to Coupons (as defined in Condition 1.2) and Receipts (as defined in Condition 1.3) are to Coupons and Receipts relating to Notes of the relevant Series.

References in these Terms and Conditions to "euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

References in these Terms and Conditions to the Final Terms are to the Final Terms prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Final Terms.

1. FORM AND DENOMINATION

Form of Notes

- 1.1 Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), as specified in the Final Terms. Bearer Notes are serially numbered. Registered Notes are not exchangeable for Bearer Notes.
- 1.2 Interest-bearing Bearer Notes have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. In addition, if so specified in the Final Terms, such Notes have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.3 Bearer Notes, the principal amount of which is repayable by instalments ("**Instalment Notes**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

Denomination of Bearer Notes

- 1.4 Bearer Notes are in the denomination or denominations specified in the relevant Final Terms or integral multiples thereof. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

Notes may not be issued under the Programme with a Specified Denomination of less than €100,000 (or equivalent in another currency).

Denomination of Registered Notes

- 1.5 Registered Notes are in the minimum denomination specified in the relevant Final Terms.

Notes may not be issued under the Programme with a Specified Denomination of less than €100,000 (or equivalent in another currency).

Currency of Notes

- 1.6 The Notes are denominated in such currency as may be specified in the relevant Final Terms. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Partly Paid Notes

- 1.7 Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the Final Terms. The subscription moneys therefor shall be paid in such number of instalments ("**Partly Paid Instalments**") in such amounts, on such dates and in such manner as may be specified in the Final Terms. The first such instalment shall be due and payable on the date of issue of the Notes. For the purposes of these Terms and Conditions, in respect of any Partly Paid Note, the paid up amount ("**Paid Up Amount**") means the aggregate amount of all Partly Paid Instalments in respect thereof as shall have fallen due and been paid up in full in accordance with the Terms and Conditions.

Not less than 14 days nor more than 30 days prior to the due date for payment of any Partly Paid Instalment (other than the first such instalment) the Issuer shall publish a notice in accordance with Condition 13 stating the due date for payment thereof and stating that failure to pay any such Partly Paid Instalment on or prior to such date will entitle the Issuer to forfeit the Notes with effect from such date ("**Forfeiture Date**") as may be specified in such notice (not being less than 14 days after the due date for payment of such Partly Paid Instalment), unless payment of the relevant Partly Paid Instalment together with any interest accrued thereon is paid prior to the Forfeiture Date. The Issuer shall procure that any Partly Paid Instalments paid in respect of any Notes subsequent to the Forfeiture Date in respect thereof shall be returned promptly to the persons entitled thereto. The Issuer shall not be liable for any interest on any Partly Paid Instalment so returned.

Interest shall accrue on any Partly Paid Instalment which is not paid on or prior to the due date for payment thereof at the Interest Rate (in the case of Zero Coupon Notes, at the rate applicable to overdue payments) and shall be calculated in the same manner and on the same basis as if it were interest accruing on the Notes for the period from and including the due date for payment of the relevant Partly Paid Instalment up to but excluding the Forfeiture Date. For the purpose of the accrual of interest, any payment of any Partly Paid Instalment made after the due date for payment shall be treated as having been made on the day preceding the Forfeiture Date (whether or not a Business Day as defined in Condition 4.11).

Unless an Event of Default (or an event which with the giving of notice, the lapse of time or the making or giving of any determination or certification would constitute an Event of Default) shall have occurred and be continuing, on the Forfeiture Date, the Issuer shall forfeit all of the Notes in respect of which any Partly Paid Instalment shall not have been duly paid, whereupon the Issuer shall be entitled to retain all Partly Paid Instalments previously paid in respect of such Notes and shall be discharged from any obligation to repay such amount or to pay interest thereon.

2. **TITLE AND TRANSFER**

- 2.1 Title to Bearer Notes, Receipts and Coupons passes by delivery. References herein to the "Holders" of Bearer Notes or of Receipts or Coupons are to the bearers of such Bearer Notes or such Receipts or Coupons.
- 2.2 Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**"). References herein to the "Holders" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the Register. A certificate (each a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- 2.3 The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing on the relevant Note or Certificate, or any theft or loss thereof) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

Transfer of Registered Notes and exchange of Bearer Notes for Registered Notes

- 2.4 A Registered Note may, upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and further subject to the provisions of Condition 2.8, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the Final Terms) upon the surrender of the relevant Certificate, together with the form of transfer endorsed on it duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require, at the specified office of the Registrar or any Transfer Agent. A new Certificate will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Certificate in respect of the balance not transferred will be issued to the transferor.
- 2.5 If so specified in the Final Terms and subject to the provisions of Condition 2.8, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement.

In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Fiscal Agent, the Registrar or of any Transfer Agent together with a written request for the exchange. Each Bearer Note so surrendered must be accompanied by all unmatured Receipts and Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.6) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined

in Condition 8B.3) for such payment of interest and the date on which such payment of interest falls due.

- 2.6 A Certificate representing each new Registered Note or Notes to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date be available for collection by each relevant Holder at the specified office of the Registrar or the Transfer Agent (as the case may be) or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) until the day following the due date for such payment. For the purposes of these Terms and Conditions:
- 2.6.1 "**Relevant Banking Day**" means a day, other than a Saturday or Sunday, on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar or the Transfer Agent is located and, in the case only of an exchange of a Bearer Note for a Registered Note where such request for exchange is made to the Fiscal Agent, in the place where the specified office of the Fiscal Agent is located;
- 2.6.2 the "**exchange date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.5; and
- 2.6.3 the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.
- 2.7 The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- 2.8 No Holder may require the transfer of a Registered Note to be registered or a Bearer Note to be exchanged for a Registered Note during the period of 15 days ending on the due date for the payment of any principal or interest in respect of such Note.

3. STATUS OF THE NOTES

3A. Status — Unsubordinated

3A.1 This Condition 3A is applicable in relation to Notes specified in the Final Terms as being unsubordinated or not specified as being subordinated ("**Senior Notes**").

3A.2 The Senior Notes and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by law).

3B. Status — Subordinated Notes

3B.1 This Condition 3B is applicable only in relation to Notes specified in the Final Terms as being subordinated ("**Subordinated Notes**").

3B.2 The Lower Tier II Subordinated Notes (*Passività Subordinate di 2° livello*, as defined in Title I, Chapter 2 Section II, paragraph 5.2 of the Regulations of the Bank of Italy (*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*) as amended from time to time (the "**Bank of Italy's Regulations**")) and the Upper Tier II Subordinated Notes (*Strumenti Ibridi di Patrimonializzazione*, as defined in Title I, Chapter 2, Section II, paragraph 5.1 of the Bank of Italy's Regulations) (being those Notes that are specified in the relevant Final Terms as being Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, together, "**Subordinated Notes**") and the Receipts and Coupons relating to them constitute unsecured subordinated obligations of the Issuer and, subject to Condition 3B.3 and 3B.4, rank *pari passu* and without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes, as the case may be, of such Series. In the event of the bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Article 80 to 94 of Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the "**Italian Banking Act**")), dissolution, liquidation or winding-up of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and the Receipts and Coupons relating to them shall rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer but *pari passu* with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Lower Tier II Subordinated Notes or Upper Tier II Subordinated Notes, as the case may be, and in priority to the claims of the holders of instruments qualifying as Tier I capital of the Issuer (*strumenti innovativi di capitale*), as defined in Title I, Chapter 2, Section II, paragraph 4 of the Bank of Italy's Regulations, including existing Tier 1 securities of the Issuer (issued by Banco Popolare di Verona e Novara *società cooperativa a responsabilità limitata* and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa) and to the claims of shareholders of the Issuer. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note. In accordance with the

provisions of Condition 3B.4, in the event of negative trends in its performance, the Issuer may suspend payments due under the Upper Tier II Subordinated Notes to the extent necessary to prevent or limit, to any possible extent, the occurrence of losses.

3B.3 To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with the provisions of Italian laws and regulations, would require the Issuer to reduce its capital to below the minimum capital (as provided for by the Bank of Italy from time to time for the issuance or maintenance of the Bank of Italy's authorisation to conduct banking activity (the "**Minimum Capital**"), the obligations of the Issuer in respect of interest and principal under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with the requirements of Italian legal and regulatory provisions, to maintain at least the Minimum Capital. The obligations of the Issuer in respect of interest and principal due under the Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the maturity date of the relevant obligation has occurred:

3B.3.1 in whole, in the event of bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act), dissolution, liquidation or winding-up of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa* and with effect prior to the commencement of such bankruptcy, dissolution, liquidation or winding up or order for *Liquidazione Coatta Amministrativa* as if such obligations of the Issuer were not so reduced in accordance with this Condition 3B; and

3B.3.2 in whole or in part, from time to time, to the extent that the Issuer, by reason of it having profits, or by reason of it obtaining new capital contributions, or by reason of the occurrence of any other event, would again have at least the Minimum Capital and would not be required, in accordance with articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with the provisions of Italian laws or regulations, to reduce its capital to below the Minimum Capital.

3B.4 The Issuer is not required to pay interest on the Upper Tier II Subordinated Notes on an Interest Payment Date if (a) no annual dividend has been approved, paid or set aside for payment pursuant to a meeting of the shareholders of the Issuer or paid in respect of any class of shares of the Issuer during the 12 month period ending on the date immediately preceding such Interest Payment Date; or (b) the Board of Directors of the Issuer has announced at the time of publication of any interim accounts of the Issuer published during the six months immediately preceding such Interest Payment Date that, based on such accounts, no sums are available at such time in accordance with Italian law for the payment of interim dividends in accordance with Articles 2433-*bis* of the Italian Civil Code.

Unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amounts in respect of

such arrears of interest) will become due and payable (i) in part, *pari passu* and *pro rata* if and to the extent that the Issuer makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims; and (ii) in full on the earliest to occur of (a) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of share of the Issuer; (b) the date for repayment of the Upper Tier II Subordinated Notes; and (c) the date on which the *Liquidazione Coatta Amministrativa* of the Issuer is commenced pursuant to the Italian Banking Act or the date the Issuer becomes subject to a liquidation order. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

- 3B.5 Tier III Subordinated Notes (*Prestiti Subordinati di 3 Livello* as defined in Title I, Chapter 2, Section II paragraph 1.5 of the Bank of Italy's Regulations) (being those Notes that are specified in the relevant Final Terms as being Tier III Subordinated Notes) and the Receipts and Coupons relating to them constitute unsecured subordinated obligations of the Issuer and rank *pari passu* among themselves and with the Subordinated Notes. Tier III Subordinated Notes shall be subject to the same restrictions provided in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that any Tier III Subordinated Notes shall (i) have a different minimum maturity period of at least two years, as specified in the relevant Final Terms, and (ii) be subject to a lock-in clause pursuant to which payments of interest and repayment of principal amount cannot be effected if such payments or repayment would reduce the total value of the Issuer's assets below the minimum regulatory capital as required of Italian laws and regulations all as more particularly described in the relevant Final Terms. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

4. INTEREST

Interest

- 4.1 Notes may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 4 and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 4.11.

Fixed Rate Notes

- 4.2 Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4.10.

Floating Rate Notes

- 4.3 The amount of interest payable shall be determined in accordance with Condition 4.10. If the Final Terms specifies the Interest Rate applicable to the Notes as being Floating Rate it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:
- 4.3.1 the Calculation Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - 4.3.2 if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market, (or if the reference rate is EURIBOR, four major banks in the Eurozone) selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the London interbank market (or if the reference rate is EURIBOR, prime banks in the Eurozone) for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
 - 4.3.3 if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
 - 4.3.4 if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (or, in the case of Notes denominated in euro, in such financial centre or centres as the Calculation Agent may select) selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time, and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined

provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Notes during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Notes in respect of the last preceding Interest Accrual Period.

ISDA Rate Notes

- 4.4 If the Final Terms specifies the Interest Rate applicable to the Notes as being ISDA Determination, each Note shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the Issuer had entered into an interest rate swap transaction with the Holder of such Note under the terms of an agreement to which the ISDA Definitions applied and under which:
- 4.4.1 the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the Issuer (as specified in the Final Terms);
 - 4.4.2 the Effective Date is the Interest Commencement Date;
 - 4.4.3 the Termination Date is the Maturity Date;
 - 4.4.4 the Calculation Agent is the Calculation Agent as specified in the Final Terms;
 - 4.4.5 the Calculation Periods are the Interest Accrual Periods;
 - 4.4.6 the Period End Dates are the Interest Period End Dates;
 - 4.4.7 the Payment Dates are the Interest Payment Dates;
 - 4.4.8 the Reset Dates are the Interest Period End Dates;
 - 4.4.9 the Calculation Amount is the principal amount of such Note;
 - 4.4.10 Day Count Fraction applicable to the calculation of any amount is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions;
 - 4.4.11 the Applicable Business Day Convention applicable to any date is that specified in the Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and
 - 4.4.12 the other terms are as specified in the Final Terms.

Index-Linked Interest

- 4.5 If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Interest Rate applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.

Credit-Linked Notes

- 4.6 If the relevant Final Terms specify that the Notes are Credit-Linked Notes, the provisions relating to such Credit-Linked Notes will be set out in the applicable Final Terms.

Maximum or Minimum Interest Rate

- 4.7 If any Maximum or Minimum Interest Rate is specified in the Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

Accrual of Interest

- 4.8 Interest shall accrue on the Outstanding Principal Amount of each Note during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 5.11) or the relevant Instalment Amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Final Terms until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent, the Registrar or, as the case may be, the Transfer Agent having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 13 that the Fiscal Agent, the Registrar or, as the case may be, the Transfer Agent has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Interest Amount(s), Calculation Agent and Reference Banks

- 4.9 If a Calculation Agent is specified in the Final Terms, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the "**Interest Amount(s)**") for the relevant Interest Accrual Period, calculate the Redemption Amount or

Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Registrar or any Transfer Agent (in the case of Registered Notes), the Issuer, the Holders in accordance with Condition 13 and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination or calculation but in no event later than the fourth London Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable under Condition 6, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint the London office of a leading bank engaged in the London interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

Calculations and Adjustments

- 4.10 The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Interest Rate, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect

of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in the Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save for Japanese Yen, which will be rounded downwards to the next lower whole Japanese Yen amount. For these purposes "unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

Definitions

4.11 "**Applicable Business Day Convention**" means the "**Business Day Convention**" which may be specified in the Final Terms as applicable to any date in respect of the Notes. Where the Final Terms specifies "**No Adjustment**" in relation to any date, such date shall not be adjusted in accordance with any Business Day Convention. Where the Final Terms fails either to specify an applicable Business Day Convention or "**No Adjustment**" for the purposes of an Interest Payment Date or an Interest Period End Date, then in the case of Notes which bear interest at a fixed rate, "**No Adjustment**" shall be deemed to have been so specified and in the case of Notes which bear interest at a floating rate, the Modified Following Business Day Convention shall be deemed to have been so specified. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

"**Base Prospectus**" means the base prospectus dated 25 June 2012 relating to the €25,000,000,000 EMTN Programme of Banco Popolare.

"**Banking Day**" means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in the Relevant Financial Centre in respect of the relevant Notes or, in relation to Notes payable in euro, which is a TARGET Business Day.

"**Business Day Convention**" means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Final Terms in relation to any date applicable to any Notes, shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and
- (iv) "**FRN Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

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

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (b) where the Calculation Period is longer than one Determination Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in

such Determination Period and (2) the number of Determination Periods in any year; and

- (2) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;
- (ii) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and "**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and "**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"Determination Period" means:

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

"Interest Accrual Period" means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period **provided always that** the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

"Interest Amount" means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the date of issue of the Notes (as specified in the relevant Final Terms) or such other date as may be specified as such in the relevant Final Terms.

"Interest Determination Date" means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Final Terms prior to the first day of such Interest Accrual Period, or if none is specified:

- (i) in the case of Notes denominated in Pounds Sterling, the first day of such Interest Accrual Period; or
- (ii) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if an Applicable Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

"Interest Period" means each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date **provided always that** the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

"Interest Period End Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if an Applicable Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the relevant Final Terms as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Final Terms, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

"Interest Rate" means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Final Terms.

"**ISDA Definitions**" means the 2006 ISDA Definitions (as further amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.).

"**Outstanding Principal Amount**" means, in respect of a Note, its principal amount less, in respect of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with Condition 4.8 or, in the case of a Partly Paid Note, the Paid Up Amount of such Note or otherwise as indicated in the relevant Final Terms except that the Paid Up Amount shall be deemed to be nil for Notes which have been forfeited by the Issuer on or after the Forfeiture Date as provided for in Condition 1.7.

"**Reference Banks**" means such banks as may be specified in the relevant Final Terms as the Reference Banks or, if none are specified, "**Reference Banks**" has the meaning given in the ISDA Definitions, *mutatis mutandis*.

"**Relevant Financial Centre**" means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "**Business Day**" in the ISDA Definitions, as modified or supplemented in the relevant Final Terms.

"**Relevant Time**" means the time as of which any rate is to be determined as specified in the relevant Final Terms or, if none is specified, at which it is customary to determine such rate.

"**Reuters Screen**" means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Money 3000 Service (or such other page as may replace that page on that service for the purpose of displaying such information).

"**Subsidiary**" means, in respect of the Issuer at any particular time, any other entity:

- (a) which is controlled by the Issuer in accordance with Article 2359 no. 1 of the Italian Civil Code; and
- (b) the net assets of which represent not less than 5 per cent. of the aggregate net assets of the Issuer and the relevant entity,

and "**Subsidiaries**" shall have a corresponding meaning.

"**TARGET Business Day**" means any day on which the TARGET2 System is open for the settlement of payments in euro.

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

Zero Coupon Notes

- 4.12 If any Redemption Amount (as defined in Condition 5.11) or Instalment Amount in respect of any Zero Coupon Note is not paid when due, interest shall accrue

on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the relevant Final Terms or at such other rate as may be specified for this purpose in the relevant Final Terms until the date on which, upon due presentation or surrender of the relevant Note or Certificate (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note or Certificate is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or the Registrar, as the case may be, having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 13 that the Fiscal Agent or the Registrar, as the case may be, (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 4.10 as if the Interest Rate was the Amortisation Yield, the Outstanding Principal Amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the relevant Final Terms or, if not so specified, 30E/360 (as defined in Condition 4.11).

5. REDEMPTION AND PURCHASE

Redemption at Maturity

- 5.1 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its Outstanding Principal Amount or such other redemption amount as may be specified in or determined in accordance with the Final Terms) (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms.

The redemption of Upper Tier II Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, such approval being dependent on such redemption not impairing the Issuer's financial conditions, results of operations or capital adequacy as prescribed in Title I, Chapter 2, Section II, paragraph 7, of the Bank of Italy Regulations immediately following redemption of the Upper Tier II Subordinated Notes. If such approval is not given on or prior to the redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again satisfied, by whatever means, such conditions. The Issuer will use its reasonable endeavours to satisfy such conditions and to obtain such approval.

Early Redemption for Taxation Reasons

- 5.2 If, in relation to any Series of Notes (i) as a result of any change in the laws, regulations or rulings of the Republic of Italy or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other

date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 7, (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option (but, in the case of Subordinated Notes subject to consent thereto having been obtained from the Bank of Italy) and having given no less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating, index-linked or credit-linked rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 13 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their Outstanding Principal Amount or, in the case of Zero Coupon Notes, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon; **provided, however, that** no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating, index-linked or credit-linked rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 5.7.

In the event of early redemption in accordance with this Condition 5, the Luxembourg Stock Exchange will be notified of such early redemption.

Early Redemption for Regulatory Reasons

- 5.3 (A) *Application:* This Condition 5.3 applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.
- (B) *Redemption:* The Notes may be redeemed at the option of the Issuer (subject to the prior approval of the Bank of Italy), in whole, but not in part:
- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if a proportion equal to or more than the Minimum Disqualification Amount of the Subordinated Notes ceases to qualify as "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, as a result of changes after the date of issue of the Notes in the standards and guidelines of the Bank of Italy, except where such non-qualification is due to limits for the inclusion by the Issuer in its regulatory capital of "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable, being exceeded (other than changes, including changes to the grandfathering limits, made by the Bank of Italy to prescribed limits for "Lower Tier II capital", "Upper Tier II capital" or "Tier III capital", as applicable) ("**Regulatory Event**").

In this Condition 5.3, "**Minimum Disqualification Amount**" means (i) the proportion (expressed as a percentage) of the aggregate outstanding nominal amount of the relevant Subordinated Notes specified as such in the applicable Final Terms or (ii) where the applicable Final Terms so specify, any such proportion that is more than zero.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.3, at their early regulatory redemption amount (the "**Early Redemption Amount (Regulatory)**") (which shall be their Outstanding Principal Amount or, in the case of Zero Coupon Notes, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon.

Optional Early Redemption (Call)

- 5.4 If this Condition 5.4 is specified in the relevant Final Terms as being applicable, then the Issuer may, subject in the case of Subordinated Notes to the prior consent of the Bank of Italy, having given the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not, unless and to the extent that the Final Terms specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their Outstanding Principal Amount or, in the case of Zero Coupon Notes, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 5.7.

- 5.5 The appropriate notice referred to in Condition 5.4 is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 13, which notice shall be irrevocable and shall specify:
- 5.5.1 the Series of Notes subject to redemption;
 - 5.5.2 whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers of the Notes of the relevant Series which are to be redeemed;
 - 5.5.3 the due date for such redemption, which shall be not less than 30 days nor more than 60 days after the date on which such notice is given and which shall be such date or the next of such dates ("**Call Option Date(s)**") or a day falling within such period ("**Call Option Period**"), as may be specified in the relevant Final Terms and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and
 - 5.5.4 the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Partial Redemption

- 5.6 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 5.4:
- 5.6.1 in the case of Bearer Notes, the Notes to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair; and
 - 5.6.2 in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, **provided always that** the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an integral multiple thereof, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.8 which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

Optional Early Redemption (Put)

5.7 Except with respect to the Subordinated Notes to which this Clause 5.7 shall not apply, if this Condition 5.6 is specified in the relevant Final Terms as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date specified in the relevant Put Notice (as defined below) at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its Outstanding Principal Amount or, if such Note is a Zero Coupon Note, its Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates ("**Put Date(s)**") or a day falling within such period ("**Put Period**") as may be specified in the Final Terms), deposit the relevant Note or Certificate (together, in the case of an interest-bearing Note in bearer form, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 8A.6 apply)) during normal business hours at the specified office of, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar or any Transfer Agent together with a duly completed early redemption notice ("**Put Notice**") in the form which is available from the specified office of any of the Paying Agents, the Registrar or, as the case may be, any Transfer Agent specifying, in the case of a Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement).

In the case of the redemption of part only of a Registered Note, a new Certificate in respect of the unredeemed balance shall be issued in accordance with Conditions 2.4 to 2.7 which shall apply as in the case of a transfer of Registered Notes as if such new Certificate were in respect of the untransferred balance.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under either Condition 5.2, 5.3 or 5.4.

Purchase of Notes

5.8 The Issuer or any of its Subsidiaries may (but, in the case of Subordinated Notes, subject to the restrictions set out under the Bank of Italy's Regulations) at any time purchase Notes in the open market or otherwise and at any price **provided that** all unmatured Receipts and Coupons appertaining thereto are purchased therewith. If purchases are made by tender, tenders must be available to all Holders of Notes alike.

Cancellation of Redeemed and Purchased Notes

- 5.9 All unmatured Notes and Coupons and unexchanged Talons redeemed or purchased, otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 5 will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount and Instalment Amounts

- 5.10 The provisions of Condition 4.8 and the last paragraph of Condition 4.9 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent.
- 5.11 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.
- 5.12 In the case of any Zero Coupon Note, the "**Amortised Face Amount**" shall be an amount equal to the sum of:
- 5.12.1 the Issue Price specified in the relevant Final Terms; and
 - 5.12.2 the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the relevant Final Terms to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction (as defined in Condition 4.11) specified in the relevant Final Terms for the purposes of this Condition 5.12.

- 5.13 In the case of any Zero Coupon Note, if any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 6.11 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:
- 5.13.1 the date on which, upon due presentation or surrender of the relevant Note or Certificate (if required), the relevant payment is made; and
 - 5.13.2 (except where presentation or surrender of the relevant Note or Certificate is not required as a precondition of payment), the seventh day after the date on which, the Fiscal Agent or the Registrar, as the case may be, having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition

13 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

6. EVENTS OF DEFAULT

6.1 *In the case of Subordinated Notes:*

- 6.1.1 This Condition 6.1 applies only in respect of Subordinated Notes and references to Holders of Notes, Receipts or Coupons in this Condition 6.1 shall be construed accordingly.
- 6.1.2 If the Issuer is wound-up or dissolved (otherwise than for purposes of any amalgamation, merger or reconstruction), the Notes are, and they shall immediately become, due and repayable at their Redemption Amount together with, if appropriate, accrued interest thereon.
- 6.1.3 No remedy against the Issuer other than as specifically provided by this Condition 6.1 shall be available to Holders of the Notes, Receipts or Coupons whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

6.2 *In the case of Senior Notes:*

The following events or circumstances as modified by, and/or such other events as may be specified in, the relevant Final Terms (each an "**Event of Default**") shall be events of default in relation to any Senior Notes of any Series, namely:

- 6.2.1 *Non-Payment:* the Issuer fails to pay the principal of or any interest on any of the Notes when due and, in case of the principal such failure continues for a period of seven TARGET Business Days and in the case of interest, such failure continues for a period of fifteen TARGET Business Days; or
- 6.2.2 *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Fiscal Agency Agreement which default is incapable of remedy within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the relevant Noteholder; or
- 6.2.3 *Cross-Default:* (1) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity as a result of any payment default thereon by the Issuer, or (2) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (3) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, **provided that** an event of default pursuant to this paragraph 6.2.3 shall only occur if: the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 6.2.3 has occurred and is continuing

and exceeds €50,000,000 or its equivalent in another currency as determined by the Fiscal Agent; or

- 6.2.4 *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days; or
- 6.2.5 *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable over any material part of the property, assets or revenues of the Issuer and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and in the case of seizure before judgment or interlocutory process, is not discharged or revoked within 10 days; or
- 6.2.6 *Insolvency*: the Issuer is (or is deemed by law or by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- 6.2.7 *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of Directors threatens to cease, to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by (A) a reconstruction, amalgamation, reorganisation, merger, de-merger, or consolidation, or disposal or contribution in kind of assets on terms approved by an Extraordinary Resolution of the Noteholders, or (B) an Approved Reorganisation; or
- 6.2.8 *Analogous Events*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to the events referred to in paragraphs 6.2.6 and 6.2.7 above.

If any Event of Default shall occur in relation to any Series of Notes, any Holder of a Note of the relevant Series may, by written notice to the Issuer, at the specified office of the Fiscal Agent or, in the case of Registered Notes, at the specified office of the Registrar, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its Outstanding Principal Amount or, if such Note is a Zero Coupon Note, its Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), together with all interest (if any) accrued thereon

without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

In these Conditions, "**Approved Reorganisation**" means a solvent and voluntary reorganisation involving, alone or with others, the Issuer and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise **provided that** the principal resulting, surviving or transferee entity (a "**Resulting Entity**") is a banking company and effectively assumes all the obligations of the Issuer under, or in respect of, the Notes.

7. TAXATION

7.1 All payments of principal and interest in respect of the Notes, the Receipts and the Coupons (if any) by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders (if relevant) of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply:

7.1.1 in respect of any Note, Receipt or Coupon presented for payment:

- (a) in the Republic of Italy; or
- (b) by or on behalf of a Noteholder or Couponholder who is:
 - (i) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (ii) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note, Receipt or Coupon; or
- (c) more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Business Day; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive; or

- (e) by or on behalf of a Noteholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- 7.1.2 in relation to any payment or deduction of any interest, principal or other proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and, for the avoidance of any doubt, pursuant to Italian Legislative Decree No. 461 of 21 November 1997; or
- 7.1.3 in respect of Notes that qualify as atypical securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended.
- 7.2 As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking in addition to or in substitution for it under the Fiscal Agency Agreement.
- 7.3 If the Issuer becomes subject to any taxing jurisdiction other than Italy references in these Conditions shall be construed as references to Italy and/or such other jurisdiction.
- 7.4 Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement with the US Internal Revenue Service ("**FATCA withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an holder/investor for any such FATCA withholding deducted or withheld by the Issuer, a paying agent or any other party.

8. PAYMENTS

8A. *Payments — Bearer Notes*

- 8A.1 This Condition 8 is applicable in relation to Notes in bearer form.
- 8A.2 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

Payment of Instalment Amounts (other than the final Instalment Amount) in respect of an Instalment Note will be made against presentation of the Note together with (where applicable) the relevant Receipt and surrender of such Receipt.

The Receipts are not and shall not in any circumstances be deemed to be documents of title and if separated from the Note to which they relate will not represent any obligation of the Issuer. Accordingly, the presentation of a Note without the relative Receipt or the presentation of a Receipt without the Note to which it appertains shall not entitle the Holder to any payment in respect of the relevant Instalment Amount.

- 8A.3 Payment of amounts in respect of interest on Bearer Notes will be made:

8A.3.1 in the case of Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Notes at the specified office of any of the Paying Agents outside (unless Condition 8A.4 applies) the United States; and

8A.3.2 in the case of Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 8A.4 applies) the United States.

- 8A.4 Payments of amounts due in respect of interest on the Notes and exchanges of Talons for Coupon sheets in accordance with Condition 8A.7 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986 and regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

- 8A.5 If the due date for payment of any amount due in respect of any Note is not a Relevant Financial Centre Day and a Local Banking Day (each as defined in Condition 8C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, (or as otherwise

specified in the Final Terms) and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day, and will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.7 or, if appropriate, Condition 4.11.

8A.6 Each Note initially delivered with Coupons, Talons or Receipts attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Receipts, Coupons and Talons relating thereto, failing which:

8A.6.1 if the Final Terms specifies that this paragraph 8A.6.1 of Condition 8A.6 is applicable (and, in the absence of specification, this paragraph 8A.6.1 shall apply to Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph 9A.6.3 below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;

8A.6.2 if the Final Terms specifies that this paragraph 8A.6.2 of Condition 8A.6 is applicable (and, in the absence of specification, this paragraph 8A.6.2 shall apply to Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph 9A.6.3 below, Talons) relating to such Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them;

8A.6.3 in the case of Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them; and

8A.6.4 in the case of Notes initially delivered with Receipts attached thereto, all Receipts relating to such Notes in respect of a payment of an Instalment Amount which (but for such redemption) would have fallen due on a date after such due date for redemption

(whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

The provisions of paragraph 8A.6.1 of this Condition 8A.6 notwithstanding, if any Notes should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (8A.6.1) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (8A.6.1) in respect of such Coupons as have not so become void, the amount required by paragraph (8A.6.1) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

8A.7 In relation to Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 8A.4 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 9 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8B. ***Payments — Registered Notes***

- 8B.1 This Condition 8B is applicable in relation to Notes in registered form.
- 8B.2 Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Certificate at the specified office of the Registrar or any Transfer Agent. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Centre Day (as defined in Condition 8C.3), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any Local Banking Day, and, will be entitled to payment by transfer to a designated account on any day which is a Local Banking Day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account

of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.8 or, as appropriate, Condition 4.12.

8B.3 Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the Register as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.6) before the due date for such payment (the "**Record Date**").

8B.4 Notwithstanding the provisions of Condition 8C.2, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by cheque and posted to the address (as recorded in the Register of the Holder thereof) (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.6) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the firstnamed) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.8 or, as appropriate, Condition 4.12.

8C. *Payments — General Provisions*

8C.1 Save as otherwise specified in these Terms and Conditions, this Condition 8C. is applicable in relation to Notes whether in bearer or in registered form.

8C.2 Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due (a) by cheque or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 7, be subject in all cases to any applicable fiscal or other laws and regulations.

8C.3 For the purposes of these Terms and Conditions:

8C.3.1 "**Relevant Financial Centre Day**" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other Relevant Financial Centre specified in the Final Terms or in the case of payment in euro, a day which is a TARGET Business Day; and

8C.3.2 "**Local Banking Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon.

8C.4 No commissions or expenses shall be charged to the holders of Notes or Coupons in respect of such payments.

9. **PRESCRIPTION**

Claims against the Issuer for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 7.2) for payment thereof.

In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 8A.6 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 9 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

10. **THE PAYING AGENTS, THE REGISTRAR, THE TRANSFER AGENTS AND THE CALCULATION AGENT**

The initial Paying Agents, Registrar and Transfer Agents and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent), the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents, another Registrar, additional or other Transfer Agents or another Calculation Agent; **provided that** it will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Notes, a Registrar, (iii) so long as the Notes are admitted to trading on the regulated market of any stock exchange, a Paying Agent and a Registrar or Transfer Agent each with a specified office in such place as may be required by the rules of such stock exchange, (iv) in the circumstances described in Condition 8A.4, a Paying Agent with a specified office in New York City, (v) a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax, and (vi) a Calculation Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii), (iii) and (vi) with a specified office located in such place (if any) as may be required by the Terms and Conditions) and it will at no time maintain a Registrar having its specified office in the Republic of Italy. The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent reserve the right at any time to change their respective specified offices to some other

specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 13.

The Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Fiscal Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note, Receipt or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Fiscal Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

11. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS AND COUPONS

If any Note, Certificate, Receipt or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or any Paying Agents (in the case of Bearer Notes and Coupons) or of the Registrar or any Transfer Agent (in the case of Registered Notes) (each a "**Replacement Agent**"), subject to all applicable laws, regulations and the requirements of any stock exchange on which the Notes are listed, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may require. Mutilated or defaced Notes, Certificates, Receipts and Coupons must be surrendered before replacements will be delivered therefor.

12. MEETINGS OF HOLDERS AND MODIFICATION

The Fiscal Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of these Terms and Conditions and the Deed of Covenant insofar as the same may apply to such Notes. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Notes of such Series.

The Issuer may, with the consent of the Fiscal Agent or, in the case of Registered Notes, the Registrar, but without the consent of the Holders of the Notes of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of an Extraordinary Resolution.

13. NOTICES

To Holders of Bearer Notes

13.1 Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified herein or in the relevant Final Terms, be deemed to be validly given if (i) published in a leading daily newspaper having

general circulation in London (which is expected to be the Financial Times) and (ii) in the case of any Notes which are admitted to trading on the regulated market of the Luxembourg Stock Exchange and the rules of that exchange so require, published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or (in the case of (i) or (ii)), if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in compliance with the requirements of the rules of each stock exchange on which its Notes are listed. Any notice so given will be deemed to have been validly given on the date of first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

To Holders of Registered Notes

13.2 Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, any notices to Holders must also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

14. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders of any Notes or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

15. CURRENCY INDEMNITY

The currency in which the Notes are denominated or, if different, payable, as specified in the Final Terms (the "**Contractual Currency**"), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on

the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

16. SUBSTITUTION OF THE ISSUER

16.1 The Issuer may, without the consent of any Holder, substitute for itself any other body corporate being a Subsidiary of the Issuer incorporated in any country in the world as the issuer and debtor in respect of the Notes, any Coupons, the Deed of Covenant and the Fiscal Agency Agreement (the "**Substituted Issuer**") upon notice by the Issuer and the Substituted Issuer to be given in accordance with Condition 13 **provided that:**

- (i) the Issuer is not in default in respect of any amount payable under the Notes;
- (ii) the Issuer and the Substituted Issuer have entered into such documents (the "**Documents**") as are necessary to give effect to the substitution and in which the Substituted Issuer has undertaken in favour of each Holder to be bound by these Conditions and the provisions of the Fiscal Agency Agreement as the Issuer and debtor in respect of the Notes in place of the Issuer (or of any previous substitute under this Condition 16);
- (iii) the Substituted Issuer shall enter into a deed of covenant in favour of the Holders on terms no less favourable than the Deed of Covenant then in force in respect of the Notes;
- (iv) if the Substituted Issuer is resident for tax purposes in a territory (the "**New Residence**") other than that in which the Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 7 with the substitution of references to the Former Residence with references to the New Residence;
- (v) upon any such substitution becoming effective, the Substituted Issuer will not at such time be able to redeem the Note in accordance with Condition 5.2 or have knowledge that as a result of any proposed change in, or amendment to, the laws or regulations of any applicable

jurisdiction, it will be able to redeem the Notes in accordance with Condition 5.2;

- (vi) the Substituted Issuer and the Issuer have obtained all necessary governmental approvals and consents for the proposed substitution and for the performance by the Substituted Issuer of its obligations under the Documents, the Notes, the Deed of Covenant and the Fiscal Agency Agreement;
- (vii) legal opinions shall have been delivered to the Fiscal Agent from lawyers of recognised standing in the jurisdiction of incorporation of the Substituted Issuer, in Italy and in England as to the fulfilment of the requirements of this Condition 16 and that the Notes and any Coupons are legal, valid and binding obligations of the Substituted Issuer;
- (viii) if the Notes have been assigned a credit rating by Fitch Ratings Ltd. ("**Fitch**"), Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("**Standard & Poor's**") and/or Moody's Investors Service Limited ("**Moody's**"), Moody's, Standard & Poor's and/or Fitch, as the case may be, having been notified of the proposed substitution, shall not have stated within 30 days thereafter that, as a result of the proposed substitution, either the current credit rating for the Notes would be revised downward or withdrawn or placed on "**Creditwatch**";
- (ix) to the extent required, the Substituted Issuer shall prepare and submit to the CSSF for their approval a supplement to the Base Prospectus or prospectus containing sufficient details (including a description of the Substituted Issuer) so as to comply with the requirements of the Act and shall publish such supplement to the Base Prospectus or prospectus as required by the Act and each stock exchange on which the Notes are listed shall have confirmed in writing that, following the proposed substitution of the Substituted Issuer, the Notes will continue to be listed on such stock exchange; and
- (x) if applicable, the Substituted Issuer has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes, any Coupons the Fiscal Agency Agreement and/or the Deed of Covenant.

16.2 Upon such substitution the Substituted Issuer shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer and with the same effect as if the Substituted Issuer had been named as the Issuer, and the Issuer shall be released from its obligations under the Notes, any Coupons, the Deed of Covenant and the Fiscal Agency Agreement.

16.3 After a substitution pursuant 16.1 the Substituted Issuer may, subject to Condition 18.1, without the consent of any Holder, effect a further substitution. All the provisions specified in Conditions 16.1 and 16.2 shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the

context so requires, be deemed to be or include references to any such further Substituted Issuer.

- 16.4 After a substitution pursuant to Condition 16.1 or 16.3 any Substituted Issuer may, without the consent of any Holder, reverse the substitution, *mutatis mutandis*.
- 16.5 The Documents shall be delivered to, and kept by, the Fiscal Agent, Copies of the Documents will be available free of charge during normal business hours at the specified office of each of the Paying Agents.

17. **WAIVER AND REMEDIES**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

18. **LAW AND JURISDICTION**

- 18.1 The Notes, the Fiscal Agency Agreement and the Deed of Covenant and any non-contractual obligations arising therefrom or connected therewith are governed by English law, except for Condition 3B and any non-contractual obligations arising therefrom or connected therewith which shall be governed by Italian law.
- 18.2 The Issuer irrevocably agrees for the benefit of the Holders of the Notes that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising from or in connection with the Notes) or the consequences of their nullity (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 18.3 The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.
- 18.4 The Issuer agrees that the process by which any proceedings in England are begun may be served on it by being delivered to Banco Popolare Società Cooperativa, London branch, 1st Floor, 1-5 Moorgate, London EC2R 6JH, its registered office for the time being or any address of the Issuer in Great Britain on which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006 (as modified or re-enacted from time to time). If the irrevocable appointment by the Issuer of the person mentioned in this Condition 18.4 ceases to be effective, the Issuer shall forthwith irrevocably appoint a further person in England to accept service of process on its behalf in England

and notify the name and address of such person to the Fiscal Agent and, failing such appointment within fifteen days, any Holder of a Note shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing contained herein shall affect the right of any Holder of a Note to serve process in any other manner permitted by law.

- 18.5 The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Holders of the Notes or any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

FORM OF FINAL TERMS

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

Final Terms dated [•]

BANCO POPOLARE SOCIETÀ COOPERATIVA

Issue of

[Aggregate Principal Amount of Tranche] [Title of Notes]

under the €25,000,000,000 EMTN Programme

Part A

Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Section "Terms and Conditions of the Notes" of the Base Prospectus dated 25 June 2012 [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto (including Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].] The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplement to the Base Prospectus dated [•]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto (including Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 25 June 2012 [and the supplement to the Base Prospectus dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [•]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base

Prospectuses dated [original date] and [current date] [and the supplement to the Base Prospectus dated [•] and [•]].

[The Prospectuses [and the supplement to the Base Prospectus] are available for viewing at [address] [and] [website] and copies may be obtained from [address].] The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

1. Issuer: Banco Popolare Società Cooperativa
2. [(i)] Series Number: []
[(ii)] Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). []
3. Specified Currency or Currencies: []
(Condition 1.6)
4. Aggregate Principal Amount of Notes:
[(i)] Series: []
[(ii)] Tranche: []
5. Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6. (i) Specified Denominations: []
(Condition 1.4 or 1.5)

- (ii) Calculation Amount: []
- [No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency)]
7. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date:
(Condition 4.11)
8. Maturity Date:
(Condition 5.1) [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9. Interest Basis:
(Condition 4) [[] per cent. Fixed Rate]
[[specify reference rate] +/- [] per cent. Floating Rate]
[Index-linked Interest]
[Credit-linked Interest]
[Zero Coupon]
[Other (specify)]
(further particulars specified below)
10. Redemption/Payment Basis:
(Condition 5) [Redemption at par]
[Index-linked Redemption]
[Credit-linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
- [(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply.)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
12. Put/Call Options:
(Condition 5.4 or 5.7) [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(i)] Status of the Notes:
(Condition 3) [Senior/[Dated/Perpetual]/Subordinated]

[(ii)] [Date [Board] approval []
for issuance of Notes
obtained: (N.B Only relevant where Board (or similar)
authorisation is required for the particular
tranche of Notes)]

14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Interest Rate: [] per cent. per annum [payable [annually/
(Condition 4.2) semiannually/ quarterly/monthly] in arrear]

(ii) Interest Payment [] in each year [adjusted in accordance with
Date(s): [specify Business Day Convention and any
(Condition 4.11) applicable Relevant Financial Centre(s) for the
definition of "Business Day"/not adjusted]

(iii) Fixed Coupon [] per Calculation Amount
Amount[(s)]:

(iv) Broken Amount(s): [] per Calculation Amount payable on the
Interest Payment Date falling [in/on][]

(v) Day Count Fraction: [30/360 / Actual/Actual ([ICMA]/ISDA) / other]
(Condition 4.11)

(vi) Interest Determination [] in each year (*insert regular interest payment
Dates: dates, ignoring issue date or maturity date in the
(Condition 4.11) case of a long or short first or last coupon. N.B.
only relevant where Day Count Fraction is
Actual/Actual (ICMA)*)

(vii) Other terms relating to [Not Applicable/give details]
the method of
calculating interest for
Fixed Rate Notes:

16. **Floating Rate Note Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Interest Period(s) []
(Condition 4.11)

(ii) Interest Payment []
Dates:
(Condition 4.11)

- (iii) First Interest Payment []
Date:
- (iv) Business Day [Floating Rate Convention/ Following Business
Convention: Day Convention/ Modified Following Business
(Condition 4.11) Day Convention/ Preceding Business Day
Convention/ other (*give details*)]
- (v) Relevant Financial []
Centre(s):
(Condition 4.11)
- (vi) Manner in which the [Screen Rate Determination/ISDA
Rate(s) of Interest Determination/other (*give details*)]
is/are to be determined:
(Condition 4.3)
- (vii) Party responsible for []
calculating the Rate(s)
of Interest and/or
Interest Amount(s) (if
not the Fiscal Agent):
(Condition 4.9)
- (viii) Screen Rate
Determination:
(Condition 4.3)
- Reference Rate: []
 - Interest []
Determination
Date(s):
 - Relevant Screen []
Page:
(Condition 4.3)
- (ix) ISDA Determination:
(Condition 4.4)
- Floating Rate []
Option:
 - Designated []
Maturity:
 - Reset Date: []
- (x) Margin(s): [+/-][] per cent. per annum
- (xi) Minimum Interest [] per cent. per annum
Rate:

- (xii) Maximum Interest [] per cent. per annum []
Rate:
- (xiii) Day Count Fraction: []
(Condition 4.11)
- (xiv) Fall back provisions, []
rounding provisions,
denominator and any
other terms relating to
the method of
calculating interest on
Floating Rate Notes, if
different from those set
out in the Conditions:
17. **Zero Coupon Note** [Applicable/Not Applicable]
Provisions
(Condition 4.12) *(If not applicable, delete the remaining sub-
paragraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum []
- (ii) Any other []
formula/basis of
determining amount
payable:
18. **Index-Linked/Other** [Applicable/Not Applicable]
Variable- Linked Interest
Note Provisions *(If not applicable, delete the remaining sub-
paragraphs of this paragraph)*
(Conditions 4.5 and 4.6)
- (i) Index/Formula/other [Give or annex details]
variable:
- (ii) Party responsible for []
calculating the Interest
Rate and/or Interest
Amount(s) (if not the
Fiscal Agent):
- (iii) Provisions for []
determining Coupon
where calculated by
reference to Index
and/or Formula and/or
other variable:

- (iv) Interest Determination []
Date(s):
 - (v) Provisions for []
determining Coupon
where calculation by
reference to Index
and/or Formula and/or
other variable is
impossible or
impracticable or
otherwise disrupted:
 - (vi) Interest Period(s): []
 - (vii) Specified Interest []
Payment Dates:
 - (viii) Business Day [Floating Rate Convention/Following Business
Convention: Day Convention/Modified Following Business
Day Convention/Preceding Business Day
Convention/other (*give details*)]
 - (ix) Business Centre(s): []
 - (x) Minimum [] per cent. per annum
Rate/Amount of
Interest:
 - (xi) Maximum [] per cent. per annum
Rate/Amount of
Interest:
 - (xii) Day Count Fraction: []
19. **Dual Currency Note** [Applicable/Not Applicable]
Provisions (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of [give details]
Exchange/method of
calculating Rate of
Exchange:
 - (ii) Party, if any, []
responsible for
calculating the
principal and/or
interest due (if not the
Fiscal Agent):

- (iii) Provisions applicable []
where calculation by
reference to Rate of
Exchange impossible
or impracticable:
- (iv) Person at whose option []
Specified
Currency(ies) is/are
payable:

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]
(Condition 5.4)
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption []
Date(s):
 - (ii) Optional Redemption [] per Calculation Amount
Amount(s) of each
Note and method, if
any, of calculation of
such amount(s):
 - (iii) If redeemable in part:
 - (a) Minimum [] per Calculation Amount
Redemption
Amount:
 - (b) Maximum [] per Calculation Amount
Redemption
Amount:
 - (iv) Notice period: []
21. **Regulatory Call** [Condition 5.3 is applicable/Not Applicable]
(Condition 5.3)
(Only applicable for Subordinated Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)
- Minimum Disqualification [[•] per cent. / Any part of the aggregate
Amount: outstanding nominal amount / Not applicable]
22. **Put Option** [Applicable/Not Applicable]
(Condition 5.7)
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption []
Date(s):
 - (ii) Optional Redemption [] per Calculation Amount
Amount(s) of each
Note and method, if
any, of calculation of
such amount(s):
 - (iii) Notice period: []
23. **Final Redemption Amount of each Note** [[] per Calculation Amount/other/see Appendix]
- [Include the following in cases where the Final Redemption Amount is Index-Linked, Credit-Linked or other variable-linked]* *[If the Final Redemption Amount is linked to an underlying reference or security, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply.]*
- (i) []
[Index/Formula/
variable]: *[give or annex details]*
 - (ii) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [Not applicable / Name and address of calculation agent]
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
 - (iv) Determination Date(s): []
 - (vi) Payment Date: []
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or []

otherwise disrupted:

(vii) Minimum Final [] per Calculation Amount
Redemption Amount:

(viii) Maximum Final [] per Calculation Amount
Redemption Amount:

24. **Early Redemption Amount**
(Condition 5.2)
(Condition 5.3)
(Condition 5.4)

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes:
(Condition 1.1)
(Condition 2.4 to 2.8)

[Bearer Notes:]

Temporary Global Note exchangeable for a
Permanent Global Note] [Permanent Global
Note] which is exchangeable for Definitive
Notes in the limited circumstances specified in
the Permanent Global Note]

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

[Permanent Global Note exchangeable for
Definitive Notes in the limited circumstances
specified in the Permanent Global Note]

[Registered Notes:]

[Global Note Certificate registered in the name
of a nominee for a common depository for
Euroclear and Clearstream, Luxembourg]

[Global Note Certificate registered in the name
of a nominee of one of the ICSDs acting as
common safekeeper for Euroclear and
Clearstream, Luxembourg (that is, held under
the New Safekeeping Structure (NSS))]

**Notes may only be issued pursuant to this option in amounts equal to the Specified Denomination or integral multiples thereof*

26. New Global Note Form: [Yes] [No]
27. Relevant Financial Centre(s) or other special provisions relating to Interest Payment Dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not Interest Period End Dates, to which items 15(ii), 16(v) and 18(ix) relate]
(Condition 4.11)
(Condition 8C.3)
28. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
(Condition 1.2)
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
(Condition 1.7)
30. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
(Condition 5.1)
31. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition] apply]
32. Consolidation: Consolidation [Not] Applicable
33. Other final terms: [Not Applicable/give details]

(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
35. If non-syndicated, name of Dealer: [Not Applicable/*give names*]
36. U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
37. Additional selling restrictions: [Not Applicable/*give details*]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the Luxembourg Stock Exchange's regulated market of Notes described herein pursuant to the €25,000,000,000 EMTN Programme of Banco Popolare Società Cooperativa.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: _____
Duly authorised

Part B
Other Information

1. **ADMISSION TO TRADING**

- (i) Admission to trading: [Application has been made for the Notes to be admitted to trading on [•] with effect from [•].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: []

2. **RATINGS**

Ratings: The Notes to be issued have been rated:

[S & P: []]
[Moody's: []]
[[Fitch: []]
[[Other]: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

(Insert the following where the relevant credit rating agency is established in the EEA:)

*[[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered]/[has applied for registration although notification of the corresponding registration decision has not yet been provided by the relevant competent authority]/[is neither registered nor has it applied for registration] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]*

(Insert the following where the relevant credit rating agency is not established in the EEA:)

[[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA [but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered] / [but is certified] / [and is not certified under nor is the rating it has given to the Notes endorsed by a credit rating agency established in the EEA and registered] under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no

person involved in the offer of the Notes has an interest material to the offer."]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

4. **[REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer]

(See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[(ii)] Estimated net proceeds:]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses:]

([If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5. **[Fixed Rate Notes only – YIELD**

Indication of yield:]

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

6. **[Floating Rate Notes only – HISTORIC INTEREST RATES**

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

7. **[Index-Linked Or Other Variable-Linked Notes Only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an

index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

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

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

9. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

Intended to be held in a manner [Yes/No]
which would allow Eurosystem

eligibility:

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper – insert this text for Bearer Notes] [to be registered in the name of a nominee of one of the ICSDs acting as common safekeeper – include this text for registered notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][Include this text if "Yes" selected in which case the Notes must be issued in NGN form]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream, Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial []
Paying Agent(s):

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

10. **FURTHER INFORMATION RELATING TO THE ISSUER**

The following information relating to the Issuer is provided pursuant to Article 2414 of the Italian Civil Code.

(i) Objects: The objects of the Issuer, as set out in Article 4 of its bylaws, are as follows:

The objects of the Issuer are to collect and maintain saving funds and issue loans and credit, in its various forms, to the benefit of both its registered shareholders and non-shareholders, guided by the principles underlying Cooperative Credit.

Moreover, the Issuer can perform all banking, financial and insurance activities, transactions and services as permitted to lending institutions by current regulations, and for which prior regular authorization was obtained, including the establishment and management of open or closed-end pension funds, and other activities permitted for credit institutions including bond issues, extension of financing facilities governed by special acts, and the sale and purchase of receivables (factoring).

The Issuer can carry out any other transaction instrumental, or in any case linked, to the achievement of the company mission. In order to accomplish its objectives, the Issuer can join associations and consortia.

In its capacity as bank exercising a management and coordination control over the banking group Gruppo Bancario Banco Popolare, pursuant to art. 61, paragraph four, Law Decree n. 385 of September 1st, 1993, the Issuer issues directives to the companies of the Group, also to implement instructions imparted by the Bank of Italy

and for the sake of the Group's stability.

- (ii) Registered office: Piazza Nogara 2, 37121 Verona, Italy
- (iii) Company registration: Registered at the Companies' Registry in Verona under registration number 03700430238.
- (iv) Amount of paid-up share capital and reserves: €[•], consisting of [•] ordinary shares with a nominal value of €[•] each.
- (v) Amount of reserves: €[•]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Holder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of a NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Exchange of Temporary Global Notes

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

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms, in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

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

If:

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

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 25 June 2012 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Interests in a Permanent Global Note will be exchanged (subject to the period allowed for delivery as set out in paragraph (a) below), in whole but not in part only and at the request of the bearer hereof, for Definitive Notes and/or (if so specified in the Final Terms) Registered Notes, (i) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) any of the circumstances described in Condition 6 occurs.

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

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

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

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

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

- (i) individual Note Certificates in registered form ("**Individual Note Certificates**");
or
(ii) one or more global note certificates ("**Global Note Certificate(s)**"),

in each case as specified in the relevant Final Terms, and references in this Base Prospectus to "**Global Note Certificates**" shall be construed as a reference to Unrestricted Global Note Certificates and/or Restricted Global Note Certificates.

Each Note represented by a Global Note Certificate will either be: (a) in the case of a Certificate which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depositary; or (b) in the case of a Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If the relevant Final Terms specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Note Certificate exchangeable for Individual Note Certificates

If the relevant Final Terms specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Global Note Certificate", then:
 - (a) if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
 - (b) in any case, if any of the circumstances described in Condition 6 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Clearing System Accountholders

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system

(as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note or Global Note Certificate and in relation to all other rights arising under the Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or Global Note Certificate.

Conditions applicable to Global Notes and Global Note Certificates

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

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

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Meetings: The Holder of a Global Note or the registered Holder of a Global Note Certificate shall (unless such Global Note or Global Note Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders and, at any such meeting, the Holder of a Global Note shall be treated as having one vote in respect of each minimum Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such holder's holding, whether or not represented by a Global Certificate).

Cancellation: Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Note.

Purchase: Notes represented by a Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Exercise of put option: In order to exercise the option contained in Condition 5.7 (*Optional Early Redemption (Put)*) the bearer of the Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial Redemption: In connection with an exercise of the option contained in Condition 5.6 (*Partial Redemption*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Partly Paid Notes: While any Partly Paid Instalments due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or a Global Note Certificate representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes or Individual Note Certificates (as the case may be). If any holder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to such holder in respect of them.

Notices: Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Business Day: Notwithstanding the definition of "Business Day" in Condition 4.11 (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, " Business Day" means:

- (a) if the currency of payment is euro, any day which is a target settlement day and a day on which dealings in foreign currencies may be carried on in each (if any) additional financial centre; or
- (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) additional financial centre.

USE OF PROCEEDS

The net proceeds of any Notes will be used by the Issuer in the ordinary course of its banking operations.

BUSINESS DESCRIPTION OF BANCO POPOLARE SOCIETA' COOPERATIVA

Incorporation

Banco Popolare Società Cooperativa (the "**Issuer**" or "**Banco Popolare**") was incorporated on 1 July 2007 as a result of the merger (the "**Merger**") between Banco Popolare di Verona e Novara società cooperativa a responsabilità limitata ("**BPVN**") and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa ("**BPI**"), which came into effect on 1 July 2007. Banco Popolare, together with its subsidiaries, is referred to as the "**Banco Popolare Group**" or the "**Group**".

Name and Legal Form of the Issuer

Banco Popolare Società Cooperativa is incorporated as a cooperative bank under enrolment number 03700430238 at the Register of Companies at the Chamber of Commerce of Verona and operates subject to Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**").

Corporate Registered and Head Offices

Banco Popolare has its registered office and head office in Verona, Piazza Nogara 2, 37121, Italy, with telephone number +39 045 867 5537. Central and administrative functions are equally distributed between Verona and Lodi. The administrative and institutional functions and the retail head office are based in Verona, while the corporate head office is based in Lodi.

Term of the Issuer

The Issuer's term, pursuant to the provision of Article 2 of the Issuer's Articles of Association (the "**Articles**"), ends on 31 December 2040, subject to extensions under Italian law.

Corporate Purposes

The object of the Issuer is to collect saving funds and issue loans and credit, in its various forms, for the benefit of both its shareholders and non-shareholders, inspired by the principles of cooperative credit (*credito cooperativo*). The Issuer may undertake all banking, financial and insurance activities, transactions and services in compliance with applicable provisions of law and subject to the prior obtainment of prescribed authorisations, including the establishment and management of open or closed-end pension funds, and other activities permitted for credit institutions including bond issues, the extension of financing facilities governed by special laws, and the sale and purchase of corporate credit (*factoring*).

The Issuer may undertake any other transaction that is instrumental or in any case connected to the achievement of its corporate object. In order to achieve its objectives, the Issuer may join associations and consortia.

The Issuer, in its capacity as bank exercising management and coordination control over the Banco Popolare Group, pursuant to Article 61, paragraph four, of Legislative Decree No. 385 of 1 September 1993, issues directives to the companies of the Group,

including for the purpose of implementing instructions issued by Supervisory Authorities and in the interest of Group stability.

Share Capital of the Issuer

The share capital is variable, and represented by ordinary shares without nominal value, which may be issued without limit. The shares shall be registered.

The issue of new shares may be resolved:

- (a) extraordinarily, by an Extraordinary Shareholders' Meeting, pursuant to applicable law, with the majority and quorum requirements established by the Articles of Association with respect to the formation and resolutions of the Extraordinary Shareholders' Meeting;
- (b) ordinarily, by the Board of Directors pursuant to applicable laws.

As long as the Issuer's shares are listed on regulated markets, the Board of Directors shall not issue new shares pursuant to point (b) above (second paragraph, of the Article 7 of the Articles).

The Extraordinary Meeting, pursuant to Articles 2443 and 2420-*ter* of the Civil Code, may grant the Board of Directors the powers to increase the share capital or to issue convertible bonds pursuant to applicable laws, within the limits set forth in the second paragraph, letter n) of Article 33.2 of the Articles.

Within the limits set by applicable laws and subject to any prior necessary administrative authorisation, the Issuer may issue classes of shares with different rights from ordinary shares, establishing their content. All shares belonging to the same class grant equal rights.

Shares are indivisible. In the event of joint share ownership, the rights of joint holders must be exercised by a common representative in accordance with applicable legislation.

On 30 January 2010, the Extraordinary Shareholders' Meeting resolved to give the Management Board, pursuant to art. 2420-*ter* Civil Code, the power to issue bonds convertible into shares of common stock of the Company, in one or more tranches, no later than a maximum of two years from the date of the resolution, subject to the favourable opinion of the Supervisory Board, up to a maximum amount of Euro 1 billion, with consequent capital increase to cover the conversion for a maximum total amount of Euro 1 billion, including the share premium, by issuing ordinary shares of the Company without par value, with regular rights, featuring the same characteristics as those outstanding on the issue date, to be used exclusively for the conversion of convertible bonds, to be pre-emptively offered in option to all entitled shareholders, giving the Management Board the power to fix the nominal price, the subscription price and the rights ratio of the convertible bonds, the coupon amount to be assigned to the instruments, the share conversion ratio, the events and adjustment procedures regulating the conversion ratio, the settlement of convertible bonds, the conversion and redemption procedure and the duration, the amount of the capital increase to be used for the conversion, that in any case as a whole may not exceed the maximum amount of Euro 1 billion, the number of shares to be issued, and any other procedure, term and condition

regulating the issue and offer of the convertible bonds and the subsequent underlying capital increase.

On 2 February 2010 and 25 February 2010, in keeping with the powers assigned to the Management Board under the resolution of the Extraordinary Shareholders' Meeting on 30 January 2010, as put on record by the notary public Mr. Marco Porceddu Cilione of Verona on 31 January 2010, under the registration n. 54089, record n. 19038, the Management Board resolved to issue 162,014,061 convertible bonds having a face value of Euro 6.15 each, for a total nominal amount of Euro 996,386,475.15, to be preemptively offered in option to eligible investors, who at the beginning of the subscription period prove to be shareholders of the Company and/or holders of the convertible bonds under the "Banco Popolare Prestito Obbligazionario Convertibile subordinato ("TDF") 4.75% 2000/2010 – ISIN IT 0001444360" subordinated convertible bond program, against a ratio of one convertible bond every four Company shares, and of forty three convertible bonds every four-hundred convertible bonds under the "Banco Popolare Prestito Obbligazionario Convertibile subordinato ("TDF") 4,75% 2000/2010 – ISIN IT 0001444360" subordinated convertible bond program. As a result, again in keeping with the above delegated powers, the Management Board resolved a new share issue to cover the bond conversion, for a maximum amount of Euro 996,386,475.15, to be performed even in multiple tranches by issuing maximum 276,774,021 ordinary shares of the Company, without par value, with regular rights, and featuring the same characteristics as those outstanding on the issue date, to be used exclusively for the conversion of the convertible bonds. No. 70.437 convertible bonds have been converted into No. 70.437 ordinary shares determining an increase of the share capital of Euro 3,60 per each share issued.

Having eliminated the indication of the par value as approved by the Shareholders' Meeting held on 11 December 2010, the conversion ratio of the bonds under this provision is fixed at one ordinary share issued against a capital increase of Euro 3.60 every one convertible bond having a nominal value of Euro 6.15 submitted for conversion.

On 26 November 2011, the Extraordinary Shareholders' Meeting approved the increase in the number of shares, up to a maximum 1,500,000,000, to be issued in connection with the "*Banco Popolare 2010/2014 4,75% convertibile con facoltà di rimborso in azioni*" convertible notes. The convertible notes were issued by Banco in 2010 to build up an available capital buffer of up to 1 billion Euro. By increasing the number of shares in connection with a potential early conversion, the resolution met by the shareholders paves the way to a full use of the potential capital benefits obtainable from the convertible notes.

Principal Shareholders

Italian law (Article 30 of the Italian Banking Act) limits the aggregate amount of ordinary shares that can be held by a shareholder in a cooperative bank to a maximum of 0.50 per cent. of the share capital. In the event that this threshold is exceeded, the relevant shareholder must sell the amount of shares in excess of such limit within one year of notice being given by Banco Popolare of the breach of this limit. However, higher limits apply to certain funds and other entities that invest in securities on behalf of groups of investors (*organismi d'investimento collettivo in valori mobiliari*).

In addition, pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended, (the "**Italian Finance Act**") shareholders who hold more than 2 per cent. of the share capital of a listed company are obliged to notify that company and the Italian regulator, CONSOB, of their holding.

As at 20 June 2012 (source: CONSOB), the shareholders holding, directly or indirectly, a stake of over 2 per cent. of the ordinary share capital of Banco Popolare are as follows:

	% of the Ordinary Shareholder Share Capital
Norges Bank	2.181
Blackrock Inc	3.533

Corporate Governance System

The corporate governance of Banco Popolare is based on a "traditional" corporate governance system based on a Board of Directors and a Board of Statutory Auditors.¹

The Board of Directors governs the company's management with the help of an Executive Director, the Chief Executive Officer and the Management Team, which includes a General Manager and Co-General Manager.

The Executive Committee, which is vested with a series of delegated powers in respect of day-to-day operations, consists of six members, including by right the Chairman of the Board of Directors, the two Vice Chairman and the CEO. The remaining two members are chosen from among the Company's executive directors.

The Board of Statutory Auditors is appointed by the Shareholders meetings based on a list of nominees. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

Board of Directors

Pursuant to Article 29.1 of the Articles of Association, the Management of the Company is exercised by the Board of Directors appointed by the Shareholders' Meeting.

The Board of Director is made up of 24 members, of whom one is drawn from the minority list, if presented. Out of the appointed directors, no less than 3 and no more than 4 are chosen from among the key managers of the Company (2 executive directors); at least 3 must meet the independence requirements pursuant to article 148, third paragraph, of Legislative Decree n. 58 of 24 February 1998; at least 10 must meet the independence requirements under the Corporate Governance Code of Borsa Italiana S.p.A.

¹ On 26 November 2011, the Extraordinary and General Meeting of the Shareholders of Banco Popolare approved the amendments to its by-laws (Statuto) that enable the transition from the dualistic system of corporate governance (i.e., Supervisory Board and Management Board) to the traditional corporate governance system based on a Board of Directors and a Board of Statutory Auditors.

The composition of the Board of Directors gives due consideration to the traditional franchises of the banks which gave rise to Banco Popolare (Verona, Lodi and Novara). 16 directors - other than the Company executives - who may not be vested with delegated powers, nor carry out functions associated with the company management, except for participating in the Executive Committee, are chosen from among the shareholders residing in the three geographical franchises according to the following criteria:

- (i) 6 from among shareholders residing in the provinces of Veneto and Emilia Romagna, other than Parma and Piacenza (the "**Verona Franchise**");
- (ii) 6, of whom 1 residing in the provinces of Lucca, Pisa or Livorno, from among shareholders residing in the provinces of Lombardy (other than Pavia), Tuscany and of Parma, Piacenza, Genoa and La Spezia (the "**Lodi Franchise**");
- (iii) 4 from among shareholders residing in the provinces of Piedmont, Aosta Valley, Latium, Southern Italy, the Islands and of Pavia, Savona and Imperia (the "**Novara Franchise**").

The Chairman of the Board of Directors is elected by the Shareholders' Meeting from among shareholders residing in any one of the Verona Franchise, Lodi Franchise or Novara Franchise, in as much as the territorial constraint in force until now no longer applies. The 2 Vice Chairmen are chosen from among non-executive directors and drawn from the Chairman's same list from among shareholders residing in one of the three franchises, **provided that** the Chairman and the Vice Chairmen shall each come from a different franchise.

The Board of Directors is set up three Board committees, made up by a majority of independent directors pursuant to the Corporate Governance Code of Borsa Italiana S.p.A.: the Internal Audit and Risk Committee, the Compensation Committee, and the Nominating Committee.

The Board of Directors of Banco Popolare is currently composed of the following members:

Office	Name	Principal Activities outside the Issuer
Chairman	Carlo Fratta Pasini (*)	Vice Chairman Credito Bergamasco S.p.A. Director Azienda Agricola Corte Grande s.s Director Azienda Agricola Zuliani Soc. Semplice Limited Partner Il Torrione S.a.s. di Anna Maria Fratta Pasini
Vice Chairman	Guido Duccio Castellotti (*)	—
Vice Chairman	Maurizio Comoli (*)	Director Fondiaria SAI S.p.A. Chairman of the Board of Statutory Auditors Bastogi S.p.A. Statutory Auditor Brioschi Sviluppo Immobiliare S.p.A.

Office	Name	Principal Activities outside the Issuer
		Statutory Auditor Loro Piana & C. S.p.A. Chairman of the Board of Statutory Auditors Mirato S.p.A. Chairman of the Board of Statutory Auditors De Agostini Scuola S.p.A. Statutory Auditor PPG Univer S.p.A. Chairman M.A.M. S.r.l. Chairman Chiarante S.r.l. Chairman Centro Interportuale Merci- Cim S.p.A. Director Crosstec S.r.l. Chairman of the Board of Statutory Auditors Sirtec Nigi S.p.A.
Director	Alberto Bauli	Director Banca Aletti & C. S.p.A. Chairman Bauli S.p.A. Sole Director Arka S.r.l. Sole Director Motta S.r.l. Sole Director Immobiliare Gravon S.r.l. Director Istituto di Certificazione Etica nello sport S.p.A.
Director	Angelo Benelli	Limited Partner Immobiliare Agricola Primavera S.a.s. di Benelli Paola Rachele e C.
Director	Pietro Buzzi	C.E.O. Buzzi Unicem S.p.A. Director Buzzi Unicem Investimenti S.r.l. Director Buzzi Unicem International S.r.l. Director Dickerhoff AG C.E.O. Fratelli Buzzi S.p.A. Director IHB Lux SA Chairman Presa S.p.A. Director Unicalcestruzzi S.p.A. Chairman Fimedi S.p.A. Director Presa International B.V. Director Alamo Cement Company Director Fresit N.V. Director Rc Lonestar Inc. Director Corporación Moktezuma, SAB de CV
Director	Giovanni Francesco Curioni	Director Assigeco Green Energy S.r.l. Chairman Assigeco Real Estate S.r.l. Chairman and Managing Director Immobiliare Famiglia Curioni S.r.l. Chairman and Managing Director R.I.B Reinsurance International Brokers S.p.A. Chairman U.C.C S.r.l.

Office	Name	Principal Activities outside the Issuer
Director	Gianni Filippa	Chairman PPG Univer S.p.A. C.E.O. Univer Italiana S.p.A. Chairman Alfa Colori S.r.l. Chairman S.V.A.L.T.U.R. S.r.l. Chairman Color Expert S.r.l. Director S.G.P. S.r.l. Director Edilcoloranti G. Filippa & C. S.n.c. Director Prà di Riva Soc. semplice Chairman Società Ciclistica Valsesiana
Director	Andrea Guidi	C.E.O. Impresa Costruzioni Guidi Gino S.p.A. Director Co.im.e. S.r.l. Director Costruire S.r.l. Director I.m.a.p. S.r.l. Director Lucca Fiere & Congressi S.p.A.
Director	Maurizio Marino	Director Aeroporto Valerio Catullo di Verona Villafranca S.p.A.
Director	Enrico Perotti	—
Director	Gian Luca Rana	C.E.O. Pastificio Rana S.p.A. Chairman Società Athesis S.p.A. Director Verfin S.p.A. Chairman Perinnovare S.p.A. Director Società Italiana Finanziaria Immobiliare SI.FI. S.p.A. Director Mamma Lucia S.A. Director Giovanni Rana Deutschland GmbH Director Rana USA Inc. Director Giovanni Rana (UK) Ltd. Chairman Rana Hispania S.A.U.
Director	Claudio Rangoni Machiavelli	Director T.I.E. S.r.l. Director Casa dell'Agricoltore S.r.l. C.E.O. Azienda Agricola Claudio Rangoni Machiavelli & C. s.s. C.E.O. Corallo s.s. di Claudio Rangoni Machiavelli & C. Director P.r.o.m.o. S.c.r.l. C.E.O. Società Agricola Semplice S. Pellegrino di Claudio Rangoni Machiavelli & C. Director Terrae S.p.A. Director Cooperativa Modenese Essicazione Frutta – Società Agricola Cooperativa

Office	Name	Principal Activities outside the Issuer
		Unlimited Partner Quattro Colonne S.a.S. di Claudio Rangoni Machiavelli & C. Chairman Fondazione Rangoni Machiavelli
Director	Fabio Ravanelli	Vice Chairman and C.E.O. Mirato S.p.A. C.E.O. Mil Mil 76 S.p.A. Sole Director Moltiplica S.r.l.
Director	Sandro Veronesi	Chairman Calzedonia Holding S.p.A. Chairman Calzedonia S.p.A. Chairman Calzificio Trever S.p.A. Chairman Società Agricola Agribel s.s. C.E.O. Falconeri S.r.l. Chairman Intimo 3 S.p.A. Chairman Ti-Bel S.p.A. Chairman Auver S.r.l. Sole Director Savefin S.r.l. C.E.O. CalzedoniaUSA C.E.O. Calzedonia Portugal Lda C.E.O. Alibrent B.V.
Director	Cristina Zucchetti	Director Zucchetti Group S.p.A. Director Apri S.p.A. Director Zucchetti Consult S.r.l. Director Zucchetti S.p.A. Limited Partner Mamoka S.a.s. di Lava e Cuce S.r.l. & C.
Director	Vittorio Coda	-
C.E.O.	Pier Francesco Saviotti (*)	Director Brembo S.p.A. Director F.c. Internazionale Milano S.p.A. Director Moncler S.r.l. Director Nuovo Trasporto Viaggiatori S.p.A. Director Stefanel S.p.A. Director Tod's S.p.A.
Director	Maurizio Faroni (*)	Vice Chairman Banca Italease S.p.A. Director of Credito Bergamasco S.p.A. Director Venice S.p.A. Director Palladio Finanziaria S.p.A.
Director	Domenico De Angelis (*)	—
Director	Maurizio Di Maio	Chairman Agos Ducato S.p.A.
Director	Andrea Sironi	Director Saes Getters S.p.A.

Office	Name	Principal Activities outside the Issuer
Director	Aldo Civaschi	Vice Chairman Compagnie Monegasque de Banque
Director	Tommaso Zanini	Chairman of the Statutory Auditors Forgreen S.p.A. Official Receiver Anson S.r.l. Official Receiver Balrog S.r.l. Chairman of the Board Statutory Auditors Finval S.p.A Chairman of the Board Statutory Auditors Agsm Verona S.p.A Chairman of the Board Statutory Auditors H.P.M. – S.p.A. Official Receiver Immobiliare Belvedere S.p.A. Chairman of the Board Statutory Auditors Multi Greenpower S.p.A. Statutory Auditor Multiutility S.p.A. Official Receiver Partincart S.p.A. Chairman Società Agricola Tendina S.r.l. Chairman of the Board Statutory Auditors Traconf S.r.l. Chairman of the Board Statutory Auditors Unione Radiotaxi Verona Soc.Coop. Auditor Cooperativa Edilizia Castiglione Auditor Dellas S.p.A. Auditor Istituto Cooperativo Case Popolari Società Cooperativa Auditor Quartiere Pindemonte Società Cooperativa Edilizia Auditor Santa Barbara Società Cooperativa Statutory Auditor NLMK Verona S.p.A. Statutory Auditor La Fortezza S.r.l.

(*) Member of the Executive Committee.

The business address of each member of the Board of Directors is Piazza Nogara No. 2, 37121 Verona, Italy.

As at the date of the Base Prospectus, to the knowledge of the Issuer, none of the members of the Board of Directors has any actual or potential conflicts of interest between their duties to the Issuer and their private interests and/or other duties.

Board of Statutory Auditors

The Board of Statutory Auditors, which is made up of five standing and two alternate auditors and carries out its auditing duties in compliance with current regulations and the Articles of Association, is appointed by the Shareholders' Meeting based on list

voting. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

The Board of Statutory Auditors is appointed for the three year term 2011, 2012 and 2013.

The Board of Statutory Auditors is currently composed of the following members:

Office	Name	Principal Activities outside the Issuer
Chairman	Pietro Manzonetto	Statutory Auditor RCS MediaGroup S.p.A. Chairman of the Board of Statutory Auditors CIR S.p.A. Chairman of the Board of Statutory Auditors Humanitas Mirasole S.p.A.
Standing Auditor	Giuliano Buffelli	Chairman of the Board of Statutory Auditors Istituto Centrale delle Banche Popolari Italiane Statutory Auditor F.G.S. Fonderia Ghise e Acciai Speciali S.p.A. Director Italfim S.p.A. Director Longhi & C. Officine Riunite S.p.A. Chairman of the Board of Statutory Auditors Stomer S.p.A.
Standing Auditor	Maurizio Calderini	Chairman of the Board of Statutory Auditors Ada S.r.l. Chairman of the Board of Statutory Auditors Agiur S.r.l. Chairman of the Board of Statutory Auditors IGEAS S.r.l. Statutory Auditor Immobiliare Ardeusis S.r.l. Chairman of the Board of Statutory Auditors Immobiliare Docet S.r.l. Chairman of the Board of Statutory Auditors Immobiliare PALLIUM S.r.l. Chairman of the Board of Statutory Auditors Immobiliare PICTEA S.r.l. Chairman of the Board of Statutory Auditors Immobiliare POLA S.r.l. Chairman of the Board of Statutory Auditors Immobiliare SIAC S.r.l. Chairman of the Board of Statutory Auditors Nuova Casarile S.r.l. Chairman of the Board of Statutory Auditors Quartiere Piave S.r.l.

Office	Name	Principal Activities outside the Issuer
Standing Auditor	Gabriele Camillo Erba	<p>Statutory Auditor Calzi S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Casa di Cura Privata S.Giacomo S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Immobiliare Artigiana di Lodi e Circondario S.r.l.</p> <p>Statutory Auditor Immobiliare Clafamar S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Immobiliare Gerundum S.r.l.</p> <p>Statutory Auditor Line Servizi per la Mobilità S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Stella Bianca S.p.A.</p> <p>Auditor Fenzi S.p.A.</p> <p>Limited Partner Chaiviki S.a.s.</p>
Standing Auditor	Alfonso Sonato	<p>Statutory Auditor Banca Aletti & C. S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Arda S.p.A.</p> <p>Statutory Auditor Autostrada del Brennero S.p.A.</p> <p>Statutory Auditor Tecres S.p.A.</p> <p>Statutory Auditor CEP S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Compar S.p.A.</p> <p>Statutory Auditor Faiveley Transport Italia S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Holding Partecipazioni Immobiliari S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Immobiliare Caselle S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Veronafiere Servizi S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Immobiliare Torricelli S.p.A.</p> <p>Statutory Auditor Società Athesis S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Verfin S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Piemmeti S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Quadrifoglio Verona S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Società Editrice-Arena SEA S.p.A.</p>

Office	Name	Principal Activities outside the Issuer
Alternate Auditor	Marco Bronzato	<p>Chairman of the Board of Statutory Auditors Casa di Cura dott. Pederzoli S.p.A.</p> <p>Statutory Auditor TI-BEL S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Verona Porta Sud S.p.A.</p> <p>Statutory Auditor Veronamercato S.p.A.</p> <p>Statutory Auditor Promofin S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Aletti Fiduciaria S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Aletti Gestielle SGR S.p.A.</p> <p>Alternate Auditor Banca Aletti & C. S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Bipitalia Residential S.r.l.</p> <p>Statutory Auditor BP Mortgages S.r.l.</p> <p>Statutory Auditor BPL Mortgages S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Calzedonia Holding S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Calzedonia S.p.A.</p> <p>Statutory Auditor Calzificio Trever S.p.A.</p> <p>Statutory Auditor Catalina S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Duomo Unione Assicurazione S.p.A.</p> <p>Statutory Auditor Erreci S.r.l.</p> <p>Statutory Auditor Holding di Partecipazione Finanziarie Banco Popolare S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Intimo 3 S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Italfinance RMBS S.r.l.</p> <p>Statutory Auditor Italfinance Securitisation Vehicle 2 S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Leasimpresa Finance S.r.l.</p> <p>Statutory Auditor Pami Finance S.r.l.</p> <p>Chairman of the Board of Statutory Auditors Panasonic Electric Works Italia S.r.l.</p> <p>Chairman of the Board of Statutory Auditors TUA Assicurazioni S.p.A.</p> <p>Chairman of the Board of Statutory Auditors Uteco Converting S.p.A.</p> <p>Statutory Auditor Zenato Azienda Vitivinicola S.r.l.</p>

Office	Name	Principal Activities outside the Issuer
		Statutory Auditor 81 Società di Intermediazione Mobiliare Family Office S.p.A.
Alternate Auditor	Carlo Sella	Statutory Auditor A.P.G. S.r.l. Statutory Auditor Biasi Immobiliare S.p.A. Statutory Auditor di Consorzio Canale Industriale Giulio Camuzzoni S.r.l. Auditor Diamant S.r.l. Chairman of the Board of Statutory Auditors EUGAS S.r.l. Chairman of the Board of Statutory Auditors Scaligera Basket Verona S.r.l.

The business address of each member of the Board of Statutory Auditors is Piazza Nogara No. 2, 37121 Verona, Italy.

As at the date of the Base Prospectus, to the knowledge of the Issuer, none of the members of the Board of Statutory Auditors has any actual or potential conflicts of interest between their duties to the Issuer and their private interests and/or other duties.

Territorial Committees and Divisions – Shareholders' Participation

In addition to the criteria underlying the composition of the Board of Directors, the close relationship with the franchise areas is also safeguarded through the divisional structure of the branch network and the creation of the territorial counsel and loan committees. Once the merger of the retail banks has been completed, all branches will be organised based on Territorial Divisions corresponding to one or more traditional franchises (each, a "**Territorial Division**"). The Territorial Divisions set up to coordinate the network are the following four:

- (1) Banca Popolare di Verona Territorial Division, divided into two territorial subdivisions of Banca Popolare di Verona and Banco S. Geminiano e S. Prospero;
- (2) Banca Popolare di Lodi Territorial Division, divided into two territorial subdivisions of Banca Popolare di Lodi and Cassa di Risparmio di Lucca Pisa Livorno;
- (3) Banca Popolare di Novara Territorial Division, divided into two territorial subdivisions of Banca Popolare di Novara and Central-Southern Italy;
- (4) Credito Bergamasco Territorial Division, which, although retaining its own separate juridical status and its status as a listed company, will conduct the business activity in cooperation with the Banco Popolare Commercial Territorial Division and will have a specific territorial division whose appointment will be subject to the approval of the board of directors of Credito Bergamasco S.p.A..

Territorial committees will be set up alongside or within each Territorial Division. These committees, unencumbered by management, strategic direction and third-party representation functions and powers, will be in charge of favoring ongoing ties with the shareholding base and with the traditional franchise areas.

The committees will be made up of members appointed from among shareholders who are prominent figures in the economic, professional and association circles of each specific franchise.

The Board of Directors of Banco Popolare, in compliance with current regulations and in keeping with the instructions of the Supervisory Authority, will determine the operational rules, the term, the specific competencies, the nomination criteria of the members of these Committees, together with any other aspect associated with their creation and operation.

As an additional action to consolidate our model of "banca popolare" with strong territorial ties, shareholders' meetings, both general and extraordinary, can be held in turn in Verona, Lodi and Novara.

Finally, to promote shareholders' participation even further, the number of voting proxies that can be assigned to each shareholder has been raised to two.

Board of Advisers (Collegio Dei Proviviri)

The Board of Advisers is comprised of five members, three standing and two alternate members, appointed from among the shareholders. Members remain in office for a term of three financial years and can be re-elected for further terms.

The Board of Advisers is the board to which registered shareholders or applicants may turn for the interpretation or execution of the Articles and for any other resolution or decision passed by company boards in the field of corporate relations. The recourse to the Board of Advisers is facultative and its opinions are not binding on the parties, nor can the decisions of the Board of Advisers hinder proceedings in a court or with any other competent authority.

The Board of Advisers is currently comprised of the following members:

Position	Name
Standing	Marco Cicogna, Luciano Codini and Giuseppe Bussi
Alternate	Aldo Bulgarelli and Attilio Garbelli

Independent Auditors

Reconta Ernst & Young S.p.A. has been appointed by Banco Popolare as independent auditors of its consolidated and non-consolidated annual financial statements until 31 December 2015 and for the review of its interim consolidated financial statements until 30 June 2015.

Reconta Ernst & Young S.p.A. whose registered office is in Rome, via Po 32, are currently the auditors of the Issuer and are registered in the Special Register (*Albo Speciale*) for auditing companies (*società di revisione*) provided for by article 161 of the Financial Law (repealed by article 43 of Italian legislative decree No. 39 of 27 January 2010 but still in force, pursuant to the latter decree, until the entry into force of the implementing regulations to be issued by the Ministry of Economy and Finance pursuant to such decree) and in the register of accountancy auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of

27 January 1992 ("**Decree No. 88**"). Reconta Ernst & Young S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili. The business address of Reconta Ernst & Young S.p.A. is Via Po, 32, 00198 Rome, Italy.

The historical financial statements as of and for the years ended December 31, 2011 and 2010 of the Bank, incorporated by reference in the Base Prospectus, have been audited by Reconta Ernst & Young S.p.A.

Reconta Ernst & Young S.p.A. did not refuse to issue the audit reports on the financial statements as of and for the years ended December 31, 2011 and 2010, nor the audit reports contained qualifications or disclaimers of opinion.

History of the Group

BPVN

BPVN was formed in 2002 following the merger between Banca Popolare di Verona – Banco S.Geminiano e S.Prospiero Società cooperativa di credito a responsabilità limitata ("**BPV**") and Banca Popolare di Novara Società cooperativa a responsabilità limitata ("**BPN**"). BPV was founded as Banca Mutua Popolare di Verona on 21 June 1867 as the seventh cooperative bank to be incorporated in Italy. Since then, BPV expanded, starting in 1935 with the acquisition of Banca Cattolica Veronese, and with the opening of branches and acquisitions of other lending institutions. In Italy, BPV merged with the Modena-based Banco S.Geminiano e S.Prospiero S.p.A. in 1995 and, in 1997, took control of Credito Bergamasco, a banking institution in the North of Italy, whose shares are listed on the screen-based market of the Italian Stock Exchange Mercato Telematico Azionario (the "**MTA**"). In 1998, BPV shares were admitted to trading on the MTA. On the international front BPV opened a Luxembourg branch in 1991, and in 1994 founded Banca Popolare di Verona International S.A.

BPN was incorporated as a limited cooperative lending company by Royal Decree on 17 September 1871. Since the early 1900s, BPN grew in northern and central Italy through the opening of branches as well as through the consolidation of several small-sized local banks. This continued through to the 1970s, together with the opening of representative offices in various foreign cities (for example, London and Frankfurt). In 1978 BPN shares were admitted to trading on the Italian Stock Exchange. In the 1980s, BPN opened branches outside of Italy (Banca Interpopolare di Zurigo e Lugano), as well as in Central and Southern Italy (the consolidation of Banca Popolare di Pisa, Banca Popolare di La Spezia e Lunigiana, Banca Popolare di Nola, Banca Popolare di Catania and Credito Campano). BPN also acquired equity investments in ancillary lending sectors (INCE, Efibanca, Sogepo and Compagnia Finanziaria Ligure Piemontese), and took control of Banca Popolare di Lecco, Banca Sannitica and Banque de l'Union Maritime et Financière de Paris. In 1991, Banca Novara International S.A. was formed in Luxembourg. In the early 1990s, BPN undertook a reorganisation and rationalisation process, which included the consolidation of INCE and Banca Sannitica and the disposal of a range of equity investments.

BPI

BPI was incorporated in 1864 and was the first cooperative bank established in Italy. It was formed to promote savings by local customers and to provide banking services to support their business activities. BPI was listed on the Mercato Ristretto of the Italian

Stock Exchange in 1981 and has been listed on the MTA since 1998. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c.a.r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa. BPI together with its consolidated subsidiaries (the "**BPI Group**"), has a strong presence in the Italian banking sector with significant operations in several Italian regions. Since 1995, BPI has expanded its operations into most regions of Italy, including Tuscany, Sicily, Liguria and Abruzzo and, as at 31 December 2006, the BPI Group conducted operations through 971 branches in Italy and 2 branches outside of Italy.

The BPI Group's business mainly involves the provision of commercial banking products and services. To complement its traditional banking activities, the BPI Group has, over the past years, expanded the products and services it offers to customers through various fee-generating activities, including retail banking, investment banking, consumer lending, asset management and real estate activities. Individuals, income generating households and small to medium-sized enterprises ("**SMEs**") constitute the core of its customer base.

The Merger

Banco Popolare was incorporated on 1 July 2007 as a result of the Merger between BPVN and BPI.

The Merger and the incorporation of the Issuer were approved at meetings of the respective shareholders of BPVN and BPI, each held on 10 March 2007. The Merger involved: (i) the establishment of Banco Popolare as a new company, with ordinary shares listed on the Italian Stock Exchange; (ii) the contribution of part of BPI's business, comprising the BPI branch network located predominantly in areas where BPI originated and all controlling interests in other banks that constitute the BPI Group, into a newly incorporated joint stock company (Banca Popolare di Lodi S.p.A.) wholly owned by Banco Popolare, with its registered office and administrative head office in Lodi; (iii) the contribution of part of BPVN's business, comprising the BPVN branch network located mainly in the areas where BPVN originated, into a newly incorporated joint stock company (Banca Popolare di Verona – San Geminiano e San Prospero S.p.A.) wholly owned by Banco Popolare, with registered office and administrative head office in Verona; and (iv) finally, the registration with the relevant companies registers (i.e. Lodi and Verona) of the deed of merger with effect from 1 July 2007.

The deed of merger contains all the information required by Italian law for the Merger to take place and to incorporate Banco Popolare as a new company. The contribution of part of the business of BPVN to Banca Popolare di Verona – S. Geminiano e S. Prospero S.p.A. and of BPI to Banca Popolare di Lodi S.p.A. described above took place immediately before the Merger came into effect.

According to Article 2504-bis of the Italian Civil Code, Banco Popolare, as the company resulting from the Merger, has assumed all rights and liabilities of BPVN and BPI as at the date of the Merger and has replaced BPVN and BPI in all their respective contractual relationships and judicial proceedings commenced before the Merger.

Approval of the New Model of Major "Banca Popolare"

On 15 July 2011, the Supervisory Board and the Management Board of Banco Popolare approved the guidelines of the project aimed at the realisation of a new model of major

"banca popolare" at the service of the territory, resulting from the integration process – by way of mergers by incorporation – in Banco Popolare of the following so-called territory banks: Banca Popolare di Verona–S. Geminiano e S. Prospero, Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona and Banca Popolare di Crema. Credito Bergamasco maintains its status as a listed company under the control, direction and coordination of Banco Popolare.

Banco Popolare, maintaining its legal status of cooperative company, takes on the role of operational bank organised on the basis of a territorial model which provides for the creation of divisions in the traditional areas where the Territorial Divisions have been operating and have been representing a reference point for the local communities. In particular, it is envisaged the creation of Territorial Divisions which will be fully integrated within the parent company of the Group and which will be mainly equivalent to the areas of the traditional brands "Banca Popolare di Verona-Banco S. Geminiano e S. Prospero", "Banca Popolare di Lodi", "Cassa di Risparmio di Lucca Pisa Livorno" and "Banca Popolare di Novara", whose operations will also extend to the Central and Southern regions of Italy.

The project is fully consistent with the business plan approved in June 2011, in terms of envisaged objectives of organisational simplification and reinforcement of the retail presence on the territory.

At the conclusion of the project:

- the Territorial Division of Banca Popolare di Verona will have approximately 560 branches located in the North-East (Veneto, Emilia Romagna, Trentino Alto Adige, Friuli Venezia Giulia) and in Lombardy (Mantua) with more than 3,200 employees;
- the Territorial Division of Banca Popolare di Novara will have approximately 590 branches located in the North-West (Valle d'Aosta, Piedmont, western part of Liguria), in Lombardy (Milan and Pavia), in Lazio and in Southern Italy, with approximately 3,200 employees;
- the Territorial Division of Banca Popolare di Lodi will have approximately 580 branches mainly located in Lombardy, eastern part of Liguria, Tuscany and Umbria, with approximately 3,400 employees;
- the Territorial Division of Credito Bergamasco will have approximately 270 branches located in Lombardy (Bergamo, Brescia, Como, Cremona, Monza Brianza, Varese) and in Lazio (Rome), with more than 1,600 employees.

This reorganisation essentially removes all the territorial overlapping among the divisions Banca Popolare di Verona, Banca Popolare di Novara and Banca Popolare di Lodi.

The project confirms the traditional territorial forms of the Group, also providing for a considerable increase in the local branches in comparison to the current model.

The business model regarding high net worth individuals is confirmed and they will continue to be followed by Banca Aletti.

The simplification of the current operational model of the Group will allow to obtain relevant and structural economic benefits, further to those envisaged by the 2011-2013/2015 business plan, in terms of cost savings, higher marketing power, improved local presence, simplification of the internal governance, decisional and operational processes with a relevant reduction in the execution risk connected to the initiatives set forth in the business plan.

On 11 October 2011, the Bank of Italy authorised the merger in line with the schedule which expected the finalisation of the mergers by the end of the fiscal year 2011 with accounting and fiscal effects backdated to 1 January 2011.

On 28 October 2011, the project of merger by incorporation of Banco Banca Popolare di Verona – S. Geminiano e S. Prospero, Banca Popolare di Lodi, Banca Popolare di Novara, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona and Banca Popolare di Crema into Banco Popolare, drawn up pursuant to art. 2501-ter and in accordance with the Italian Civil Code, was registered in the relevant Companies Registries.

The Board of Directors of Banco Popolare dated 29 November 2011 and the Shareholders' Meetings of the Territorial Divisions, except for Credito Bergamasco, approved the merger plans by incorporation of the above mentioned banks in Banco Popolare on the basis of the respective balance sheet as at 30 June 2011.

The incorporations of Banca Popolare di Verona – S. Geminiano e S. Prospero, Banca Popolare di Lodi, Banca Popolare di Novara and Banca Popolare di Crema have been carried out pursuant to the simplified procedure for wholly owned companies pursuant to art. 2505 of the Italian Civil Code. The shares of these companies have been cancelled without any exchange.

In this respect on 24 November 2011 Banco Popolare purchased from the Associazione Popolare Crema per il Territorio the 1,735,412 preference shares of Banca Popolare di Crema held by it, for an amount equal to Euro 11.3 million (partly settled in cash and partly settled in Italian government bonds); therefore, at the time of the merger, Banco Popolare held in aggregate 100 per cent. of the share capital of Banca Popolare di Crema.

On the contrary, the incorporations of Cassa di Risparmio di Lucca Pisa Livorno and of Banca Popolare di Cremona were carried out pursuant to the provisions of art. 2505-bis in the Italian Civil Code.

In this case, while the shares owned by Banco Popolare were cancelled without swap, the shares which were not owned by Banco Popolare were swapped with newly issued ordinary shares, on the basis of an exchange ratio, which does not provide for cash adjustment, of 0.35 ordinary shares of Banco Popolare per one share of Cassa di Risparmio di Lucca Pisa e Livorno and 1.5 ordinary shares of Banco Popolare per one share of Banca Popolare di Cremona.

In this respect it is specified that on 16 December 2011 Banco Popolare purchased from Fondazione Cassa di Risparmio di Lucca Pisa Livorno the 4,800,000 shares of Cassa di Risparmio di Lucca Pisa Livorno held by it, for an amount equal to Euro 7.8 million; following this transaction and other minor purchases, at the time of the merger Banco

Popolare held in aggregate 99.99 per cent. of the share capital of Cassa di Risparmio di Lucca Pisa Livorno.

Finally, in respect of Banca Popolare di Cremona, Banco Popolare held in aggregate, at the time of the merger, 99.662 per cent. of its share capital.

With reference to the merger of Cassa di Risparmio di Lucca Pisa Livorno and of Banca Popolare di Cremona it is reported that minority shareholders were awarded, in addition to the right to withdrawal, the right to sell (the "**Right to Sell**") their shares to the incorporating company for an amount calculated pursuant to the criteria provided for the case of withdrawal by art. 2437-ter in the Italian Civil Code.

In particular, in respect of Cassa di Risparmio di Lucca Pisa Livorno, the Right to Sell was exercised in respect of 4,807,834 shares in aggregate, equal to 0.681 per cent. of the share capital, for a price of Euro 1.63 per share and for an overall amount of Euro 7.8 billion, while no shareholder exercised its withdrawal right; in respect of Banca Popolare di Cremona the Right to Sell was exercised in respect of 4,906 shares in aggregate, equal to 0.0146 per cent. in the share capital, for a price of Euro 7.50 per share and for an overall amount of Euro 36,795, also in this case no shareholder exercised its withdrawal right.

Therefore, in compliance with the merger plans and with the resolution of the Board of Directors of Banco Popolare dated 29 November 2011, Banco Popolare increased its share capital of Euro 474,498.15, by the issuance of 194,890 ordinary shares without nominal value, to be assigned to the shareholders of Cassa di Risparmio di Lucca Pisa Livorno (24,691 shares for an overall amount of Euro 60,115.32) and of Banca Popolare di Cremona (170,199 shares for an overall amount of Euro 414,382.83).

The mergers were effective from an accounting and tax perspective from 1 January 2011; on the contrary, the mergers are legally effective from 27 December 2011, when the merger deeds were registered at the relevant Companies Registries.

On an operative/IT level, the transaction will be completely implemented in the first semester of 2012, limiting to the minimum the effects on the customers.

Group Financial Highlights and Ratios

Financial highlights

Shown below are the reclassified Group's main financial highlights extracted from the audited annual consolidated financial statements of the Issuer for the year ended 31 December 2011 and 31 December 2010 (prepared in accordance with IFRS/IAS).

	31 Dec. 2011	31 Dec. 2010 (*)	Changes
	<i>(millions of Euro)</i>		
Income statement figures			
Financial margin.....	1,802.6	1,854.7	-2.8%
Net fee and commission income.....	1,273.4	1,266.8	0.5%
Operating income	3,816.6	3,719.0	2.6%
Operating expenses.....	2,406.6	2,448.9	-1.7%
Income (loss) from operations.....	1,410.0	1,270.1	11.0%

	<u>31 Dec. 2011</u>	<u>31 Dec. 2010</u> (*)	<u>Changes</u>
	<i>(millions of Euro)</i>		
Income (loss) before tax from continuing operations	560.9	178.0	215.1%
Net income (loss) for the year	(2,257.3)	308.0	

(*) *The figures were reclassified in 2011 to comply with IFRS 5.*

	<u>31 Dec. 2011</u>	<u>31 Dec. 2010</u>	<u>Changes</u>
	<i>(millions of Euro)</i>		
Balance sheet figures			
Total assets	134,126.7	135,155.7	-0.8%
Loans to customers (gross)	97,509.6	98,559.6	-1.1%
Financial assets and hedging derivatives	19,425.2	17,726.3	9.6%
Shareholders' equity	9,037.4	11,527.5	-21.6%
Customer financial assets			
Direct deposits	100,200.0	104,523.7	-4.1%
Indirect deposits	64,396.7	76,235.9(*)	-15.5%
– Assets management	26,511.1	31,444.6	-15.7%
– Mutual funds and Sicavs	7,137.6	9,205.2	-22.5%
– Securities and fund management	7,168.5	9,445.0	-24.1%
– Insurance policies	12,205.0	12,794.4	-4.6%
– Administrated assets	37,885.6	44,791.3	-15.4%
Information on the organisation			
Average number of employees and other staff(**)	19,280	19,872(*)	—
Number of bank branches	2,092	2,119	—

(*) *Restated data for homogeneity comparison.*

(**) *Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.*

Financial and economic ratios and other Group figures

Shown below are the Group's main financial ratios calculated on figures extracted from the audited annual consolidated financial statements of the Issuer for the year ended 31 December 2011.

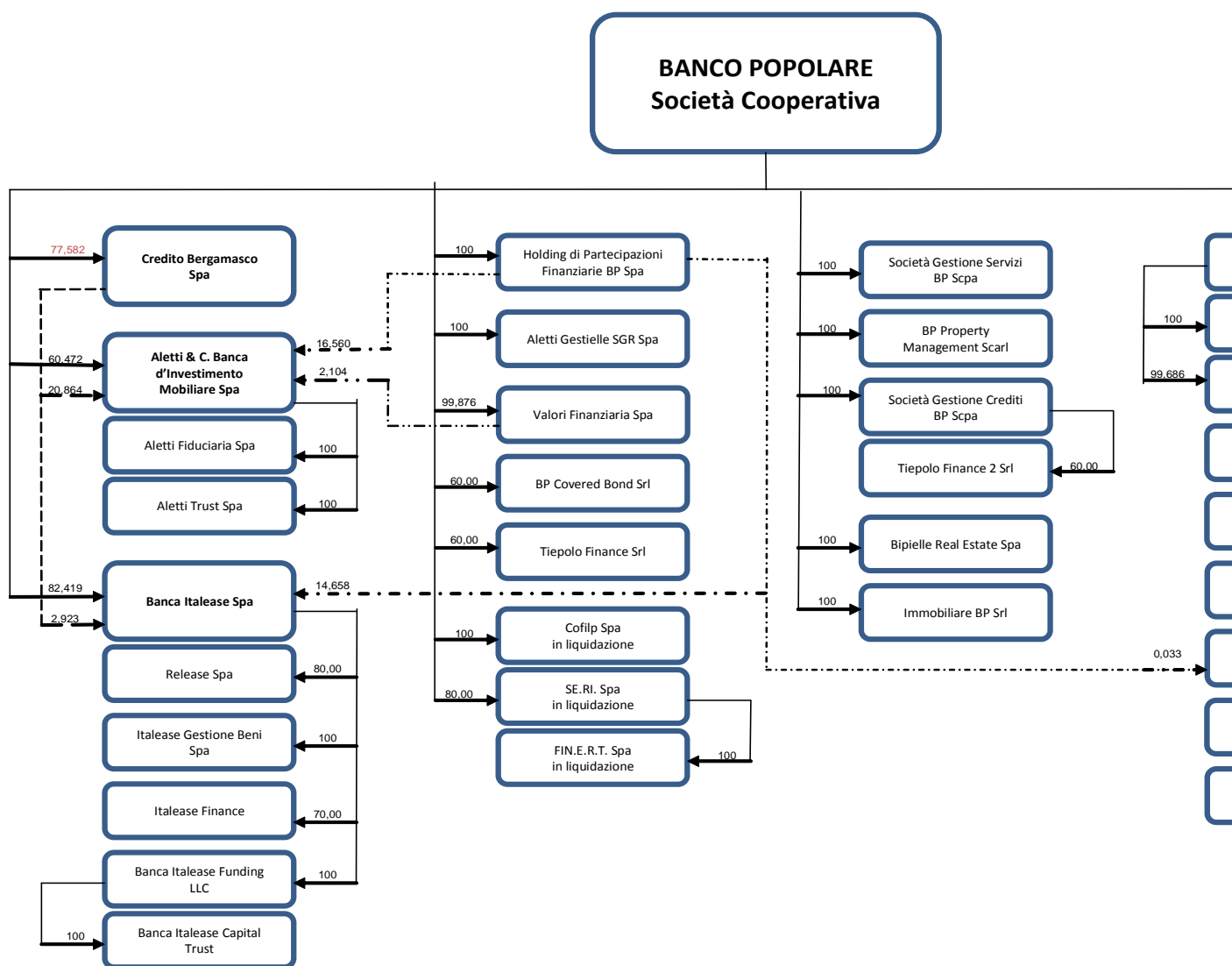
	<u>31 Dec.</u> <u>2011</u>	<u>31 Dec.</u> <u>2010</u>
Profitability ratios (%)		
ROE	-20.0%	2.7%
Financial margin / Operating income	47.2%	49.8%
Net fee and commission income / Operating	33.4%	34.0%
Operating expenses / Operating income	63.1%	65.9%

	31 Dec. 2011	31 Dec. 2010
Operational productivity figures (thousands of Euro)		
Loans to customers (gross) per employee	5,057.6	4,959.7
Operating income per employee.....	198.0	187.2
Operating expenses per employee ^(*)	124.8	123.4
Credit risk ratios (%)		
Net doubtful loans / Loans to customers (net).....	3.93%	3.05%
Net substandard loans / Loans to customers (net)	4.11%	4.59%
Net doubtful loans / Shareholders' equity.....	40.57%	24.98%

^(*) *Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.*

Banco Popolare Group

The structure of the Banco Popolare Group, as at 1 June 2012, is as follows:



Activities of the Banco Popolare Group

Banco Popolare is the operative parent company of the Banco Popolare Group, with functions of guidance, governance and control of the Group, and exercises the functions of direction and coordination.

In its role as operative bank, Banco Popolare is organized according to a model based on territorial divisions operating in the traditional historical areas of presence and reference for local communities. In particular, the Territorial Divisions are fully integrated within the Banco Popolare as parent company and mainly correspond to the territories of the historical brands "Banca Popolare di Verona / S. Geminiano and S. Prospero", "Banca Popolare di Lodi" / "Cassa di Lucca, Pisa, Livorno" and "Banca Popolare di Novara", with this latter operating also in the whole central and southern Italy. Credito Bergamasco S.p.A. is part of the new business model as well, but it remains a distinct legal entity part of the Group.

In its role as parent company Banco Popolare performs, among others, the following functions:

- direction, coordination and control, by determining the strategic plans of the Group, the industrial and financial planning, the definition of the budget and the consolidated business plan, the organizational structure, the administration, accounting and management guidelines, the credit policies and the human resources management, the management and control of the risks arising from the Group's activities single business areas;
- treasury management, coordination and control of the management policies relating to the credit and debt account items of Banco Popolare itself and of the other Group's companies, aimed at optimizing the fund available, identifying the funding operations and strategies for the Group, by means of transactions on the domestic and international markets, in addition to the protection of the liquidity need and its dynamics;
- offering, directly or through its subsidiary companies, control, direction and support services over the activities of the Banco Popolare Group, with a view to facilitating the development of business and enable an effective customer service and, by optimizing operating costs, the pursuit of economies of scale and the best standard service level.

Pending Legal Proceedings

Banco Popolare and Group companies are involved in a series of judicial proceedings of a various nature and legal proceedings deriving from their ordinary course of business.

A summary description is provided below of the main pending proceedings, indicating the amount of the opposing party's claims, if determined.

Area S.p.A. dispute

In July and September 2009, Banco Popolare and Banca Popolare di Lodi S.p.A. ("**BPL**"), along with a further three parties, were summoned, by means of separate action brought by two separate groups of former minority shareholders of Area S.p.A..

In the first proceedings, the 42 plaintiffs requested the sentencing of the defendants to compensate the alleged damages suffered quantified as Euro 13.15 million. The hypothesised liability is said to derive from an alleged agreement between Banca Popolare di Lodi S.p.A. and Banca Intesa S.p.A., which would have led among other things to the exclusion of Area S.p.A.'s minority shareholders, without acknowledging them the payment which would have been due on exercise of the right to withdraw as a consequence of the merger of Area S.p.A. in Bipielle Investimenti S.p.A..

During the second proceedings, the 76 plaintiffs requested the sentencing of Banco Popolare, Banca Popolare di Lodi S.p.A. and Mr. Fiorani – subject to ascertaining the alleged criminal liability of the latter and liability pursuant to Article 5 of Italian Legislative Decree No. 231/2001 of the two Banks - to compensate the claimed damages of Euro 25.2 million, inferring the same profiles illustrated in the previous legal proceedings.

On 20 January 2010 Banca Intesa S.Paolo summoned BPL and Mr. Fiorani in the proceedings filed by Bolis Aurelio plus others regarding the same subject as those cited above to extend the sentence to BPL.

Banco Popolare and Banca Popolare di Lodi, at the current state of knowledge, believe that the claims of the plaintiffs are groundless and consequently they have not envisaged provisions in this connection.

Antonio Aiello and CGI – Compagnia di Gestione e Iniziative S.r.l. dispute

On 31 October 2008, Banca Popolare di Lodi S.p.A. was served a summons to appear before the Court of Rome, upon the initiative of Mr. Antonio Aiello and the company CGI – Compagnia di Gestione e Iniziative S.r.l..

The counterpart claim seeks to obtain ascertainment of the alleged serious liability and compensation of the consequent damages which were supposed to have been suffered by the plaintiffs due to the conduct of Banca Popolare di Lodi S.p.A. in the period 2005 – 2007, in relation to unfounded accusations - also widely covered by the press – against Mr. Aiello.

The sum requested for the compensation of the damages is Euro 10 million.

In a ruling dated 25 August 2010, the Court of Rome stated territorial lack of jurisdiction, referring the case to the Court of Lodi. Furthermore, the counterparty was ordered to pay legal expenses.

On 4 March 2011, the parties have resumed the proceeding before the Court of Lodi.

As the claims in question are considered groundless, no allocation to provisions has been made.

Dispute with Parmalat, in Extraordinary Receivership, against Gian Paolo Zini – BPL summoned as third party

By means of summons dated 21 July 2004, Parmalat Finanziaria S.p.A. ("Parmalat Finanziaria") and Parmalat S.p.A. ("Parmalat") brought legal proceedings against the lawyer Gian Paolo Zini and Messrs. Calisto Tanzi, Stefano Tanzi, Luciano Del Soldato,

Giovanni Tanzi, Giovanni Bonici, Gianfranco Bocchi, Claudio Pessina, Franco Gorreri and Fausto Tonna.

With regard to all the defendants, Parmalat Finanziaria and Parmalat brought action for the compensation of damages (pursuant to Articles 2392, 2393, 2394, 2447, 2448, 2449 of the Italian Civil Code, as well as for contractual liability, or tortious liability pursuant to Article 2043 of the Italian Civil Code), maintaining that the same were, for various reasons, responsible for the difficulties which the two companies of the Group headed up by Calisto Tanzi found themselves in. This led to the request for damages for Euro 2.63 billion in favour of Parmalat and Euro 9.273 billion in favour of Parmalat Finanziaria. During the legal proceedings, the undertaker of the creditor agreements reached, in other words the new Parmalat S.p.A., also brought legal action, associating itself with the claims of the plaintiffs, and re-proposing the same.

By means of third party summons, the lawyer Mr. Zini called forth a series of parties before the court, including the then BPI, requesting that the alleged joint and several liability of the same with respect to the plaintiffs' claims be ascertained.

Accordingly, on 4 January 2005, the then BPI therefore appeared before the court requesting that inadmissibility of the third party summons made by the lawyer Mr. Zini vis-à-vis BPI, due to the lack of the legal requirements and/or due to lack of standing to be sued with regard to the same. BPI, in this connection, then requested the rejection of all the adversary claims in that they are entirely unfounded with regard to fact and law.

At the hearing on 20 September 2006, the Bench, having noted that Parmalat S.p.A. in extraordinary receivership had brought civil action in criminal proceedings for the same matters disputed by the same in the proceedings de quo (thus transferring the civil action to criminal proceedings), declared:

1. the dismissal of the civil action brought by the same Parmalat S.p.A. in extraordinary receivership;
2. the suspension of the civil proceedings in question, establishing that they may continue between the undertaker (the new Parmalat S.p.A. which intervened, as mentioned, in the civil action but which had not brought civil action in the criminal proceedings), the defendants and the third parties arraigned (including BPI), only on conclusion of the criminal proceedings. Thus because, in consideration of the prejudicial relationship existing between the two sets of proceedings, the sentence which will decide the criminal proceedings could have relevance and will be opposable in the civil proceedings.

Following the "plea bargain" rulings on 19 and 25 April 2007 relating to the criminal trial of Parmalat against several defendants (not including the lawyer, Mr. Zini), Parmalat Spa in Extraordinary Receivership and Parmalat Finanziaria in Extraordinary Receivership revoked the civil action brought against the defendants who obtained the application of the sentence on request and, with separate appeals, Parmalat Spa in Extraordinary Receivership and Parmalat Finanziaria in Extraordinary Receivership requested the prosecution of the civil proceedings against the same defendants, as well as third parties summoned by the same.

On 4 June 2008, the Civil Court of Parma ruled as follows:

- I it declared the inadmissibility of the motions to continue civil proceedings made by Parmalat Spa in Extraordinary Receivership and Parmalat Finanziaria SPA in Extraordinary Receivership;
- II it ruled for the separation of the actions exercised against the defendants which, with regard to the "Parmalat" criminal proceedings, had reached a plea bargain arrangement, as well as against the third parties summoned by the latter.

Substantially, the Court of Parma authorised the above-mentioned positions to be cancelled from the file, providing from the prosecution of the proceedings limited to the same, while it confirmed the suspension of proceedings against - among others - the lawyer, Mr. Zini and the parties summoned by the same, including the Bank, as the pending criminal proceedings against the same had not been concluded.

The lawyer, Mr. Zini, was sentenced by the Court of Appeal in Bologna to imprisonment of six years and 2 months, and the ruling has been challenged before the Supreme Court where it is pending the order fixing the date of the hearing for discussion.

Without prejudice to the above regarding the defence of Banco Popolare, it is not possible to assess the possible outcome of the trial proceedings: therefore, the Bank's Board of Directors has decided not to make any allocation to the provisions.

Exposure vis-à-vis the Delta Group

In May 2009, Delta S.p.A., parent holding company of the Delta Group, involved in consumer credit, and Sedici Banca S.p.A. (bank belonging to the Delta Group) were subject by the Bank of Italy to temporary management in relation to the serious irregularities which emerged from operations.

The two banks were subsequently placed under extraordinary receivership; the Bank of Italy appointed three administrators (Prof. Bruno Inzitari, Mr. Enzo Ortolan and Mr. Antonio Taverna), while Cassa di Risparmio di San Marino (CRSM), Delta's Parent Company, in turn appointed Messrs. Lusignani and Lamandini and KPMG as its advisors.

The plan drawn up by the advisors of CRSM envisaged the sale of Sedici Banca and part of the Group assets (sales network, insurance network, etc.) to Intesa SanPaolo (ISP). The assets of the operating companies (Carifin, Plusvalore and Detto Factor) were to have served the payment of the debts due to the creditors, mainly represented by the banking system. Further to the due diligence activities, ISP manifested its unwillingness to finalise the purchase; this waiver led to the failure to close the restructuring agreement drawn up by the CRSM advisors.

Following the failure to close the agreement, the administrators (with the collaboration of Price WaterhouseCoopers as advisor) proposed a new plan to the banks which envisaged recourse to Article 182 bis of the Italian Bankruptcy Law, presented to the Bank of Italy on 23 March 2010.

The plan and the restructuring agreement under art. 182 bis of the Italian Bankruptcy Law, mainly envisage: (i) the full payment of all non-participating creditors; (ii)

payment of participating creditors (the banking system) by means of the net collections of the receivables of the financial companies (Carifin, Plusvalore and Detto Factor); (iii) the transfer to ISP of part of the accounts held by Sedici Banca (following the spin-off of Sedici Banca and the cancellation of the same's debt exposure to CRSM) and Bentos Assicurazioni; (iv) the settlement of the receivables of the banks stemming from loans under art. 2447-decies of the Italian Civil Code (including those of the subsidiary Efibanca), by means of the collection of the receivables representing the separate capital, which, according to the plan would enable full payment to be made, and subsequently to use the collections to settle the loan, and pay the other creditors; (v) the establishment of a Newco, for which the participation of the main banks, including Banco Popolare, is required, in order to oversee the receivables collection process, that Newco would perform on the assignment of Carifin, Plusvalore and Detto Factor, assigning, in turn, the task of collecting non-performing receivables to Tarida S.p.A. (a dedicated Delta Group company) and that of managing the collection of performing receivables to River Holding (another wholly-owned subsidiary of Delta).

After finalisation, at the end of 2010, of the ISP's offer regarding the purchase by the same of the above-indicated assets, in the first quarter of 2011, the final restructuring plan and the agreement under art. 182 bis of the Bankruptcy Law have been submitted to the banking system. On 3 May 2011 the Management Board of Banco Popolare has resolved its adherence to the restructuring plan. The restructuring plan was filed with the Court and filed in the Company register in June 2011.

As at 31 December 2011, the Banco Popolare Group was exposed to the Delta Group for a total of Euro 118 million. Within the sphere of these uses, the following are of note:

- two loans under art. 2447-decies of the Italian Civil Code of Euro 21 million;
- a credit facility in favour of the group parent Delta of Euro 40 million.

The position is classified under loans being restructured.

Raffaele Viscardi S.r.l.

The law suit, which presents a petitem of around Euro 46 million, concerns the operations of the Salerno branch of Banca Popolare di Novara with regard to transactions entered into by the bank as part of the granting of agricultural loans to the plaintiff company. In detail, the plaintiff alleges that it was led to subscribe Bank bonds to guarantee the sums disbursed under loan and, therefore, the Bank abused its dominant position violating the norms on the mandate also in conflict with CONSOB regulations. Furthermore, the plaintiffs claim damage due to reporting in the Italian Central Credit Register, an event which caused a false representation of the company's real conditions.

The law suit is at the pre-trial stage.

With regard to this dispute, it was not deemed necessary to make any provision for the time being.

Conca Massimo

Mr. Conca has filed civil action contesting claims made by BPL against him for an amount of Euro 27,500,000.

In a ruling dated 7 January 2011, the Court of Lodi approved the counter claim made by BPL, ordering Mr. Conca to pay the sum of Euro 25,813,049.54 plus interest and expenses, and confirming the order of payment under art. 186 bis of the Italian Civil Procedure Code, which ordered Mr. Conca to pay also the further amount of Euro 2,000,000 plus interest.

On 22nd February 2011, Mr. Conca has challenged the first instance ruling before the Court of Appeal of Milan.

The proceedings have been postponed to 1 April 2014, when conclusions will be drawn.

PotenzaGiovanni

This dispute stems from relations between the former Istituto di Credito delle Casse di Risparmio Italiane ("**ICCRI**") and a company called CRIA and regards the renovation of a large building complex in Milan. In 1984, ICCRI granted various credit facilities, all secured with mortgages. The shareholder of CRIA at the time was Giovanni Potenza, who, due to economic difficulties being experienced by the company, agreed with ICCRI to transfer 87% of the company's shareholding to IMMOCRI (ICCRI's real estate company) by means of a shareholder's agreement.

In 1998, following the sale of the real estate assets of CRIA to the Norman Group, Mr. Giovanni Potenza filed a series of lawsuits to demonstrate the damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI at a price he retained as inadequate, as well as to obtain the annulment of the settlement agreements between the Norman Group and ICCRI and of the relative contract of sale of the assets.

Whilst awaiting the first instance of the civil proceedings, the plaintiff has initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion, attempting, in this case to demonstrate that:

- the sales of the properties was agreed by ICCRI and Norman in his absence;
- the plaintiff had been threatened with bankruptcy if he hadn't have accepted the conditions set by the Bank.

The proceedings were dismissed by the Public Prosecutor.

The Bank won the civil proceedings in the first instance in 2009 and the plaintiff was ordered to pay legal expenses; Mr. Potenza has filed an appeal. The next hearing in which a conclusion will be drawn is set for 12 June 2013. No allocation to provisions is considered necessary.

Accession to the debt restructuring of Fingruppo Holding

In connection with the restructuring of the debts of Fingruppo a letter of intent was executed on July 23, 2008 between Mittel and Equinox Two, on the one part, and Banco Popolare and Banca Monte dei Paschi di Siena, on the other. The aforementioned agreement, together with the ancillary ones entered into on August 2009, provide for the granting by Banco Popolare and MPS of a number of guarantees in favor of Tethys, in its quality of purchaser of Hopa, against any exceptional losses and exceptional right down of assets and liabilities not recorded in the balance sheet of the acquired company. Potential liabilities, deemed expected, which may result from any indemnity claim

against the Banco Popolare in relation to the transferred shareholding in Hopa are covered by specific provisions.

Criminal proceedings relating to Banca Italease

Within the criminal proceeding no. 31638/07 (the so called tranche II Faenza defendant plus others: "*II° Troncone imputato Faenza + altri*") for company crimes, on 3 November 2010, Banca Italease was ordered to pay a fine of Euro 1.9 million and a sum of Euro 64.2 million plus interest was confiscated for administrative liability under Italian legislative decree no. 231/2001.

Both the fine and the confiscation will not be applied until the judgement has become final. The Bank appealed against the ruling.

On 12 April 2011, the Prosecutor's Office of Milan recorded the names of Banca Italease's Executive Committee members on the roll of suspects, regarding the approval in August 2008 of the Bank's half-yearly report, on the assumption of the Bank's liability under Italian law 231/01.

Following the conclusion of preliminary investigations, the Prosecutor's Office of Milan has requested the indictment of Mr. Fabio Innocenzi, being at the time of the contested facts the vice president of Banca Italease, for the offences of false company communication, market manipulation and obstacle to the supervisory functions of the Bank of Italy.

The judge for the preliminary hearing, on the basis of the requests made by the civil parties, summoned Banca Italease, Banco Popolare and Banca Aletti as civilly liable parties.

In the context of the forthcoming hearings the judge for the preliminary hearing will initially examine the defence request to exclude Banca Italease, Banco Popolare and Banca Aletti as civilly liable parties and subsequently the criminal prosecution will decide whether to proceed with indictment or declare that there are no elements to continue the criminal proceedings.

At the hearings on 17 April 2012 and 22 May 2012 the judge for the preliminary hearing (*GUP*), in acceptance of the opposition submitted by the lawyers of Banca Italease, rejected the request for the constitution of a civil action against Banca Italease in its capacity of Responsible Administrator under the Legislative Decree 231/01; instead the judge accepted the request of summons of Banca Italease as the civilly liable party under article 2049 of the Italian Civil Code.

Egerton Capital Limited

By means of a summons dated 14 March 2008, Banca Italease was ordered to appear before the Court of Milan by Egerton Capital Limited (on its own account and behalf of the funds: Egerton Capital European Fund plc, Egerton Capital Partners L.P., Egerton Investment Partners L.P., the Egerton European equity Fund Ltd, The Egerton European Dollar Fund Ltd., CF Egerton Sterling Investment Fund), on a claim of damages of 105 million relating to investments made in Banca Italease shares in the period between January and May 2007. More specifically, the plaintiff based its claim for damages on the alleged illicit conduct of the Bank, namely that it had concealed the fact that a considerable amount of Banca Italease's business activities regarded high-risk complex

derivatives from the market, by circulating financial statements, interim reports and the prospectus dated January 2007 regarding the share capital increase, as well as accusing the same of acting illegally in various ways.

In a ruling dated 22 July 2010, the Court of Milan, upholding a fair part of Egerton's claims, ordered Banca Italease to pay the sum of Euro 79,853,059.31 million as damages, also ordering the same to pay legal expenses of Euro 495,000 million.

Banca Italease filed an appeal and obtained a suspension of the enforcement of the first instance ruling: a petition submitted by the counterparty to overturn the suspension was rejected.

The Court of Appeal upheld Banca Italease's request for the appointment of a court expert for the deposit of a technical evaluation within 30 March 2012. After the filing by the court expert of its technical evaluation (*consulenza tecnica d'ufficio*), the Court of Appeal postponed the judgment to 2014 for the specification of the conclusions.

Banca Italease has made the due allocations to its provisions for legal risks based on the applicable accounting principles, the sum of which was considered adequate also by external legal advisors, who believe that the first instance ruling could be fully overturned.

Kevios

By means of summons served on 18 December 2009, Kevios S.p.A. summoned Banca Italease before the Milan Court, so as to obtain the upholding of the request for compensation of damages of around Euro 65 million, founded essentially on the alleged existence of numerous cases represented therein: abuse of economic dependence, abuse of the law and contractual breach, primarily attributable to the Banca Italease. The Judge, dissolving the reservation made at the hearing on 8 February 2011, upholding the motions filed by Banca Italease, retained the means of evidence requested by the counterparty inadmissible, and that a final decision could be made on the case, setting 19 February 2013 as the hearing at which a final judgement will be passed.

Banca Italease believes that the claims of the plaintiff are entirely groundless and has not made any allocations to provisions in the financial statements.

Wheelrent Car Rental

By means of a summons dated 5 February 2008, the plaintiff company summoned Banca Italease before the court, requesting the invalidity, ineffectiveness and annulment for a number of reasons of derivative contracts (IRS) drawn up between February 2005 and December 2006. Furthermore, the plaintiff company also requested that the reporting of the name of the company in the Central Italian Credit Register to be declared illegitimate and, based on the stated allegations, claimed compensation for all alleged damages incurred, quantified as over Euro 38 million.

Potential risk profiles are currently being assessed with the assistance of external legal counsel.

Bankruptcy of Niccodemi S.r.l.

On 9 June 2011 a summons was served with relation to the bankruptcy petition of Niccodemi S.r.l..

The claim aims to obtain a declaration of nullity of the sale and purchase agreement entered into by and amongst Niccodemi S.r.l. (as seller) and Banca Italease on 30 November 2005 and concerning the real estate complex in Rome named "Centro Commerciale della Bufalotta", and, as a consequence, to sentence Banca Italease to the restitution of such real estate complex, plus any accrued rent pertaining thereto.

The consideration for such real estate complex has been agreed in Euro 108.000.000 including VAT.

On 28 July 2011, Banca Italease, again with relation to the bankruptcy petition of Niccodemi S.r.l., was served another summons regarding a request for the payment of a cash amount for the property in question, on the assumption that the return requested in the first summons is not possible, as well as a claim for compensation of damages corresponding to tax debts payable by the bankrupt company as a consequence of the alleged unlawful loan disbursed, of Euro 51,945,847.31, as well as a claim for further amounts paid in violation of the par condicio creditorum using the proceeds of the sale.

Whilst awaiting proceedings, potential risk profiles are currently being assessed with the assistance of external legal counsel.

Bankruptcy of Dimafin S.p.A.

By means of a summons served on 12 July 2011 to Mercantile Leasing S.p.A. and Release S.p.A., the bankruptcy estate of Dimafin S.p.A. has requested to the Tribunal of Rome to declare null and void and/or subordinately the annulment of the "termination agreement by mutual consent" entered into on 16 June 2010 between Dimafin S.p.A., Mercantile Leasing S.p.A. and Release S.p.A. relating to the financial leasing agreement concerning a property named "Palazzo Sturzo" in Rome.

As a result of this claim, the Judge has been requested to declare that the original financial leasing agreement is fully in force and effective among the parties and to condemn therefore the defendants, Release S.p.A. and Mercantile Leasing, to restore the availability of the property or, if that is impossible, to pay an equivalent amount in cash and to return all the instalments from the commercial lease of the single properties, received or yet to be received as of 1 July 2010.

Supported by an external legal consultant opinion, Banca Italease considers the risk of losing as remote.

Bankruptcy of SER

By means of a summons served on 18 May 2006, the bankruptcy estate S.E.R. summoned a series of entities including Mercantile Leasing S.p.A. seeking to obtain the declaration of invalidity, and, therefore, the unenforceability against the bankruptcy estate of the transfer deed regarding the property named "Palazzo Sturzo", entered into between S.E.R., at the time not subject to bankruptcy proceedings, and the Partito Popolare, as well as the transfer deeds which followed, including that which was entered into between Mercantile Leasing S.p.A., Dima Costruzioni and Dimafin S.p.A.

(value of the property around Euro 50 billion). The Tribunal of Rome, with judgement rendered on 24 March 2009, fully rejected the claims of the bankruptcy and condemned the bankruptcy to pay for the losing expenses in favour of Mercantile Leasing S.p.A. .

As the appeal has not introduced new and/or significant elements for the reversal of the sentence, the potential passivity has been classified as remote.

Current disputes with the Tax Authorities

Banco Popolare and Group Companies have been subject in the course of the financial year 2011 and in the previous years to various assessments by the Italian Tax Authorities. These activities have concerned the calculation of the taxable income declared and the manner of implementation of the new fiscal regulation in force from time to time with regard to both ordinary transactions and to specific extraordinary transactions. Following these assessments Banco Popolare and its subsidiaries result to be involved in numerous disputes.

The claims advanced by the Italian Tax Authorities by means of assessment notices as at 31 December 2011 are equal to Euro 354 million in aggregate (higher taxes assessed and consequent sanctions). The fiscal requests in terms of higher taxes due which can be assumed from the assessment report are estimated to be worth around Euro 30 million.

As to the above-cited disputes, in almost all cases, compelling and grounded reasons to oppose the claims raised by the Italian Tax Authorities within the proceedings already commenced are deemed to exist. Potential liabilities classified as probable against the notices of assessment received to date amount to approximately Euro 24 million and are fully covered by provisions made in the tax liabilities line item.

Disputes relating to Banca Italease and its direct subsidiaries

As at 31 December 2010, the largest share of the disputes in question referred to the claims made in a series of formal reports on assessment findings and notices of assessment sent to Banca Italease and its subsidiaries Mercantile Leasing S.p.A. and Italease Gestione Beni relating to tax years 2001 to 2009. The Italian Tax Authorities claims resulting from the notices of assessment regarding Banca Italease and its subsidiaries amounted to Euro 603 million, while those resulting from formal reports on assessment findings amount to Euro 810 million (additional taxes and fines, the latter only where shown in the report).

As illustrated in the 2010 Annual report, on 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Italian Tax Authorities for the full settlement of almost all of the above-cited disputes. By formalising such agreement, the parties undertook to settle the individual pending disputes, the individual assessments which have not yet been disputed and the findings of each of the formal reports against payment by Banca Italease and its direct subsidiaries Mercantile Leasing S.p.A. and Italease Gestione Beni of the total amount of Euro 210.1 million as additional taxes (primarily VAT), fines and interest. To cover the charges resulting from the above-cited agreement, specific provisions were made by Banca Italease and its direct subsidiaries in the consolidated financial statements for the fiscal year ending 31 December 2010.

As at 31 December 2010, a dispute involving the subsidiary Banca Italease regarding notices of assessment relating to 1995, 1996 and 1997 had not been settled; these

notices which fully encompass the charges contained in the formal report on assessment findings served on 22 July 1999 by the Tax Police, regard disputes on the accrual accounting of lease instalments paid on signature of contracts (so-called maxi-instalments) and on the commissions paid to the banks backing the lease transactions. The potential liability was Euro 64.8 million (higher IRPEG and ILOR taxes ascertained of Euro 32.4 million plus administrative fines of an equal amount). Even though the ruling of the Regional Tax Commission on 16 September 2005 was fully in favour of Banca Italease, at the end of the last financial year, the appeal submitted by the General Attorney of the State against the above-cited ruling was still pending in the Supreme Court. In a ruling dated 8 March 2011, the Supreme Court definitively rejected the above appeal and therefore the relative potential liability was extinguished.

In December 2011, an agreement with the Italian Tax Authorities was reached also with reference to the formal report on assessment findings served to Mercantile Leasing S.p.A. on 19 October 2010 regarding the application of direct taxes and VAT for tax years 2005, 2006 and 2007. This formal report was not included in the previous agreement with the Italian Tax Authorities dated 15 March 2011. The objections raised by the Italian Tax Authorities were mainly related to the undue application of the facilitated VAT regime. On the basis of evidence gathered the Italian Tax Authorities claimed (i) that the contracts were not to be qualified as lease agreements but rather as title transfer agreements, (ii) the omitted application of taxes in relation to nautical lease agreements where the leased boats had not supposedly been used entirely outside the European Union waters and (iii) the omitted application of VAT in relation to cases in which it was assessed an undue application of extra-territorial VAT regimes of tax exemption.

The agreement has allowed the relevant tax liability to be settled, which in the meantime increased to Euro 22.4 million also as a result of further disputes relating to tax year 2008, by incurring in a total liability of Euro 8.6 million.

As a consequence of the above-cited events, the potential liabilities relating to outstanding disputes against Banca Italease and its direct subsidiaries are considerably lower and limited to those resulting from notices of assessment, amounting to Euro 12.8 million (additional taxes assessed and relative fines). The most important claims regard the following proceedings:

- Banca Italease - Notice of assessment regarding IRPEG and ILOR taxes for tax year 1998 - the claim amounts to a total of Euro 8.8 million. Following a ruling in Banca Italease's favour before the court of first instance, the Regional Tax Commission partially admitted the appeal of the Tax Authority. Therefore, an appeal has been submitted before the Supreme Court by both the parties to the proceedings.
- Banca Italease - Liquidation notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006 - the total claims amount to Euro 3.2 million. Both the court of first instance and the Regional Tax Commission have admitted the appeal submitted by Banca Italease. An appeal against such ruling has been submitted before the Supreme Court by the General Attorney of the State.

Disputes relating to Banco Popolare and its subsidiaries

As regards the other Banco Popolare Group companies, in the course of 2011, the most important claims regard the following proceedings:

- Banco Popolare (as successor to Banca Popolare di Verona e Novara) - tax demands regarding IRAP tax paid to Veneto Region and to Tuscany Region by Banco Popolare di Verona e Novara in tax years 2003, 2004, 2005 and 2006. The claims refer to the application of the ordinary rate of 4.25 per cent. to the net value of production resulting from business activities performed in Veneto, and for 2004 only in Tuscany, instead of the higher rate of 5.25 per cent. and amount to a total of Euro 19.4 million. All such tax demands were challenged. With regard to the various tax years, the dispute is at different stages of progress and different rulings have been made. As regards tax years 2003 and 2004, a ruling of the Provincial Tax Commission totally in favour of Banco Popolare was then followed by a ruling of the Regional Tax Commission, which partially admitted the claims of the Italian Tax Authorities, retaining a rate of 4.75% to be applicable. The outcome is still pending, awaiting the ruling of the Supreme Court. With regard to tax year 2005, the Provincial Tax Commission rejected Banco Popolare's appeal, while in a ruling dated 10 March 2011, the Regional Tax Commission partially admitted the appeal and declared that the additional fines requested were not due. With regard to the tax demand for tax year 2006, with a ruling on 17 May 2011, the Provincial Tax Commission partially admitted the appeal and declared that the additional fines requested were not due.
- Banco Popolare (as successor to Banca Popolare Italiana) - notice of correction regarding registration taxes applicable to the disposal of a business segment in 2004 between Banca Eurosystemi S.p.A. (later incorporated into Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop. The claim resulting from the correction of the value of the business segment amounts to Euro 7.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare (as successor to Banca Popolare Italiana) - notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa and Banca Popolare Italiana as a business segment disposal. The claims amount to Euro 14.5 million. With a ruling on 18 October 2011, the Regional Tax Commission fully ruled in favour of Banco Popolare.
- Banco Popolare (as successor to Banca Popolare Italiana) - notices of assessment and formal reports on assessment findings concerning the alleged non-deductibility for the purposes of IRES and IRAP of costs and value adjustments relating to receivables retained to be related to acts or facts classified as criminal offences - claims amount to Euro 177.5 million. An appeal before the Provincial Tax Commission has been submitted.
- Banco Popolare (as successor to Banca Popolare di Novara) - notice of assessment regarding the omission to apply VAT to custodian bank fees for tax year 2005. The claim amounts to Euro 3.8 million. In December 2011, the Provincial Tax Commission postponed the proceedings for six months.

- Banco Popolare (as successor to Banca Popolare di Novara) - notice of assessment regarding the omission to apply VAT to custodian bank fees for tax year 2006. The claim amounts to Euro 3.5 million.
- Banco Popolare (as successor to Banca Popolare di Verona San Geminiano e San Prospero) - formal report on assessment findings regarding the omission to apply VAT to custodian bank fees for tax years 2007, 2008 and 2009. The claim amounts to Euro 1.5 million.
- Banco Popolare (as successor to Banco Popolare di Verona e Novara) – notice of assessment regarding the omission to apply VAT to custodian bank fees for tax year 2006. The claim amounts to Euro 6.3 million.
- Banco Popolare (as successor to Banco Popolare di Verona e Novara) - formal report on assessment findings regarding the omission to apply VAT to custodian bank fees for tax year 2007. The claim amounts to Euro 1.2 million.
- Banco Popolare (as successor to Banca Popolare di Novara) - formal report on assessment findings regarding the omission to apply VAT to custodian bank fees and the deductibility of certain losses on receivables for tax year 2008. The claim amounts to Euro 3.1 million.
- Banco Popolare (as successor to Banca Popolare Italiana) - formal report on assessment findings regarding the omission to apply VAT to custodian bank fees for tax years 2006 and 2007. The claim amounts to Euro 2 million.
- Banco Popolare (as the successor to Banca Popolare Italiana) - formal report on assessment findings regarding the omission to apply VAT to custodian bank fees for tax years 2007, 2008 and 2009. The claim amounts to Euro 5.8 million.
- Banca Aletti - notice of assessment and notice of claim regarding the alleged omission to apply withholding on dividends envisaged in relation to securities lending transactions pursuant to article 26, paragraph 3-bis, of Italian Presidential Decree no. 602/1973 for tax year 2007. The claim amounts to Euro 44 million. Banca Aletti is currently negotiating with the Italian Tax Authorities aiming at exploring, in order to reduce the tax litigation, the possibility to settle the dispute.
- Bipielle Real Estate - settlement notices for registration taxes regarding the reclassification of a series of property conferrals. The claim amounts to Euro 21.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. Whilst awaiting the Supreme Court appeal, the tax demands have been paid.
- Bipielle Real Estate - settlement notice for registration taxes regarding the reclassification of a business segment conferral involving Reti Bancarie Holding (later incorporated into Banca Popolare Italiana Soc. Coop.). The claim amounts to Euro 13.6 million. The rulings of the Provincial and Regional Commissions have been in favour of the subsidiary Bipielle Real Estate. The Italian Tax Authorities appealed the rulings before the Supreme Court. A counter-appeal has been submitted.

- Bipielle Real Estate - formal report on assessment findings regarding IRES, IRAP and VAT for tax year 2007. The claims amount to Euro 2.3 million.
- Bipielle Real Estate - notices of assessment regarding VAT and IRAP taxes for tax year 2005 served to Basileus S.r.l. (a subsidiary sold in 2008, for which Bipielle Real Estate is fiscally liable for the years prior to the disposal). The claims amount to Euro 11.3 million. In January 2012 the Provincial Tax Commission of Lodi ruled in favour of Bipielle Real Estate, sentencing the Italian Tax Authorities to pay the expenses of the proceedings.
- Aletti Fiduciaria - notice to recover taxes due by the fiduciary company pursuant to the personal liability of the shareholder under article 36, paragraph 3, of Italian Presidential Decree no. 602/1973. The claim amounts to Euro 7.9 million. The Provincial Tax Commission of Varese has fully ruled in favour of Aletti Fiduciaria.
- Credito Bergamasco - formal report on assessment findings regarding the omission to apply VAT to custodian bank fees for tax year 2006. The claim amounts to Euro 2.8 million.
- Aletti Gestielle SGR - notice of application of fines for omitting to pay tax on transaction subject to VAT pursuant to Italian Legislative Decree 471/1997 and, more precisely, for omitting to apply VAT to custodian bank fees for tax year 2006. The claim amounts to Euro 3.4 million.
- Aletti Gestielle SGR - formal report of assessment findings for omitting to pay tax on transaction subject to VAT pursuant to Italian Legislative Decree 471/1997 and, more precisely, for omitting to apply VAT to custodian bank fees for tax years 2007, 2008 and 2009. The claim amounts to Euro 7.5 million.
- Cassa di Risparmio di Lucca Pisa Livorno S.p.A. - In June 2011, Cassa di Risparmio di Lucca Pisa Livorno S.p.A. received a formal notice of assessment issued by the Italian Tax Authorities - Regional Headquarters for Tuscany - Large Taxpayers Office, following inspections regarding tax years 2006 to 2009 for IRES and IRAP. More specifically, the assessment notice contained a single finding relating to the relevance of several losses on receivables. With a view to reducing the outstanding dispute, the Italian Tax Authorities' claims (amounting to Euro 0.3 million in total) have been defined as per article 5-bis of Italian Legislative Decree No. 218/97 presenting a motion for compliance with the formal notice of assessment.
- Immobiliare BP - In November 2011, Immobiliare BP received a formal notice of assessment issued by the Italian Tax Authorities - Provincial Headquarters for Verona, following inspections regarding tax year 2008. More specifically, the assessment notice contained findings relating to competence and correlation of costs deducted from the contribution of real estate assets to the close-ended property fund Eracle. With a view to reducing the outstanding dispute, the Italian Tax Authorities' claims (amounting to Euro 0.3 million in total) have been defined as per Article 5-bis of Italian Legislative Decree No. 218/97 presenting a motion for compliance with the formal notice of assessment.

- Banco Popolare - In June 2011, Banco Popolare received a formal notice of assessment issued by the Italian Tax Authorities - Regional headquarters of the Tax Police of Verona, following inspections regarding tax years 2005, 2006, 2007, 2008 and 2009 regarding specifically economic transactions between the former Banca Popolare Italiana and the Magiste Group. On 19 December 2011, the Italian Tax Authorities - Regional headquarters for Lombardia (large taxpayers office) – notified a formal notice of assessment findings to Banco Popolare in relation to the tax year 2005. The amounts were assessed as follows:
 - for IRES purposes, Euro 52.4 million;
 - for IRAP purposes, Euro 4.5 million.

In light of the nature of the violation, the Italian Tax Authorities assessed the associated fines in the maximum amount possible (i.e. 200 per cent. of the amount of tax assessed) for an amount equal to Euro 104.7 million for IRES and Euro 8.9 for IRAP thus bringing the overall claim of the Italian Tax Authorities to Euro 170.5 million (interests excluded). The findings refer to professional and advisory charges and to the writedown of receivables, which the inspectors claim to be related to offences committed in the attempt to take over Banca Antonveneta by the top management of Banca Popolare Italiana in office at that time, and as such must be considered non-deductible pursuant to paragraph 4-bis of article 14 of Italian Law 537/93. Banco Popolare appealed against the formal notice of assessment findings.

Said findings are considered illegitimate and objectively groundless, both in fact and in law also in light of the enactment in March 2012 of a new piece of legislation which has restricted the scope of non-deductibility of the costs related to the offences to those directly used for the commission of the criminal offence. The same findings were made also in the formal notice of assessment in respect of tax years 2006, 2007, 2008 and 2009. As regards these tax years the potential tax liability arising from the formal notice of assessment is equal to Euro 7 million.

On the basis of the above, and with the support of external legal advice received, Banco Popolare considers the Italian Tax Authorities claims not grounded and that the potential tax liability is possible but not probable. As a result, no provisions were made in the financial statements of Banco Popolare for the year ending on 31 December 2011.

As at 31 December 2011, Italian Tax Authorities' inspections were in progress as regards:

- Banco Popolare (as successor to Efibanca S.p.A.) with regard to a general inspection for direct tax and VAT purposes for the tax year 2008.
- Banco Popolare (as successor to Banca Popolare di Lodi) with regard to an inspection started on 21 December 2011 for direct tax and VAT purposes for the tax years 2008 and 2009.
- Banca Aletti, with regard to tax years 2007, 2008 and 2009 with regards to the share of profits distributed under article 89 of the Italian Presidential Decree 22 December 1986 No. 917 (*Testo Unico delle Imposte sui Redditi*).
- Credito Bergamasco, with regard to a general inspection for tax year 2008 and with regard to a an inspection for VAT on custodian bank fees (in cases where

Credito Bergamasco acted as custodian bank for investment and pension funds) for tax years 2006, 2007 and 2009.

- Leasimpresa with regard to a general inspection for direct tax and VAT purposes for the tax year 2007.

As at the date of this Base Prospectus, taking into consideration the preliminary observations made in the context of the Italian Tax Authorities' reports, grounded and compelling reasons to challenge the claims that will eventually be raised at the end of the inspections are deemed to exist.

Other proceedings

Consob, on 24 February 2011, served to the former managing director, Massimo Faenza, and to Banca Italease – the latter for joint and independent liability - a measure initiating a sanctionatory proceeding for violation of art. 187-ter, first paragraph and 187-quinquies first paragraph, letter a) of the Italian Finance Act. Banca Italease, at the moment, believes that such proceeding could be reasonably dismissed.

Group exposure in Debt Securities and Loans to Sovereign States

The market situation

During 2011 tensions on bonds issued by certain countries in the European Union have taken effect again since the month of March, with a series of downgrading of the rating of Greece, Portugal, Spain and Ireland. Since then, the risk on the Eurozone sovereign debt, except for Germany, Austria, the Netherlands and the Nordic countries, increased significantly, remaining at high levels until the end of year. In particular, in May 2011, the crisis entered a sharper phase coinciding with the difficulty of Greece to refinance its sovereign debt, combined with a period of greater political instability in such country. Moreover, besides the tensions over Greece, new difficulties have presented themselves in Portugal again. As a result, in the same month, European leaders approved a rescue plan for Euro 78 billion together with the International Monetary Fund (IMF). Only as at the end of June tensions temporarily showed signs of reduction, with the approval by the Greek government of an austerity plan dictated by the European Union as a condition to continue its support and for the disbursement of a portion of the Euro 110 billion financing granted. In the following months, the new turbulence over the European sovereign bonds markets involved also Italy: the ten-year Italian BTP-German Bund spread, which indicates the different perception of sovereign credit risk, after hitting a minimum of 121 basis points around mid-April, exceeded 300 basis points during the summer, when the European sovereign debt crisis exploded again, and, later, 500 basis point in November. At the same time, the German Bunds emphasized their status as "safe heaven" compared to sovereign bonds of the other European countries.

Interventions of the European political authorities, such as the European Councils of March and July 2011, designed to redress the crisis of the Euro, failed to tackle the institutional aspects of the crisis (creation of a last resort of lending European monetary authority and a nucleus of European public finance), seen to be the real key to the solution. In late July meeting a new programme of financial assistance to Greece for a total of Euro 160 billion was proposed: Euro 109 billions granted by the IMF and the European Financial Stability Facility ("**EF**SF") and Euro 50 billion by private investors.

Secondly, the conditions for granting the financings (maximum maturities and interest rates) were changed, making the financings more beneficial for the borrowers, included Ireland and Portugal, and the flexibility of the European Stability Mechanism ("ESM") in stemming the risk of financial contagion in the area was increased, also allowing the ESM to purchase sovereign bonds on the secondary market under certain conditions.

Following the outlook of Italy having been already revised negatively in July 2011, in September 2011, Standard & Poor's downgraded from "A+" to "A" the rating of Italy, at the same time also downgrading seven Italian banking groups. Subsequently, in autumn, the rating agencies also downgraded three French banking groups while France outlook was revised negatively. In the meanwhile, in August, the U.S. had lost their triple-A rating.

However, the uncertainty shown in the series of meetings of the European authorities, aimed to overcome - in collaboration with the IMF - the difficulties of the peripheral countries of the Eurozone, made the crisis of European sovereign debt progressively sharper. The possibility to issue eurobonds, as well as the assignment to the ECB of the role as lender of last resort, foundered before the resistance of Germany.

The EU summits of October and December, pending the threat of a spread of the crisis to Italy and Spain, brought a series of improved measures to stabilise the markets and a series of emergency measures to stem the contagion. Among these measures, the strengthening of the EFSF which, with an allocation of Euro 500 billion, has taken a kind of insurance role, and - following the indications of the EBA - the recapitalisation of the European banking system for which the Core Tier 1 capital ratio has been fixed at 9 per cent. from June 2012. Moreover, an agreement with the private counterparties for an application of a haircut of 50 per cent. to the Greek debt in their portfolios was reached. However, in the absence of institutional innovations these measures were not yet sufficient. After the late October 2011 meeting, tensions rose again: the spread between ten-year German Bund and ten-year Spanish Bonos raised up to 469 basis points in mid-November, the spread between the Portuguese sovereign bond and the German Bund raised up to 1163 basis points at the beginning of December and the spread on Greek bonds reached in the same period 3561 basis points. Also the spread on Irish ten-year bonds against the German Bund raised again, albeit in a less sharp way, after its sharp fall - differently than the trend of the other peripheral European country bonds - which had led it from more than 1000 basis points in July to a minimum of 562 basis points at the end of September, hitting in late November 715 basis points.

Following the launch in November 2011 by the ECB of a second repurchase programme for the bonds of the peripheral European countries, in December 2011, as to the measures aimed at stabilising the crisis, it was decided (i) to accelerate the process to make the ESM operative, (ii) to revise the Euro 500 billion limit for the EFSF/ESM in March 2012, (iii) to accelerate the transfer of the resources from the individual member state to the EFSF and (iv) a further involvement of the IMF. It was further agreed an involvement of private creditors in sovereign defaults, establishing the uniqueness of the decisions on the restructuring of the Greek debt made during the meetings of July and October. The powers of the ESM and its decision-making autonomy in emergency situations were enhanced. The results of the summit, once again, did not allay the turmoil on European sovereign bonds and tensions over spreads remained. Only in the second half of December, following the launch by the new Italian government chaired by Mr Mario Monti of the first structural measures of reorganisation and, especially, the

setting up by the ECB of the first auction of long-term financing (maturity date more than 36 months, fixed interest rate and disbursement of the whole amount applied for) did the tensions begin to wane and more order appeared on the markets. At the end of the year, ten-year sovereign bond spreads of peripheral European countries then narrowed, with a particularly good result for Ireland.

Information on the exposures of Banco Popolare Group pursuant to CONSOB Communication No. 11070007 of 5 August 2011

On 5 August 2011 with Communication No. DEM/11070007, CONSOB recalled the document No. 2011/226 of the European Securities Markets Authority (ESMA), published on 28 July 2011, concerning information to be provided in financial reports about expositions held by listed companies vis-à-vis sovereign debt securities and funds (collectively referred to as "sovereign exposures"). On this subject, on 25 November 2011, ESMA published another document aimed at promoting a fair and consistent application of IFRS, highlighting the relevant aspects to be considered in preparing the financial statements as at 31 December 2011.

In accordance with the guidelines provided by the above mentioned documents, below is provided information on sovereign debt securities exposures held by Banco Popolare Group as at 31 December 2011, amounting to Euro 10,137.3 million, thus broken down for each single country (in thousands of Euro):

Countries	Debt securities	Loans	Total
Italy.....	9,751,929	45,034	9,796,963
Spain.....	202,621	-	202,621
Germany.....	24,643	-	24,643
Greece.....	24,193	-	24,193
France.....	22	-	22
Austria.....	8	-	8
Total EU Countries.....	10,003,416	45,034	10,048,450
<i>of which parent company.....</i>	<i>9,900,541</i>	<i>43,985</i>	<i>9,944,526</i>
USA.....	32,076	-	32,076
Switzerland.....	24,000	-	24,000
Hungary.....	22,239	-	22,239
Croatia.....	10,498	-	10,498
Argentina.....	26	-	26
Total other countries.....	88,839	-	88,839
<i>of which parent company.....</i>	<i>26</i>	<i>-</i>	<i>26</i>
Total.....	10,092,255	45,034	10,137,289
<i>of which parent company.....</i>	<i>9,900,567</i>	<i>43,985</i>	<i>9,944,552</i>

In detail, the exposure is so represented:

- Euro 45 million for loans granted to the Italian State;
- Euro 10,092.3 million of debt securities issued by central and local governments, including Euro 10,003.4 million of issuers from EU countries.

Regarding the exposure in debt securities vis-à-vis EU countries, which represents approximately 98.7 per cent. of the total exposure, the following tables provide more detailed information in terms of breakdown by accounting portfolios, residual maturities bands and fair value hierarchy.

Financial assets held for trading

Country	Maturity by 2012	Maturity between 2013 and 2017	Maturity between 2018 and 2022	Maturity exceeding 2022	Total fair value as at 31.12.2011	Total hierarchy fair value		
						= book value	LEVEL 1	LEVEL 2
Italy.....	1,796,715	618,591	90	49	2,415,445	2,415,085	358	2
Greece.....	-	17,437	-	-	17,437	4,918	12,519	-
Other EU Countries.....	14	76	6	2	98	98	-	-
Total.....	1,796,729	636,104	96	51	2,432,980	2,420,101	12,877	2
<i>of which parent company.....</i>	<i>1,720,327</i>	<i>611,171</i>	<i>6</i>	<i>44</i>	<i>2,331,548</i>	<i>2,318,756</i>	<i>12,790</i>	<i>2</i>

Financial assets available for sale

Country	Maturity by 2012	Maturity between 2013 and 2017	Maturity between 2018 and 2022	Maturity exceeding 2022	Total fair value as at 31.12.2011	Net Reserve AFS	Valuation adjustment	Total hierarchy fair value		
								= book value	LEVEL 1	LEVEL 2
Italy.....	718,976	5,424,062	331,260	835,449	7,309,747	(480,165)	-	7,262,131	47,616	-
Spain.....	-	202,621	-	-	202,621	(7,950)	-	202,621	-	-
Greece.....	-	2,459	4,296	-	6,755	-	(25,378)	2,459	4,296	-
Other EU Countries.....	-	24,575	-	-	24,575	10	-	-	24,575	-
Total.....	718,976	5,653,717	335,556	835,449	7,543,698	(488,105)	(25,378)	7,467,211	76,487	-
<i>of which parent cc.....</i>	<i>718,976</i>	<i>5,653,717</i>	<i>335,556</i>	<i>835,440</i>	<i>7,543,689</i>	<i>(488,093)</i>	<i>(25,378)</i>	<i>7,467,202</i>	<i>76,487</i>	<i>-</i>

Financial assets held to maturity

Country	Maturity by 2012	Maturity between 2013 and 2017	Maturity between 2018 and 2022	Maturity exceeding 2022	Total book value as at 31.12.2011	Total fair value	Total hierarchy fair value		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	25,302	1,435	-	-	26,737	26,989	26,989	-	-
Total.....	25,302	1,435	-	-	26,737	26,989	26,989	-	-
<i>of which parent company.....</i>	<i>25,302</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>25,302</i>	<i>25,286</i>	<i>25,286</i>	<i>-</i>	<i>-</i>

Investments in sovereign debt securities vis-à-vis EU countries, overall amounting to Euro 10,003.4 million, in terms of book value, represent approximately 74.8 per cent. of the Banco Popolare Group total portfolio invested in debt securities and are concentrated for around 97,5 per cent. in debt securities issued by the Italian State. Such investments have been allocated in the trading portfolio for about 24.3 per cent. and for about 75.4 per cent. in the portfolio of financial assets available for sale; a marginal share of 0.3 per cent., is allocated in the portfolio of financial assets held to maturity.

About 87,5 per cent. of the total exposition vis-à-vis debt securities has a remaining maturity of less than 5 years.

The valuation methodology followed as at 31 December 2011 can be defined as "market oriented", since almost the whole securities portfolio (over 99 per cent.) has been priced based on the level 1 of the fair value hierarchy, namely on the basis of quotations which can be derived from the markets, without making any adjustment to take into account the particular situation of the markets.

Exposure towards Greece, Portugal, Spain and Ireland

The European nations that have experienced difficulties such as to warrant the financial support of the European Union and of the International Monetary Fund are Greece, Portugal and Ireland.

As at 31 December 2011, the Banco Popolare Group only have exposures towards the Greek "sovereign debt" amounting to Euro 24.2 million in terms of corresponding book value, and a total nominal value of Euro 96 million.

The investment is wholly represented by debt securities that mature before 2020, Euro 17.4 million of which is classified for accounting purposes in the financial assets held for trading category and Euro 6.8 million of which under financial assets available for sale. Note that the Group does not hold Greek government securities classified under investments held to maturity or under receivables and loans.

The fair value of all these securities has been quantified on the basis of market quotations (level 1) or, if such market quotation is deemed as sufficiently liquid or indicative, has been determined through a valuation methodology using market input parameters (level 2).

The fair value measurement of the securities classified under financial assets held for trading has resulted in a charge to the income statement of losses of Euro 37.1 million.

With specific reference to securities classified as financial assets available for sale, given the deterioration of the crisis and the approval of a complex plan of aid for the Greek Government, which also involves private institutional investors, the conditions for the recognition of an impairment were retained to exist already from the 30 June 2011 interim results. Therefore the negative reserves of shareholders' equity resulting from the measurement of the securities in question has been zeroed, with the simultaneous charge to the income statement of value adjustments amounting to Euro 25.4 million.

Market evolution after the end of the financial year 2011

In the first months of 2012, the financial markets have continued in the trend of strong reduction of the level of remuneration requested for Italian government securities.

The joint action of the easing monetary policy, which through the use of the LTRO by the European Central Bank has avoided funding problems of the European financial system, the harshening of Italian tax policies and of the recovery of credibility of Italy at the international level permitted a reduction of the remuneration of Italian government securities.

The perfection of the restructuring proposal of the Greek debt, completed at the beginning of March 2012, has eliminated the short-term funding issues of Greece thus avoiding its probable insolvency and the foreseeable consequences on financial markets.

Investors' attention is currently focused on the issues shown by Portuguese economy: the remuneration curve offered by Portuguese government securities is strongly negative due to the high level of uncertainty in the market for the short-term prospects of Portugal.

Evolution of the Group exposure to sovereign risk after the end of the financial year 2011

After 31 December 2011 the Group exposure to sovereign risk has changed as a result of the continuing strategy of accumulation of short-term Italian government securities, classified for accounting purposes as financial assets available for sale due to the foreseen low turnover and aimed mainly at increasing the contribution of the securities portfolio to the creating of interest margin.

The purchases made since the beginning of the year, mainly of 3-years term duration, determined a net increase in the nominal value in excess of Euro 1 billion compared to the nominal value as at 31 December 2011 thus balancing the reduction of investments in securities occurred in the last quarter of 2011 mainly as a result of maturities. This increase did not alter substantially the maturities structure of the portfolio of Italian government securities held by the parent company of the Group that is due to mature for approximately 50 per cent. of the aggregate nominal amount within 31 December 2013, becoming more than 70 per cent. including maturities falling before 31 December 2014.

Following the decision to participate to the exchange offer of the Greek government, the aggregate nominal amount of the Greek government securities reduced by approximately one third for the application of the high percentage of haircut envisaged in the offer. The reduction of the nominal amount did not have significant impacts on the income statement because the greek debt restructuring was already partially accounted for in the pricing value as at the end of the 2011 financial year.

It has to be noted that the exposure to Spanish government securities remained unchanged and is equal to an aggregate nominal amount of Euro 200 million with a maximum maturity of October 2015.

Future Evolution of Group Risks/Objectives

The Group implements processes for the selection, undertaking, governance and mitigation of the risks originated by banking and financial activities to pursue stable and sustainable growth objectives over time, in line with the general policies established by the Board of Directors and disciplined among other things in the "Group regulations on risk limits".

As regards said policies, the following are of particular note: significant distribution of credit risk, in line with the objective of mainly lending to small and medium enterprises and households, market risk-taking strictly in relation to commercial requirements, close monitoring of liquidity for the purpose of ensuring the ability to promptly deal with expected and unexpected financial requirements as well as the exclusion of risks unrelated to core business activities.

The implementation of the illustrated policies represents an element of guarantee for the Group, which is therefore able to deal more effectively with possible adverse developments in the economic-financial scenario, even if unforeseeable.

There is a significant uncertainty on the evolution of the economic context, with specific reference, in particular, to Italy. This circumstance does render difficult to make a forecast in relation to the evolution of the company's risks and in particular of credit risks. With specific reference to credit risks, the trends relating to the probability of default (in a 12-months period) – that have proved substantially stable in the course of 2011 – are currently uncertain.

An additional worsening of the economic condition may result, systemically, in a deterioration of the solvency condition of enterprises with possible negative drawbacks on the financial statements of the banks.

The objectives of the credit policy of the Group are aimed at, *inter alia*, diversifying the credit portfolio, thus limiting exposure concentration, and at supporting the development of business in its own territory by leveraging the knowledge of its own customers. Those objectives are, therefore, intended to minimise the risk of adverse market conditions. It is worth noting also the commitment of the Group to conduct, in the context of the impact studies defined by the regulators, stress test exercises on credit risk as an instrument to verify over time the resilience of the Group in the event of significant deterioration of the economic framework.

During the second half of 2011 the institutional investors' perception of the risk associated with Italian sovereign debt increased with a consequential increase of the minimum remuneration requested. This trend, together with the new supervisory regulations on liquidity and general international regulations (Basel III), may lead to a risk of competition between banks, sovereign and companies for the refinancing of medium-long term funding, thus having an impact on the profitability of the Group and of the banking system generally. To mitigate this risk, the Group participates in the refinancing transactions implemented by the European Central Bank, which saw an increase, especially towards the end of 2011, both in terms of volumes and duration.

With regard to liquidity risk, the Group continued to pursue the constant improvement of the control instruments available to it. It has sought a better balance of financial maturities through an increase of liquidity reserves and the implementation of new instruments (e.g. covered bonds) which have been used during the second half of 2011 following the crisis of the European sovereign debt and, more generally, of the European banking system. These instruments permitted the Group to maintain, in this significantly uncertain scenario, the liquidity profile at a substantially comfortable level.

With regard to interest rate risk, it is worth noting the full profile of the Group which, in the event of an increase of interest rates, would see an improvement of the interest margins. Considering the very low level of the current market rates, an additional decrease of 100 basis points is highly improbable thus making open the opportunity of an income improvement in the event of the rates going up. However, the scenario described, notwithstanding the positive impact on income, could lead to an increased volatility of interest rates and therefore to an increase of the related risk (in terms of potential market value) both for the trading book and the banking book. The management and continuing control of these risks ensure, also through a maximum limits system, the sustainability of the assumed scenario.

With reference to the integration process of the former Banca Italease Group, it is to note the continuing commitment, in terms of management of the defaulted receivables

portfolio, to reduce the risks with specific regard to those of an high amount (so called "high risk").

Relevant Events During the Year Period

Merger of the "bank of the territory" completed

On 27 December 2011, the mergers into Banco Popolare of Banca Popolare di Verona – S. Geminiano e S. Prospero, Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona and Banca Popolare di Crema took legal effect from a civil law perspective as a result of the registration of the merger deeds with the competent Companies Registers. Pursuant to art. 2504 bis, paragraph 3, of the Italian Civil Code, transactions of acquired companies are recognised in the financial statements of Banco Popolare as of 1 January 2011. The merger effects from an income tax viewpoint shall take effect as of the same date, pursuant to art. 172, paragraph 9, of D.P.R. n. 917/1986.

Revision of Banco Popolare's management structure

On 26 November 2011, the Extraordinary and General Meeting of the Shareholders of Banco Popolare approved the amendments to its by-laws (Statuto) that enable the transition from the dualistic system of corporate governance (i.e., Supervisory Board and Management Board) to the traditional corporate governance system based on a Board of Directors and a Board of Statutory Auditors.

On 29 November 2011, the new Board of Directors in the first meeting after the Shareholders' Meeting held on 26 November, under the chairmanship of Carlo Fratta Pasini, appointed the Chief Executive Officer, Pier Francesco Saviotti, the General Manager, Maurizio Faroni, and the Co-General Manager, Domenico De Angelis. The Board, as provided for by the by-laws (Statuto), also set up the Executive Committee, the Internal Audit and Risk Committee, the Compensation Committee and the Nominating Committee.

At a meeting held on 27 April 2011, Banco Popolare's Management and Supervisory Boards approved the proposed revision of Banco Popolare's organisational structure. With a view to enhancing overall risk management and giving a further boost to the implementation and organisational governance of the business plan, the positions of Chief Risk Officer ("CRO") – in charge of the Risks Department - which oversees risk management in the narrow sense, legislative compliance and legal risk - and Chief Operating Officer ("COO") – in charge of the Operations Department - whose task is to ensure that results are achieved in terms of cost synergies and excellence in terms of the service level offered, were introduced. Furthermore Banco Popolare's Board of Directors of 29 November 2011 has introduced the position of Chief Lending Officer.

For the same reason, and to establish a more balanced and effective relationship with the other Parent departments of the parent of the Group and with banks of the network, the audit, administration & budget and organisation services of the Group have been promoted to a department level; the former two will continue to report to the Managing Director of Banco Popolare, while the latter will report to the COO of Banco Popolare.

The new organisation therefore has a top management structure in which the three chief officers - the two newly appointed positions plus the chief financial officer - and the other departments (Corporate, Retail, Credit, Human Resources, Audit, Administration

& Budget) cover the most important functions, at the same time reducing the number of direct reports to the Managing Director and giving further impulse to organisational governance with regard to the requirements related to implementing the business plan.

Banco Popolare's 2011-2013/2015 business plan is approved

At the end of June 2011, the Management Board and the Supervisory Board of Banco Popolare approved the Group's business plan for 2011-2013/2015.

The guidelines of the business plan are based on growth, confirming and reinforcing the Group's focus on areas in which it has historic presence and envisage important projects to optimise the central offices, territorial presence and commercial models to strengthen the network, to improve commercial effectiveness, to increase the customer base and the Group's profitability.

The main areas for improvement are:

- the reduction of head office resources, and the increase of network resources;
- the elimination of overlaps between the Parent Company and local offices;
- measures to simplify the company structure and the network structure;
- the improvement of network performance, entailing a significant increase in the number of managers, as well as measures to rationalise local presence and innovate service models;
- the increase of the customer base, with exclusive focus of the core segments of retail customers and SMEs.

More specifically, the initiatives envisaged by the Plan for the retail segment seek to maximise network capacity and to expand the customer base, analysing the various reference contexts and also exploiting innovative channels.

Projects focused on growth entail: reviewing the threshold for Small Business-Mid Corporate segmentation; increasing the number of resources dedicated to small business and to the management of affluent customers; introducing a specific Internet product "YouBanking"; cross-selling initiatives with Banca Aletti.

The results of these programmes will lead to the transfer of around 15 thousand business customers to branches, as well as a new service model, following the allocation of companies with a turnover of up to Euro 5 million to the small businesses segment (up until now the threshold was Euro 2.5 million).

The addition of 600 new small business managers and of 300 new affluent customer managers to the network will enable said changes to be adequately managed, as well as sustaining the growth of the branches in the relative socio-economic scenario.

The management of capital and of risk is a fundamental chapter of the Plan. Banco Popolare has already implemented important measures as regards capital adequacy: the issue of a soft mandatory convertible loan of Euro 1 billion, the Euro 2 billion capital increase, the assignment of non-core assets (Factorit, Caripe, foreign banks and other smaller banks); the Plan also envisages a series of transactions that seek to further

improve the ratios with a view to reaching and sustaining the level required by European supervisory regulations, set by the parameters established by Basel III.

In an economic scenario which, although slowly improving, continues to show areas of weakness, the economic-financial performance envisaged in the Plan will benefit from higher operating income, tight control of administrative expenses and the improvement of the cost of credit.

These objectives, as illustrated in the section regarding subsequent events, to which readers are referred for further details, are also confirmed by the plan to incorporate Banco Popolare in Verona, Novara and Lodi and the Cassa di Risparmio di Lucca Pisa Livorno into the Parent Company, launched in mid-July, which will lead to the creation of a new larger cooperative bank (banca popolare).

Reorganisation of the branch network

The guidelines of the 2011-2013 business plan also approved a project to reorganise the commercial networks of Network Banks, by reorganising the distribution network at municipal level.

The project entailed the transfer of 161 branches between the banks of the network, and is due to be completed by the end of this year, by means of a complex series of disposals, conferrals and separations of business segments (the latter under a simplified procedure) between the banks of the Group.

The purpose of regrouping branches under a single brand name at municipal level is to obtain immediate and future benefits, including the elimination of commercial overlaps (for example neighbouring branches belonging to different Group banks), the elimination of inconsistencies in the pricing of similar products and services and a more incisive and competitive sales drive due to the compactness of the distribution network and full brand recognition within the various communities covered.

The project also envisaged the closure of around 85 branches, which represented overlaps at local level.

As already mentioned in the paragraph above, the guidelines of the proposed merger of the Network Banks into Banco Popolare (with the exception of Credito Bergamasco S.p.A.) approved by the Management Board on 15 July have rendered transactions between the companies to be incorporated by Banco Popolare incompatible and no longer necessary.

Instead, the transfer of the following business segments to Credito Bergamasco S.p.A., effective 1 August 2011, is fully in line with the objectives of the business plan:

- (a) transfer of a business segment comprised of 8 branches of Banca Popolare di Crema to Credito Bergamasco S.p.A.;
- (b) transfer of a business segment comprised of 21 branches of Banca Popolare di Cremona to Credito Bergamasco S.p.A.;
- (c) transfer of a business segment comprised of 18 branches of Banca Popolare di Lodi to Credito Bergamasco S.p.A.;

- (d) transfer of a business segment comprised of 4 branches of Banca Popolare di Verona-SGSP to Credito Bergamasco S.p.A.; and
- (e) transfer of a business segment comprised of 1 branch of Banca Popolare di Novara to Credito Bergamasco S.p.A..

During the course of 2012, in line with the objectives described above, it is expected that the reorganisation of the territorial network will be completed within the first half of the year whereas it is expected that within the second half of the year approximately 35 branches will be transferred from Credito Bergamasco to Banco Popolare (and in particular to the respective Territorial Divisions of Banca Popolare di Verona, Banca Popolare di Novara and Banca Popolare di Lodi) and the closing plan of the branches based on the overlapping identified will be completed.

Share capital increase of Banco Popolare concluded

The offer under option period, which began on 17 January 2011, of newly issued ordinary shares of Banco Popolare concluded on 11 February 2011. Overall, 1,121,091,216 shares were subscribed, equal to 99.832% of total shares offered, for a total equivalent value of Euro 1,984,331,452.32. Unexercised rights (equal to 1,349,420 rights, valid to subscribe a total of 1,889,188 shares for an equivalent value of Euro 3,343,862.76) were all sold at auction on 16 February 2011, the first day of offer on the Italian Stock Market.

Following the above transaction, the share capital of Banco Popolare amounted to Euro 4,293,417,736.68 and was comprised of 1,763,464,410 shares.

"Tremonti bonds" fully redeemed

On 14 March 2011, Banco Popolare finalised the full redemption of the financial instruments pursuant to art. 12 of Italian Law Decree 185/08, converted into Italian Law no. 2 of 28 January 2009, the "Tremonti bonds", issued on 31 July 2009 in favour of the Ministry of the Economy and Finance for an amount of Euro 1,450 million. At the same time, the final balance of the interest accrued from 1 July 2010 to 14 March 2011, equal to Euro 86.4 million was paid, recognised in the accounts as a balancing entry of the debiting of equity reserves.

The "Tremonti bonds" were redeemed as a result of the contribution of resources deriving from the strengthening of capital carried out by Banco Popolare, described above.

The contribution provided by the "Tremonti bonds" was significant, as it allowed Banco Popolare, at the most critical phase of the international economic crisis, to continue supporting the economy of local areas, contributing to the continuity of access to credit for retail customers and small and medium-sized enterprises.

Exchange offer on subordinated bonds of Banco Popolare

On 18 May 2011, Banco Popolare launched an exchange offer on the entire amount of three subordinated floating rate "Lower Tier II" bonds, amounting to Euro 1.3 billion (the "**Existing Securities**"), through the exchange of the same with new liabilities (the "**New Securities**") with the same level of subordination, in order to optimise its capital structure, also with a view to Basel III. It was also envisaged that new subordinated

liabilities with the same characteristics of the New Securities and belonging to the same series, could be placed with parties other than those subscribing to the offer (the "**Additional Securities**").

The offer period, which ended on 25 May 2011, was concluded with the allocation under the exchange offer of Existing Securities with a total nominal value of Euro 659.1 million (50.7% of the overall nominal value), of which Euro 48.9 million were securities held by Group companies. More specifically, the "lower tier II callable Step-Up 2016 loan", originally for a nominal value of Euro 500 million, yielded Euro 242.2 million (exchange price 97.75%); the "lower II callable step-up 2016", originally for a nominal value of Euro 250 million, yielded Euro 65.6 million (exchange price 97.25%); the "lower II callable step-up 2017 loan", originally for a nominal value of Euro 550 million, yielded Euro 351.3 million (exchange price 96.25%).

On the basis of this outcome, effective 31 May 2011, Banco Popolare issued, under the EMTN Programme, a new Lower Tier II subordinated bond at a price of 99.259%, with a ten year term that cannot be called before maturity, with a fixed annual coupon of 6.375%, listed on the Luxembourg Stock Market. The nominal value of the New Securities was Euro 660,693,000, including Euro 40,722,000 of Additional Securities and Euro 47,660,000 of securities issued following subscription by Group companies.

The settlement, which took place on 31 May 2011, also envisaged the payment of a cash sum of Euro 24.5 million, for fractions of principal and interest accrued on securities.

The profit resulting from the repurchase of the liabilities conferred under the Exchange Offer, corresponding to the difference between the offer price and the book value of the liabilities, was Euro 17.6 million; transaction costs, recognised in the income statement on the date the transaction was finalised, amounted to around Euro 3 million.

Amendment of the terms and conditions of the soft mandatory convertible notes 2010-2014

The meeting of the organisation of the noteholders of the "Banco Popolare 2010/2014 4,75% convertibile con facoltà di rimborso in azioni" convertible notes (the "**Poc**") held on 16 December 2011 has approved the resolution of the Extraordinary Shareholders' Meeting of Banco Popolare of 26 November 2011 relating to the increase in the number of shares - up to max. 1,500,000,000 - to be issued in connection with the conversion of the Poc and the related amendments to Banco Popolare's by-laws.

The meeting of Noteholders has adopted the resolution with a favourable vote of 97,644,745 noteholders representing 60.3 per cent. of the convertible notes issued.

By increasing the number of shares in connection with a conversion of the Poc permits the Board of Directors to avail itself of a greater number of shares in connection with the conversion or with the potential early conversion. Redemption at maturity may be made, pursuant to the terms and conditions of the Poc, by using, in whole or in part, the shares originally resolved (No. 276,774,021) or, in whole or in part, cash.

The disposal of Banco Popolare Ceska Republika

On 20 June 2011, following receipt of authorisations from the Central Bank of the Czech Republic and the approval of Banco Popolare's Management Board, the entire share capital of Banco Popolare Ceska Republika was sold to Equa Group Limited (a

company registered in Malta, controlled by Private Equity Funds managed by AnaCap Financial Partners LLP), for a price equal to approximately Euro 48 million determined on the basis of several parameters, including the assets and the liquidity of the company as at 31 October 2010 and as at the effective date, as pre-determined by Banco Popolare, through an auditing company appointed for that purpose and verified by the purchaser.

On the effective date (i.e. 20 June 2011), at an Extraordinary Shareholders' Meeting, the name of Banco Popolare Ceska Republika was changed to Equa Bank.

Following the verification by the purchaser, on 29 November 2011 the purchaser has submitted its remarks on the price which were promptly rejected by Banco Popolare.

The above transaction had a positive impact on the yearly consolidated income statement, and the amount of Euro 10 million was recorded under income after tax from discontinued operations, which includes the result recorded by the investee company until the time of the sale.

Disposal of Bormioli Rocco & Figlio

On 20 May 2011, Banco Popolare finalised the agreement to sell the investment (95.4%) held in Bormioli Rocco & Figlio - through the subsidiaries Efibanca (14.3%) and Partecipazioni Italiane (81.1%) - to the private equity fund Vision Capital.

The value of the transaction, approved by Banco Popolare's Management Board was equal to an equity value of Euro 250 million.

As a result of the above transaction, the direct subsidiaries of Bormioli Rocco & Figlio will no longer be consolidated, as better illustrated in the paragraph regarding changes in the scope of consolidation.

After obtaining the authorisations required from the competent authorities, the transaction was finalised on 30 June 2011.

This transaction reflects Banco Popolare's strategy and operational objectives, which entail disposing of non-core assets and simplifying Group structure, and had a positive impact on the yearly consolidated income statement of Euro 12.5 million, which includes the result recorded during the half year by the investee company and the impact of the disposal. In accordance with accounting standard IFRS 5, this amount has been recognised under income (loss) after tax from discontinued operations.

Merger of Efibanca S.p.A.

On 17 October 2011 Efibanca S.p.A. and Banco Popolare Società Cooperativa, in accordance with the resolutions passed by the Extraordinary Shareholders' meeting of Efibanca and by the Management Board of Banco Popolare signed a deed of merger of the subsidiary Efibanca into the parent company Banco Popolare.

From a civil law perspective, the merger – and thereby the dissolution of Efibanca and the resulting termination of its corporate boards - took effect on 1 November 2011, while from an accounting and fiscal point of view its effectiveness will start retroactively on 1 January 2011.

The transaction, which does not result in a change to the perimeter of consolidation of the Group as Efibanca S.p.A. was as at the effective date of the merger fully owned by Banco Popolare, is part of the Group's master reorganisation plan.

Merger of Italfortune International Advisors SA

On 1 January 2011 the merger by incorporation of the subsidiary Italfortune International Advisors SA into Banco Popolare Luxembourg was finalised. At the time of the merger, Banco Popolare Luxembourg fully owned the merged company as a result of its transfer by Banco Popolare in November 2011. The merger was carried out without a share capital increase of the merging company and without a cash settlement.

Sale of Istituto Centrale delle Banche Popolari Italiane shares

Following a resolution of Banco Popolare's Management Board, in the first quarter of 2011, the Parent Company completed three separate transactions regarding the partial sale of shares held in Istituto Centrale delle Banche Popolari Italiane ("ICBPI").

More specifically, in the first sale transaction, which took place on 15 February 2011, Banco Popolare sold 3.36% to Banca Popolare di Cividale for a total price of Euro 28.8 million; the second transaction was finalised on 25 February 2011 with the sale of 1.046% to Banca Sella Holding for a total price of Euro 9.5 million; lastly, on 30 March 2011, Banco Popolare sold 1.129% of the capital of the investee company to Veneto Banca for a total figure of Euro 10.2 million. In all of the above transactions, the countervalue of the transaction includes the 2010 dividend distributed in 2011.

Following the above sales, the Banco Popolare Group holds 15.397% of the share capital of ICBPI.

As a result of the above-described transactions, the Group then deconsolidated the investment previously carried at equity and recorded the residual interest at fair value under financial assets available for sale. The positive impact on the income statement for the first half of the year was Euro 47.2 million, before tax (Euro 41.3 million of which is attributable to the interests held). Said impact corresponds to the difference between i) the sum of the consideration received for the sale and the fair value of the interests held and ii) the consolidated book value of the entire investment.

Transfer of merchant banking participations

During September 2011, Efibanca S.p.A. sold all the following participations:

- Bio Energy International SA wholly owned by Efibanca S.p.A. With the sale of Bio Energy International SA also the participations held by the same in Trieria Power S.r.l. (for a stake representing 30 per cent.) and Trieria S.p.A. (for a stake representing 10 per cent.) were sold;
- Pantex Internation S.p.A. owned by Efibanca S.p.A. for a stake representing 50 per cent.; and
- the financial assets available for sale represented by the shares of Ponte S.p.A. and by the quotas of CPL Concordia Soc. Coop.

The transactions described above did not have any impact on the yearly income statement as the record value of the stakes sold were substantially in line with the sale value.

Furthermore, on 1 December 2011 the sale of the participation in Bertani Holding S.p.A. (representing a stake equal to 22.33 per cent.) was completed. The participation was valued with the net assets method for an equivalent value of Euro 6.5 million. The impact of this transaction on the yearly income statement is equal to approximately Euro 1.2 million.

Winding-up of Group companies

Following the completion of winding-up procedures, on 12 May 2011, Assipromos S.r.l. was cancelled from the Livorno Company Register. The associated company therefore is no longer in the scope of consolidation of companies valued at net equity.

Due to the early redemption of innovative equity instruments issued by Banca Popolare di Lodi Investor Trust II, a US trust company wholly owned by the special purpose vehicle, Banca Popolare di Lodi Capital Company II LLC, both the Trust company and the special vehicle company specifically established for the issue of these securities were wound-up.

Following the above, the subsidiary Banca Popolare di Lodi Capital Company II LLC is no longer part of the Banco Popolare Group and no longer falls within the scope of line-by-line consolidation.

In December 2011, the liquidation of the controlled company BPI International (UK) Ltd. has been perfected. BPI International (UK) Ltd. was de-registered from the Companies Register of England and Wales on 17 January 2012 and de-consolidated from the Group.

Out-of-court settlement of the tax dispute of the former Banca Italease Group

On 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Italian Tax Authorities for the full settlement of almost all of the disputes contained in a series of notices of assessment and formal reports on assessment findings served to the above companies with reference to the years 2001 to 2009.

In formalising this agreement, the parties settled the individual pending disputes, the individual assessments which have not yet been disputed, and the findings of each of the formal reports through payment by Banca Italease and its direct subsidiaries Mercantile Leasing and Italease Gestione Beni of the total amount of Euro 210.1 million in additional taxes (primarily VAT), fines and interest. The decision to come to out-of-court settlement of the disputes is part of a larger derisking project launched following the acquisition of control of Banca Italease. More specifically, the sole reason for the decision lies in the objective to eliminate the situation of uncertainty related to possible negative impacts of the outcome of the dispute on the Group's equity position. Coming to an out-of-court settlement does not, by its nature, imply acknowledgement of any of the claims made by the tax authority as regards the findings subject to settlement.

The out-of-court settlement of the above disputes did not lead to additional allocations in the first half of 2011, insofar as already envisaged in the consolidated financial statements as at 31 December 2010 to the item "provisions for risks and charges" (item

120 b) of balance sheet liabilities), in compliance with accounting standard IAS 10 "Events occurring after the date of the financial statements".

Banca Italease – Organisational rationalisation and corporate simplification

Further measures to rationalise the organisation as regards the sub-group Italease are almost complete. These will be followed by measures to simplify the corporate structure next year.

More specifically, the guidelines for the merger by incorporation of Mercantile Leasing into Banca Italease were defined; the merger should take effect from 1 June 2012 subject to receipt of the required authorisations.

Furthermore, negotiations for the assessment of several operating companies of the sub-group Italease are at an advanced stage.

Lastly, the organisational integration of the Parent Company continued. In particular, at the beginning of 2011, Security and Safety activities and the management of company vehicles were centralised into SGS-BP, while several administrative functions (supplier accounting, tax consulting and operating company accounting) were centralised within Banco Popolare.

The centralisation of other functions is currently being assessed, with the objective of strengthening the appropriate control mechanisms of the parent of the Group.

These reorganizations enable Banca Italease and its subsidiaries to benefit from the increased efficiency of the services provided by the support and control functions integrated into the Group system, as well as achieving significant synergies and cost savings.

On 28 October 2011, Italease Gestione Beni S.p.A., a company fully owned by Banca Italease S.p.A., signed the transfer deed to sell its "moveable assets remarketing" business line (an integrated service provider for the management and remarketing of moveable assets under finance lease) to the Cerved Group, a leading provider of business information to banks and corporations.

From a civil law, accounting and fiscal point of view, the above deal came into effect on 1 November 2011.

On 31 October 2011, Banca Italease S.p.A. sold its entire interest in Itaca Service S.p.A. (Organization and IT advisor and service provider for the Companies of the Italease Sub-Group) to Accenture Outsourcing S.r.l., a subsidiary of Accenture. The transaction, perfected for an equivalent value of Euro 1.5 million, had a positive impact on the consolidated yearly income statement for Euro 1.4 million which includes the result recorded by the investee company until the time of the sale.

Both deals, which can be viewed as part of Banco Popolare Group's master reorganization plan currently underway, will achieve economic and operating synergies and will consolidate and promote the professional skills of the involved employees (33 for Itaca Service S.p.A. and 19 for Italease Gestione Beni S.p.A., respectively), as a result of the expected new specific market potentials unleashed by joining market leader companies such as Accenture and Cerved.

Banca Italease - Derisking process

Negotiations with the leading debtors continue, aimed at closing the default positions or restoring them to performing status.

In the course of 2011, in particular, the following events took place:

- two separate disposals of a package of receivables to specialised companies. The February 2011 disposal involved No. 2,002 substandard and doubtful receivables, for an aggregate gross risk of Euro 19.5 million. The December 2011 No. 483 doubtful receivables, for an aggregate gross risk of Euro 30.7 million;
- the transfer of a leasing contract previously held by the Coppola Group to a new counterparty, which entailed the reclassification of the exposure from substandard to performing (Euro 39 million) and subsequent full redemption;
- the perfection of an agreement for the comprehensive restructuring of the debt of a group whose gross exposure, as at 31 December 2011, to the sub-group Banca Italease is equal to Euro 183.5 million. As a result the whole exposure was reclassified from substandard to restructured;
- the perfection of an agreement for the comprehensive restructuring of the debt of a group whose gross exposure, as at 31 December 2011, to the sub-group Banca Italease is equal to Euro 179.7 million. As a result the whole exposure was reclassified from substandard to restructured;
- the reclassification to restructured (from substandard) of a group whose exposure, partly assigned to Alba, was then retransferred to Banca Italease through an exchange of receivables on 30 September 2010, for a total amount of around Euro 170 million;
- the reclassification to restructured (from substandard) of a position with an exposure equal to Euro 51 million;
- the reclassification to restructured (from doubtful) of a position with an exposure equal to Euro 29 million with a resulting release of funds equal to Euro 5.8 million;
- the reclassification to restructured (from substandard) of a position with an exposure equal to Euro 80 million with a resulting release of funds equal to Euro 2.6 million;
- the reclassification to restructured (from doubtful) of a position with an exposure equal to Euro 11.8 million with a resulting release of funds equal to Euro 1.5 million;
- the repossession, by means of *datio in solutum*, of a property previously owned by a counterparty of the Coppola Group (Promar), recognised under property and equipment for a value of around Euro 13.6 million;
- the repossession, by means of *datio in solutum*, of a property previously owned by a counterparty of the Coppola Group (Marcus), recognised under property and equipment for a value of around Euro 10 million;

- the repossession of a boat with write off of Euro 9.2 million of gross exposures recognised under assets to be dismissed for a value of Euro 5.4 million (with the sale occurred in the first week of 2012);
- the sale of a property located in Milan, Via Manzoni, that Banca Italease regained possession of in June 2010 following a very complex agreement to restructure exposure towards the group led by Giuseppe Statuto, which resulted in gains of Euro 12.9 million;
- the sale of a property owned by Italease Gestione Beni S.p.A. and recorded for Euro 29.2 million (subject of a passive leasing), sold with a loss of Euro 0.3 million;
- the sale of a property owned by Italease Gestione Beni S.p.A. for an aggregate Euro 39.3 million, sold with a gain of Euro 1.8 million.

Again with regard to the derisking process, as mentioned previously, on 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Italian Tax Authorities for the full settlement of almost all of the disputes, through the payment of a total amount of around Euro 210 million.

In December 2011, the settlement of the formal report on assessment findings served to Mercantile Leasing on 19 October 2010 regarding the application of direct taxes for 2007 and VAT for 2005, 2006 and 2007. The aggregate tax liability – which includes also the assessments relating to the 2008 financial year – equal to Euro 22.4 million was defined with the payment (already made in part) of an amount equal to Euro 8.6 million (for tax and penalties – reduced to one sixth of the amounts which were settled) with an overall reduction of the Italian Tax Authorities claim, in terms of tax and penalties, of approximately Euro 14.2 million.

Remuneration policies pertaining to executive members of the Management Board and executives

The Shareholders' Meeting of the Parent Company held on 30 April 2011 also approved the proposal submitted by the Supervisory Committee made in accordance with recent provisions of the Bank of Italy regarding remuneration policies and practices pertaining to Management Board Members; as well as a share allocation plan addressed to executive members of the Management Board and to executives that are particularly important to the Group. The Plan envisages the assignment of ordinary shares to the afore-mentioned employees and executives of the Banco Popolare Group to the extent of at least 50% of the bonus accrued following the results of the 2011 incentive system, for a maximum equivalent value of Euro 3.3 million.

The Shareholders' Meeting therefore authorised the Management Board to purchase, in accordance with the limitations imposed by art. 2357, paragraph 1 of the Italian Civil Code and therefore to the extent of the available reserves resulting from the last approved financial statements, and within 18 months from the date of the resolution, up to a maximum of 1,400,000 ordinary Banco Popolare shares, representing 0.079 per cent. of the corporate capital of Banco Popolare.

The purchases of own shares were made in accordance with the terms and procedures prescribed by current legislation in the period between 3 October 2011 and 12 October

2011: an aggregate number of 1,400,000 ordinary Banco Popolare shares were purchased for an equivalent value of Euro 1.7 million.

Allocation of shares to Banco Popolare Group employees

Following the resolution of the Shareholders' Meeting of the Parent Company held on 24 April 2011, on 13 June 2011 Banco Popolare launched a programme to purchase treasury shares to be used for the company bonus for financial year 2010 envisaged by the CCNL (national collective labour agreement), in accordance with the limitations imposed by legislation in force.

As illustrated in more detail in the section on share-based payment agreements, between 13 and 22 June 2011, 1,439,413 ordinary Banco Popolare shares were purchased for a total investment of Euro 2.3 million.

It is worth noting that Banco Popolare is commencing the procedure to advance to employees the 2011 company incentive which will be advanced in June 2012 in the form of shares of Banco Popolare, on the basis of the agreement with the workers unions executed on 29 December 2011.

Purchase of treasury shares

At the Shareholders' Meeting of the Parent Company held on 30 April 2011, amongst other resolutions, the same approved the proposal submitted by the Management Board regarding the purchase of treasury shares, in accordance with the timing and procedures envisaged by legislation in force, in order to sustain the liquidity of the shares and to facilitate smooth trading based on permitted market practices recognised by Consob.

The resolution regarded the purchase, in one or more tranches, of treasury shares, limited to a maximum amount of available reserves corresponding to Euro 50 million and for a number of shares in the portfolio that does not exceed 2% of the shares representing share capital. Authorisation to purchase treasury shares, granted without any time constraint, is effective until approval of the 2011 financial statements.

As at the date of this Base Prospectus, no treasury share purchases have been made to sustain the liquidity of the same.

Changes in corporate offices

The Shareholders' Meeting of the Parent Company held on 30 April elected the five members of the Supervisory Board whose term of office expired with the approval of the financial statements for the year.

The following were elected: Gian Luca Rana, Angelo Squintani, Fabio Ravanelli, Cristina Zucchetti and Alfonso Sonato.

Furthermore, in June, Fabrizio Fiorini was appointed as the new Director of Direct Investments of Aletti Gestielle SGR; lastly, the Management Board of Banca Popolare di Verona, at a meeting held on 30 June, resolved to appoint Leonello Guidetti, previously joint general manager, as General manager, effective 1 July 2011.

Following the appointment as Minister for the Relationship with the Parliament on November 2011, the Supervisory Board member Mr. Dino Piero Giarda resigned from the Supervisory Board.

On 13 December 2011, the Board of Directors of Banco Popolare has resolved to appoint as director, by way of co-optation pursuant to Banco Popolare by-laws (art. 29.11) and art. 2386 of the Italian Civil Code, Mr. Angelo Benelli who will remain in office until the next Shareholders' Meeting.

Recent Events (After the Year Period Ended 31 December 2011)

Amendment and Integration agreement of call option contracts on Credito Bergamasco shares

On 31 January 2012, Banco Popolare and Fondazione Cassa di Risparmio di Lucca extended the duration of the two call options granted by the Fondazione Cassa di Risparmio di Lucca to Banco Popolare on 5 July 2010 and on 21 September 2010 on a total of No. 7,136,711 shares of Credito Bergamasco, equal to 11.562 per cent. of its share capital.

The call options can be exercised by Banco Popolare by 30 June 2013. The parties have also agreed that Banco Popolare can exercise the call options in one or more times and all or part of the above-mentioned shares of Credito Bergamasco.

On the same date, the Fondazione Cassa di Risparmio Lucca, as borrower, and Banco Popolare, as lender, signed a loan agreement. Credito Bergamasco's shares subject to the call option contract have been pledged in favour of Banco Popolare. It is pointed out that the right to receive dividends and to vote related to the pledged shares remain with the Fondazione Cassa di Risparmio di Lucca.

Cash tender offer relating to Banco Popolare Group's Tier 1 and Tier 2 securities

On 6 February 2012, Banco Popolare announced an invitation to holders of Banco Popolare Group's Tier 1 and Tier 2 financial instruments to offer for sale to Banco Popolare such securities.

The repurchase transaction was completed on 15 February 2012, the date by which the holders of the securities could tender their securities for sale, with settlement date on 20 February 2012. The authorization of the Bank of Italy was received on 6 February 2012.

The securities subject to the above-mentioned offer for sale are listed in the table below:

Securities	ISIN	Purchase price (as a percentage of nominal value)	Nominal Value accepted for purchase (in thousands of Euro)	Residual nominal value after the settlement date (in thousands of Euro)
Perpetual Step-Up Subordinated Fixed/Floating Rate Notes emesse dal Banco Popolare Soc. Coop. (già Banco Popolare di Verona e Novara S.c.a r.l.)	XS0304963290	70%	192,650	76,800
Perpetual Non Step-Up Subordinated Fixed/Floating Rate Notes emesse dal Banco Popolare Soc. Coop. (già Banco Popolare di Verona e Novara S.c.a r.l.)	XS0304963373	71%	140,200	138,350
Non-cumulative Guaranteed Floating Rate Perpetual Trust Preferred Securities emeses da	XS0255673070	43%	78,999	66,001

Securities	ISIN	Purchase price (as a percentage of nominal value)	Nominal Value accepted for purchase (in thousands of Euro)	Residual nominal value after the settlement date (in thousands of Euro)
Banca Italease Capital Trust . Non-cumulative Guaranteed Fixed/Floating Rate Perpetual Trust Preferred Securities emesse da Banca Popolare di Lodi Investor Trust III	XS0223454512	78%	126,883	360,182
Lower Tier II Subordinated Callable Floating Rate Notes due June 2016 emesse da Banca Italease S.p.A.	XS0259400918	75%	10,505	66,021
Lower Tier II Subordinated Callable Step-up Floating Rate Notes giugno 2016 emesse dal Banco Popolare Soc. Coop. (già Banco Popolare di Verona e Novara S.c.a r.l.)	XS0256368050	78%	70,100	165,400
Lower Tier II Subordinated Callable Step-up Floating Rate Notes novembre 2016 emesse dal Banco Popolare Soc. Coop. (già Banco Popolare di Verona e Novara S.c.a r.l.)	XS0276033510	78%	10,500	157,900
Lower Tier II Subordinated Callable Step-Up Floating Rate Notes febbraio 2017 emesse da Banco Popolare Soc. Coop. (già Banco Popolare di Verona e Novara S.c.a r.l.)	XS0284945135	76%	56,750	124,150
Lower Tier 2 Subordinated 5,473% Fixed Rate Notes novembre 2016 emesse dal Banco Popolare Soc. Coop.....	XS0464464964	89%	32,396	286,004
Lower Tier II 6.00% Subordinated Notes novembre 2020 emesse dal Banco Popolare Soc. Coop....	XS0555834984	91%	218,473	731,327
Lower Tier II Subordinated 6,375% Fixed Rate Notes Maggio 2021 emesse dal Banco Popolare Soc. Coop.....	XS0632503412	90.5%	263,669	337,072
Upper Tier II 4.625% Subordinated Instruments Marzo 2015 emessi dal Banco Popolare Soc. Coop. (già Banca Popolare di Lodi S.c. a.r.l.).....	XS0215451559	90,0%	6,030	292,294

Holders of the securities received, on the settlement date, a cash amount, calculated as a percentage of the relative securities' nominal value. Except for the Banca Italease Preferred Securities, in respect of which accrued and unpaid interests have not been paid, the holders of the securities accepted for purchase also received, at the settlement date, an amount in cash equal to the interests accrued between the last interest payment date and the settlement date.

Banco Popolare has benefited of the cooperation of Banca Aletti, BNP Paribas, Goldman Sachs International and Mediobanca - Banca di Credito Finanziario acting as Dealer Managers and of Lucid Issuer Services Limited as Tender Agent.

Participation of Banco Popolare to the ECB auction

On 29 February 2012, Banco Popolare participated in the three-year ECB auction for an amount equal to Euro 3.5 billion. As for the participation in the similar auction which took place at the end of 2011, also in this case, Banco Popolare participated in the auction for strategic purposes and not for specific liquidity needs, as the available "buffers" were full-bodied and very adequate to the necessities, also perspective, of the Banco Popolare Group.

Operations of Commercial Covered Bond

On 13 December, 2011 the Board of Directors of Banco Popolare approved the establishment of a Covered Bonds Commercial Programme (the "**OBG Commercial Programme**"), whose total nominal value will amount to 5 billions Euro. The implementation of the OBG Commercial Programme is part of Group's strategic plan as a means of diversification of funding sources and is intended primarily to increase the portfolio of eligible securities available to the Group. Within the OBG Commercial Programme is **provided that** Banco Popolare together with the Credito Bergamasco participate as Transferors Banks. On 7 January 2012, Banco Popolare and Credito Bergamasco transferred to a special purpose vehicle a first portfolio with an outstanding debt equal to Euro 1.066 billion consisting of eligible assets arising from mortgage credits and commercial and residential land credits; for the payment of the mortgages, the Transferors Banks granted to the special purpose vehicle a Subordinated Loan for an amount equal to the sale price. On 20 January 2011, Banco Popolare issued the first series of commercial covered bonds in connection with the OBG Commercial Programme for an amount equal to Euro 900 millions. The issued commercial covered bonds are variable rate (Euribor 3 months + 120 bps), "soft bullet", with starting date of the enjoyment 20 January, 2012, maturity date on 31 March, 2011, issue price equal to Euro 100.00. The OBG Commercial Programme is structured as an unrated programme; in such case the rating assigned to the commercial covered bonds issued is equal to the corporate rating of Banco Popolare at the date of issuance. The commercial covered bonds issued have been fully subscribed by Banco Popolare and are suitable as collateral for refinancing operations.

Winding up of subsidiaries

Following to the perfection of the winding up procedure of Istituto Pisano Leasing S.p.A., a company wholly owned by Banco Popolare, on 23 January 2012 the subsidiary was de-registered from the companies' register of Pisa and subsequently cancelled from the Banco Popolare Group. The de-consolidation of the investment will not result in significant impacts on the consolidated income statement.

In January, the winding up procedure of Portone Società Consortile a Responsabilità Limitata - company participated by 30 per cent. by Bipielle Real Estate - also perfected without any allotment to the shareholders. The deconsolidation of the investment, previously accounted using the net asset method (*metodo del patrimonio netto*), will not result in impacts on the consolidated income statement.

Evolution of litigations with the Italian Tax Authorities

Leasimpresa S.p.A. (merged by incorporation into Banca Italease S.p.A. as of 15 December 2008): on 16 January 2012 the Italian Tax Authorities - Regional Direction

of Lombardy (Agenzia delle Entrate – Direzione Regionale della Lombardia) started a tax audit for the purposes of direct taxes, VAT and IRAP related to the fiscal year 2007.

Credito Bergamasco S.p.A. - as to the IRAP Regione Veneto 2004 litigation: the Regional Tax Commission of Milan (Commissione Tributaria Regionale di Milano) has upheld the decision of the court of first instance and, therefore, the full cancellation of the registration on the tax roll.

Aletti Gestielle SGR S.p.A.: during the month of January, Banco Popolare, in its capacity as incorporator of Aletti Gestielle Alternative S.p.A., was notified with the notice of the sanction of Euro 1.18 million for the failure to regularise during the fiscal years 2007, 2008 and 2009 the irregular invoices issued for commissions acting as custodian bank.

Banca Italease S.p.A. – as to the litigation concerning the VAT for 2003 and 2004, the Regional Tax Commission of Milan (Commissione Tributaria Regionale di Milano) upheld the appeals filed by Banco Popolare and fully cancelled the assessment notices.

Banca Italease Appeal Judgement

As described more in detail in the section headed "Pending Legal Proceedings" of this Prospectus, it is reported that, in the framework of the criminal proceedings n. 31638/07 (so-called II TRONCONE accused Faenza + others)) for corporate crimes, on 25 January 2012 Banca Italease was sentenced on appeal, in partial reform to the decision of the court of first instance, to a fine of Euro 1.9 million and to a confiscation of Euro 54.1 million plus interest as administrative responsible (responsabile amministrativo) pursuant to Legislative Decree No. 231/2001; both the fine and the confiscation are not enforceable until the judgment is not res judicata.

Moody's Investors Service: update on Banco Popolare's ratings

On 16 February 2012, as part of a wider action on European banks, Moody's Investors Service, following the downgrade, on 13 February 2012, of Italy's ratings from "A2/P-1" to "A3/P-2", placed the Long and Short-term ratings of Banco Popolare (Baa2/P-2) and the Standalone credit assessment (BFSR indicator "D+") under review for possible downgrade.

On 15 May 2012 Moody's Investors Service, following the conclusion of its review for a possible downgrade of Banco Popolare rating, as well as of other major Italian bank ratings, changed the Long and Short-term ratings of Banco Popolare from "Baa2/P-2" to "Baa3/P-3", while the so-called "Bank Financial Strength rating" was affirmed at "D+". In line with decision taken on ratings of the Italian banking industry, the Outlook is Negative.

Standard & Poor's: update on Banco Popolare's ratings

On 10 February 2012, Standard & Poor's, as a direct consequence of the downgrade, on 13 January 2012, of Italy's ratings from "A/A-1" to "BBB+/A-2" and of the revision of the Banking Industry Country Risk Assessment (BICRA) of our country from "3" to "4", has changed the Long and Short-term ratings of Banco Popolare and of its subsidiaries Credito Bergamasco and Banca Aletti from "BBB/A-2", under Credit Watch Negative, to "BBB-/A-3". The outlook of the ratings is Negative, coherently with the outlook of the Republic of Italy's ratings.

Fitch Ratings: update on Banco Popolare's ratings

On 6 February 2012, Fitch Ratings, as a direct consequence of the downgrade, on 27 January 2012, of Italy's ratings from "A+/F1" to "A-/F2", has changed the Long-term rating of Banco Popolare from "BBB+", under Rating Watch with Negative implications, to "BBB", with Stable outlook. At the same time, the Short-term rating has been moved from "F2" to "F3".

TAXATION

REPUBLIC OF ITALY

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposal 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.

This summary is based upon tax laws and practice of Italy in effect on the date of this Base Prospectus which are subject to change potentially retroactively. Prospective Noteholders 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 the 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 Noteholders who may be unsure as to their tax position should seek their own professional advice.

Italian Tax Treatment of the Notes – General

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

Taxation of Interest arising in the hands of Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that fall within the definitions set out above are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent. (either when Interest is paid or when the relevant payments thereof are obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of the relevant payment of Interest, and is:

- (a) an individual holding Notes otherwise than in connection with an entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime (i.e. the Discretionary Investment Portfolio Regime) pursuant to Article 7 of the Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**") ; or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations; or

- (c) a private or public institution not carrying out commercial activities; or
- (d) an investor exempt from Italian corporate income taxation.

All the above categories are usually referred as "net recipients".

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

Pursuant to Decree No. 239, the 20 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities resident in Italy (the "**Intermediaries**", and each an "**Intermediary**"), or by permanent establishments in Italy of foreign banks or Intermediaries, who are required to act in connection with the collection of Interest or in the transfer or disposal of Notes, including in their capacity as transferees.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld by any Italian bank or any Italian Intermediary paying Interest to the Noteholder or, alternatively, by the Issuer.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above in "Italian Tax Treatment of the Notes — General" are not subjected to the 20 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 ("**Pension Fund**"), Italian resident real estate investment funds established after 26 September 2001 pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 and Article 14-bis of Law No. 86 of 25 January 1994, or in any case subject to the tax treatment provided for by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 ("**Real Estate Investment Funds**"); and
- (iii) Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Discretionary Investment Portfolio Regime (Regime del *Risparmio gestito*).

Such categories are usually referred as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of the 20 per cent. *imposta sostitutiva*, gross recipients must be the beneficial owners of payments of Interest on the Notes and deposit the Notes, together with the coupons relating to such Notes, in due time directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of a foreign intermediary).

Where the Noteholder is an Italian resident corporations, or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, are entitled to deduct *imposta sostitutiva* suffered from income taxes due. More in details, Interest accrued on the Notes would be included in the taxable income subject to corporate income tax (and in certain circumstances, depending on the "status" of the Noteholder, also in the taxable income for purposes of regional tax on productive activities) in accordance with ordinary tax rules.

Taxation of Interest arising in the hands of Non-Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer falling within the definitions set out in "Italian Tax Treatment of the Notes – General" above and paid to non-Italian resident Noteholders with no permanent establishment in Italy to which the Notes are effectively connected will not be subject to *imposta sostitutiva* at the rate of 20 per cent., **provided that**:

- (a) such Noteholders are the beneficial owners of the Interest payments received under the Notes;
- (b) such Noteholders are resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a the Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917; and
- (c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to: (i) international entities and organisations set up in accordance with international agreements which have entered into force in Italy (so called "supranational entities and organisations"); (ii) central banks or entities also authorised to manage the official reserves of a state; or (iii) "professional investors" (e.g., investment funds, pensions funds, etc.) established in any of the countries listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917, even if they do not qualify as "persons" in their own country of establishment under the relevant double taxation treaties.

To ensure payment of Interest in respect of the Notes without the application of 20 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (a) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and

- (b) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that the Noteholder is a resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the Economy and Finance of 12 January 2001, as amended and supplemented, is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and central banks or entities which manage, *inter alia*, the official reserves of a foreign state.

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

Should the above exemptions not be applicable, non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of the 20 per cent. *imposta sostitutiva* (generally to 10 per cent., or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Notes that qualify as atypical securities

Notes that do not qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44, paragraph 2, lett. c) of Decree No. 917 are characterised for Italian tax purposes as "atypical securities". Pursuant to Article 44 of Decree No. 917, securities can be qualified, for income tax purposes, as *titoli similari alle obbligazioni* (securities similar to bonds) only to the extent that they incorporate an unconditional obligation to pay at maturity or upon redemption (to the Noteholder) an amount not less than therein indicated without providing any right to the Noteholders to participate in, or to control, the activity carried on by the Issuer.

Income of any kind, including interest and any sum paid to the Noteholders at maturity in excess over the issue price and relating to Notes characterised as "atypical securities" are subject to withholding tax levied at the rate of 20 per cent. (final or in advance, depending on the "status" and tax residence of the Noteholder) pursuant to Article 5 of Law Decree no. 512 of 30 September 1983, converted into law with amendments by Law No 649 of 25 November 1983. More in details, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership, or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

For the sake of completeness it is worth pointing out that non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction

of such 20 per cent. withholding tax (generally, to 10 per cent. or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Taxation of capital gains arising in the hands of Italian resident Noteholders

Pursuant to Decree No. 461, a 20 per cent. substitute tax (hereinafter also the "**Capital Gain Tax**") applies to capital gains realised by Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof. The taxpayer may opt for one of the following three tax regimes:

- (i) *Tax Return Regime.* Pursuant to the Tax Return Regime (*Regime della Dichiarazione*), the relevant Noteholder must report on her or his annual income tax return the overall capital gains realized in each tax year, net of any incurred capital losses, and pay the 20 per cent. substitute tax together with the income tax due for the same tax year. Capital losses exceeding such capital gains may be carried forward and offset against similar capital gains realized in the four subsequent tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. This regime automatically applies if the taxpayer does not opt for the regimes described in clauses (ii) and (iii) below.
- (ii) *Non-discretionary Investment Portfolio Regime.* Pursuant to the Non-discretionary Investment Portfolio Regime (*Regime del Risparmio Amministrato*), the relevant Noteholder may elect to pay the 20 per cent. substitute tax on each capital gain realized, net of any incurred capital losses. The substitute tax is paid by the qualified intermediaries holding the Notes in deposit or in administration. A Noteholder may only opt for this regime if (x) its units are deposited with banks, SIMs or other authorized intermediaries and (y) he or she makes a written election of the Risparmio Amministrato regime. Where a particular sale, transfer or redemption of the Notes results in a net capital loss, the intermediary is entitled to deduct such capital loss from similar capital gains subsequently realized on the disposal of assets held by the investor in the same deposit account in the four years following the tax year in which the loss was realized. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. The Noteholder is not required to report the gains on his or her annual income tax return. If the deposit relationship with the intermediary is terminated, any capital loss can be carried forward for the four years following the tax year in which the loss was realized and may be deducted against similar capital gains realized by the Noteholder under another non-discretionary investment portfolio regime or under the tax return regime.
- (iii) *Discretionary Investment Portfolio Regime.* Pursuant to the Discretionary Investment Portfolio Regime (*Regime del Risparmio gestito*), if the Notes are part of a portfolio managed by an Italian asset management company, capital gains will not be subject to the 20 per cent. substitute tax but will be included in the net annual result accrued under the portfolio management. This annual net

accrued portfolio result, even if not realized, is subject to an ad hoc 20 per cent. substitute tax levied by the asset management company. Any investment portfolio losses accrued at year end may be carried forward against net profits accrued in the four years following the tax year in which the loss was accrued. Any investment portfolio losses accrued before 1 January 2012 may be carried forward to be offset against subsequent net profits accrued from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant losses. The Noteholder is not required to report the gains on his or her annual income tax return.

Any capital gains realised by Italian resident corporation or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to corporate income tax in Italy according to the relevant ordinary tax rules.

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

- (a) where the Noteholder is an Italian open-ended or a closed-ended investment fund or a SICAV, capital gains realised on the Notes will neither be subject to Capital Gains Tax, nor to any other income tax in the hands of the relevant Noteholders; a withholding tax of 20% will be levied on proceeds distributed by the Fund or the SICAV or received by certain categories of unitholders upon redemption or disposal of the units;
- (b) where the Noteholder is an Italian Pension Fund capital gains realised on the Notes will not be subject to Capital Gains Tax, but must be included in the results of the relevant portfolio in the tax period and will be subject to an 11 per cent. substitute tax; and
- (c) where the Noteholder is an Italian Real Estate Investment Fund capital gains realised on the Notes will neither be subject to Capital Gains Tax, nor to any other income tax in the hands of the real estate fund (as such funds are exempt entities for Italian income tax purposes).

Taxation of capital gains arising in the hands of Non-Italian resident Noteholders

The 20 per cent. Capital Gains Tax may in certain circumstances be due on any capital gains realised upon sale, transfer, or redemption of the Notes, or upon the occurrence of any another event assimilated to a disposal of the Notes for Italian tax purposes, by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be in Italy. However, any such capital gains are not taxable (i.e., they are exempt from taxation) in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, irrespectively of the place in which they are held or deemed to be held.

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

- (a) pursuant to the provisions of Decree No. 461 and Law Decree No. 350 of 25 September 2001, non-Italian resident Noteholders that qualify for the exemption

from *imposta sostitutiva* under the applicable provisions of Decree No. 239 – as described above under section "Taxation of Income – Non-Italian resident Noteholders" – are exempt from Capital Gains Tax in Italy, subject to timely filing of the required documentation; and

- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty between Italy and their country of residence providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy, subject to timely filing of required documentation, on any capital gains realised upon sale for consideration or redemption of Notes.

Inheritance and Gift Tax

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006 as amended by Law No. 296 of 27 December 2006, the transfers of any valuable asset (such as the Notes as well as the Shares) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000.00;
- (b) transfer in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding Euro 100,000.00; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer Tax

The transfer deed may be subject to registration tax at the Euro 168,00 flat rate. No registration tax is due if the relevant transfer deed is executed outside the Italian territory or in the form of "exchange of correspondence". In such a case registration tax is due only in "case of use" (*caso d'uso*) or in case of cross reference in a deed, agreement or other document entered into, executed or signed by the same parties thereto and registered with the competent Registration Tax Office or in any judicial decision (*enunciazione*). "Case of use", according to article 6 of Presidential Decree No. 131 of 26 April 1986, would occur if the relevant document is deposited with a central or local government office or with a court chancery in connection with an administrative procedures.

Stamp Duty

According to Article 19 of Decree 6 December 2011, No. 201 ("Decree No. 201/2011", converted into law by Law of 22 December 2011, No. 214), a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial

intermediaries to their clients; this stamp duty applies at the rate of 0.1 per cent. for year 2012 and at the rate of 0.15 per cent for subsequent years on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product. The stamp duty cannot be lower than Euro 34.20 and, for the year 2012 only, cannot exceed the amount of Euro 1,200. The newly introduced proportional stamp duty will apply on the Notes to the extent that the Notes are held with an Italian based financial intermediary.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay a wealth tax at the rate of 0.1 per cent for fiscal years 2011 and 2012 and at the rate of 0.15 per cent for subsequent fiscal years. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory.

Luxembourg

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes, payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This description is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

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

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Tax Directive (Council Directive 2003/48/EC) and agreements concluded with certain dependant or associated territories providing for the possible application of a withholding tax (35 per cent. from 1st July, 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities" as defined in article 4-2 of the EU Savings Tax Directive) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above mentioned directive (see, paragraph "EU Savings Tax Directive" below). For a transitional period, however, Luxembourg introduced an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Tax Directive, does not comply with one of the procedures for information reporting,

the relevant Member State will levy a withholding tax on payments to such beneficial owner; and

- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on savings income paid by a Luxembourg paying agent (within the meaning of the EU Savings Tax Directive) (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005, as amended, implementing the EU Savings Tax Directive).

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws.

EU Savings Tax Directive

Under EU Savings Tax Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a person (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Tax Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Implementation of the EU Savings Tax Directive in Italy

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 (Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, with respect to interest paid starting from 1 July 2005

(including the case of interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU Member State or in a dependent or associated territory under the relevant international agreement (currently, Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (i.e. banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 2009/65/EC.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute "payments of interest" under Article 6 of the EU Savings Tax Directive and, as far as Italy is concerned, Article 2 of Decree No. 84. Accordingly, such payment of interest arising out of the Notes would fall within the scope of the EU Savings Tax Directive being the Notes issued after 1 March 2001.

Noteholders who are individuals and receive Interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes above should not be due in respect of withholding tax imposed under or pursuant to the EU Savings Tax Directive, or any law implementing or complying with, or introduced in order to conform to the EU Savings Tax Directive.

The EU Savings Tax Directive provides that Austria and Luxembourg shall apply a withholding tax for a transitional period, as defined therein, unless during such period they elect otherwise. The withholding tax shall be levied at the rate of 35 per cent. The EU Savings Tax Directive provides for an exemption from the withholding tax to the extent that the beneficial owner provides the paying agent with minimum data requirements. The Noteholders should consult their tax advisers and/or the custodians with which they hold the Notes in order to carefully assess the regime to which their Notes are subject for the purposes of the EU Savings Tax Directive, depending *inter alia* on their status, the country in which they are resident for tax purposes, and the country where the relevant paying agents are established.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca Aletti & C. S.p.A., Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 25 June 2012 (the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

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

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

offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

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

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

United Kingdom

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

- (1) In relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (2) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (3) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer

has represented, warranted and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Approved Prospectus*: if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per la Società e la Borsa ("CONSOB") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

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

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended from time to time) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable laws and regulations requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended) or any other Italian authority.

France

Each of the Dealers and the Issuer has represented and agreed that:

(a) Offer to the public in France

it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the Autorité des Marchés financiers ("AMF"), on the date of such publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the base prospectus all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and the *Règlement général* of the AMF; or

(b) Private Placement in France

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

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold, and will not, directly or indirectly offer or sell any Notes in Japan or to or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of, any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended).

General

Other than with respect to the admission to trading of the Notes on the regulated market of the Luxembourg Stock Exchange or such stock exchange as may be specified in the relevant Final Terms, each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that (to the best of its knowledge and belief) no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that (to the best of its knowledge and belief) it will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or has in its possession or distributes such offering material, in all cases at its own expense. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

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

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

GENERAL INFORMATION

1. Application has been made to admit to trading the Notes issued under the Programme on the Luxembourg Stock Exchange's regulated market.
2. Notes may be issued pursuant to the Programme which will not be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.
3. The establishment and update of the Programme were authorised by resolutions of the Executive Board of the Issuer passed on 29 May 2012. The Issuer has obtained and will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

5. Bearer Notes (other than Temporary Global Notes) and any Coupon, Receipt or Talon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of 1986." The sections referred to in such legend provide that a United States person who holds a Bearer Note, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
6. Except as disclosed on pages 126 to 141 in this Base Prospectus, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.
7. Except as disclosed on pages 126 to 164 in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer or the Banco Popolare Group since 31 December 2011, nor has there been any significant change in the

financial or trading position of the Issuer or the Banco Popolare Group which has occurred since 31 March 2012.

8. Each of Fitch Ratings Limited, Moody's Investors Service Ltd and Standard & Poor's Credit Market Services Europe Ltd is established in the EEA and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.
9. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the registered offices of the Issuer and the specified office of the Fiscal Agent, Registrar and any Transfer Agent and the Paying Agent in Luxembourg, namely:
 - (a) the current Base Prospectus together with any supplements to the Base Prospectus and any other information incorporated herein or therein by reference;
 - (b) the Fiscal Agency Agreement;
 - (c) the Deed of Covenant;
 - (d) the Dealership Agreement;
 - (e) the most recent publicly available audited annual consolidated financial statements of the Issuer beginning with such financial statements as at and for the years ended 31 December 2011 and 2010;
 - (f) any Final Terms relating to Notes which are listed on any stock exchange. (In the case of any Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be obtainable by a Holder of or, as the case may be, a Beneficiary (as defined in the Deed of Covenant) in respect of, such Notes); and
 - (g) the constitutional documents of the Issuer.
10. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained, free of charge, during normal business hours at the registered offices of each Issuer and the specified office of the Fiscal Agent and the Registrar and any Transfer Agent, namely the most recent publicly available audited consolidated and unconsolidated annual financial statements of the Issuer and the latest unaudited consolidated interim financial statements of the Issuer.
11. It is confirmed that this Base Prospectus, any information incorporated by reference herein and any Final Terms shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Issuer does not intend to produce any Post-Issuance Information in relation to any assets underlying issues of Notes constituting derivative securities.

12. Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

REGISTERED AND HEAD OFFICE OF BANCO POPOLARE

Banco Popolare Società Cooperativa

Piazza Nogara 2
37121 Verona
Italy

DEALERS

Banca Aletti & C. S.p.A.

Via Giulini, 3
20123 Milano
Italy

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
England

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

**Credit Suisse Securities (Europe)
Limited**

One Cabot Square
London E14 4QJ
England

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
England

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
England

Natixis

30 Avenue Pierre Mendès-France
75013 Paris

Banca IMI S.p.A.

Largo Mattioli, 3
20121 Milan
Italy

BNP PARIBAS

10 Harewood Avenue
London NW1 6AA
England

**Crédit Agricole Corporate
and Investment Bank**

9 Quai du President Paul Doumer
92920 Paris-La Defense
Cedex, France

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
England

HSBC Bank plc

8 Canada Square
London E14 5HQ
England

**Mediobanca – Banca di Credito
Finanziario S.p.A.**

Piazzetta E. Cuccia 1
20121 Milan Italy

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
England

Nomura International plc

1 Angel Lane
London EC4R 3AB

France

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

United Kingdom

Société Générale
29 Boulevard Haussmann
75009 Paris
France

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
England

AUDITORS

Reconta, Ernst & Young S.p.A.
Via Isonzo, 11
37126 Verona
Italy

FISCAL AGENT AND PAYING AGENT

Citibank, N.A., London Branch
13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch
13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

LEGAL ADVISERS

*To Banco Popolare Società Cooperativa
as to Italian law*

Chiomenti Studio Legale
Via Verdi, 2
20121 Milan
Italy

*To the Dealers as to English and Italian
law*

Clifford Chance Studio Legale
Associato
Piazzetta M. Bossi, 3
20121 Milan
Italy

LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
L-5826 Herperange
Luxembourg