

BASE PROSPECTUS DATED 4 AUGUST 2010



## Banco Popolare Società Cooperativa

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

## Banco Popolare Luxembourg S.A.

(incorporated as société anonyme with limited liability in the Grand Duchy of Luxembourg)

## €25,000,000,000 EMTN Programme

### Guaranteed (in the case of Notes issued by Banco Popolare Luxembourg S.A.) by Banco Popolare Società Cooperativa

This Base Prospectus constitutes a base prospectus for the purpose of article 5.4 of Directive 2003/71/EC (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") and Banco Popolare Luxembourg S.A. ("Banco Popolare Luxembourg") (each an "Issuer" and, together, the "Issuers"), 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 €50,000 (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 9) 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 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 relevant Issuer and the relevant Dealer. The Issuers 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.

**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 17 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 depository on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depository"). 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 issued by Banco Popolare are subject to a withholding tax (referred to as *imposta sostitutiva*) of 12.5 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 issued by Banco Popolare, 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 139 to 145.

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.

**Notes with an original maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. in respect of interest and premium (if any), pursuant to Art. 26 of the Italian Presidential Decree No. 600 of 29 September 1973, as amended if issued by Banco Popolare. Banco Popolare will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.**

**In case of Notes issued by Banco Popolare 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 27 per cent pursuant to Law Decree no. 512 of 30 September 1983, as amended. Banco Popolare will not be liable to pay any additional amount to the Noteholders in relation to any such holding.**

### Joint Arrangers for the Programme

Citi

J.P. Morgan

Banca Aletti & C.  
BNP PARIBAS  
Citi  
Credit Suisse  
Goldman Sachs International  
J.P. Morgan  
Morgan Stanley  
Nomura  
The Royal Bank of Scotland

### Dealers

Barclays Capital  
BofA Merrill Lynch  
Crédit Agricole CIB  
Deutsche Bank  
HSBC  
Mediobanca – Banca di Credito Finanziario S.p.A.  
Natixis  
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. Each of the Issuers and Banco Popolare in its capacity as Guarantor in respect of Notes issued by Banco Popolare Luxembourg (the “Guarantor”) 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 or the giving of a guarantee by the Guarantor, 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. Each of the Issuers and the Guarantor 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 each of the Issuers and the Guarantor 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 Issuers 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 Issuers 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*

*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 Issuers 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 Issuers.*

*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 each of the Issuers or the Guarantor 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

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this Base Prospectus. Each of the Issuers and the Guarantor 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.

## 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 2008 and 2009 together with the auditors' reports and notes thereto;
2. the press release published by Banco Popolare Società Cooperativa on 14 May 2010 announcing the approval by the Management Board of Banco Popolare Società Cooperativa of the unaudited interim reports on operations for the first quarter of 2010 (the "**Press Release**");
3. audited non-consolidated financial statements of Banco Popolare Luxembourg S.A. in respect of the years ended 31 December 2008 and 2009 together with the auditors' reports and notes thereto, in each case in French;
4. the Base Prospectus in respect of the Banco Popolare Società Cooperativa MTN Programme dated 7 September 2007 (the "**2007 Base Prospectus**");
5. the Base Prospectus in respect of the Banco Popolare Società Cooperativa MTN Programme dated 30 July 2008 (the "**2008 Base Prospectus**");
6. The Base Prospectus in respect of the Banco Popolare Società Cooperativa MTN Programme dated 28 July 2009 (the "**2009 Base Prospectus**"); and
7. excerpts of Chapter H of the notes to the audited unconsolidated financial statements of Banco Popolare Società Cooperativa in respect of the years ended 31 December 2008 and 2009;

save that any statement contained herein or information which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any subsequent information which is incorporated by reference herein modifies or supersedes such earlier statement or information (whether expressly, by implication or otherwise).

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 2008 and 2009 and the non-consolidated financial statements of Banco Popolare Luxembourg for 2008 and 2009 and for specific items of information contained in the Press Release, the 2007 Base Prospectus, the 2008 Base Prospectus and the 2009 Base Prospectus. 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 2008 and 2009, the Press Release, the 2007 Base Prospectus, the 2008 Base Prospectus, the 2009 Base Prospectus and the non-consolidated financial statements of Banco Popolare Luxembourg for 2008 and 2009 incorporated by reference herein is given for information purposes only:

### **Banco Popolare Società Cooperativa**

#### **Audited Consolidated Financial Statements as at and for the year ended 31 December 2008**

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## **Banco Popolare Società Cooperativa**

### **Audited Consolidated Financial Statements as at and for the year ended 31 December 2009**

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### **Audited Non-Consolidated Financial Statements for the year ended 31 December 2008**

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## **Banco Popolare Luxembourg S.A.**

### **Audited Non-Consolidated Financial Statements for the year ended 31 December 2009**

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## **Banco Popolare Società Cooperativa**

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**Excerpts of Chapter H of the notes to the Audited Unconsolidated Financial Statements of Banco Popolare Società Cooperativa in respect of the years ended 31 December 2008 and 2009**

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The Issuers 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 Issuers 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 any 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 relevant 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 relevant 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 relevant 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.

Issuers:	Banco Popolare Società Cooperativa (“ <b>Banco Popolare</b> ”)  Banco Popolare was incorporated on 1 July 2007 following the merger between Banco Popolare di Verona e Novara <i>società cooperativa a responsabilità limitata</i> and Banca Popolare Italiana - Banca Popolare di Lodi <i>società cooperativa</i> .  Banco Popolare Luxembourg S.A. (“ <b>Banco Popolare Luxembourg</b> ”)  Banco Popolare Luxembourg was incorporated on 30 May 1994.
Guarantor:	Banco Popolare (with respect to Notes issued by Banco Popolare Luxembourg).
Description:	Euro Medium Term Note Programme
Arrangers:	Citigroup Global Markets Limited and J.P. Morgan Securities Ltd.
Dealers:	Banca Aletti & C. 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, provided that Banco Popolare Luxembourg does not intend to have an aggregate principal amount of Notes exceeding €1,000,000,000 under the Programme 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 " <b>Series</b> "). Each Series may comprise one or more tranches (" <b>Tranches</b> " and each, a " <b>Tranche</b> ") 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 €50,000 or its equivalent in another currency).
Form of Notes:	<p>Notes may be issued in bearer form or in registered form.</p> <p>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 depository or a common depository 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.</p> <p>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 ("<b>Definitive Notes</b>") and/or (if so specified in the relevant Final Terms) registered form ("<b>Registered Notes</b>") 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</p>

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: Any maturity is subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Notes with an original maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

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).

According to the Luxembourg law of 10 July 2005 on prospectuses for securities (the “**Act**”) the *Commission de*

*Surveillance du Secteur Financier* 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.

Status of the Notes:

Notes may be issued by Banco Popolare on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

Notes may be issued by Banco Popolare Luxembourg on an unsubordinated basis only.

Senior Notes will constitute unsubordinated and unsecured obligations of the relevant Issuer. Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes all constitute unsecured subordinated obligations of Banco Popolare, all as described in "Terms and Conditions of the Notes — Status".

Guarantee:

Notes issued by Banco Popolare Luxembourg will be unconditionally and irrevocably guaranteed by the Guarantor, on an unsubordinated basis up to an amount which is the aggregate of 120% of the aggregate principal amount of any Tranche of the Notes which may be issued and 120% of the interest on such Notes accrued but not paid as at any date on which such amount falls to be determined.

Loss Absorption on Upper Tier II Subordinated Notes issued by Banco Popolare:

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 (*Passività Subordinate di 2 Livello*) 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 (*Strumenti Ibridi di Patrimonializzazione*) 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 (*Passività Subordinate di 3 Livello*) 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 issued by Banco Popolare:

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 issued by Banco Popolare:

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 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 issued by Banco Popolare shall always be subject to the prior approval of the Bank of Italy, such approval being dependent, *inter alia*, on the Issuer maintaining its minimum capital requirements (*patrimonio di vigilanza*) as prescribed in Title I, Chapter 2, Section II, paragraph 1.5 of the Bank of Italy’s Regulations immediately following redemption of the Upper Tier II Subordinated Notes issued by Banco Popolare. 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, by whatever means, such required minimum capital. Banco Popolare will use its best endeavours to maintain such required minimum capital and to obtain such approval. 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 relevant Issuer prior to maturity only for taxation reasons. See “Terms and Conditions of the Notes — Redemption and Purchase”.

Optional Redemption:	<p>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 relevant Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such redemption.</p> <p>Under applicable laws and regulations at the date of this Base Prospectus, Lower Tier II Subordinated Notes issued by Banco Popolare 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 issued by Banco Popolare may not be repaid prior to ten years from the relevant Issue Date and Tier III Subordinated Notes issued by Banco Popolare may not be repaid prior to two years from the relevant Issue Date.</p>
Variable Coupon Amount Notes:	<p>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.</p>
Variable Redemption Amount Notes:	<p>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.</p>
Withholding Tax:	<p>Save as set out below, all payments of principal and interest in respect of the Notes made (a) by the Issuer in case of payments under the Notes or (b) by the Guarantor in case of payments under the Guarantee, will be made free and clear of withholding taxes in the jurisdiction of incorporation of the relevant Issuer or Guarantor as the case may be subject to certain exemption as described in "Terms and Condition of the Notes – Taxation".</p> <p>The relevant Issuer or the Guarantor 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 issued by Banco Popolare with an original maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. Banco Popolare will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.</p> <p>Notes issued by Banco Popolare that qualify as atypical securities are subject to withholding tax levied at the rate of 27 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 €50,000 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 relevant 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:	<p>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 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.</p> <p>The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the Dealer(s) at the time of issue in accordance with prevailing market conditions.</p>
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 17 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 4 August 2010 entered into by Banco Popolare and a deed of covenant dated 4 August 2010 entered into by Banco Popolare Luxembourg (each a " <b>Deed of Covenant</b> " and, together, the " <b>Deeds of Covenant</b> "), copies 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.

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, Luxembourg and Japan, see under "Subscription and Sale".

## **Supplements to the Base Prospectus**

The Issuers and the Guarantor have 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, they shall prepare a supplement to this Base Prospectus 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 Issuers and the Guarantor 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 Issuers believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. These factors are contingencies that may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring. Factors (although not exhaustive) which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme are described below.*

*The Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuers do 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 Issuers face. Additional risks and uncertainties not presently known to the Issuers or that they currently believe to be immaterial could also have a material impact on their 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 Issuers’ ability to fulfil their obligations under Notes issued under the Programme**

#### **Risk Factors in relation to the Issuers**

##### **Liquidity risks**

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.

##### **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.

### ***Changes in the Italian and European regulatory framework***

The Issuer 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, the European System of Central Banks and the CSSF in Luxembourg.

The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the New Basel Capital Accord (Basel II) on capital requirements for financial institutions, may have a material effect on the Issuer's business and operations.

As some of the banking laws and regulations affecting the Issuer have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

### ***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 and 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 2009, 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**").

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.

### ***Risks arising from pending legal proceedings***

For a description of the legal proceedings carrying the most significant risks for the Group, see the paragraph "Litigation" 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.

***Banco Popolare's Guarantee of Notes issued by Banco Popolare Luxembourg may be limited***

The Deed of Guarantee provides the Noteholders with a direct claim against Banco Popolare in relation to Notes issued by Banco Popolare Luxembourg. However, the Guarantee of the Notes will be limited to 120% of the aggregate principal amount of any Tranche of the Notes and 120% of the interest on such Notes, accrued but not paid as at any date on which Banco Popolare's liability under the Guarantee of the Notes is determined. In the event that the limitations on the Guarantee of the Notes apply and/or there are payment obligations under any Notes issued by Banco Popolare Luxembourg other than in respect of principal or interest, the holders of such Notes could have a reduced claim against Banco Popolare.

**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 relevant 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 relevant 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 relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being

redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Trading in the Clearing Systems – integral multiples of less than €50,000***

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €50,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (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 would require it to reduce its capital below the minimum capital required by the Bank of Italy from time to time for its authorisation to carry on banking activities, the obligations of Banco Popolare in respect of principal and interest under the Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable Banco Popolare to meet such requirements. 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 requirements 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.

#### **Notes issued by Banco Popolare with a maturity of less than 18 months subject to additional taxation**

Notes issued by Banco Popolare with an original maturity of less than 18 months are subject to a withholding tax at the rate of 27 per cent. in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. Notes with a maturity of at least 18 months which are redeemed within 18 months from the date of issue, are subject to an additional tax payable by the Issuer at a rate of 20 per cent. in respect of any interest accrued on the Notes up to the date of the early redemption, pursuant to Article 26, paragraph 1, of Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

#### **Partly paid Notes**

The Issuers 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.

#### **Index Linked and Credit-Linked Notes**

The Issuers 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 relevant 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 Directive***

Under EC Council Directive 2003/48/EC (the “**EU Savings Directive**”) on the taxation of savings income, each Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person within its jurisdiction to, or collected by such a person for an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system, whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The withholding tax system applies for a transitional period during which the withholding tax rate will rise, over time, to 35 per cent. (20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. as from 1 July 2011). 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.



Also with effect from 1 July 2005, a number of non-EU countries, including Switzerland and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person 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 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. 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 relevant 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 relevant 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.

### ***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.

## **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 relevant 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 Issuers. 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 Issuers. 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.

## 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 4 August 2010 and made between Banco Popolare Società Cooperativa ("**Banco Popolare**"), Banco Popolare Luxembourg S.A. ("**Banco Popolare Luxembourg**") (each, in such capacity, an "**Issuer**" and together the "**Issuers**"), 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 4 August 2010 executed by each Issuer in relation to the Notes issued by such Issuer. Notes issued by Banco Popolare Luxembourg have the benefit of a deed of guarantee (as amended, supplemented or replaced, the "**Deed of Guarantee**") dated 4 August 2010 executed by Banco Popolare (in such capacity, the "**Guarantor**") in relation to Notes issued by Banco Popolare Luxembourg. For the purposes of these Terms and Conditions, "**Guarantee of the Notes**" means, in respect of Notes issued by Banco Popolare Luxembourg, the guarantee of the Notes given by the Guarantor in the Deed of Guarantee. Copies of the Fiscal Agency Agreement and the Deeds of Covenant and the Deed of Guarantee 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 relevant Deed of Covenant and the Deed of Guarantee 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 relevant 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. All subsequent references in these

Terms and Conditions to “**Issuer**” are to the Issuer specified in the relevant Final Terms as the Issuer of the relevant Notes.

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 €50,000 (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 €50,000 (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 AND THE GUARANTEE

#### 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 issued by Banco Popolare**

3B.1 This Condition 3B is applicable only in relation to Notes issued by Banco Popolare 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 4.2 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 4.1 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 3 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**") and as determined by the external auditors of the Issuer), 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.

### 3C. **Status of the Guarantee**

*This Condition 3C is applicable in relation to Unsubordinated Notes issued by Banco Popolare Luxembourg guaranteed by Banco Popolare on an unsubordinated basis.*

- 3C.1 The Guarantee of the Notes constitutes direct, unconditional, unsubordinated and unsecured obligations of the Guarantor which rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Guarantor, present and future (save for certain mandatory exceptions provided by law).
- 3C.2 To the extent the Guarantor is incorporated in the Republic of Italy and to the extent such is a requirement of the applicable law in force at the relevant time, the Guarantor shall only be liable up to an amount which is the aggregate of 120% of the aggregate principal amount of any Tranche of the Notes which may be issued with the benefit of the Deed of Guarantee (as specified in the applicable Final Terms) and 120% of the interest on such Notes accrued but not paid as at any date on which the Guarantor's liability under the Deed of Guarantee falls to be determined (the "**Maximum Amount**"). The Maximum Amount shall be reduced by the amount of any payments of principal made by the Issuer under the Notes provided that any such reduction will occur on the day falling two years after the day on which the relevant payment was made by the Issuer.

## 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 the 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 5.10) 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 Guarantor (where applicable), 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 the Guarantor (where applicable), 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 4 August 2010 relating to the €25,000,000,000 EMTN Programme of Banco Popolare and Banco Popolare Luxembourg.

"**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:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> 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:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;



"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 D<sub>2</sub> 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:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" 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 D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 D<sub>2</sub> will be 30.

"**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.

**"Reorganised Subsidiary"** means Banca Italease S.p.A., the bank controlled by Banco Popolare which has been recently reorganised as better described in Section "Noteworthy Events for the Year", Paragraph "Business Restructuring and Reorganisation Plan for Gruppo Banca Italease" of the Base Prospectus.

**"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 5.10) 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 issued by Banco Popolare shall always be subject to the prior approval of the Bank of Italy as prescribed in Title IV, Chapter I of the Bank of Italy's Regulations. 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. The Issuer will use its reasonable endeavours to maintain the required regulatory capital and to obtain such approval.

### *Early Redemption for Taxation Reasons*

- 5.2 If, in relation to any Series of Notes,
- (A) (i) as a result of any change in the laws, regulations or rulings of the Republic of Italy, in the case of Banco Popolare, or the Grand Duchy of Luxembourg, in the case of Banco Popolare Luxembourg, 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,
  - (B) (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 Guarantor would be required to pay additional amounts as provided in Condition 7, (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Guarantor to the Fiscal Agent of a certificate signed by two authorised signatories of the Guarantor 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 issued by Banco Popolare, 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 5.11) 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 5.6.

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

### ***Optional Early Redemption (Call)***

- 5.3 If this Condition 5.3 is specified in the relevant Final Terms as being applicable, then the Issuer may, subject in the case of Subordinated Notes issued by Banco Popolare 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 5.11) 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 5.6.

- 5.4 The appropriate notice referred to in Condition 5.3 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:

5.4.1 the Series of Notes subject to redemption;

- 5.4.2 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;
- 5.4.3 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
- 5.4.4 the Early Redemption Amount (Call) at which such Notes are to be redeemed.

### ***Partial Redemption***

- 5.5 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 5.3:
- 5.5.1 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
- 5.5.2 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)***

- 5.6 Except with respect to the Subordinated Notes issued by Banco Popolare to which this Clause 6.6 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 5.11) 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 or 5.3.

### ***Purchase of Notes***

- 5.7 The Issuer, the Guarantor (where applicable) or any of their respective Subsidiaries may (but, in the case of (i) more than 10 per cent. of the principal amount of Subordinated Notes issued by Banco Popolare and (ii) Subordinated Notes issued by Banco Popolare to be purchased in order to be surrendered to any Paying Agent for cancellation, subject to consent thereto having been obtained from the Bank of Italy) 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***

- 5.8 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***

- 5.9 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.
- 5.10 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.
- 5.11 In the case of any Zero Coupon Note, the "**Amortised Face Amount**" shall be an amount equal to the sum of:
- 5.11.1 the Issue Price specified in the relevant Final Terms; and
  - 5.11.2 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 5.11.

- 5.12 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:
- 5.12.1 the date on which, upon due presentation or surrender of the relevant Note or Certificate (if required), the relevant payment is made; and
  - 5.12.2 (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 issued by Banco Popolare:*

- 6.1.1 This Condition 6.1 applies only in respect of Subordinated Notes issued by Banco Popolare 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 or, where applicable, the Guarantor 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 or, where applicable, the Guarantor 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 or, where applicable, the Guarantor or the Reorganised Subsidiary 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, where applicable, the Guarantor or the Reorganised Subsidiary, 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 or, where applicable, the Guarantor or the Reorganised Subsidiary 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 or, where applicable, the Guarantor or the Reorganised Subsidiary 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 or, where applicable, the Guarantor or the Reorganised Subsidiary becomes enforceable over any material part of the property, assets or revenues of the Issuer or, where applicable, the Guarantor or the Reorganised Subsidiary 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 or, where applicable, the Guarantor or the Reorganised Subsidiary 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, where applicable, the Guarantor or the Reorganised Subsidiary; 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, where applicable, the Guarantor or the Reorganised Subsidiary, or the Issuer or, where applicable, the Guarantor or the Reorganised Subsidiary 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 (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of the Reorganised Subsidiary, whereby the undertaking and assets of the Reorganised Subsidiary are transferred to or otherwise vested in the Issuer or another of its subsidiaries (which means, in respect of the Issuer or, where applicable, the Guarantor at any particular time, any other entity which is controlled by the Issuer or, where applicable, the Guarantor in accordance with article 2359 no.1 of the Italian Civil Code), 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; or
- 6.2.9 Guarantee: in respect of Notes issued by Banco Popolare Luxembourg, the Deed of Guarantee ceases to be a valid and binding obligation of the Guarantor, or is claimed by the Guarantor not to be in full force and effect (other than in the event of a consolidation, amalgamation, merger or similar transaction by which Banco Popolare

assumes by operation of law all payment obligations of Banco Popolare Luxembourg under the relevant Notes).

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 and the Guarantor (where applicable), 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 5.11) 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:

- in the case of the Reorganised Subsidiary, the reorganisation process described in Section “Noteworthy Events for the Year”, Paragraph “Business Restructuring and Reorganization Plan for Gruppo Banca Italease” of the section “Business Description of Banco Popolare Società Cooperativa” of the Base Prospectus, and/or any different reorganisation, amalgamation, reconstruction, merger, demerger, consolidation, transfer of business or similar transaction whilst solvent whereby the assets and undertaking of the Reorganised Subsidiary are transferred to or otherwise vested in Banco Popolare or another subsidiary of Banco Popolare; and
- in the case of the Issuer or the Guarantor, a solvent and voluntary reorganisation involving, alone or with others, the Issuer or, as applicable, the Guarantor 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 or, as applicable, the Guarantor under, or in respect of, the Notes or, as applicable, the Guarantee 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 (in the case of payments made by or on behalf of Banco Popolare) or the Grand Duchy of Luxembourg (in the case of payments made by or on behalf of Banco Popolare Luxembourg) or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor (where applicable) 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 any Note having an original maturity of less than eighteen (18) months where such withholding or deduction is required pursuant to Italian Legislative Decree No. 600 of 29 September 1973, as amended; or
- 7.1.4 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 or the Guarantor (where applicable) becomes subject to any taxing jurisdiction other than Italy or the Grand Duchy of Luxembourg (as the case may be), references in these Conditions shall be construed as references to Italy or the Grand Duchy of Luxembourg (as the case may be), and/or such other jurisdiction.

## 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 and (where applicable) the Guarantor 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 first-named) 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 or the Guarantor for payment of principal and interest in respect of Notes or under the Guarantee of the Notes, as the case may be, 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 and, where applicable, the Guarantor reserve 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 the Issuer and, where applicable, the Guarantor 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 and, where applicable, the Guarantor 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](http://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 and, where applicable, the Guarantor 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 or the Guarantor, as the case may be, 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 or, as the case may be, the Guarantor shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer or, as the case may be, the Guarantor 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 or, as the case may be, the Guarantor'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 or, as the case may be, the Guarantor.

## 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 Banco Popolare 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 Issuer is Banco Popolare Luxembourg, Banco Popolare shall enter into a deed of guarantee in favour of the Holders on terms no less favourable than the Deed of Guarantee then in force in respect of the Notes;
  - (v) 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;
  - (vi) 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;
  - (vii) 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;
  - (viii) 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/or the Grand Duchy of Luxembourg, as applicable 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 and, where applicable, that any deed of guarantee entered into pursuant to Condition 16.1(iv) constitutes legal, valid and binding obligations of Banco Popolare;

- (ix) 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**";
  - (x) 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;
  - (xi) 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; and
  - (xii) if applicable, Banco Popolare 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 any deed of guarantee entered into pursuant to Condition 16.1(iv).
- 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, the Issuer shall be released from its obligations under the Notes, any Coupons, the Deed of Covenant and the Fiscal Agency Agreement and, where applicable, the Guarantor shall be released from its obligations under the Deed of Guarantee.
- 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, the Deeds of Covenant and the Deed of Guarantee 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 Each of the Issuers and, where applicable, the Guarantor 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 Each of the Issuers and, where applicable, the Guarantor 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 Each of the Issuers and, where applicable, the Guarantor 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 or, where applicable, the Guarantor 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 or, where applicable, the Guarantor of the person mentioned in this Condition 18.4 ceases to be effective, the Issuer or, where applicable, the Guarantor 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, where applicable, the Guarantor 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/**

**BANCO POPOLARE LUXEMBOURG S.A.]**

Issue of

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

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

**[Guaranteed by BANCO POPOLARE SOCIETÀ COOPERATIVA]**

### **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 4 August 2010 [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) (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](http://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) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 4 August 2010 [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](http://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. (i) Issuer: [Banco Popolare Società Cooperativa/Banco Popolare Luxembourg S.A.]
 

(ii) Guarantor: 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 €50,000 (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: [Investor Put]  
 (Condition 5.3 or 5.6) [Issuer Call]  
 [(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior/[Dated/Perpetual]/Subordinated]  
 (Condition 3)
- [(ii)] Status of the Guarantee: Senior (*N.B. To the extent the Guarantor is incorporated in the Republic of Italy and to the extent that such is a requirement of the applicable law in force at the relevant time, the Guarantor shall only be liable up to an amount which is the aggregate of 120% of the aggregate principal amount of any Tranche of the Notes and 120% of the interest on such Notes accrued but not paid as at any date on which the Guarantor's liability falls to be determined. Such amount shall be reduced by the amount of any payments of principal made by the Issuer under the Notes provided that any such reduction will occur on the day falling two years after the day on which the relevant payment was made by the Issuer.*)
- [(iii)] [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ], respectively]  
 (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee of the 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: (Condition 4.2) [ ] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Relevant Financial Centre(s) for the definition of "Business Day"*]/not adjusted]  
 (Condition 4.11)
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount

- (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 Dates: [ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)  
(Condition 4.11)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
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 Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]  
(Condition 4.11)
- (v) Relevant Financial Centre(s): [ ]  
(Condition 4.11)
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]  
(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 Rate: [ ] per cent. per annum
- (xii) Maximum Interest Rate: [ ] per cent. per annum
- (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 Provisions** [Applicable/Not Applicable]  
(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 Variable-Linked Interest Note Provisions** [Applicable/Not Applicable]  
(Conditions 4.5 and 4.6) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [Give or annex details]
- (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 Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Business Centre(s): [ ]
- (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]

**19. Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (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** (Condition 5.3) [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ] per Calculation Amount

- (b) Maximum Redemption Amount: [ ] per Calculation Amount
- (iv) Notice period [ ]
21. **Put Option** (Condition 5.6) [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period [ ]
22. **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): [ ]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (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: [ ]
- (vi) Payment Date: [ ]
- (vii) Minimum Final Redemption Amount: [ ] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [ ] per Calculation Amount

23. **Early Redemption Amount**

(Condition 5.2)

(Condition 5.3)

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation 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**

24. 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*

25. New Global Note Form:

[Yes] [No]

26. Relevant Financial Centre(s) or other special provisions relating to Interest Payment Dates:

(Condition 4.11)

(Condition 8C.3)

[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]

27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

(Condition 1.2)

[Yes/No. If yes, give details]

28. Details relating to Partly Paid Notes: [Not Applicable/give details]  
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:  
(Condition 1.7)
29. Details relating to Instalment Notes: [Not Applicable/give details]  
amount of each instalment, date  
on which each payment is to be  
made: (Condition 5.1)
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition ] apply]
31. Consolidation: Consolidation [Not] Applicable
32. 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**

33. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give names]
34. If non-syndicated, name of Dealer: [Not Applicable/give names]
35. U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
36. 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 and Banco Popolare Luxembourg S.A. guaranteed, in respect of Notes issued by Banco Popolare Luxembourg S.A., by Banco Popolare Società Cooperativa.

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]]. The Issuer [and the Guarantor] confirm[s] 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*

[Signed on behalf of the Guarantor:

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.)*

### 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 which would allow Eurosystem eligibility: [Yes/No]

[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. **[Notes issued by Banco Popolare only – 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 by-laws, 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: €[ ]

## Description of the Guarantee

*The following is the form of the deed of guarantee to be entered into by Banco Popolare in relation to Notes issued by Banco Popolare Luxembourg.*

- (A) The Issuer and the Guarantor have established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of Notes (as defined in the Conditions) by each of them, in connection with which they have entered into an amended and restated dealer agreement dated 4 August 2010 (the "**Dealer Agreement**") and an amended and restated issue and paying agency agreement dated 4 August 2010 (the "**Agency Agreement**"). In addition, each of the Issuer and the Guarantor has executed a deed of covenant relating to the Programme dated 4 August 2010 (the "**Deed of Covenant**").
- (B) Application has been made for Notes issued under the Programme to be admitted to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. Notes may also be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.
- (C) In connection with the Programme, the Issuer and the Guarantor have prepared a base prospectus dated 4 August 2010 (the "**Base Prospectus**") which has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* as a base prospectus issued in compliance with Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg.
- (D) The Guarantor has agreed to guarantee the payment of all sums expressed to be payable from time to time by the Issuer to Noteholders in respect of the Notes and to Accountholders in respect of the Deed of Covenant.

**NOW THIS DEED OF GUARANTEE WITNESSES** as follows:

### 1. INTERPRETATION

#### 1.1 Benefit of Deed of Guarantee

Any Notes issued by the Issuer under the Programme on or after the date of this Deed of Guarantee shall have the benefit of this Deed of Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

#### 1.2 Definitions

All terms and expressions which have defined meanings in the Base Prospectus, the Dealer Agreement, the Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless defined herein or otherwise stated.

#### 1.3 Clauses

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

#### 1.4 Other agreements

All references in this Deed of Guarantee to an agreement, instrument or other document (including the Base Prospectus, the Dealer Agreement, the Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to

time. In addition, in the context of any particular Tranche of Notes, each reference in this Deed of Guarantee to the Base Prospectus shall be construed as a reference to the Base Prospectus as supplemented and/or amended by the relevant Final Terms.

## 1.5 **Legislation**

Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

## 1.6 **Headings**

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Guarantee.

## 2. **GUARANTEE AND INDEMNITY**

### 2.1 **Guarantee**

The Guarantor hereby unconditionally and irrevocably guarantees:

2.1.1 *The Notes*: to each Noteholder the due and punctual payment of all sums from time to time payable by the Issuer in respect of the relevant Note as and when the same become due and payable and accordingly undertakes to pay to such Noteholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of such Note, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Note and which the Issuer has failed to pay; and

2.1.2 *The Direct Rights*: to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Notes, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Notes and which the Issuer has failed to pay.

### 2.2 **Indemnity**

The Guarantor irrevocably and unconditionally agrees as a primary obligation to indemnify each Beneficiary from time to time from and against any loss incurred by such Beneficiary as a result of any of the obligations of the Issuer under or pursuant to any Note, the Deed of Covenant or any provision thereof being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to such Beneficiary or any other person, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Issuer. Any amount payable pursuant to this indemnity shall be payable in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Notes. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

### 2.3 **Limitation**

To the extent the Guarantor is incorporated in the Republic of Italy and to the extent such is a requirement of the applicable law in force at the relevant time, the Guarantor shall only be liable up to an amount which is the aggregate of 120 per cent. of the aggregate principal amount of any Tranche of the Notes which may be issued with the benefit of the Deed of Guarantee (as specified in the applicable Final Terms) and 120 per cent. of the interest on such Notes accrued but not paid as at any date on which the Guarantor's liability under this

Deed of Guarantee falls to be determined (the “**Maximum Amount**”). Subject to and without prejudice to the remainder of this Deed of Guarantee, the Maximum Amount shall be reduced by the amount of any payments of principal made by the Issuer under the Notes **provided that** any such reduction will occur on the day falling two years after the day on which the relevant payment was made by the Issuer.

### 3. **COMPLIANCE WITH THE CONDITIONS**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions.

### 4. **PRESERVATION OF RIGHTS**

#### 4.1 **Principal obligor**

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

#### 4.2 **Continuing obligations**

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any obligation of the Issuer under or in respect of any Note or the Deed of Covenant and shall continue in full force and effect for so long as the Programme remains in effect and thereafter until all sums due from the Issuer in respect of the Notes and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

#### 4.3 **Obligations not discharged**

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

- 4.3.1 *Winding up*: the winding up, dissolution, administration or re-organisation of the Issuer or any change in its status, function, control or ownership;
- 4.3.2 *Illegality*: any of the obligations of the Issuer under or in respect of any Note or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 4.3.3 *Indulgence*: time or other indulgence being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of any Note or the Deed of Covenant;
- 4.3.4 *Amendment*: any amendment, novation, supplement, extension, (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature) or replacement, waiver or release of, any obligation of the Issuer under or in respect of any Note or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof including without limitation any change in the purposes for which the proceeds of the issue of any Note are to be applied and any extension of or any increase of the obligations of the Issuer in respect of any Note or the addition of any new obligations for the Issuer under the Deed of Covenant; or
- 4.3.5 *Analogous events*: any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Guarantee or by law.

#### 4.4 Settlement conditional

Any settlement or discharge between the Guarantor and the Beneficiaries or any of them in relation to the Issuer shall be conditional upon no payment to the Beneficiaries or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

#### 4.5 Exercise of Rights

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:

4.5.1 *Demand*: to make any demand of the Issuer, save for the presentation of the relevant Note;

4.5.2 *Take action*: to take any action or obtain judgment in any court against the Issuer; or

4.5.3 *Claim or proof*: to make or file any claim or proof in a winding-up or dissolution of the Issuer,

and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of any Note.

#### 4.6 Deferral of Guarantor's rights

The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of any Note or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

4.6.1 *Indemnity*: to be indemnified by the Issuer;

4.6.2 *Contribution*: to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of any Note or the Deed of Covenant; or

4.6.3 *Subrogation*: to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee or any security enjoyed in connection with any Note or the Deed of Covenant by any Beneficiary.

#### 4.7 Status of Guarantee

The Guarantor undertakes that its obligations hereunder constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Guarantor, present and future (save for certain mandatory exceptions provided by law).

### 5. DEPOSIT OF DEED OF GUARANTEE

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent for so long as the Programme remains in effect and thereafter until all the obligations of the Issuer under or in respect of the Notes (including, without limitation, its obligations under the Deed of Covenant) have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary to the production of this Deed of Guarantee.

## 6. **STAMP DUTIES**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

## 7. **BENEFIT OF DEED OF GUARANTEE**

### 7.1 **Deed poll**

This Deed of Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

### 7.2 **Benefit**

This Deed of Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Guarantee against the Guarantor.

### 7.3 **Assignment**

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder.

## 8. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

## 9. **NOTICES**

### 9.1 **Address for notices**

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantor at:

Piazza Nogara, 2  
37121 Verona  
Italy

Fax: +39 045 804 2132  
Attention: New Issues and Documentation

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the relevant Noteholders in the manner prescribed for the giving of notices in connection with the relevant Notes.

### 9.2 **Effectiveness**

Every notice or other communication sent in accordance with Clause 9.1 (*Address for notices*) shall be effective, if sent by letter or fax, upon receipt by the Guarantor, *provided that* any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

## 10. CURRENCY INDEMNITY

If any sum due from the Guarantor under this Deed of Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under this Deed of Guarantee or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Deed of Guarantee, the Guarantor shall indemnify each Beneficiary on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Beneficiary may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

## 11. LAW AND JURISDICTION

### 11.1 Governing law

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with it are governed by English law.

### 11.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising out of or in connection with this Deed of Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Guarantee or any non-contractual obligations arising out of or in connection with this Deed of Guarantee) or the consequences of its nullity.

### 11.3 Appropriate forum

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

### 11.4 Rights of the Beneficiaries to take proceedings outside England

Clause 11.2 (*English courts*) is for the benefit of the Beneficiaries only. As a result, nothing in this Clause 11 (*Law and Jurisdiction*) prevents the Beneficiaries from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

### 11.5 Service of process

The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at Banco Popolare Società Cooperativa, London Branch, 1st floor, 1-5 Moorgate, London EC2R 6JH or, if different, its registered office for the time being or at any other address of the Guarantor in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on the behalf of the Guarantor, the Guarantor shall, on the written demand of any Beneficiary addressed and delivered to the Guarantor, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Beneficiary shall be entitled to appoint such a person by written notice addressed and delivered to the Guarantor. Nothing in this paragraph



shall affect the right of any Beneficiary to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.

12. **MODIFICATION**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to Notes, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by supplemental deed poll if sanctioned by an Extraordinary Resolution and shall be binding on all Beneficiaries.

## 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 relevant 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 4 August 2010 (the "**Deed of Covenant**") executed by the relevant Issuer). Under the Deeds 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 relevant 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 depository (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 depository; 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 relevant 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 or the Guarantor 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 or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor 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 relevant 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 relevant 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 5.6 (*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 5.5 (*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 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](http://www.bourse.lu)).

## **Use of Proceeds**

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

# Business Description of Banco Popolare Società 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. 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 the prescribed authorizations, 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 Banking group Gruppo Bancario Banco Popolare, 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**

According to Article 6 of the Articles, the share capital of the Issuer is variable and unlimited. As at 22 July 2010, the Issuer’s share capital is Euro 2,305,735,923.60, divided into 640,482,201 ordinary shares, each with a nominal value of Euro 3.60.



The issue of new shares may be approved:

- a) by an extraordinary resolution of shareholders at 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 of and resolutions passed by the extraordinary shareholders' meeting.
- b) by a resolution of the Management Board, subject to prior approval by the Supervisory Board, pursuant to applicable laws.

For as long as the Issuer's shares are listed on regulated markets, the Management Board shall not issue new shares pursuant to point b).

Shareholders, at an extraordinary meeting, pursuant to Articles 2443 and 2420-ter of the Civil Code, may grant the Management Board powers to increase the share capital or to issue convertible bonds pursuant to applicable laws, within the limits established by Article 33.2 (n) 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. All shares belonging to the same class confer 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.

A resolution has been adopted to undertake a share capital increase by a maximum amount of Euro 28,468,969.20, by issuing a maximum number of 7,908,047 ordinary shares, with a nominal value of Euro 3.60 each, by 1 June 2010, exclusively for the purpose of conversion of the following convertible bonds issued under the Convertible Bond Programme "Banco Popolare Prestito obbligazionario Convertibile 4.75% 2000/2010 – ISIN IT 0001444360". 3,300 convertible bonds have been exercised, in respect of which a total of 1,419 ordinary shares have been subscribed with a nominal value of Euro 5,108.40.

A resolution has been adopted to undertake a share capital increase by a maximum amount of Euro 178,052,173.20, by issuing a maximum number of 49,458,937 ordinary shares with a nominal value of Euro 3.60 each, to be performed between 1 July 2008 and 31 December 2010, exclusively for the purpose of conversion of the following ordinary share warrants "Warrant azioni ordinarie Banco Popolare 2005/2010 - ISIN IT0003872279". 1,667 warrants have been exercised, in respect of which a total of 876 ordinary shares have been subscribed with a nominal value of Euro 3,153.60.

The Management Board is authorised to undertake a share capital increase by a maximum amount of Euro 5,251,500.00, by issuing a maximum number of 1,458,750 ordinary shares with a face value of Euro 3.60 each, in order to service a stock option plan approved by BPVN on 2 July 2002, in favour of managers of BPVN and its subsidiaries, exercisable in 2010.

On 30th January 2010, the Special 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 Issuer, in one or more stages, within maximum two years of the resolution date, subject to the favorable 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 common shares of the Issuer, having a par value of Euro 3.60 each, 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 preemptively offered in option to all entitled shareholders, giving the Management Board the power to fix the nominal price, the subscription price and the option 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 2nd February 2010, in keeping with the powers assigned to the Management Board under the resolution of the Special Shareholders' Meeting on 30th January 2010, as put on record by the notary public Mr. Marco Porceddu Cilione of Verona, under registration n. 54089, record n. 19038, registered in the Verona Companies Register on 1st February 2010, the Management Board resolved to issue bonds convertible into shares of common stock of the Issuer, for a maximum amount of Euro 1 billion, to be preemptively offered in option to the Issuer's shareholders and holders of convertible bonds under the "Banco Popolare Prestito Obbligazionario Convertibile subordinato (Subordinated Convertible Bond - TDF") 4.75% 2000/2010 – ISIN IT 0001444360" program, with consequent capital increase to cover the bond conversion for a maximum total amount of Euro 1 billion, including the share premium, by issuing maximum n. 277,777,777 shares of common stock of the Issuer, having a par value of Euro 3.60 each, 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. Under these same powers, in a future meeting to be called in the days immediately before the inception of the pre-emptive offer, the Management Board shall decide the bond denomination, the nominal value, the subscription price and the convertible bond option ratio, the convertible bond coupon amount, the conversion ratio of each convertible bond into newly issued shares of common stock of the Issuer, the events and adjustment procedures regulating the conversion ratio, the conversion and redemption procedure in compliance with the criteria defined by the resolution passed by the Special Shareholders' Meeting on 30th January 2010, as well as the duration, the number of newly issued shares and the exact amount of the share capital to be used for the convertible bond conversion.

### ***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 maximum is exceeded, the 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 (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 15 July 2010, based on Banco Popolare's records, notifications received and any other information available to Banco Popolare, the shareholders holding, directly or indirectly, a stake of over 2 per cent. of the ordinary share capital of Banco Popolare are as follows:

<b>Shareholder</b>	<b>% of the Ordinary Share Capital</b>
Blackrock Inc.....	3.533

### ***CORPORATE GOVERNANCE***

The corporate governance of Banco Popolare is based on a "dualistic system" in accordance with the Italian Civil Code, which establishes the structure of a Supervisory Board (Consiglio di Sorveglianza) and a Management Board (Consiglio di Gestione).

The Management Board manages the company in accordance with the general planning and strategies approved by the Supervisory Board. The Supervisory Board has supervisory duties (as

provided by the Italian Civil Code) and may be vested with the power to approve the strategic orientation, risk management policies and major extraordinary transactions. Furthermore, the Supervisory Board (i) approves the annual financial statements; (ii) appoints and revokes the members of the Management Board and determines their compensation; (iii) presides over the members of the Management Board; and (iv) reports to the relevant Court as required by Article 2409 of the Italian Civil Code.

### **Management Board (*Consiglio di Gestione*)**

Pursuant to Article 29.1 of the Articles, the Management Board of the Issuer is composed of 12 members appointed by the Supervisory Board. The Supervisory Board shall select a majority of the members of the Management Board from among the top managers of the company or of the companies directly or indirectly controlled by Banco Popolare, or from individuals who, although not employed by Banco Popolare or its subsidiaries, perform their professional activities mainly and continuously with the Issuer or the companies directly or indirectly controlled by it ("**Executive Directors**").

The other members, who shall constitute at least 1/3 of the members of the Management Board, may not receive delegated powers or individually perform, even in a *de facto* sense, functions relating to corporate management ("**Non-executive Directors**").

At least one of the Non-executive Directors must possess the independence requirements established for auditors by Article 148, paragraph 3, of Legislative Decree No. 58 of 24 February 1998.

Each member of the Management Board remains in office, as determined by the Supervisory Board, for a period of no more than three financial years.

The Management Board is appointed for the management of the company in accordance with the general planning and strategies approved by the Supervisory Board. For this purpose, and without prejudice to the authorisation powers of the Supervisory Board, the Management Board performs all necessary operations of ordinary and extraordinary administration that are useful or important for implementing the Issuer's objects. In addition to those matters that cannot be delegated according to law, among other things, the Management Board is responsible for determining the criteria for coordinating and managing Group companies. Upon a proposal by the Managing Director and having considered the opinion of the Supervisory Board, the Management Board may appoint, revoke and determine the powers and remuneration of any one or more General Managers (described below).

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

<b>Office</b>	<b>Name</b>	<b>Principal Activities outside the Issuer</b>
Chairman		Vittorio Coda Vice Chairman Arca SGR S.p.A.
Managing Director and Vice Chairman	Pier Francesco Saviotti	Director Brembo S.p.A. Director F.c. Internazionale Milano S.p.A. Director Moncler S.p.A. Director Nuovo Trasporto Viaggiatori S.p.A. Director Stefanel S.p.A. Director Tod's S.p.A.
Executive Director	Franco Baronio	C.E.O. Banca Popolare di Verona – S.G.S.P. S.p.A. Director Agos Ducato S.p.A. Director Popolare Vita S.p.A. Director Avipop Assicurazioni S.p.A. Director Istituto Centrale delle Banche Popolari Italiane S.p.A.
Executive Director	Alfredo Cariello	C.E.O. and Vice Chairman Cassa di Risparmio di Lucca Pisa Livorno S.p.A.
Executive Director	Domenico De Angelis	Director Banca Popolare di Lodi S.p.A. C.E.O. Banca Popolare di Novara S.p.A.
Executive Director	Maurizio Di Maio	C.E.O. Banca Popolare di Lodi S.p.A. Director Milano Assicurazioni S.p.A. Chairman Agos S.p.A.
Executive Director	Maurizio Faroni	Chairman Aletti Gestielle Alternative SGR S.p.A. Director Aletti Gestielle SGR S.p.A. Vice Chairman Banca Italease S.p.A. Director Banca Popolare di Novara S.p.A. Vice Chairman Efibanca S.p.A. Director and Member of Executive Committee Credito Bergamasco S.p.A. Chairman Af Mezzanine SGR S.p.A. Director Borsa Italiana S.p.A. Director Arca SGR S.p.A. Director Venice S.p.A. Director Palladio Finanziaria S.p.A.
Executive Director	Bruno Pezzoni	Director Banca Aletti & C. S.p.A. Director Credito Bergamasco S.p.A. Director Efibanca S.p.A. Director SGC BP Scpa
Non-executive Director	Aldo Civaschi	Vice Chairman Compagnie Monegasque de Banque
Non-executive Director	Luigi Corsi	Chairman of the Statutory Auditors Lazzari S.p.A. Chairman of the Statutory Auditors Lazzari Auto S.p.A. Chairman of the Statutory Auditors Fenzi S.p.A. Statutory Auditor Agricola Sementi S.r.l. Statutory Auditor Dekora S.p.A. Statutory Auditor Ferrari Giovanni Industria Casearia S.p.A. Statutory Auditor Frigotermica S.r.l. Statutory Auditor Lodigiana Maceri S.p.A. C.E.O. Consulenti Associati S.r.l. Statutory Auditor Consorzio Agrario di Milano e Lodi

		Statutory Auditor Cooperativa Sociale Alfaomega Soc. coop. In liquidazione Deputy Auditor Astem Gestioni S.r.l. Deputy Auditor Linea Group Holding S.r.l. Deputy Auditor Nini Car S.p.A. Official Receiver Sun Spotting S.n.c. di Canesi Roberta & C.
Non-executive Director	Roberto Romanin Jacur	Vice Chairman Istituto Centrale delle Banche Popolari Italiane Chairman Oasi Diagram S.p.A. Director Equens Italia S.p.A. Director Equens SA Director Panini S.p.A. Director Si Holding S.p.A.
Non-executive Director	Andrea Sironi	Director Saes Getters S.p.A. Vice Chairman Banca Aletti & C. S.p.A.

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

None of the members of the Management Board have any actual or potential conflicts of interest between their duties to the Issuer and their private interests and/or other duties.

### **Supervisory Board (*Consiglio di Sorveglianza*)**

The Supervisory Board is appointed by the shareholders' meeting and is composed of 20 members of which:

- eight are chosen from among shareholders residing within the provincial districts where the BPI Group traditionally operates; and
- twelve are chosen from among shareholders residing within the provincial districts where the BPVN Group traditionally operates.

The Supervisory Board assumes the supervisory responsibilities set out in current legislation. In particular, the Supervisory Board monitors (i) compliance with the law and the Articles; (ii) observance of the principles of proper management; (iii) the effectiveness of the organisational structure of Banco Popolare with regard to internal control systems and management and accounting systems, and the suitability of the latter to properly represent operating data; (iv) the procedures for implementing the rules of corporate governance set out by the codes of conduct drawn up by regulated market management companies or trade associations, to which Banco Popolare declares to adhere, by means of an information notice made available to the general public; and (v) the effectiveness of the directives issued by Banco Popolare to subsidiary companies in compliance with current legislation. Further, the Supervisory Board is responsible for (i) approving the Issuer's strategic orientation and risk management policies; (ii) assessment of the efficiency and effectiveness of internal control systems, with particular regard to monitoring risks, internal audit functioning and the accounting information systems; (iii) monitoring the proper execution of the activities of strategic and management control carried out by Banco Popolare in relation to Group companies; and (iv) monitoring the progress and efficiency of management in assessing and evaluating the suitability of management choices with respect to the objectives of profitability and enhancement of company assets and their relevance to the objectives set out in the forecasting instruments and planning documents approved by the Supervisory Board. In addition to these monitoring and supervisory duties and the other tasks required by law, the Articles also attribute to the Supervisory Board the power to pass resolutions, among other things, on matters relating to approval of the industrial, financial and budgeting plans of Banco Popolare and the Group proposed by the Management Board and on major extraordinary transactions.

The Supervisory Board is currently composed of the following members:

<b>Office</b>	<b>Name</b>	<b>Principal Activities outside the Group</b>
Chairman	Carlo Fratta Pasini	–
Deputy Vice Chairman	Guido Duccio Castelletti	Director Banca della Nuova Terra S.p.A.
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. 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. Deputy Auditor Cav. Uff. Giacomo Cimiero S.p.A. Deputy Cogestim S.r.l.
Director	Giuliano Buffelli	Chairman of the Board of Statutory Auditors Istituto Centrale delle Banche Popolari Italiane Statutory Auditor Colombo Filippetti S.p.A. 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.
Director	Pietro Buzzi	Director Alamo Cement Holding Co. Director Ayas S.S. C.E.O. Buzzi Unicem S.p.A. Director Buzzi Unicem Investimenti S.r.l. Director Supervisory Board Dickerhoff AG C.E.O. Fratelli Buzzi S.p.A. Director Presa S.p.A. Director Unicalcestruzzi S.p.A.
Director	Costantino Coccoli	–
Director	Gabriele Camillo Erba	Chairman of the Board of Statutory Auditors Banca Popolare di Verona – S. Geminiano e S. Prospero Deputy Statutory Auditor Banca Popolare di Lodi S.p.A. Statutory Auditor Società Gestione Crediti BP S.p.A. Deputy Statutory Auditor Bipielle Real Estate S.p.A. Statutory Auditor Calzi S.r.l. Chairman of the Board of Statutory Auditors Casa di Cura Privata S.Giacomo S.r.l. Deputy Auditor Movibus S.r.l. Deputy Auditor Soluzio Consumer S.r.l. Deputy Auditor Immobiliare Edifara S.r.l. Deputy Auditor F.i.a.l. S.r.l. Deputy Auditor Dema S.r.l. Chairman of the Board of Statutory Auditors Immobiliare Artigiana Lodi e Circondario S.r.l. Statutory Auditor Immobiliare Clafamar S.r.l. Chairman of the Board of Statutory Auditors Immobiliare Gerundum S.r.l. Deputy Auditor Lodi Progress S.p.A.

		Statutory Auditor Line Servizi per la Mobilità S.p.A. Chairman of the Board of Statutory Auditors Stella Bianca S.p.A. Official Receiver SO.R.I. S.r.l.
Director	Gianni Filippa	C.E.O. PPG Univer S.p.A. C.E.O. Univer Italiana S.p.A. Director Alfa Colori S.r.l. C.E.O. S.V.A.L.T.U.R. S.r.l. Chairman Color Export S.r.l. Director S.G.P. S.r.l.
Director	Dino Piero Giarda	Chairman Cassa del Trentino S.p.A. Director Istituto Europeo di Oncologia S.r.l.
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 C.L. Conglomerati Lucchesi S.r.l. Director I.m.a.p. S.r.l.
Director	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 Gruppo Banca Leonardo S.p.A. Chairman of the Board of Statutory Auditors Allianz S.p.A. Chairman of the Board of Statutory Auditors Allianz Bank Financial Advisor S.p.A. Chairman of the Board of Statutory Auditors Otis S.p.A. Chairman of the Board of Statutory Auditors Otis S.r.l. Chairman of the Board of Statutory Auditors Humanitas Mirasole 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. Director S.I.S.A.G. S.r.l. Director Società Athesis S.p.A. Chairman Verfin S.p.A. Chairman Perinnovare S.p.A. C.E.O. 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. Sole Director Rana France S.a.r.l.
Director Machiavelli	Claudio Rangoni	Director T.I.E. S.r.l. Director Casa dell'Agricoltore S.r.l.
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 Benefit S.p.A.
Director	Alfonso Sonato	Statutory Auditor Aeroporto Valerio Catullo di Verona Villafranca S.p.A. Statutory Auditor Aletti & C. S.p.A. Chairman of the Statutory Auditors Arda S.p.A.

		<p>Director Autostrada del Brennero S.p.A.  Director Burgo Group S.p.A.  Statutory Auditor CEP S.p.A.  Chairman of the Statutory Auditor Compar S.p.A.  Statutory Auditor Faiveley Transport Italia S.p.A.  Chairman of the Board of Auditors Holding Partecipazioni Immobiliari S.p.A.  Statutory Auditor Immobiliare Caselle S.p.A.  Chairman Immobiliare Magazzini S.r.l.  Chairman of the Board of Auditors Immobiliare Torricelli S.p.A.  Statutory Auditor Società Athesis S.p.A.  Statutory Auditor Verfin S.p.A.  Chairman of the Board of Auditors P.G.B. Pubblicità S.p.A.  Chairman of the Board of Auditors Perinnovare S.p.A.  Chairman of the Board of Auditors Piemmeti S.p.A.  Statutory Auditor Polo Finanziario S.p.A.  Chairman of the Board of Auditors Quadrifoglio Verona SpA  Chairman of the Board of Auditors Società Editrice Arena –SEA S.p.A.  Chairman of the Board of Auditors Casa di Cura Polispecialistica dott. Pederzoli S.p.A.  Statutory Auditor TI-BEL S.p.A.  Statutory Auditor TL.TI Expo S.p.A.  Chairman of the Board of Auditors Verona Porta Sud S.p.A.  Statutory Auditor Veronamercato S.p.A.  Statutory Auditor Promofin S.r.l.</p>
Director	Angelo Squintani	–
Director	Sandro Veronesi	<p>Chairman Calzedonia Holding S.p.A.  Chairman Calzedonia S.p.A.  Director Calzificio Trever S.p.A.  Chairman CEP S.p.A.  C.E.O Falconeri S.r.l.  Chairman Intimo 3 S.p.A.  Chairman Ti-Bel S.p.A.  Chairman Auver S.r.l.  Chairman Calovest S.r.l.  Sole Director Savefin S.r.l.</p>
Director	Tommaso Zanini	<p>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 of Statutory Auditors Bonomi S.p.A.  Chairman Consorzio Produttori Marmo Rosso Verona  Official Receiver Cofidam – Soc. Fiduciaria di Servizi S.p.A. in lca  Deputy Auditor Bencini f.imm. S.r.l.  Chairman of the Board Statutory Auditors Agsm S.p.A  Chairman of the Board Statutory Auditors H.B.S. Holding Bonomi S.p.A.  Chairman of the Board Statutory Auditors H.P.M. – S.p.A.  Deputy Auditor Gir auto S.r.l.  Official Receiver Immobiliare Belvedere S.p.A.  Chairman of the Board Statutory Auditors Multi Greenpower S.p.A.</p>



Chairman of the Board Statutory Auditors Multiutility S.p.A.  
 Chairman of the Board Statutory Auditors  
 Multiutility.net S.p.A.  
 Official Receiver Partincart S.p.A.  
 Statutory Auditor Pernisa Graniti S.r.l.  
 Deputy Auditor Girelli f.lli S.r.l.  
 Official Receiver Raffaello 80 S.p.A. in lca  
 Statutory Auditor Manie Tecnologie Italia S.p.A. in liq.  
 Chairman Società Agricola Tendina S.r.l.  
 Statutory Auditor Tech. PA. S.p.A.  
 Chairman of the Board Statutory Auditors Traconf S.r.l.  
 Chairman Officina dei Sapori S.r.l.  
 Chairman of the Board Statutory Auditors Unione  
 Radiotaxi Verona Società Cooperativa  
 Deputy Auditor Safital S.r.l.

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

None of the members of the Supervisory Board has any actual or potential conflicts of interest between their duties to the Issuer and their private interests and/or other duties.

***Board of Advisers (Collegio dei Probiviri)***

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:

<b>Position</b>	<b>Name</b>
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 auditors of its consolidated and non-consolidated annual financial statements until 2015.

Reconta Ernst & Young S.p.A. is registered under No. 2 in the Special Register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of the Testo Unico delle Disposizioni in Materia di Mercati Finanziari and under No. 70945 in the Register of Accounting Auditors (Registro dei Revisori Contabili), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992, and is also a member of the ASSIREVI – Associazione Nazionale Revisori Contabili. The business address of Reconta Ernst & Young S.p.A. is Via Po, 32, 00198, Rome, Italy.

## **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.

## GROUP FINANCIAL HIGHLIGHTS AND RATIOS

### Financial highlights

Shown below are the Group's main financial highlights extracted from the audited annual consolidated financial statements of the Issuer for the year ended 31 December 2009.

	For the year ended 31 December			
	2009	2009 without Italease	2008 <sup>(*)</sup>	Changes over 2009
		<i>(millions of Euro)</i>		
<b>Income statement</b>				
Net interest, dividend and similar income .....	2,095.0	2,056.4	2,226.6	-7.6%
Net commission income .....	1,228.1	1,215.0	1,261.5	-3.7%
Total income .....	3,690.7	3,525.3	3,740.5	-5.8%
Operating costs .....	2,458.4	2,391.7	2,328.7	2.7%
Profit from operations .....	1,232.3	1,133.6	1,411.8	-19.7%
Income before tax from continuing operations .....	502.0	482.6	- 531.3	—
Net income for the year .....	267.0	202.4	- 333.4	—

(\*) Adjusted to comply with IFRS 5 and with the changes introduced by the update of the circular letter n.262/2005 (Banks' Financial Statements).

	<b>As at 31 December</b>			<b>Changes over 2009</b>
	<b>2009</b>	<b>2009 without Italease</b>	<b>2008<sup>(*)</sup></b>	
	<i>(millions of Euro)</i>			
<b>Balance sheet data</b>				
Total assets.....	135,709.1	125,490.5	121,327.2	3.4%
Loans to customers (gross) .....	99,485.7	88,871.9	83,768.0	6.1%
Financial assets and hedging derivatives .....	14,607.6	14,797.5	12,593.1	17.5%
Shareholders' equity .....	11,532.8	11,460.2	9,784.0	17.1%
<b>Customer financial assets</b>				
Direct customer funds .....	105,183.1	97,880.1	93,131.0	5.1%
Indirect customer funds .....	77,212.6		75,090.7	2.8%
– Assets under management .....	30,974.7		31,301.2	-1.0%
– Mutual funds and Sicav .....	9,996.0		11,867.2	-15.8%
– Managed accounts in securities and funds ..	9,908.7		10,959.6	-9.6%
– Insurance policies .....	11,070.0		8,474.5	30.6%
– Assets under custody.....	46,237.9		43,789.5	5.6%
<b>Operational structure</b>				
Average number of employees <sup>(**)</sup> .....	20,375	20,003	20,410	–
Bank branches .....	2,292	2,253	2,265	–

(\*) Adjusted to comply with changes introduced by the update of circular letter n.262/2005 (Banks' Financial Statements).

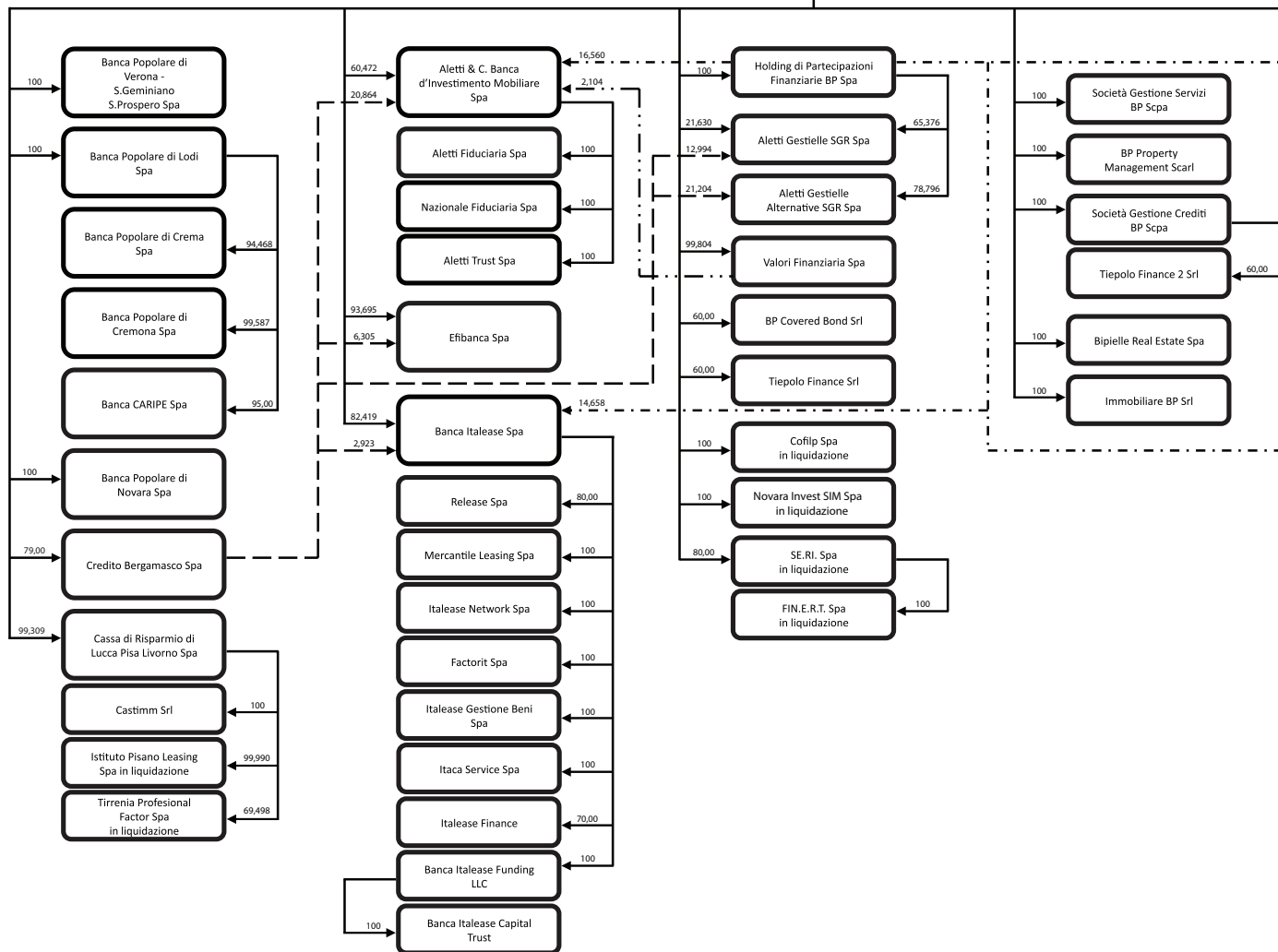
(\*\*) Monthly arithmetic mean.

### Financial ratios and other data

Shown below are the Group's main financial ratios extracted from the audited annual consolidated financial statements of the Issuer for the year ended 31 December 2009.

	<b>For the year ended 31 December</b>		
	<b>2009</b>	<b>2009 without Italease</b>	<b>2008</b>
	<i>(millions of Euro)</i>		
<b>Profitability ratios (%)</b>			
ROE .....	2.4%	1.8%	-3.3%
Net interest, dividend and similar income / Total income .....	56.8%	58.3%	59.5%
Net commission income / Total income .....	33.3%	34.5%	33.7%
Operating costs / Total income .....	66.6%	67.8%	62.3%
<b>Operational productivity (thousands of Euro)</b>			
Customer loans (gross) per employee .....	4,882.7	4,442.9	4,104.2
Total income per employee .....	181.1	176.2	183.3
Operating costs per employee .....	120.7	119.6	114.1
<b>Credit quality ratios (%)</b>			
Net NPLs/ Customer loans (net) .....	2.79%	1.73%	1.22%
Net watchlist loans / Customer loans (net) .....	5.70%	3.77%	2.50%
Net NPLs / Shareholders' equity .....	23.05%	12.95%	10.09%

**BANCO POPOLARE**  
Società Cooperativa



## **ACTIVITIES OF THE BANCO POPOLARE GROUP**

The Banco Popolare Group benefits from a nation-wide distribution network, through which it can implement business development programmes that leverage the synergies that can be obtained from a large banking group, while promoting and valuing the deep-rooted ties with its territory through the strengthening of its historical brands. The Group is active also in Europe, with some subsidiaries and branches, and in Asia, with representative offices.

The Banco Popolare Group carries out the collection of saving and granting of various forms of credit both to its shareholders and non-shareholders with a particular focus on the territories in which its controlled banks (the "Banche del Territorio") operate. The Banche del Territorio consists of Banca Popolare di Verona – SGSP, Banca Popolare di Lodi, Credito Bergamasco, Banca Popolare di Novara, Cassa di Risparmio di Lucca Pisa Livorno, Cassa di Risparmio di Pescara, Banca Popolare di Cremona and Banca Popolare di Crema. The products offered by the Banche del Territorio are developed to suit the specific requirements of the various geographical areas each represents. The retail banks within Banche del Territorio each operate under their own brand in the local areas from which they originated, but they are all joined under the Group brand - the new logo of Banco Popolare. The Banche del Territorio also operate through other specific "local" brands: Banca Popolare di Verona - SGSP operates through the brands Banco S. Geminiano e S. Prospero in Emilia Romagna, Banco San Marco in Venice and Banca Popolare del Trentino in Trentino. Banca Popolare di Lodi is also revitalising certain brands that were originally present in some of its geographical franchises. The Group's specialised bank branches complement the distribution structure: in particular, Banca Aletti's "private banking" branches are well-represented in the main provincial towns of the Group's franchise.

Banco Popolare has direct operations in 20 regions with 2,292 distribution structures, that break down as follows: 72% in Northern Italy, 15% in the Center of Italy, 13% in Southern Italy and in the Islands. The Group's historical stronghold regions are of course characterized by a deeper entrenchment: Veneto, Lombardy, Piedmont, Tuscany, Emilia Romagna, Liguria, Abruzzo and a noteworthy presence in Sicily.

Foreign operations are organised through the subsidiaries Banco Popolare Luxembourg S.A., Banca Aletti & C. (Suisse) S.A., Banco Popolare Croatia d.d., Banco Popolare Česká Republica a.s., Banco Popolare Hungary Kft, Auto Trading Leasing in Romania and Banco Popolare London branch. The Group has a presence in Asia, with representative offices in India (Mumbai), China (Beijing, Shanghai and Hong Kong) and Russia (Moscow).

The Banco Popolare Group offers a wide range of banking and finance products and services to retail, corporate and private clients both through its branch network and through innovative distribution channels such as virtual banking.

Banco Popolare centralises certain functions of the Group, inter alia, Group coordination, administration and budgeting, planning and control, human resources management, risk management, internal auditing, investor relations, marketing, participations, Group finance, operations, purchase and logistic management.

The most important activities of the Banco Popolare Group are:

### *Retail Banking Activity*

The banking business and the development of products and services for retail customers are managed at Group level by Banco Popolare's retail department, which is in charge of defining and coordinating the development strategies on the reference market, with a special focus on retail banks support (Banche del Territorio) and on product innovation to meet the needs of retail customers and SMEs.

The retail department also supervises the Group’s commercial initiatives and coordinates with the “product companies” and “joint ventures” engaging in consumer credit, bancassurance, asset management and payment instruments.

The product and service range of Gruppo Banco Popolare’s Retail segment is geared to retail customers (excluding Private clients, with more than Euro 1 million in assets, who are offered a specific product and service model jointly coordinated by the retail banks and Banca Aletti) and to Small Enterprises, namely business entities with sales of up to Euro 2.5 million per annum.

Retail customers are broken down into two main segments: Universals, namely customers with assets below 100 thousand euro, and Affluents, with assets between 100 thousand and 1 million euro.

*Wealth Management*

In the Wealth Management area, the Group intends to satisfy new market trends through addressing three main client requirements:

- the investment of financial wealth to improve the risk/yield profile of various types of clients;
- the protection of person and property; and
- the preservation of living standards during the post retirement phase.

This integrated approach aims to define a well-balanced asset management and bank assurance offer policy in order to provide a “proactive” consulting service to the clients which, on the whole, takes into consideration and aims to find suitable solutions for each client’s individual circumstances and needs during his life.

This segment covers the products and services of the Banco Popolare Group dealing with:

- Bonds;
- Asset management (mutual funds, SICAV, Managed Accounts);
- Life insurance; and
- Protection of Group customers (through life and non-life insurance coverage).

*Direct Banking Products and Services*

The Direct Banking business covers the offer of “multi-channel” products and services devoted to the Group’s different customer segments: Retail, Small Enterprises, Corporate and Large Corporate.

The table below shows the main size indicators of the Direct Banking business.

	<b>2009</b>
Contact center (no. of customers) .....	233,363
Web (no. of customers) .....	314,453
On line Trading (no. of customers) .....	39,322
Mobile (no. of customers).....	145,611
Remote banking (no. of customers) .....	200,552
POS (no. of Terminals) .....	59,806
ATM (no. of Terminals).....	2,497

This segment was involved in complex operational activities associated with the integration and migration of the banks belonging to the BPI Group onto technological platforms and target services of the Banco Popolare Group. The operational continuity on electronic channels for the customers of the former BPI banks was ensured despite this background activity, allowing customers to

continue to perform their transactions on “direct channels”, and to use their existing products and services (for example, POS, Remote Banking, Voice) and the different Direct Banking platforms (for example, Home Banking, Online trading, Mobile).

### *Corporate*

The Corporate Department is in charge of services provided to corporate customers in Italy and abroad, and its mission is to maximise the value creation and profit contribution of the corporate business at a Group level.

The Corporate Department reports directly to the Group Chief Executive Officer, and it is at the head of Corporate Services, Loans and Lending Policies, International Network and the subsidiary Efibanca, a company specializing in Corporate and Investment banking. The main goals of the Corporate Department are to:

- define Corporate market strategies, coordinate and support the Banche del Territorio;
- assist in the availability of an innovative offer, with products and services in line with Corporate market needs;
- define Corporate price policies, in line with the development and profitability targets projected by the Group;
- guarantee the development of Group lending policies, seeking the best overall loan portfolio composition;
- direct and coordinate foreign business units (Branches, Representative offices and Foreign banks) within the fixed budget and strategic plans;
- coordinate Efibanca and the other operating companies (product factories) engaging in corporate finance.

The Corporate Service of the Corporate Department has been assigned two main objectives: to ensure the compliance with the segment’s business guidelines, in coordination with the Banche del Territorio, and to increase the commercial effectiveness and the value proposition for customers.

### *Private and Finance activities*

The Private and Finance activities are mainly performed by Banco Popolare with regard to structural risk management, while its subsidiary Banca Aletti engages in private and investment banking, Efibanca in merchant banking, Aletti Gestielle manages mutual funds, Aletti Gestielle Alternative manages funds of hedge funds and Aletti Fiduciaria manages fiduciary mandates.

Banco Popolare coordinates and supervises the management policies of its asset and liability structural items, as well as those of the other companies of the Group, with the aim of optimising disposable capital, identifying the most suited funding transactions and strategies for the Group on domestic and international markets, and carefully monitoring liquidity requirements and dynamics.

As part of this mandate, Banco Popolare launched a series of initiatives that became operational in 2009, to reduce the Group’s organisational complexity, by combining some financial operations that were previously managed by its subsidiary Banca Aletti into the Group Finance Service.

Illustrated below are the main activities performed by the Finance Department.

- **Capital Markets**  
The Capital Markets division, subdivided into Equity Capital Market and Debt Capital Market, is in charge of coordinating origination, arranging and syndication activities on primary market transactions on behalf of the banks and companies of the Group.



- Equity Research  
This division engages in research studies on stocks listed or on their way to being listed on the Italian market.
- Private banking – commercial network  
The Private banking and commercial network division, subdivided into private banking commercial services, institutional sales and corporate & institutional commercial services, is in charge of offering integrated investment services to Private, Corporate and Institutional Customers, in cooperation with the Group Commercial Service.
- Investment Banking  
The Investment Banking division, comprised of Structured Products, Brokerage, Trading and Treasury, is in charge of coordinating and guaranteeing the development of primary and secondary market business in the equity, bond and securitisation areas for the banks and the companies of the Group.
- Investment Management  
This division is in charge of ensuring diversified management profiles depending on targets, risk, and on the segmentation of retail customers, institutional investors and proprietary securities portfolios belonging to the Group banks.
- Aletti Fiduciaria  
The past financial year a service was offered to Banca Aletti's Private network, which allowed Aletti Fiduciaria to develop and/or consolidate the area of trust advisory services and its role as trustee.
- Group Finance  
Group Finance activities are performed by four main organisational divisions : Capital Management & Wholesale Funding, ALM & Asset Backed Funding, Group Treasury and Proprietary Portfolio Management.

### **PENDING LEGAL PROCEEDINGS**

The principal court proceedings involving Banco Popolare and other companies of the Group are described below.

*Clawback action instructed by Italgest bankruptcy trustees against former Banca Popolare di Novara S.c. a r.l.*

Italgest's receiver filed a clawback action against Banca Popolare di Novara S.c.a.r.l. in relation to payments made by Italgest from Italgest's bank account with Banca Popolare di Novara S.c.a.r.l. Following the merger between Banca Popolare di Verona – Banco S. Geminiano e S. Prospero S.c.a.r.l. and Banca Popolare di Novara S.c.a.r.l. in 2002, the action was transferred to BPVN.

In November 2004, the Naples Court pronounced its decision in first instance on the clawback action under examination. In first instance the court condemned Banco Popolare di Verona e Novara to pay Euro129.2 million plus any interest and legal expenses. Banco Popolare filed an appeal (still pending) against this decision. To be noted, that the actual contingent liability shall not in any case exceed the net bankruptcy liability balance, that has already been expensed. At present, bankruptcy assets are still being measured.

Total loans included in bankruptcy liabilities, net of Banco Popolare's credit (amounting to about Euro 4.5 millions) total Euro 59.5 million. Note that various court denials of insolvency are pending against the Municipalities, regarding the preemptive rights of the admitted credits. Banco also instructed an equal number of clawback actions under art. 102 of the bankruptcy act (now art. 98) against the Municipalities to which the Treasuries belonged (representing credits accounting for about 72% of the admitted bankruptcy liabilities), since criminal procedures ascertained the non

liability of former BPVN's officers on the one side, and on the other the criminal liability of most Municipal officers. During said clawback proceedings, upon instruction of the Court, the Official Receiver ordered the trustees to take part in the proceedings, to require the revocation of credits. All revocation requests filed up to now refer to credits included in the bankruptcy liabilities for a total amount of about Euro 44.7 million.

Italgest Bankruptcy trustees also instructed a legal proceeding against former Banco Popolare di Verona e Novara (now Banco Popolare) invoking the latter's responsibility, also under art. 2049 Civil Code, on the assumption that ex BPVN and its officers contributed to causing the insolvency by keeping up the lines of credit with Italgest. The required claims are equal to the entire bankruptcy liabilities outstanding at the time of application (lire 107 billion, equivalent to Euro 55,260,888.21). The Issuer deems this legal action (the proceeding is still in first instance) to be groundless, supported also by the criminal court decisions acquitting BPVN's employees and condemning Municipal employees, as well as by the dismissal of the counterparty's requests for inquiry to demonstrate the extent of the alleged suffered damages. Banco Popolare decided not to set aside any provision against the requested claims, in keeping with the counsel expressed by defendant's lawyers.

On 22 May 2007 a third party filed a bankruptcy agreement proposal for the Italgest S.p.A. bankruptcy. Against the order issued by the Naples Appeal Court on 24 April 2009, filed on 19.5.2009 - which, rectifying the order of the Naples Court, accepted the bankruptcy agreement - the trustee, the Ministry of Economy and Finance and Banca della Campania S.p.A., proposed to appeal to Cassation Court. The proposer of the bankruptcy agreement opposed the three appeals, asking the adversary appeal to be declared inadmissible or be rejected, and to confirm the order of the Appeal Court, after having consolidated the appeals. In the proceeding instructed by appeal of the trustees, he also proposed an incidental appeal, objecting to the lack of legitimacy of the trustees. Banco Popolare and the Municipality Calvizzano opposed the appeals with an equal number of counter-appeals. The Municipality of Boscoreale proposed a late joint incidental appeal, asking the appeals of the plaintiff to be accepted. The proposer of the bankruptcy agreement opposed also this late appeal. With respect to all the proceedings, the appointment of the Rapporteur and the hearing dates are pending.

#### *Litigation against Giovanni Cerea*

On 23rd January 2001, Mr. Giovanni Cerea filed a civil action with the Civil Court of Milan demanding to condemn BPI to pay a 38.5 million euro claim for an alleged mandate the plaintiff would have received from BPI in relation to the acquisition of the controlling stake of Banca Popolare di Crema.

On 2nd January 2002, Mr. Ernesto Preatoni and the company Parin S.r.l. appeared before the court and filed claims both against the plaintiff and the defendant.

With decision n. 7332/04, the first instance Court accepted the defensive argument of BPI, rejected all the claims by the plaintiff and successive third parties, and condemned the latter to refund the trial expenses to BPI.

This decision was appealed against by all losing parties, who in July 2004 served BPI with two summons to appear in appeal court for a full reversal of judgment n. 7332/04, based on the same reasons put forward as ground for the claims at first instance.

The actions, which were instituted separately, were joined in the II Section of the Appeal Court of Milan.

On 8th June 2005, BPI signed an out-of-court agreement with Parin S.r.l. and Mr. Preatoni, based on which Parin S.r.l. and Mr. Preatoni waived the legal action and the associated claims (compensation and annulment of takeover) and in turn BPI waived its claim for compensation against Parin S.r.l. and Mr. Preatoni.

Under the above agreement, Parin and Preatoni waived their requests also against Mr. Cerea, who in turn accepted to waive his action against them; as a result the Appeal court, with judgment 2392/05, declared the action and legal proceedings between Preatoni, Parin and BPI (on the one side) and between Preatoni, Parin and Cerea (on the other side) to be extinguished. The only action still outstanding is the suit between BPI and Mr. Cerea.

In September 2009, the parties reached an out-of-court agreement, with consequent commitment to extinguish the appeal decision, which is being formalized.

#### *Litigation against Area S.p.A.*

In July and September 2009, Banco Popolare and Banca Popolare di Lodi S.p.A., together with others, were summoned before the Court of Milan, with separate actions by two separate groups of former minority shareholders of Area S.p.A.

In the first proceeding, the 42 plaintiffs asked to condemn the defendants to refund alleged damages, quantified in 13.15 million Euro. The alleged liability would stem from a supposed agreement between Banca Popolare di Lodi S.c. a r.l. and Banca Intesa S.p.A., which among other things would have caused the ousting of the minority shareholders of Area S.p.A., depriving them of their share and without recognizing any right, in particular the due consideration had they be allowed to exercise their right of withdrawal as a result of the merger of Area S.p.A. into Bipielle Investimenti S.p.A. In the second proceeding, the 76 plaintiffs asked to condemn Banco Popolare, Banca Popolare di Lodi S.p.A. and Mr. Fiorani – after ascertaining his supposed personal criminal liability and the liability under art. 5 Lgs. D. n. 231/2001 of the two banks – to refund alleged damages, quantified in Euro 25.2 million, after deducting the same profiles put forward in the previous proceeding. The first hearing took place on 23rd February 2010.

Banco Popolare and Banca Popolare di Lodi consider the plaintiffs' claims totally groundless and therefore did not set aside any provision.

#### *Litigation against the Trust for the safeguard of former Banca Popolare di Crema Shareholders*

With deed filed on 27th October 2008, the "Trust for the safeguard of former Shareholders of Banca Popolare di Crema" subpoenaed Mr. Gianpiero Fiorani, Banco Popolare Soc. coop. and Banca Popolare di Lodi S.p.A. before the Court of Tempio Pausania, This trust (under English law) acquired the ownership of the capital, claim and credit rights (current and future) and the relative powers of 424 former shareholders of Banca Popolare di Crema associated with the alleged damage suffered as a result of the sale of a total number of 450,249 ordinary shares, corresponding to euro 58,255,838.00.

The plaintiff trust claims that Banca Popolare di Lodi S.c. a r.l., under the management of Mr. Gianpiero Fiorani, from 1995 to 2000 took control of Banca Popolare di Crema's capital in a covert manner and breaching regulations governing the acquisition of a significant or controlling stake in companies listed on regulated markets, at a distorted average price, completely different from the official price that was artificially offered by Banca Popolare di Lodi S.c. a r.l. in the following take-over bid in 2000.

With decision dated 25 February 2010, the Court rejected all the claims raised by the Trust against Banco Popolare and Banca Popolare di Lodi, condemning the plaintiff to refund all legal expenses. Banco and Banca Popolare di Lodi S.p.A. had not set aside any related provision for risks and charges.

#### *Litigation against Antonio Aiello and CGI – Compagnia di Gestione e Iniziative S.r.l.*

On 31st October 2008, Banca Popolare di Lodi S.p.A. was summoned before the Court of Rome by Mr. Antonio Aiello and CGI – Compagnia di Gestione e Iniziative S.r.l.

The counterparty's claim asked the Court to ascertain alleged grave liabilities plus repayment of damages caused to the plaintiffs between 2005 and 2007 by the behavior of Banca Popolare di Lodi S.p.A., with regard to groundless charges, widely covered also by the press, against Mr. Aiello.

The claims for damage, both monetary and non, amount to Euro 10 million.

With regard to this litigation, Banca Popolare di Lodi S.p.A. deemed it unnecessary for the time being to set aside any provisions for risks and charges.

#### *Parmalat and Cirio positions*

With regard to the criminal proceeding underway at the Court of Parma, dealing with the financial crack of Gruppo Parmalat, on 17th December 2008 Banco Popolare and Banca Popolare di Lodi S.p.A. were summoned as they were considered liable under civil law.

Likewise, with regard to the criminal proceeding underway at the Court of Rome as a result of the financial crack of Gruppo Cirio, authorization was given to the summons of Banco Popolare and Banca Popolare di Lodi S.p.A. – considered liable under civil law.

To date, it is impossible to exactly assess possible risk profiles, in terms of liabilities to be borne by Banco Popolare and Banca Popolare di Lodi. In case the former executives of BPI were to be charged guilty, BPI, Banco Popolare and Banca Popolare di Lodi may suffer capital damages as they are liable under civil law. However, it should be underlined that the Civil court of Rome in February 2008 had completely rejected the claims for damage against Banco Popolare and BPI in the Cirio trial, while it charged some other defendant. After this first-instance opinion, on 16th December 2008 Banco Popolare was summoned in Appeal.

With regard to these positions, Banco Popolare and Banca Popolare di Lodi deemed it unnecessary for the time being to set aside any provisions for risks and charges.

#### *Litigation against Gian Paolo Zini*

With summons dated 21st July 2004, Parmalat Finanziaria S.p.A. ("Parmalat Finanziaria") and Parmalat S.p.A. ("Parmalat") summoned 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.

Parmalat Finanziaria and Parmalat instituted an action for compensation (under articles 2392, 2393, 2394, 2447, 2448, 2449 of the Civil Code, as well as for contract and out-of-contract liability under article art. 2043 of the Civil Code) against the defendants, stating that in their various capacities they were responsible for the default of the two companies of the Group owned by Mr. Calisto Tanzi. Hence, a claim for damages of Euro 2.63 billion in favor of Parmalat and Euro 9.273 billion in favor of Parmalat Finanziaria. In the course of the trial, the newco Parmalat S.p.A., being the "assumptor" of the judicial compositions, joined the claims and submitted the same requests.

With summons on third party complaint, lawyer Gian Paolo Zini summoned a number of entities to appear in court, among which also BPI, asking for the alleged joint liability of the defendants to the alleged plaintiffs to be ascertained.

With deed dated 4th January 2005, BPI appeared before the court asking that the third party summons issued by lawyer Zini against BPI be verified and declared inadmissible, as they fail to meet legal requirements and/or for lack of passive legitimacy. To this regard, BPI also requested that all the adversary claims be rejected, since they are totally groundless in fact and by right.

In the joint hearing held on 26th May 2006, some of the parties summoned by Parmalat and Parmalat Finanziaria raised the objection to extinguish the judgment under art. 8 of Law D. 5/2003 as the plaintiffs had not duly and/or regularly sent them the notification of the date of the hearing. A new hearing was therefore fixed on 20th September 2006 for the oral discussion of said objections.

In this hearing, the Court decided to suspend the judgment.

In particular, since the Court attested that Parmalat S.p.A. under extraordinary administration acted as a plaintiff for damages in a criminal proceeding for the same events, which were objected in the case under examination (thus unequivocally transferring the civil action in a criminal case), it declared: (i) the extinguishment of the civil action promoted by Parmalat S.p.A. under extraordinary administration; (ii) the suspension of the civil case under examination, determining that it may resume between the assumptor (newco Parmalat S.p.A. which as we said stepped in the civil action but did not formally institute a civil action in a criminal case), the defendants and third parties (among which BPI), only upon resolution of the criminal case. The reason is that, in consideration of the preliminary nature of one case over the other, the judgment resolving the criminal proceeding may be material and opposable in the civil action.

To date, the civil action is suspended until the resolution of the criminal proceeding.

Without prejudice to what illustrated above with regard to BPI's defense and the entity of the claims put forward by lawyer Zini, it is impossible to predict the possible outcome of the court decision.

BPI's Board of Directors deemed it unnecessary to set aside any provisions for risks and charges.

#### *Litigation against Immobiliare Valadier S.r.l.*

On 29th July 2008, the subsidiary Banca Popolare di Lodi S.p.A. was notified that its Euro 76.6 million euro senior loan had not been admitted as a proof of debt in the bankruptcy procedure against Immobiliare Valadier S.r.l. of Roma, that was declared bankrupt by the Court of Rome in January 2008, against a mortgage loan granted in 2006.

Obviously, the decision was challenged, considering the regular finalization of the mortgage and the regular acquisition of the consolidated and enforceable lien on guaranteeable assets, where the mortgage was also backed by the transfer of lease payments as guarantee. On 14th October 2009, the Rome Court passed its motivated order, with which it accepted the reasons of Banca Popolare di Lodi S.p.A, and regularly included the bank's loan into the bankruptcy procedure, condemning the bankruptcy commissioner to refund legal expenses.

Then, on 12th November 2009, the bankruptcy commissioner of Immobiliare Valadier appealed with the Cassation court against the above order, hence Banca Popolare di Lodi S.p.A. through its lawyers immediately prepared and filed its counter-appeal.

To date, the subsidiary Banca Popolare di Lodi decided not to carry out specific write-downs related to the court proceeding pending with the Supreme Court, with the exception of those relating to the realizable timeframe, also considering the positive outcome of the appeal.

On 24 November 2008, the Valadier's Bankruptcy commissioner summoned the subsidiary Banca Popolare di Lodi S.p.A. to ascertain and declare the simulation of the mortgage contract and the consequent charge to pay back the total amount of Euro 9.7 million received by the bank as a repayment of mortgage payments or pre-amortization payments, in addition to interest and revaluations.

The court proceeding was postponed to the hearing on 2nd February 2010 and to date, although the bank certain of its reasons that are also supported by circumstantial external opinions, yet it deemed it appropriate to set aside a conservative provision to cover the legal action costs.

#### *Fingruppo Holding*

On 21st August 2008, the Court of Brescia rejected Fingruppo Holding's filing for bankruptcy owing to the finalization on August 20th of a restructuring agreement on Fingruppo's debt under and in compliance with art. 182 bis of the bankruptcy law. No challenges were raised in the hearing held on 24th September 2008, therefore the authorization of the restructuring agreement was finalized.

Gruppo Banco Popolare shows an exposure of Euro 158 million to Fingruppo Holding through its subsidiary Banca Popolare di Lodi S.p.A., which was recognized under watchlist loans. Banca Popolare di Lodi entered the workout agreement, which provides that any loan outstanding between the parties to the agreement and Fingruppo shall not bear interest as of 1st July 2008. As to the principal, under the agreement, Banca Popolare di Lodi's loan is to be repaid first of all through the proceeds generated by the market sale of Hopa shares and Banca Popolare di Lodi 2002-2012 bonds held by Fingruppo and deposited as collateral in favor of Banca Popolare di Lodi. Euro 10.3 million related to the sale of Hopa shares and Euro 25.4 million related to the sale of Banca Popolare di Lodi shares were deposited with Banca Popolare di Lodi with value date 30th December 2008 and 10th June 2009, respectively. On 26th February 2009, as first down-payment and loan repayment, Euro 23 million were credited to Banca Popolare di Lodi, Considering also the coupons collected by Banca Popolare di Lodi, after the approval of the restructuring agreement, with regard to the above mentioned bonds, the Gruppo Banco Popolare's residual credit went down to Euro 98 million. After joining the agreement, the Group companies submitted their Fingruppo and Hopa loans to a new measurement to reassess their value.

The finalization of the restructuring agreement represented one of the main pre-conditions to the performance of the letter of intent signed on 23rd July 2008 between Mittel S.p.A. and Equinox Two S.c.p.a., one the one side, and Banco Popolare Soc. Coop. and Banca Monte dei Paschi di Siena S.p.A., on the other. This agreement provides the creation of a new company, where Mittel and Equinox shall jointly hold 66.6%, while Banco Popolare and Banca Monte dei Paschi di Siena shall hold an equal share of the remaining 33.3%.

The acquisition of the interest in the newco, Tethys S.p.A., entailed a Euro 5 million investment for Banco Popolare. Tethys acquired all the equity investments held by Fingruppo and the Hopa shares purchased by the above mentioned banks. In 5 years time Tethys is entitled to acquire the additional Hopa shares held by Banco Popolare and MPS at a price of Euro 0.10 per share (call option). Banco Popolare's stake in Hopa is represented by n. 101,019,756 shares (corresponding to 7.3% of its share capital) belonging to the AfS portfolio (assets available for sale). The agreement provides that the business partners of Mittel and Equinox are in charge of managing and valorizing the acquired equity investments, and they are entitled in 5 years time to acquire the share in Tethys held by Banco Popolare and MPS for 10 million Euro. Following the signing of the above agreement, Banco Popolare reassessed the value of the above shares, in line with the call option exercise price that would be recognized to Tethys. The described agreement, together with the supplementary agreements signed in August 2009, provide the granting by Banco Popolare and Banca Monte Paschi di Siena of some guarantees to Tethys against possible contingent assets and liabilities that were not reported in Hopa's balance sheet on which the above agreements were based.

#### *Penalty procedure for breach of anti-money laundering regulations.*

In October 2008, the Verona Tax Police (Guardia di Finanza) notified two reports to Banco Popolare, which is bound jointly and severally, disclosing irregularities regarding the compulsory reporting of suspicious transactions, attributed to two employees who had been successive Branch Managers in Sommacampagna (VR) between 2003 and 2007, that might give rise to a substantial administrative fine. An expert Professional was hired to assist Banco Popolare in the proceedings, and a conservative provision of Euro 4,926,290.93, corresponding to 50% of the maximum total fine has been set aside.

#### *Raffaele Viscardi S.r.l.*

The litigation, reflecting a claim of about Euro 46 million, hinges on the conduct of the Salerno branch of Banca Popolare di Novara with regard to transactions executed by the bank as part of credit lines granted to the plaintiff company. In particular, the plaintiff maintains it was induced to subscribe for Banco Popolare bonds to back extended loans, and therefore the bank would have abused its dominant position, thus breaching contract rules, as well as CONSOB regulations.

Moreover, the plaintiffs claim a damage for being reported to the Credit Bureau, which caused a false representation of the company's true conditions.

The action is in the fact-finding phase.

With regard to this litigation, for the time being it was deemed unnecessary to set aside a provision for risks and charges.

***Described below are the main risk positions regarding Gruppo Italease***

*Investigations and lawsuits*

With regard to the lawsuit against some members of the former managing board of Banca Italease, including Mr. Faenza and some mediators, Banca Italease brought a civil action in the proceedings to obtain full compensation for damages, both compensatory and general, suffered as a result of the defendants' criminal conduct, of which they were charged in the order of indictment.

Banca Italease also asked and obtained the precautionary seizure of personal property and real estate registered in the name of most of the defendants and parties with civil liabilities, who were summoned as jointly and severally liable. The precautionary measure was confirmed by the special Court ("*Tribunale del riesame*") to which some defendants and their lawyers had appealed to have their case re-examined.

Banca Italease believes it can legitimately claim the personal property and real estate currently under precautionary seizure to be repaid of the material damages suffered as a result of the detrimental actions carried out against the company.

In the hearing of 24 March 2009, the Judge of the Preliminary Hearing upheld two of the four plea bargaining requests and sentenced the two defendants to a 1 year and 6 months term in prison (the sentence was suspended). As to the other two defendants, which applied for a fast-track trial, the Judge upheld the request and sentenced them to a 2 year and 8 month term in prison, and to pay a provisional fine of respectively Euro 15.4 million and Euro 7.1 million to compensate Banca Italease for damages. Banca Italease's lawyers asked for the precautionary seizure of the defendants' assets to be converted into a distraint under art. 686 of the Code of Civil Procedure.

Proceedings against the other defendants who did not apply for alternative trials or whose plea bargaining requests have been dismissed shall continue,

As part of the various criminal proceedings currently pending before the Italian Public Prosecutor's Office at the Milan Court, in which Banca Italease is for one reason or another involved, on 17 November 2009 Banca Italease was notified the notice of closure of preliminary investigation on alleged crimes for obstructing Supervisory Authorities, rigging the market and perpetrating an accounting fraud charged against the former Chief executive Officer, Mr. Faenza, and the former General Manager. In this proceeding, pursuant to Lgs.D. 231/2001. Banca Italease was summoned as a result of the corporate crimes with which the former CEO and the former General Manager have been charged with. The proceeding is in its investigation phase and therefore no question was posed yet to the Bank.

Since dailies published news of protests that would have been registered with the Milan Public Prosecutor's Office by some minority shareholders of Banca Italease, asking the Court to verify the correctness of Banca Italease's financial statements as at 31st December 2007 and 31st December 2008, it should be noted that neither Banca Italease, nor – to our understanding – any of its board members received any notification by the Milan Public Prosecutor's Office with regard to the aforementioned petitions, and what is in the knowledge of the Bank is only what was published on newspapers.

### *Administrative proceedings Consob – Banca Italease*

With an appearance and defense brief filed on 29th January 2009, Consob joined the proceeding instituted to challenge the sanctioning measures pursuant to Consob's Resolution n. 16651/08, regarding alleged procedural shortcomings and other breaches of regulations governing investment service operations.

The first hearing on the challenge to the Resolution was held on 4th March 2009 at the Milan Court. In addition to the challenge proposed by Banca Italease, an independent challenge was filed also by some former corporate executives, while others joined the Bank's challenge. The Court combined the appeals and on request of the parties adjourned the debate on 7th October 2009, granting joint deadlines to file the defense briefs on 30 June 2009 and 20 September 2009. The joint hearing was held on 25th November 2009. With order filed on 17th February 2010, the Appeal Court of Milan dismissed the objection raised by Banca Italease and by the former executives, and after acknowledging the death of Mr. Lucio Rondelli, reduced the total amount to be paid by Banca Italease by the amount of the latter's fine, owing to his death. The Bank and its lawyers are considering the opportunity of appealing to the Cassation Court against said decision.

On 29th January 2009 Consob filed an appearance and defense brief in the proceeding instituted to challenge the sanctioning measures pursuant to Consob's Resolution n. 16650/08, regarding the alleged delayed disclosure to the public of information on derivatives trading activities and on events occurred in first half 2007.

The first hearing on the challenge to the Resolution was held on 4th March 2009 at the Milan Court. This proceeding, other than the previous one, was not combined to it. The Court adjourned the hearing to the 7th October 2009, setting the deadlines for Banca Italease to file its defense brief on 30 June 2009 and 20 September 2009. The joint hearing was held on 25th November 2009. With order filed on 11 February 2010, the Milan Appeal Court dismissed the challenge made by Banca Italease.

### *Challenge to Banca Italease's Annual Report as at 31st December 2006*

As to the sentence regarding the challenge to the 2006 Annual Report, on 14th January 2009, Consob notified the request to set a hearing restricted to the following breaches: "incorrect assessment and recognition of OTC structured derivatives subscribed with customers" and "failure to disclose the types of OTC derivatives and the inherent risks in the financial statements".

On 30th April 2009, the Milan Court passed its first instance decision regarding the challenge to the 2006 annual report made by Consob. The sentence upholds the reasons for challenging the annual report referring to the measurement and recognition of OTC derivatives, and therefore repeals the resolution approving the annual report as at 31st December 2006, and on the same grounds declares the nonconformity of the consolidated financial statements as at 31st December 2006.

On 27 August 2009, the Board of Directors of Banca Italease, also based on the favorable opinion of its legal advisors, resolved to appeal against the first instance decision passed by the Milan Court. The Milan Appeal Court set the first discussion hearing on 13th April 2010.

The Court decision, to date, is void of any executive efficacy and is susceptible of revision in the following court instances, and in any case does not affect the representation of the financial and operating situation made in the annual report or in recently approved financial reports.

### *Egerton Capital Limited*

In March 2008, Banca Italease was summoned to the Milan Court by Egerton Capital Limited (on its own behalf and on 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).



The objection regarded the investment of the aforementioned funds in Banca Italease shares between 25 January 2007 and 10 May 2007. In this time period the above mentioned funds purchase a total of n. 2,697,346 shares, for Euro 136,322,797.34. Owing to the stock plunge, the same funds between 4 June and 2 July 2007 sold the entire stake for Euro 55,141,748.15.

Egerton brought the civil action to obtain compensation of 105 million Euro, of which 81,181,049.19 Euro for the ensuing damage (trading loss) and 23,856,489.50 Euro for missed profit (the amount was calculated by the plaintiff and should correspond to the assumed annual return the company would have received if it had invested in other securities).

Banca Italease objected to the counterparty's deductions, arguing that the fund had no active legitimacy to bring the action, that the alleged damage the plaintiff maintains it has suffered is inexistent, as is the breach of art. 114 TUF by Banca Italease, that there is no etiological connection between the latter's behavior and the damage suffered by the plaintiff, and asking for the corporate trial procedure to be replaced by an ordinary trial.

Having dispelled the reservations raised in the hearing before the Milan Court on 26 November 2009 – the objections put forward by Banca Italease were partly upheld, with regard to the proof of the procedural legitimacy of the plaintiff Egerton Capital Limited (in its capacity as General Partner of Egerton Capital Limited Partnership) to act on behalf of the funds indicated as plaintiffs (with the exception of CF Egerton Sterling Investment Fund), and the plaintiff was given 60 days time to summon the person in charge of representing the funds before the court.

In the hearing held on 25 March 2010, after the debate the court reserved judgment on the request for a technical advice by a court-appointed expert made by the lawyers of Banca Italease.

#### *Kevios*

With notice sent on 18th December 2009, Kevios S.p.A. summoned Banca Italease before the Milan Court to obtain satisfaction of a claim for damages of about Euro 65 million, based on the following alleged existence of multiple offences: abuse of economic dependence, abuse of right and breach of contract, in thesi, ascribed to Banca Italease. The first hearing was fixed on 22 May 2010.

Banca Italease shall fully challenge the claims made by the plaintiff, as they are deemed to be groundless and require no provisioning.

#### *Exposure to Gruppo Zunino*

In July 2009, the Public Prosecutor's Office of Milan filed a bankruptcy petition against the Group led by Luigi Zunino, operating on the real estate market with Risanamento. The group was hit by the industry crisis and by a huge indebtedness, and submitted to the court a debt restructuring agreement under art. 182 bis of the Bankruptcy Law, supported also by primary lending institutions, to which the Zunino group has a large exposure, and which undertook to finance the continuation of the ongoing real estate operations.

The Milan Bankruptcy Court, which was asked by the Public Prosecutor's Office to assess a possible bankruptcy declaration, dismissed this request with order filed on 10 November 2009, and accepted the debt restructuring agreements entered by Gruppo Risanamento with various banks, among which Gruppo Banco Popolare.

On 31st December 2009, the Group had an exposure of about Euro 294 million, classified as substandard loans, referring to mortgages and loans granted by Banca Popolare di Lodi, plus the exposure attributable to Gruppo Italease totaling Euro 223 million, which were also recognized under substandard loans. The exposures were adequately provided for and their book value was impaired in the financial statements of the previous financial years and in 2009.

As described in the section devoted to noteworthy events after the balance sheet date, on 1st March 2010 a Framework Agreement was signed by Risanamento and Bipielle Real Estate, which on

31st December 2009 had an exposure of about Euro 100 million for down payments and deposits referring to the Milano Santa Giulia project. Under this agreement, Risanamento shall sell the stakes in the companies Sviluppo Comparto 6 S.r.l. (100%), Sviluppo Comparto 8 S.r.l. (100%) and Mariner S.r.l. (50%), to Bipielle Real Estate, in addition to the proceeds generated by selling some property.

As to the exposure of Gruppo Italease, which was fully allocated to the subsidiary Release, on 29 January 2010 three lease contract were consensually terminated, having a gross total value of about Euro 116 million, and Release was given back the underlying buildings, while another real estate contract of about Euro 81 million was transferred by Risanamento to one of the SPV acquired by Bipielle Real Estate under the aforementioned framework agreement. As a result, the residual exposure of Gruppo Italease comprises now a gross credit of 26 million with Risanamento and non-performing loans referring to two buildings directly owned by Luigi Zunino for a total gross amount of about Euro 19 million.

#### *Exposure to Gruppo Delta*

In May 2009, Delta S.p.A., the Holding company of Gruppo Delta, engaging in consumer credit, and Sedici Banca S.p.A. (banking institution belonging to Gruppo Delta) were put by the Bank of Italy under temporary management owing to the serious management irregularities that had come to light.

The two banks were then admitted to extraordinary administration; the Bank of Italy appointed 3 commissioners, Prof Bruno Inzitari, Dott. Enzo Ortolan and Dott. Antonio Taverna. Cassa di Risparmio di San Marino (CRSM), Delta's parent company, appointed its own advisors: Professors Lusignani and Lamandini and KPMG.

The plan prepared by CRSM's advisors provided for the sale of Sedici Banca and of part of the assets of the Group (sales network, insurance company, etc.) to Intesa SanPaolo (ISP). The assets of the operating companies (Carifin, Plusvalore and Detto Factor) would be used to pay the debts with creditors, mostly represented by banks. After due diligence, ISP expressed its unwillingness to finalize the purchase, which caused the restructuring agreement prepared by CRSM's advisors to fail.

Owing to the failure to close an agreement, the Commissioners presented a new plan to the banks.

The plan, which applies art. 182 bis of the Italian Bankruptcy Law, was submitted to the Bank of Italy on 23rd March 2010.

Based on the assumptions made by the Commissioners, about 65% of the nominal value of the loans of the operating companies should be collected, the exception being transactions operated with earmarked assets, that should be 100% repaid .

On 12th February 2010 the banks of Gruppo Banco Popolare grant Gruppo Delta credit facilities for Euro 230.7 million and utilization Euro 206.4 million. Main utilizations regarded: (i) a transaction with earmarked assets of Euro 100 million; (ii) a credit line in favor of the parent company Delta per Euro 40 million.

Assuming that a workout agreement can be reached with CRSM to safeguard the Euro 40 million credit line to Delta, the estimated loss for Banco Popolare is fully covered by the loss provisions that had already been charged to income totaling Euro 25 million. The position is classified under loans under restructuring.

The Bank of Italy expects 100% of the banks to join the Restructuring Agreement and required an answer by 31 March 2010.

## **NOTEWORTHY EVENTS FOR THE YEAR**

Illustrated below are the most noteworthy events in financial year 2009.

### **Agreement on Gruppo Banca Italease**

On 15th March 2009 the Board of Directors of Banco Popolare, Banca Popolare dell'Emilia Romagna ("BPER"), Banca Popolare di Sondrio ("BPS") and Banca Popolare di Milano ("BPM") approved a combined operation to reorganize and restructure the business activities of the Group led by Banca Italease (the "Framework Agreement"), to be implemented through:

- the launch by Banco Popolare of a voluntary tender offer ("VTO" or "Offer") on all outstanding common shares of Banca Italease, not directly or indirectly held by Banco Popolare, performed pursuant to and to the effect of articles 102 and 106, paragraph four of Legislative Decree n. 58 of 24th February 1998. The aim of the VTO was to take control of Banca Italease;
- the concentration, after completion of the VTO, of part of the assets and liabilities of Gruppo Banca Italease in two newly formed financial companies - "Newco Uno" and "Newco Due" - that are to receive respectively part of the non-performing and performing assets of Gruppo Italease outstanding on 31st March 2009. Shareholders of the two Newcos shall be Banco Popolare and/or Banca Italease itself, as well as BPER, BPS and BPM, and the companies shall receive adequate assets, operational structures, personnel and means to perform their business, with the aim of creating the best possible conditions to favor an efficient management of the transferred business units, so as to maximize their value.

On 14th May 2009, after Consob approved the Prospectus, the Offer was launched and it was completed on 1st July. A number of 90,479,182 shares of common stock of Banca Italease (corresponding to 77.55% of shares under the Offer) were tendered into the Offer, totaling Euro 135,718,773. As a result, by adding the Banca Italease shares tendered into the Offer to those already held by the Group, on 1st July Banco Popolare held 142,212,139 shares of Banca Italease, accounting for 84.447% of the subscribed and paid-in capital.

Based on the above results, the Offer's condition precedent regarding the Minimum Percentage of Acceptance was not fulfilled (90% of Banca Italease's share capital).

In compliance with the Prospectus, Banco Popolare decided to waive the above Condition Precedent for the Offer and to voluntarily extend the Tender Period from 9th July 2009 to 15th July 2009, at the same price of Euro 1.50 per share (namely, at the same price offered for shares tendered into the offer from 14th May 2009 to 1st July 2009) along the procedures specified in the Prospectus.

On 8th July 2009, upon transferring the full ownership of the shares onto Banco Popolare, shareholders were paid in cash the price offered for each Banca Italease share tendered into the Offer from 14th May 2009 to 1st July 2009 - fixed at Euro 1.50 per share and representing an aggregate amount of Euro 135,718,773.

In compliance with the Framework Agreement, and after Banca Italease shares held by BPER, BPS, BPM and Società Reale Mutua di Assicurazioni were transferred to Banco Popolare, the Shareholders' Agreement on Banca Italease shares, that had been originally signed by the above counterparties on 28th February 2008, was terminated effective as of 8th July 2009.

On 8th July 2009, upon proposal of an institutional counterparty, Banco Popolare acquired the latter's bonds issued by Banca Italease corresponding to a total nominal amount of about Euro 270 million. The purchased securities, expiring 2012 and 2017, are listed on the Luxembourg Exchange.

On 15th July 2009, the voluntary extension of the Tender Period ended. At the end of the period, 6,196,773 more Banca Italease shares (corresponding to 5.311% of shares under the Offer) were tendered into the Offer, representing an aggregate amount of Euro 9,295,159.5, which was paid on 22nd July 2009.

By adding the Banca Italease shares tendered into the Offer during the Voluntary Extension to the 90,479,182 shares tendered during the Tender Period (totaling 96,675,955, corresponding to 82,862% of shares under the Offer), and to those already directly or indirectly held by the Offeror (51,732,957 shares), Banco Popolare currently owns 148,408,912 Banca Italease shares, corresponding to 88.127% of the company's subscribed and paid-in capital.

During the Offer Period and the Voluntary Extension Period, Banco Popolare, did not, either directly or indirectly, purchase any Banca Italease share outside the Offer.

Since the shares tendered into the Offer did not make it possible to exceed the thresholds of 90% or 95% of the share capital, the conditions for the buy-out obligation pursuant to articles 108 paragraph 2, 108 paragraph 1 and 111 of TUF were not fulfilled, which would have triggered the stock delisting from the Milan stock market.

## **Business restructuring and reorganization plan for Gruppo Banca Italease**

### ***Banca Italease capital actions – covering losses and new share issue***

With regard to the capital structure of Gruppo Italease, on 8th September 2009 the Board of Directors of Banca Italease convened to analyze the initiatives to be implemented to cover the losses that had been recognized on 31st December 2008, greater than one third of the share capital, and on 30th June 2009, which as a whole drove the shareholders' capital down to Euro 207 million.

The Board of Directors decided to convene the Special Shareholders' Meeting to examine and approve the company's financial situation as at 30th June 2009, pursuant to art. 2446 Civil Code, and to pass the consequent resolutions to cover the losses also through a reduction of the share capital. The Shareholders' Meeting – which was held on 12th October 2009 - having eliminated the indication of the par value expressed by shares, resolved to entirely cover past losses by drawing from non-restricted reserves and by reducing the share capital, and it approved the proposal to vest the Board of Directors, pursuant to art. 2443 of the Civil Code, with the power to approve a capital increase against payment of Banca Italease through a right issue to be offered to shareholders, for a maximum total amount (inclusive of share premium) of Euro 1.2 billion, to be executed within 12 months, upon receipt of the required authorizations.

The above capitalization actions were made necessary to restore Banca Italease's share capital, as well as to bring capital ratios back in line with supervisory regulations and to ensure appropriate management conditions for Banca Italease and its subsidiaries in the future.

To this end, Banco Popolare undertook to subscribe also for the shares unsubscribed by the other shareholders.

Then, on 28th October, in fulfillment of the powers granted by the Special Shareholders' Meeting, the Board of Directors of Banca Italease determined that the Euro 1.2 billion share capital increase would be carried out through a rights issue, by offering in option common shares with regular dividend rights to company shareholders against payment and with a possible share premium, upon inception of the subscription period, proportionately to the number of shares held.

On 23rd November 2009, the Board of Directors of Banca Italease defined the final terms and conditions for the rights issue.

The capital increase was carried out by issuing max. 1,683,989,730 shares, to be offered in option to Banca Italease shareholders at a price of 0.712 euro for each new share (of which 0.612 euro as a share premium), based on a share ratio of 10 new common shares for each share held on inception of the subscription period, for a maximum total amount of Euro 1,199,000,687.76. The implied accounting parity of each newly issued share was fixed to Euro 0.10.

After Consob issued its authorization to publish the prospectus, the rights were tradable on the Italian Stock Exchange from 7th December to 16th December 2009 and could be exercised between 7th December 2009 and 23rd December 2009.

On 23rd December 2009 the offer of preemptive rights on the common shares underlying the Capital Increase was closed: Banco Popolare, either directly or through its subsidiaries Credito Bergamasco and Holding di Partecipazioni BP, subscribed for its attributable stake, corresponding to 1,621,129,970 newly issued shares totaling Euro 1,154.2 million, which brought its interest up to 91.225%.

Banco Popolare fully exercised its option rights proportionately to its direct and indirect shareholding in Banca Italease. As a result, it subscribed for its attributable share of capital increase corresponding to 1,484,089,120 newly issued shares, totaling Euro 1,056,7 million.

At the end of the offer period, 6,285,976 option rights remained unexercised, which entitled to the subscription of 62,859,760 newly issued shares of Banca Italease, totaling Euro 44.8 million.

Unexercised option rights have been offered on the Italian Stock Exchange by Banca Italease pursuant to art. 2441, paragraph three of the Civil Code, and were sold out in their first trading session.

Having exercised 6,053,376 unexercised option rights, Banco Popolare subscribed additional 60,533,760 Banca Italease newly issued shares, totaling Euro 43.1 million.

Upon completion of the capital increase, Gruppo Banco Popolare holds a total of 1,693,031,792 shares, corresponding to 91.397% of Banca Italease's share capital.

Since the free float was not restored, Banco Popolare must fulfill the obligation to purchase the remaining Banca Italease shares pursuant to art. 108, paragraph 2, of TUF, as more exhaustively described in the Explanatory Note's section devoted to noteworthy events after the balance sheet date.

### ***Banca Italease capital actions – Public exchange offer on bonds issued by Banca Italease***

In 2009, in order to optimize the Group's capital structure following the takeover of Banca Italease, the Management Board of Banco Popolare approved a public offer for the entire amount of two "Lower Tier II" subordinated floating rate notes, listed on the Luxembourg Exchange, issued by Banca Italease on 15th October 2004 and 28th June 2006 (with an aggregate nominal value of 275 million Euro, net of held securities) in exchange for new notes having the same subordination level, to be issued by Banco Popolare under its EMTN Program, approved on 28th July 2009.

The offer ran from 29th October to 4th November, and upon its completion, notes corresponding to a nominal value of Euro 116.2 million had been tendered into the offer, accounting for 42.27% of the nominal value of the notes under the offer, fulfilling the minimum quantity condition to which the offer was subject.

In particular, Euro 77.5 million (51.67%) were tendered for the Lower Tier II callable step-up notes due 2014, which originally amounted to nominal Euro 150 million, and Euro 38.8 million (31.02%) were tendered for the Lower Tier II floating rate notes due 2016, which originally amounted to Euro 125 million.

The transaction was settled on 12th November 2009, and the amount paid in cash for odd lots and interest accrued on notes totaled Euro 12.6 million.

In compliance with the Offer Document approved by Consob, the final repurchase prices and exchange ratios correspond to 95% for the "Tier II Subordinated Callable Step-Up Notes due 2014" and 82% for the "Lower Tier II Subordinated Callable Floating Rate Notes due 2016".

Based on the information on notes tendered in exchange and as established in the Offer Document, as of 12th November 2009 Banco Popolare issued a new Lower Tier II subordinated note due 12th November 2016 and with a fixed rate annual 5.473% coupon, corresponding to a total nominal value of Euro 300 million, of which Euro 93 million to cover the Offer and Euro 207 million sold to qualified investors and destined to further strengthen our capital structure and to the current operating business.

### ***Transfers to NewCo One and NewCo Two***

In keeping with the Framework Agreement signed on 15th March last by Banco Popolare, Banca Popolare dell'Emilia Romagna, Banca Popolare di Milano and Banca Popolare di Sondrio, two new companies were formed: the first is to manage impaired loans - non-performing or substandard – of Banca Italease and its subsidiaries (NewCo One, afterwards called "Release") and the second is to manage and develop leasing activities, to support the economies of the market areas of the shareholding banks, in particular with reference to Small- and Medium-sized Enterprises (NewCo Two, afterwards called "Alba Leasing").

Subject to the required authorizations of the Supervisory Authorities, the two new companies came into operation as of 31st December 2009, concurrently with the effectiveness of the transfer deeds provided for under the reorganization plan.

To this regard, on 23rd December 2009 deeds were signed to transfer the business units comprising Banca Italease's non-performing loans to Release; on the same date, a deed was signed for the partial spin-off of the non-performing business units of Italease Network and Mercantile Leasing to Release. On 24th December 2009 a deed was signed to transfer the business units made up of the performing loans of Banca Italease and Mercantile Leasing to Alba Leasing.

The transferred or spun-off business units involved a set of assets, liabilities, and legal relations including personnel. With regard to assets transferred/spun-off to Release, the main balance sheet item is the amount of transferred receivables totaling about Euro 4.9 billion gross; as to assets transferred to Alba Leasing, the main balance sheet item is the amount of transferred non-securitized receivables amounting to about Euro 2.5 billion gross, while the risks and benefits associated with securitized loans originated by the banking channel of about Euro 2.4 billion are attributable to Alba Leasing.

As to Release's share capital, after the transfer and the related share capital increase and premium to Euro 400 million, and following the share transfer in January 2010, 80% of it is held by Banca Italease 10.84% by Banca Popolare dell'Emilia Romagna, 6.24% by Banca Popolare di Sondrio and 2.92% by Banca Popolare di Milano. The company shall receive the operational structures, the personnel (40 employees) and the means to carry out its business activity, with the purpose of creating the best possible conditions for an efficient management of the transferred business unit, so as to maximize its value. In terms of funding commitments, the new company shall be proportionally financed by its shareholders.

After the described transactions, Alba Leasing's shareholding structure comprises Banca Italease with 32.79%, Banca Popolare dell'Emilia Romagna with 36.43%, Banca Popolare di Sondrio with 20.95% and Banca Popolare di Milano with 9.83%. The new company, which has been capitalized by the shareholders with Euro 360 million, so as to ensure a Total Capital Ratio of 7%, shall receive the operational structures, the personnel (350 employees) and the means to carry out its business activity, with the purpose of focusing the newco's activities on specific business segments, that are deemed strategic and worth developing based on the contribution made by each shareholder: the aim is to support the economies – in particular Small and Medium sized Enterprises – in the market areas of the shareholding and associate banks. In terms of funding, the new company shall be financed by shareholders other than Banca Italease and/or Banco Popolare.

Finally, it is worth highlighting that Banco Popolare can guarantee to Banca Italease the necessary capital resources to ensure the compliance with minimum capital requirements under applicable

laws and regulations. Banco Popolare shall see to the financial support of Banca Italease also with regard to the outstanding bond and securitization maturities.

Upon completion of the described Reorganization actions, Banca Italease shall continue to run its business, directly or indirectly, by managing the outstanding contract and loan portfolio in close coordination with the other Group structures.

### **Reorganization actions**

On 22nd December 2009, as part of the plan to rationalize the organizational structure of the factoring business, and with the aim of making Factorit independent from an operational and organizational point of view, Banca Italease and Itaca Service S.p.A. signed the transfer deeds assigning their business units to Factorit, effective as of 31st December 2009.

Moreover, with regard to the transfer of securitized loans originated by the banking channel to Alba Leasing, on 24th December 2009 Alba Leasing and Banca Italease signed an agreement, based on which, in keeping with what had been preliminarily defined in the Framework Agreement of March 2009, the risks associated with a possible default of loans included in the securitizations originated by the banking channel are borne by Alba Leasing and consequently Alba Leasing shall reap the corresponding benefits, as if it were the exclusive owner of the portfolio outstanding on 31st December 2009 as of 31st March 2009.

To this regard, Alba Leasing undertook to pay back to Banca Italease: (i) the junior notes relating to the securitized loans originated by the banking channel, net of individual write-downs, in compliance with the rules and priorities of each securitization and (ii) the remuneration share of the above junior notes relating to loans originated by the banking channel accrued by Banca Italease up to 31st March 2009.

Since owing to the complexity of the agreement on securitized loans it has been impossible to complete its execution, to date Banca Italease could not precisely define each single aspect characterizing the profitability and financial profiles. To represent anyway the profits and losses impacts of the Agreement in the annual report as at 31st December 2009, an external expert was hired to assess said effects. The Board of Directors of Banca Italease decided to follow the estimate rationale and the conclusions of the appraisal, based on which a provision of Euro 100 million was set aside, pursuant to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", which was deemed representative of the estimate of the net profit and losses impacts generated by the performance of the agreement.

### **Next steps**

Having successfully completed the first part of the Italease project, aiming – as described above - at setting up the two Newcos, a reorganization plan was launched, to fully integrate Italease within Gruppo Banco Popolare so as to maximize cost synergies, also through an appropriate organizational and company rationalization of the former Italease Group, and the requalification of the existing human resource asset.

Actions to recover bad loans and to dispose of the most significant real estate and securities assets were carried on, so as to reduce the portfolio concentration risk in compliance with regulations and with the Bank of Italy's guidelines, in particular with regard to Release S.p.A.

The plan covering the so called "phase two" has been subdivided into the following actions:

- delisting of Banca Italease;
- company rationalization: the goal is to examine and implement appropriate rationalization actions for Banca Italease subsidiaries;
- Credit process: harmonization of Italease's rules, processes and procedures with those implemented in Gruppo Banco Popolare;

- Operations: the goal is to rationalize and optimize administrative and IT costs, also by centralizing activities at the Parent company's;
- Human Resources: outplacement and re-training of redundant personnel as a result of the reorganization activities;
- valorization of Release's real estate assets.

### ***Application to issue the financial instruments provided for by L.D. 185/08***

On 10th March 2009, in relation to the publication of the Ministerial Decree of 25th February 2009, enacting Law Decree n. 185/08, in the Official Gazette of the Italian Republic of 7th March 2009, Banco Popolare submitted a formal application to the Italian Ministry of Economy and Finance and to the Bank of Italy to issue the financial instruments under art. 12 of the above mentioned Law Decree, for an amount of Euro 1.45 billion.

On 26th March, the Ministry of Economy and Finance, after acknowledging the opinion issued by the Bank of Italy and after consulting with the Global Advisory and Guarantee Committee (pursuant to the Prime Minister's directive of 15th October 1993), authorized Banco Popolare's application.

On 19th June, the Minister for Economy and Finance approved the subscription of the instruments issued by Banco Popolare for the requested amount of Euro 1.45 billion by the Ministry.

In the meantime, the Chief Executive Officer of Banco Popolare and the Director General of the Treasury signed a memorandum of understanding (the "Memorandum") – pursuant to article 2, paragraph 2, of the ministerial decree of 25th February 2009 – containing provisions for the subscription of the financial instruments convertible into shares of common stock of Banco Popolare, and which provides for:

- the adoption by the Group of a Code of Ethics containing, among other things, provisions regulating top management remuneration policies;
- the Group's commitment to:
  - make more loans available to Small- and Medium-sized Enterprises over the next three years, i.e., on average 6% more per year than the average loans granted in 2007 and 2008, provided that the credit quality is adequate, in conformity with the principle of sound and prudent bank management;
  - apply more favorable conditions to the beneficiaries of loans backed by the Central Guarantee Fund for small and medium-sized enterprises, and make a Euro 21.75 million contribution to the Fund itself;
  - suspend payments of home mortgage loans – if requested by the individuals indicated in the Agreement and if the subjective and objective conditions provided therein are fulfilled – free of charge for the borrower for 12 months;
  - assure adequate liquidity levels for creditors of public administrations.

The Memorandum is effective until the issued financial instruments are outstanding or until Banco exercises the option to redeem all the instruments subscribed by the Ministry.

On 31st July 2009, the issue of the financial instruments by Banco Popolare in favor of the Italian Ministry of Economy and Finance was finalized, for an amount of Euro 1.45 billion. The issuance and subscription of the above instruments shall ensure an adequate capitalization for the Group, also with an eye to the future, and allow to strongly raise lending levels to businesses and households.



### ***Partial sale of the equity interest in Istituto Centrale Banche Popolari Italiane ("ICBPI") and subsequent capital increase by the associate***

On 9th January 2009, Banco Popolare finalized the transfer of a 841,965 share stake, accounting for 7.62% of ICBPI's share capital, to Veneto Banca Holding S.p.A.

The sale was made at a unit price of Euro 43.35 per share, for a total amount of Euro 36.5 million, and generated a capital gain of about Euro 3.7 million, gross of tax effect, which was recognized in the P&L of first quarter 2009. Pursuant to the agreement, 50% of the attributable share of dividends accrued in financial year 2008 were collected by the transferring companies. For Gruppo Banco Popolare this amount represents a supplement to the selling price.

On 31st January 2009, Gruppo Banco Popolare carried out ICBPI's capital increase approved by the ICBPI's General Meeting on 19th November 2008. The increase was performed by issuing 1,578,487 rights offered in option to shareholders at a par value of 3 euro and a share premium of 40.90 euro.

Gruppo Banco Popolare accepted the offer through its parent company Banco Popolare and the subsidiaries Banca Popolare di Crema and Holding di Partecipazioni Finanziarie, already shareholders of ICBPI, and subscribed for a total of 399,101 shares for a total amount of Euro 17.5 million. The subscribed shares' dividend rights are effective as of 1st January 2009.

Subsequent to the sale and capital increase, Gruppo Banco Popolare holds a 3,173,747 share stake in ICBPI, accounting for 25.133% of the share capital, plus the interest held by Gruppo Banca Italease, corresponding to 0.016% of the share capital.

### **Voluntary Tender offer of Banco Popolare Croatia**

On 9th January 2009, the Management Board of Banco Popolare approved the launch of a Voluntary Tender Offer ("VTO") on Banco Popolare Croatia's preferred shares, at a unit value of HKR 1.700, for a max. theoretical cost of 18.9 million HKR in case of full acceptance.

The VTO ended on 9th March 2009: the accepting shareholders tendered 10,052 shares into the offer, for a total amount of HKR 17.1 million, corresponding to Euro 2.3 million.

As a result of the above transaction, Banco Popolare's stake in the Croatian bank went from 91.442% to 97.984%.

### **Sale of Delta S.p.A.**

On 22nd January 2009, Banco Popolare signed an agreement with Onda and Sviluppo Investimenti Estero (representing respectively the Management Board of Gruppo Delta and of Cassa di Risparmio della Repubblica di San Marino) aiming at enabling Banco Popolare to exit from Delta's shareholding structure, owing to changes in the Group's strategies and in the reference market.

The sale by Banco Popolare of a 13.293% interest in Delta, corresponding to 14,140,026 shares, was carried out at a price of 3.1 euro per share for a total amount of Euro 43.8 million, generating a capital gain of Euro 3.5 million, gross of tax effect.

### **Acceptance of BPER's Voluntary Tender Offer for Meliorbanca**

On 6th February 2009, Banco Popolare accepted the voluntary tender offer ("VTO") launched by Banca Popolare dell'Emilia Romagna ("BPER") for Meliorbanca.

As a result, Gruppo Banco Popolare tendered its entire stake, corresponding to 19,513,327 shares, equal to 15.455% of Meliorbanca's share capital, at a price of 3.20 euro per share, totaling Euro 62.4 million.

The acceptance of the VTO had no profits and losses impacts in 2009, as the equity investment had already been realigned to the value of the VTO.

### **Merger by acquisition of Bipielle Finanziaria and Bipitalia Alternative in Holding di Partecipazioni Finanziarie Banco Popolare**

The merger by acquisition of Bipitalia Alternative into Bipielle Finanziaria along a fast-track procedure under art. 2505 of the Civil Code was finalized on 27th March 2009, while the merger by acquisition of Bipielle Finanziaria into Holding di Partecipazioni Finanziarie Banco Popolare along a simplified procedure under art. 2505 of the Civil Code was finalized on 31st March 2009.

Accounting and fiscal effects shall run retroactively from 1st January 2009.

### **Liquidation of Bipielle Bank (Suisse)**

The Shareholders' meeting of the subsidiary Bipielle Bank (Suisse), fully owned by the Parent company, on 6th May 2009 decided to place the company in liquidation, legally effective as of 13th May 2009; as a result, the Board of Directors was dissolved and liquidators were appointed.

### **Sale of the equity investment in Aletti Private Equity**

On 17th April 2009, an agreement was signed to sell the Group's equity interest in Aletti Private Equity to Assietta S.p.A.. The sale was finalized on 26th October 2009, after receiving the required authorization, at a price of Euro 1,4 million, practically in line with the company's asset value.

### **Change of legal form of the Subsidiary Società Gestione Crediti BP to a consortium joint-stock company**

On 1st October 2009, the change of legal form to a consortium joint-stock company of Società Gestione Crediti BP S.p.A., that had been approved by the Management Board on 16th June 2009, was finalized. As a result the company changed its name into Società Gestione Crediti BP Soc. Consortile per Azioni.

### **Sale of Banco Popolare Česká Republica**

On 1st December 2009, the Management Board approved the sale of the entire 100% equity interest held by the parent company in Banco Popolare Česká Republica to Società PA Holdings Limited belonging to the UK private equity fund AnaCap; the sale agreement was signed on 9th December 2009. The price, referring to 31st December 2008, was fixed to about 1,210 million Crowns, corresponding to about Euro 47 million, to be adjusted based on the shareholders' equity on the date of finalization, which in 2010 is contingent upon the obtainment of the necessary authorizations from competent authorities and the satisfactory completion of a due diligence. As a result of the above transaction, Gruppo Banco Popolare should generate an estimated capital gain of about Euro 7 million.

### **Reorganization of the Group's insurance brokerage business line**

On 29th May 2009, an agreement was signed to sell the Bipitalia Broker business unit to Arena Broker. The transaction, that had been approved by the Management Board of Banco Popolare on 7th April 2009, involved the entire business unit comprising the assets, liabilities and legal relations, including the employees, of Bipitalia Broker. The net book value of the assets and liabilities being sold totaled Euro 0.3 million.

The sale, aiming at achieving an efficiency gain in the insurance brokerage business by concentrating the structures belonging to the former BPVN and BPI groups in a single entity, was finalized on 1st June 2009.

With the sale of the business unit, Bipitalia Broker ceased its operations.

On 30th September 2009, the merger by acquisition of Bipitalia Broker into Holding di Partecipazioni Finanziarie Banco Popolare was finalized through a fast-track procedure under art. 2505 Civil Code. On the same occasion, also the merger by acquisition of Efimmobiliare into Holding di Partecipazioni Finanziarie Banco Popolare was finalized through a fast-track procedure under art. 2505 Civil Code. The legal and accounting effects of both mergers run retroactively from 1st January 2009.

### **Reorganization of the real estate business line**

On 12th October 2009, the Shareholders' Meeting of Bipielle Real Estate approved the merger by incorporation through a fast-track procedure under art. 2505 of the Civil Code, of Andromeda Immobiliare, Antares Immobiliare, Antilia Immobiliare, Azimuth Immobiliare, Pegaso Immobiliare and Perseo Immobiliare. On the same date, a similar resolution was passed by the Shareholders' Meetings of the acquirees. The merger deeds were finalized on 18th December 2009, with retroactive accounting effectiveness from 1st January 2009.

### **Agreement between Parmalat and Gruppo Banco Popolare**

On 18th February 2009, Parmalat S.p.A., the Commissioner for the extraordinary administration of the Companies of Gruppo Parmalat, and Banco Popolare reached a final out-of-court settlement upon their respective relations and the claims to the banks belonging to the former Gruppo Banco Popolare di Verona e Novara referring to the period before the Parmalat Group filed for bankruptcy (December 2003).

Under the above agreement, the cost for the banks of the Group (Banca Popolare di Verona SGSP and Credito Bergamasco) totaled Euro 24.2 million, with no negative impact on the profits and losses, as all the necessary provisions had already been set aside in due time.

Parmalat and the Commissioner of the Companies of Gruppo Parmalat under extraordinary administration that did not take part in the composition, shall waive any existing or future claw-back action and/or compensation claim or any other action against Gruppo Banco Popolare, while the above Banks shall waive their rights to loans that have already been included among liabilities under the bankruptcy procedure and to the inclusion of the sums being paid under this agreement.

### **Agreement with Pandette Finanziaria S.r.l.**

On 23rd February 2009, Banco Popolare and Pandette Finanziaria signed an agreement on the put and call option contracts on shares of common stock of RCS MediaGroup S.p.A. that had been entered on 29th November 2006 and 19th April 2007, respectively.

Under the agreement, the option contract relating to 18,300,000 shares of common stock of RCS was regularly executed upon the original expiration date, namely, 3rd March 2009. The option contract relating to 25,300,000 shares of common stock of RCS was instead postponed by 5 years, whereas the voting right associated with said shares shall continue to be exercised by Pandette.

### **Actions in favor of Group customers who subscribed index-linked policies backed by securities issued by defaulting financial organizations**

In order to increase customer loyalty, the Group decided to launch important initiatives with a view to supporting customers who subscribed to policies distributed by the Group banks and are currently uncertain as to whether they will recover their invested capital due to the default of the financial organizations (Lehman Brothers and Icelandic banks) which had issued the securities backing the subscribed policies. The proposed actions are intended to give customers the certainty of recovering their entire invested capital. In some cases the actions were carried out in joint agreement with the insurance counterparties, as was the case with the index-linked policies issued

by the associate Popolare Vita, whose underlying securities had been issued by the Lehman Brothers Group. On 22nd January 2009, Euro 56.2 million were deposited in Popolare Vita's future capital increase account, to provide the company with the necessary financial resources to support the planned action. To this regard, note that the charge related to the above action and attributable to Gruppo Banco Popolare had already been expensed to income in financial year 2008.

Significant actions were planned during the year, in favor of customers who subscribed policies backed by securities issued by defaulting Icelandic banks. In particular, on 1st December 2009 Banco Popolare decided to launch a voluntary public exchange offer, proposing holders of index-linked policies "Bipielle Aphrodite II Serie Index I/2005", "Bipielle Magnolia Index II/2005", "Bipielle Azalea Index III/2005" issued by UGF Assicurazioni (former Aurora Assicurazioni), "Bipielle Aphrodite Serie II", "Bipielle Magnolia", "Bipielle Azalea" issued by Eurovita Assicurazioni, backed by securities issued by the Icelandic banks Landsbanki Islands, Glitnir Banki and Kaupthing Bunadarbanki, to exchange each policy with zero-coupon senior bonds issued by Banco Popolare, plus a possible balance payment in cash. The offer is promoted in Banco's own name and on behalf of the Group banks (Banca Popolare di Lodi, Banca Caripe, Banca Popolare di Crema, Banca Popolare di Cremona, Cassa di Risparmio di Lucca Pisa Livorno) which sold the policies to their customers, and to which the policies tendered into the Offer shall be transferred. The Offer is addressed exclusively to eligible policy-holders or beneficiaries of the capital rights or of other rights attached to the policies resident or domiciled in Italy, and it covers max. 8,535 policies corresponding to total nominal premiums paid of Euro 138.7 million, referring to policies that have not been liquidated yet.

Participants in the Offer have been assigned five-year unstructured zero-coupon senior bonds to be issued by Banco Popolare at the exchange date, fixed on 12th April 2010, for a total maximum amount of Euro 150 million. The issue price of the bonds offered in exchange has been fixed to 807.5 Euro, i.e., 80.75% of the unit nominal value of 1,000 Euro.

As consideration, each participant shall receive a total nominal value upon expiration of the replacement securities corresponding to the single premium paid for each policy, net of issuance expenses and inclusive of a balance payment in cash in case the paid premium is not a multiple of the minimum bond denomination of 1,000 euro.

The Offer is irrevocable and is not conditional to reaching a minimum level of participation or to any other condition precedent.

To guarantee the success of the Offer, in the event that not all the policies under the Offer are tendered, the distributing Banks undertook to subscribe the residual amount of replacement securities, proportionally to the value of the policies they have distributed, as well as an additional amount of securities up to a total nominal value of Euro 150 million.

The Tender Period, which started on 8th February, ended on 12th March 2010, with a participation rate of 98,11%.

Accordingly, costs of about Euro 16 million have been charged to income for the year, to top up the provisions already earmarked when preparing the 2008 annual report.

### **Banco Popolare convertible bond issuance**

In the meeting held on 23rd November 2009, the Management Board and Supervisory Board of Banco Popolare approved the proposal, to be submitted to the Shareholders' Meeting of Banco Popolare on 30th January 2010, to give the Management Board, under art. 2420-ter of the Civil Code, the power to issue bonds convertible into shares of the Company's common stock within maximum two years of the resolution date up to a maximum amount of 1 billion. Based on the proposal, the convertible bonds are to be offered in option to shareholders and holders of convertible bonds under the 2000/2010 4.75% Subordinated Convertible Bond ("TDF") – ISIN IT 0001444360 program, issued by Banco Popolare.

The main features of the convertible bonds are:

- repayment unsubordinated to other company debts (senior ranking);
- 4 year maturity;
- fixed rate annual yield (4.75%);
- bond-holders can convert the bonds into shares of the company's common stock at any time starting from the eighteenth month after the issue date and until maturity;
- as of the eighteenth month after the issue date and until maturity, the company can early redeem the bonds through a partial or full payment in shares;
- cash repayment upon maturity of convertible bonds whose conversion option was not exercised; repayment can also take place by converting the bonds into company shares;
- listing of the convertible bonds on the Electronic Market (*Mercato Telematico Azionario*) of Borsa Italiana S.p.A., also subsequent to their issue.

Bonds can also be redeemed early through a partial or full payment in cash.

As more exhaustively described in the section devoted to noteworthy events after the balance sheet date, the Special Shareholders' Meeting almost unanimously approved the above described convertible bond issue, whose offer on the market ended in the month of March 2010.

Owing to the instrument's nature and peculiarities (so called soft mandatory loan), this deal represents a highly flexible financing facility, as it can be used right away to finance business activities, and, to the discretion of the company, it can be permanently converted into share capital.

In particular, this initiative allows the company to shore up its share capital while at one time expanding the range of instruments to support the needs of households and businesses in the Group's market territories.

### **European Investment Bank – Banco Popolare Agreement for Small and Medium-sized Enterprises and Local Authorities**

Banco Popolare and the European Investment Bank signed an agreement on 12th June 2009 to provide aggregate financing of 300 million euro subdivided into two facilities: 200 million euro shall be allocated for SMEs loans to develop investment projects and initiatives in the manufacturing, service and tourism industries; 100 million euro shall be earmarked for Public Entities and Utilities.

Under the partnership, the funds made available by EIB for SMEs shall be passed on through the retail branches of Gruppo Banco Popolare to enterprises with less than 250 employees, via medium term loans with a maturity of up to 12 years, a fixed or floating rate, up to a maximum amount of 12.5 million euro per project.

This operation will open up new resources to support businesses, which shall gain access to low-cost funds to start business growth and development plans. Thanks to this initiative, Banco Popolare shall count on supplementary resources, with a simple, swift and flexible access, to offer a concrete support to enterprises against the current crisis.

Loans financed under the 100 million Euro facility allocated for Public entities and Utilities must support projects for the creation of small and mid-sized infrastructures in the energy, environment, education and healthcare sectors. To qualify for financing, eligible projects must not exceed a total investment cost of 25 million Euro, and each single loan cannot exceed 50% of the project total cost, up to 12.5 million Euro. The maximum maturity for the loans will be 20 years.

## **Banco Popolare joined the agreement on the debt moratorium for SMEs**

On 1st September 2009, Banco Popolare formally joined the “Small Business Act” signed by the Italian Banking Association (Abi), the Italian Government and Business associations to suspend the payment of debts for Small and Medium-sized Enterprises (SMEs). The agreement, which aims at supporting SMEs in distress, was signed by all the Group Banks and confirms our commitment to back this customer class, which represents the backbone of our domestic economy.

The agreement is addressed to companies with less than 250 employees and annual sales below 50 million Euro, which, albeit under temporary distress, have an adequate outlook for business growth and continuity.

The actions envisage a 12 month suspension of mortgage and lease principal payments, postponing the maturities of short-term trade receivables by up to 270 days and, for businesses implementing capital strengthening actions, the possibility of accessing a specific loan facility.

Banco’s commitment in favor of SMEs is witnessed also by the agreements signed with various trade associations and institutions. To mention the most recent ones, in addition to the above described agreement, Banco signed a memorandum of understanding promoted by the Ministry for Tourism, which has approved a Euro 200 million facility in favor of tourism enterprises. Moreover, Banco Popolare contributed Euro 21.75 million to the capital strengthening of the Guarantee Fund for SMEs.

## **Reorganization of the Direct Banking business**

In May 2009, Banco Popolare started reorganizing the Group’s “Banca Diretta” business, specializing in online and electronic services.

More specifically, an ad hoc function in charge of launching and developing electronic products has been added to the other functions dealing with the other major classes of products/services; the sales network of the Group’s commercial banks is responsible for commercial operations, while SGS, the Group’s service company, provides specialist customer services.

## **Reorganization of Retail Services**

Unlike the current structure, which is organized in segments and products (households, investment and protection, small businesses), the reorganization of the Retail Service is based on a concept where structures are specialized by product/service areas, hinging on the provision of a dedicated and all-round service by type of product, regardless of the segment they are geared to, so as to promote the development of centers of excellence that can guarantee high-quality service levels to the retail banks (Banche del Territorio). The plan envisages also the creation of discrete segment desks disjoint from the structures dedicated to product development, to guarantee a functional correspondence with their peer structures in the Banche del Territorio. Moreover, the so called *Reti Esterne Specializzate* (RES – External Specialized Networks) – in charge of approving loans and in particular mortgages – are going to be closed down as “stand-alone entities”, and repositioned partly in the loan and lending policies service with regard to loan approval and risk governance issues, and partly in the retail service for all aspects regarding sales, marketing and product definition issues. Again, the goal is to ensure the best possible management of both aspects (risk and sales issues), by bringing it back under the bank’s consistent and collective control with all the other typical activities/products.

The new organization chart comprises four departments directly reporting to the retail service: retail performance planning and analysis, product marketing and communication, res mortgages, market research and development.

The reorganization was defined in agreement with Trade Unions and it involves 61 employees, of which 42 shall be placed in the branch network and 19 in Società Gestione di Servizi.

## **Activities connected with the reorganization of the consumer credit business**

In July 2009, following the finalization by Crédit Agricole and Banco Popolare on 22nd December 2008 of the consumer credit joint-venture combining their consumer credit companies Agos and Ducato, the migration of Ducato's IT procedures onto Agos's target information system was completed.

The outcome was a single IT platform for consumer credit, which was a pre-requisite to obtain the potential cost synergies from this operation.

On 19th October 2009, the Shareholders' Meetings of Agos and Ducato approved the simplified merger by acquisition under art. 2505 of the Civil Code of Ducato into Agos. The merger was carried out with no capital increase on the part of the acquirer, and was finalized in December: in the meanwhile, the acquirer changed its company name in Agos - Ducato S.p.A.

Finally, a specific operational agreement is being negotiated to optimize and rationalize the distribution operational processes and the support activities provided to the joint-venture.

## **Completion of activities connected with the sale of Banca Popolare di Mantova**

Following the sale to Banca Popolare di Milano on 22nd December 2009 of the shareholding held by Banca Popolare di Lodi in Banca Popolare di Mantova, in performance of the agreement signed by the parties on 23rd July 2008, the IT migration of Popolare di Mantova onto the target information system of Banca Popolare di Milano was successfully completed, this being the last steppingstone allowing Popolare di Mantova to gain its full autonomy in its new Banking Group of belonging.

## **Audit by the Bank of Italy**

In 2009, the Bank of Italy carried out a sector audit across the Group to assess the adequacy of the credit risk management and control processes, in the light of the integration process after the recent merger that led to the formation of the BP Group, as well as of the considerable complexity that of late has been characterizing credit and financial market scenarios. The heads of the Parent company's operational and control structures were interviewed, and the governance systems and instruments have been thoroughly analyzed, together with the related processes.

Based on the outcome of the above audit, the Group has already implemented or is implementing the required adequacy or improvement interventions. It should be noted that the Group is constantly engaging in activities to develop and enhance our risk governance systems, not only to comply with prudential supervisory regulations, but also in keeping with market best practices.

## **Implementation of Organizational Changes**

In the meeting held on 27th January 2009, after prior opinion of the Supervisory Board, the Management Board started to implement the framework resolution of 14th November 2008, by:

- appointing Mr. Massimo Alfonso Minolfi as "single" General Manager, who then, as specified later on, tendered his resignations;
- delegating the groundwork activities for the Group's organizational and business innovation and development and the management of business partnerships to Mr. Franco Baronio.

In the meeting held on 10th February 2009, the Management Board proceeded with the implementation of the above mentioned resolution of 14th November 2008, by:

- appointing Mr. Maurizio Faroni as Banco's CFO, who shall be in charge of Group finance, equity investments, business planning and control, investor relations, special projects, M&A, as well as of the strategic reporting by Banca Aletti and the finance product companies, and

shall report directly to the CEO. Mr. Faroni shall resign from his office as Managing Director of Banca Aletti at the approval of the 2008 annual report;

- consolidating ALM, banking book, repo desk and proprietary portfolio management activities at the Parent company's;
- consolidating Banca Aletti's monitoring and control activities under the management of Banco's CEO.

In the meeting held on 15th September 2009, the Supervisory Board authorized the guidelines of the review of the top management structure of Banco Popolare as resolved by the Management Board. The new structure shall have a summit represented by the Chief Executive Officer, and seven departments: Corporate, Retail, Lending, Finance, Legal Affairs and Compliance, Operations, Human Resources.

The review of the top management structure stems from the opportunity to put in place an organizational layout that is consistent with the business plan and with the goal territorial proximity, and blends with the corporate governance plan, whereby the decision-making and management processes are organized along criteria of utmost efficiency: constant risk control, rapidity, minimum information flow dispersion, clear identification of responsibility centers for the various operational areas, rationalization of direct reporting.

In keeping with our bylaws, the review does not foresee the presence of a general manager. This was made possible by the fact that the structure shall require that:

- the most important functions be concentrated in the Head offices;
- direct reporting to the CEO be downsized;
- specific Committees be set up, to ensure that all managers have a comprehensive view, accountability and crosscut knowledge of risks. This new organizational arrangement lays a strong emphasis on Committees (Steering Committee, Risk Committee, Finance and ALM Committee), which are expected to meet on a high frequency basis and to record the minutes so as to keep track of decision-making processes;
- greatest attention be paid to risk monitoring and control functions;
- the Group's corporate structure, where the retail banks (*Banche del Territorio*) are incorporated as joint stock companies and their top management sits in the Parent company's Management Board and in a specific Group Committee chaired by the Chief Executive Officer.

The nimbleness of the structure, the transparency and accountability of decision-making processes reflect on the most appropriate operational modalities of the business plans.

### **Changes in executive positions**

On 29th January 2009, Mr. Enrico Maria Fagioli Marzocchi resigned from his office as member of the Management Board of Banco Popolare and Managing Director of Efibanca.

On 8th April 2009, the employment contract between Mr. Massimo Minolfi and Banco Popolare was consensually terminated, and concurrently Mr. Minolfi quit all his positions at the Group.

The Parent company Shareholders' Meeting held on 25th April elected five additional members of the Supervisory Board of Banco Popolare, who shall serve a three-year term from 2009 to 2011, thus bringing the total number of Members to 20, as provided for by the merger agreement between BPVN and BPI.

The new directors, elected based on the number of votes received, belonging to the two filed slates of candidates and chosen according to bylaw criteria, are Mr. Sandro Veronesi, Mr. Gabriele Camillo



Erba, Mr. Gianni Filippa, Mr. Andrea Guidi and Mr. Tommaso Zanini, the latter representing minority shareholders.

The Supervisory Board of Banco Popolare on 28th July 2009 unanimously appointed Giorgio Papa as member of the Management Board, in the position of executive director, thus partially restoring the composition of the Management Board.

In the meeting held on 15th September 2009, the Supervisory Board unanimously appointed Mr. Aldo Civaschi as member of the Management Board, thus fully reconstituting the Management Board.

### **Appointment of new managers in charge of corporate financial reporting in the Group**

In compliance with art. 154-bis of TUF (Consolidated Finance Act) implementing the changes introduced with Legislative Decree 195 of November 6, 2007 (Transparency- Implementation of 2004/109/EC directive on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market), the subsidiaries Banca Aletti S.p.A and Efibanca S.p.A appointed their own managers responsible for corporate financial reporting. Their appointment was required as both Efibanca and Banca Aletti are "listed issuers having Italy as home member state".

### **NOTEWORTHY EVENTS AFTER THE BALANCE SHEET DATE**

Illustrated below are the most significant events which occurred after December 31, 2009.

#### **Compulsory buyout of Banca Italease common shares pursuant to art. 108, paragraph 2, of Lgs. D. 58/1998: price fixing and authorization by Consob to publish the Prospectus**

At the closing of the capital increase in the first days of January 2010, Banco Popolare held 91.397% of Banca Italease's share capital: Banco Popolare declared it did not intend reconstituting the free float, while it intended performing the obligation to purchase the remaining Banca Italease shares.

On 4th March 2010, pursuant to art. 108 of TUF, Consob set the consideration related to the performance of the compulsory buyback of Banca Italease common shares to 0.797 Euro, for a total maximum amount of Euro 127,011,686.16 for the 159,362,216 residual shares, and authorized the publishing of the prospectus for the Mandatory Offer procedure.

The Procedure started on 8th March 2010 and ended on 26th March 2010, and raised 138,124,468 residual shares. By adding these shares to those already directly and indirectly held by Banco Popolare, at the payment date of the consideration, set on the 31st March 2010, the Group shall hold a 98.853% stake in Banca Italease. Having exceeded the 95% threshold of Banca Italease's share capital, the prerequisites are met for Banco Popolare to execute the Joint Procedure: therefore, as declared in the Prospectus, Banco Popolare shall exercise its right to purchase, at the same price of 0,797 euro per share, the remaining outstanding shares pursuant to art. 111 TUF, and at the same time it shall fulfill the buyout obligation under art. 108, paragraph 1, of TUF. As of 8th April 2010, Banca Italease shares have been delisted.

#### **Agreement for the sale of Factorit S.p.A.**

The Corporate boards of Banca Popolare di Sondrio, Banca Popolare di Milano, Banco Popolare and Banca Italease on 25th February 2010 approved the sale of 90.5% of the share capital of Factorit S.p.A. The company, which is currently 100% owned by Gruppo Banco Popolare through Banca Italease, was founded in 1978 by a group of cooperative banks (*banche popolari*); it engages in factoring and related services and ranks fourth among the largest factoring companies in Italy by turnover.

Under the agreement, Banca Popolare di Sondrio will acquire a 60.5% controlling stake in the company, while Banca Popolare di Milano will take 30%. The remaining 9.5% will remain with Gruppo Banco Popolare. The agreement was finalized on 22nd March 2010.

The price was agreed by the parties based on a company value of Euro 170 million, in line with the company's consolidated carrying value. Therefore, Popolare Sondrio and Popolare Milano shall expend about Euro 103 million and Euro 51 million, respectively. Immediately after the contract is signed, whose execution is subject to prior authorization by competent Authorities, and before the shares are transferred, the buyers will carry out a confirmatory due diligence on Factorit.

### **Exercise of put option issued in favor of Fondazione Cassa di Risparmio di Lucca**

On 6th May 2005, Banca Popolare Italiana had entered an option contract with Fondazione Cassa di Risparmio di Lucca (the "Foundation"), based on which the Foundation can exercise a put option on 143,997,909 common shares of Cassa di Risparmio di Lucca Pisa e Livorno (corresponding to 20.39% of the share capital) and Banco Popolare, which after the merger took on all the commitments of former BPI, must purchase these shares at a price equal to the net equity of Cassa di Risparmio di Lucca Pisa e Livorno, as published in the last financial statements approved before executing the option, multiplied by the multiplier agreed upon in the contract and equal to 1.3054. On 11th February 2010, the Foundation fully exercised the put option. For this financial year, the consideration due by Banco Popolare and estimated based on the book value of shareholders' equity posted in the annual report as at 31st December 2009, totals Euro 312.9 million. Under the agreement, the option must be settled by 5th July 2010.

Under the contract, Banco Popolare must pay the price by transferring, under the law, equity financial instruments issued by companies belonging to Gruppo Banco Popolare and regularly quoted and traded on an Italian regulated market to the Foundation. In this case, the option exercise by the Foundation would have no significant impact on the regulatory capital and on the consolidated capital ratios of Banco Popolare, as the repurchase of the minority share in Cassa di Risparmio di Lucca Pisa e Livorno would be offset by the concomitant sale of a minority stake in a listed company belonging to Gruppo Banco Popolare (Credito Bergamasco). Whereas the contract performance provides exclusively for the delivery of Group listed securities, Banco will assess with Fondazione Cassa di Risparmio di Lucca possible alternative settlement modalities. Therefore, should the settlement modality agreed upon by the parties differ from the one envisaged by the contract, the effect of the contract performance on the regulatory capital and therefore on the consolidated capital ratios of Banco Popolare could also change.

With the agreement signed on 5 June 2010, Banco Popolare and Fondazione Cassa di Risparmio di Lucca (the "**Foundation**") have exercised the Put Option contract ("**Put Option**") entered in 2005 by the Foundation and former Banca Popolare Italiana on the shares of Cassa di Risparmio di Lucca Pisa Livorno owned by the Foundation.

The selling price, calculated in compliance with the Put Option rules, totaled Euro 312.7 million.

Specifically, Banco Popolare purchased 144,000,305 ordinary shares of Cassa di Risparmio di Lucca Pisa Livorno ("**Cassa**") from the Foundation, corresponding to an interest of 20.39% in the share capital of Cassa, by making a cash deposit to the Foundation amounting to about Euro 156.4 million, and by transfer ring to the Foundation a first tranche of ordinary shares of Credito Bergamasco, accounting for 9.99% of its share capital. As a result of these transactions, the controlling interest held by Banco Popolare in Credito Bergamasco shall go from the current 89.0% to 79.1%, and the controlling interest of Banco Popolare in Cassa shall go from the current 78.9% to 99.3%.

The second tranche of ordinary shares of Credito Bergamasco, which is to be calculated in compliance with the balance payment mechanisms provided for under the original Put Option, corresponds to 1.57% of the share capital, and shall be transferred to the Foundation after prior authorization has been obtained.

## **Liquidation of Royle West**

On 11th January 2010 the Irish company Royle West Limited, 99% owned by Banco Popolare, went into voluntary liquidation, therefore the company name was changed into Royle West Limited in Voluntary Liquidation.

## **Covered bank bond program**

As part of a multiannual program (the "Programme") for the issue of a total of Euro 5 billion worth of Covered Bank Bonds, in January 2010 a Covered Bank Bond issuance (*Obbligazioni Bancarie Garantite* "OBG" or "Covered Bond"), geared to institutional investors, was rolled out at Group level. Banco Popolare acts as issuer of the Covered Bonds, while the retail banks (*Banche del Territorio*) belonging to the Group act as transferors of the assets under art. 7-bis of law n. 130 of 30th April 1999 ("Law 130"). The issuance of Covered Bonds is part of the Group's strategic plan, to diversify funding sources, reduce the relative cost, extend liability maturities: in particular, the issuance of Covered Bonds is of particular interest at a time when institutional investors are barely active on the securitization market, with very penalizing spreads. According to the Program, the Banche del Territorio involved will unwind the self-securitization transactions they have originated, by repurchasing the loans that had been previously sold and then selling them back to the Program's special purpose vehicle ("SPV"). In particular, it is worth highlighting that investors shall also benefit from an irrevocable and unconditioned demand guarantee, granted by BP Covered Bond S.r.l., the program's SPV, covering a pool entirely made up of high-quality residential mortgages, originated by the retail banks of Gruppo Banco Popolare.

In January the Issuer has already unwound the BPL Mortgages 1 and BPL Mortgages 2 deals and sold a first pool to back the bonds to the SPV BP Covered Bond, for a total amount of about 1.4 billion euro; in February the opening issue was completed of fixed rate Covered Bonds for about 1 billion euro, 7 year maturity, devoted to institutional investors.

## **Banco Popolare 2010/2014 4.75% convertible bonds redeemable in shares**

The special shareholders' meeting of Banco Popolare held on 30th January 2010 approved the issuance of a convertible bond for a total maximum amount of Euro 1 billion: specifically, the shareholders gave the Management Board the power to issue bonds convertible into shares of the Issuer's common stock, subject to the favorable opinion of the Supervisory Board, up to an amount of 1 billion euro, to be offered in option to shareholders and holders of "Banco Popolare 4.75% 2000/2010 Subordinated Convertible Bonds ("TDF") – ISIN IT 0001444360", resulting in a splittable share capital increase to service the conversion for a maximum total amount of Euro 1 billion, including the share premium, through the issue of Banco Popolare common shares.

The resolution passed by the shareholders give the Management Board of the Issuer, subject to the favorable opinion of the Supervisory Board, the power to decide on: the denomination of the bond; the nominal value; the subscription price and the option ratio of the convertible bonds; the coupon amount; the conversion ratio and its adjustment modalities; the settlement of the convertible bonds, and the making of all the necessary changes that may be required by the Supervisory Authorities and by the stock exchange; the redemption procedure and the maturity; the maximum number of newly issued shares to service the conversion; the maximum nominal amount of the capital increase that can be split to service the conversion and that in any case may not exceed the maximum amount of Euro 1 billion; any other term and condition regulating the issue and offer of the convertible bonds and the subsequent underlying capital increase.

The shareholders' meeting consequently has approved the amendment of article 6 of the Articles of Association, "Share Capital", by introducing a new paragraph specifying the amount, procedure and deadlines of the share capital changes as a result of the issue of the Convertible Bond and the exercise of the associated option rights.

Finally, as regards the second item on the agenda, the shareholders' meeting has approved the additional amendments to the Articles of Association proposed by the Supervisory Board. The changes involved articles: 6 - Share capital; 33.2 - Exclusive competences (Management Board); 39.1 - Lists of candidates (to elect the Supervisory Board); 41.2 - Strategic supervisory and directional functions (of the Supervisory Board); 46 - Management Team; 52 - Distribution of earnings.

In keeping with the resolution passed by the special shareholders' meeting held on 30th January 2010 and with the favorable opinion of the Supervisory Board, on 25th February 2010, the Management Board approved the terms of the "Banco Popolare 2010-2014 4.75% convertible bond redeemable in shares" to be offered in option to Issuer shareholders and/or holders of convertible bonds under the "Banco Popolare 4.75% 2000/2010 Subordinated Convertible Bond ("TDF") – ISIN IT 0001444360". On 1st March 2010 Consob authorized the publication of the prospectus regarding the offer in option and the admission to listing on the MTA electronic market of the convertible bonds.

The issue of the convertible bonds totals 996,386,475.15 euro, with the issue of 162,014,061 convertible bonds having a nominal value of euro 6.15 each, to be offered to shareholders and/or holders of the afore mentioned convertible bonds based on a conversion ratio of n. 1 convertible bond every n. 4 shares and 43 convertible bonds every 400 convertible bonds.

The issue price for each convertible bond has been fixed at par at 6.15 euro.

The convertible bonds shall be listed on the MTA electronic market managed by Borsa Italiana, they shall pay a fixed coupon to bond holders, corresponding to 4.75% gross annual of the nominal value of the convertible bonds, and will have a term running from 24th March 2010 to 24th March 2014. They have a senior ranking, whereby their redemption shall not be subordinated to any other Company debt.

The convertible bonds shall:

- give bond holders the possibility to convert bonds into shares of Banco Popolare common stock – with a price equal to 6.15 euro - at any time, starting from the eighteenth month after the issue date and until maturity;
- give Banco Popolare the possibility, as of the eighteenth month after the issue date and until maturity, to early redeem the bonds by paying them fully or partly with shares, recognizing a premium on the bond nominal value of 10%;
- give the Issuer the possibility upon maturity to redeem the convertible bonds whose conversion option has not been exercised by paying them in cash and/or shares, based on the most recent market price of the Banco Popolare stock and corresponding to an amount not below the bond nominal value.

The Management Board also approved a splittable share capital increase to cover the conversion for a total maximum amount of 996,386,475.15 euro, including the share premium, through the issue of n. 162,014,061 shares of the Issuer's common stock having a par value of Euro 3.60 each, with regular rights, and featuring the same characteristics as those outstanding on the issue date, to be used exclusively for the conversion.

During the offer period, a total of 160,128,993 bonds were subscribed, accounting for 98.84% of the total, corresponding to a total value of 984.8 million. On indication of Borsa Italiana, starting on 31st March 2010 the bonds shall be traded on the MTA electronic equity market.

In compliance with article 2441, paragraph 3, of the Civil code, the 7,921,716 option rights that had been left unexercised during the Offer Period ("**Unexercised Rights**" or "**Rights**") were tendered by Banco Popolare on the Italian Stock market during the trading sessions of 31st March, 1st, 6th, 7th and 8th April 2010 ("**Stock market offer**").

All of the 7,921,716 Unexercised Rights have been sold out in the first day of the Stock market offer. Subsequent to the Stock market offer period, all of the 1,885,068 convertible bonds were subscribed, accounting for 1.16% of total convertible bonds under the offer, totaling Euro 11,593,168.20.

The offer in option of the Bonds thus closed with the full subscription of the 162,014,061 Bonds under the offer, totaling Euro 996,386,475.15.

### **Public Exchange Office on Index-linked policies issued by UGF Assicurazioni and Eurovita Assicurazioni**

As more thoroughly explained in the section devoted to noteworthy events for the year (see pages 123-124 of this Base Prospectus), the voluntary public exchange offer ("PEO") launched by Banco Popolare closed on 12th March 2010, with 98.11% of policies tendered into the offer. The offer was devoted to holders of the following policies: "Bipielle Aphrodite II Serie Index I/2005" "Bipielle Magnolia Index II/2005" "Bipielle Azalea Index III/2005", issued by UGF Assicurazioni S.p.A., former Aurora Assicurazioni S.p.A., and "Bipielle Aphrodite Serie II", "Bipielle Magnolia", "Bipielle Azalea", issued by Eurovita Assicurazioni S.p.A.

During the tender period, running from 8th February 2010 to 12th March 2010, a total of 8,374 policies were tendered into the offer for a nominal value of premiums paid of Euro 136.7 million, corresponding to a total value of Euro 136.3 million in terms of unstructured senior Zero Coupon bonds offered in replacement.

Banco Popolare shall issue additional senior bonds for Euro 13.7 million to comply with the supervisory regulatory requirements regulating bank issuances exceeding Euro 150 million. The banks which had distributed the policies to be replaced (Banca Caripe, Banca Popolare di Crema, Banca Popolare di Cremona, Cassa di Risparmio di Lucca Pisa Livorno and Banca Popolare di Lodi) undertook to subscribe the additional bonds, proportionately to the value of the policies they had distributed.

### **Optimization of the Group network**

Banco Popolare launched the process to optimize the group network, aiming at improving its competitive position on the territory, by eliminating existing overlaps and improving the branch performance. In April 2010, 86 branches are going to be closed, and 6 shall be turned into detached branches. This operation involves 199 employees, who shall be all outplaced with no redundancies. This reorganization also aims at identifying investment opportunities to strengthen our presence on specific historic and high worth territories. Precisely, the operation covers 42 branches of Banca Popolare di Verona, 33 of Popolare di Lodi, 12 of Popolare di Novara and 5 of Cassa di Risparmio di Lucca Pisa e Livorno.

### **Debt restructuring for the Statuto group**

On 2nd February 2010, the corporate boards of Banco Popolare, in its capacity as parent company of Banca Italease and Release (a subsidiary of Banca Italease), within their respective competence, approved an agreement with the group led by the entrepreneur Mr. Giuseppe Statuto, outlining the key terms of a global debt restructuring for the Statuto real estate group. The deal, whose performance is subordinated to the negotiation and finalization of the specific contract instruments, involves a total gross risk of about Euro 1.027 billion as at 31st December 2009 (of which about Euro 880 million with respect to Release and about Euro 147 million with respect to Banca Italease).

This exposure is represented by 21 lease contracts, 20 of which are real estate leases.

Among other things, the agreement provides:

- the reduction of the total exposure from Euro 1.027 billion to about Euro 700 million by way of: (i) the agreed termination of lease contracts on 3 buildings and (ii) the early repayment of 2 lease contracts;
- a series of initiatives aiming at bringing the remaining positions back to regular terms, for example: (i) payment of part of the accrued outstanding debt of about Euro 26 million, (ii) contract renegotiation, (iii) allocation of rents from buildings still under lease, (iv) capital injections by the entrepreneur on some of the companies concerned, totaling Euro 35 million (of which Euro 10 million cash and Euro 25 million distributed over three years) and (v) granting of cash facilities of about Euro 40 million backed by VAT credits and securities.

The described deal is consistent with the strategy to reduce and regularize large exposures classified as impaired loans of Banca Italease and its subsidiaries, which is the ultimate objective of the reorganization of the former Gruppo Banca Italease and, in particular, the creation of the company Release.

In the event that the final contracts negotiations are successfully closed and the suspending conditions under the agreement are fulfilled, the restructuring is scheduled to be completed by the month of April 2010.

In keeping with the framework agreement signed on 14 May 2010, Banca Italease and Release executed the transactions set out in the overall debt restructuring plan for the group led by the entrepreneur Giuseppe Statuto. By means of these arrangements, Gruppo Banco Popolare brought the relations with the aforesaid real estate Group back to normal business conditions and poised for a positive development.

# **BUSINESS DESCRIPTION OF BANCO POPOLARE LUXEMBOURG S.A.**

## **INCORPORATION AND HISTORY**

Banco Popolare Luxembourg S.A. was established in Luxembourg on 30 May 1994 under the name Banca Popolare di Verona International S.A. ("**Banco Popolare Luxembourg**").

On 31 May 1994 BP Luxembourg changed its name to Gruppo Bancario Popolare di Verona – S. Geminiano e S. Prospero International S.A. However, on 11 December 1998, it reverted back to the name Banca Popolare di Verona International S.A.

Upon establishment, Banco Popolare Luxembourg was owned by Banca Popolare di Verona S.c.a.r.l. and Banco S. Geminiano e S. Prospero S.p.A., each holding 50 per cent. of its share capital. In December 1994, meetings of the shareholders of Banca Popolare di Verona S.c.a.r.l. and Banco S. Geminiano e S. Prospero S.p.A. approved a merger of the two entities, to be achieved by incorporating all of the assets and liabilities of Banco S. Geminiano e S. Prospero S.p.A. into Banca Popolare di Verona S.c.a.r.l. The merger was effective on 31 December 1995 and the merged entity was renamed Banca Popolare di Verona – Banco S. Geminiano e S. Prospero S.c.a.r.l. On 9 March 2002 the shareholder's meeting of Banca Popolare di Verona – Banco S. Geminiano e S. Prospero S.c.a.r.l. approved a further merger with Banca Popolare di Novara S.c.a.r.l. and the resulting merged entity was named Banco Popolare di Verona e Novara S.c.a.r.l.

On 22 October 2003, at an extraordinary general meeting, the shareholders of Banco Popolare Luxembourg granted authority to the Board of Directors to increase the share capital of Banco Popolare Luxembourg by up to EUR 3,000,000. The new shares were to be subscribed for by Banco Popolare di Verona e Novara S.c.a.r.l. through:

- a contribution in kind consisting of the transfer of the activities of the Luxembourg branch of Banco Popolare di Verona e Novara S.c.a.r.l. to Banco Popolare Luxembourg; and
- a cash contribution for the remainder of the shares.

On 19 November 2003 the increase in share capital was recorded at an extraordinary general meeting of the shareholders of Banco Popolare Luxembourg. 6000 new shares were issued with nominal value of EUR 500 each. The contribution in kind accounted for 4357 of those shares, whilst the remaining 1643 shares were subscribed for by a cash contribution of EUR 821,500.

On 1 July 2007 Banco Popolare di Verona e Novara S.c.a.r.l. and Banca Popolare Italiana Società Cooperativa merged to form Banca Popolare Società Cooperativa. Following the merger, on 27 February 2008 BP Luxembourg changed its name to Banca Popolare Luxembourg S.A.

## **NAME AND LEGAL FORM OF BP LUXEMBOURG**

Banco Popolare Luxembourg S.A. is incorporated as a *société anonyme*.

## **CORPORATE REGISTERED AND HEAD OFFICES**

Banco Popolare Luxembourg's registered office is at 26 boulevard Royal, L-2449 Luxembourg. BP Luxembourg is registered with the Luxembourg Register of Trade and Companies with registration number B 47.796. The telephone number of Banco Popolare Luxembourg is +352 4657571.

## **CORPORATE PURPOSES**

Pursuant to its by-laws the purpose of Banco Popolare Luxembourg is to carry out, for itself as well as on behalf of third parties or in collaboration with third-parties, both in the Grand Duchy of Luxembourg and elsewhere, all banking, trust and financial operations whatsoever.

It may grant all mortgage loans or business pledges and give and receive guarantees, pledges and cautions. It may also complete all commercial, industrial or other operations, both movable and real estate operations, which can contribute directly or indirectly to the achievement of its purpose. It can obtain stakes in all companies and businesses and promote and manage all financial businesses and investment companies. The above provisions apply without limitation and in their broadest sense.

Banco Popolare Luxembourg can also carry out all other professional activities in the financial sector, as they have been defined by law.

The two main activities of Banco Popolare Luxembourg include corporate and private banking services.

Banco Popolare Luxembourg provides corporate services to its clients including the providing of loans in their various forms. Banco Popolare Luxembourg also provides private banking and discretionary portfolio management services to wealthy clients. Banco Popolare Luxembourg also offers the setting up, administration and distribution of Sicav for private and institutional clients.

### **SHARE CAPITAL OF BANCO POPOLARE LUXEMBOURG**

The share capital of Banco Popolare Luxembourg as at 31 December 2009 is Euro 34,000,000 and consists of 68,000 ordinary shares, each with a nominal value of Euro 500.

As at 31st December 2009, Banco Popolare Luxembourg is 99.97% owned by Banco Popolare Società Cooperativa. Holding di Partecipazioni Finanziarie Banco Popolare S.p.A. owns the remaining 0.031% of the share capital of Banco Popolare Luxembourg.

### **MANAGEMENT**

#### ***General Meeting***

General Meetings are held at least once a year in February.

The financial year matches the calendar year.

Banco Popolare Luxembourg draws up its annual financial statements in Euro.

On the basis of criteria set by Luxembourg law, Banco Popolare Luxembourg is exempt from the obligation to draw up consolidated financial statements and a consolidated management report.

#### ***Board of Directors***

Banco Popolare Luxembourg is managed by a board of directors comprising a minimum of 3 members and a maximum of 9 members, natural persons or corporate bodies, shareholders or non shareholders, appointed by the general shareholders' meeting for a maximum term of three years and remain at all times dismissible by it.

In the event that Banco Popolare Luxembourg has only one shareholder and this situation has been duly recorded, the duties of the board of directors may be entrusted to one single person who does not need to be the sole shareholder himself.



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

<b>Office</b>	<b>Name</b>	<b>Principal Activities outside BP Luxembourg</b>
Chairman	Pietro Codognato Perissinotto	Chairman Fadalti SpA Chairman G.I. Holding SpA Chairman G.I. Industrial Holding SpA Chairman Patrimoni Affidati SpA Deputy Statutory Auditor Aeroporto di Venezia Marco Polo SpA (SAVE) Chairman Canevel Spumanti SpA Statutory Auditor Electrolus Professional SpA Chairman of the Board of Statutory Auditors G. e D. Arredamenti SpA Chairman of the Board of Statutory Auditors K-Two Srl Statutory Auditor Marco Polo Holding Srl Statutory Auditor Sacchital SpA Statutory Auditor Veneto Sviluppo SpA
Vice Chairman	Giuseppe Danda	Chairman of the Board of Statutory Auditors Autoracing Srl Chairman of the Board of Statutory Auditors Conceria Ferrari Srl Chairman of the Board of Statutory Auditors Faba Marmi Srl Chairman of the Board of Statutory Auditors Marmi Faedo SpA Deputy Statutory Auditor Milvi SpA
Director	Lorenzo Chiappini	Vice President Supervisory Board Banco Popolare Hungary ZRT Vice President Supervisory Board Banco Popolare Croatia Director Management Board Banco Popolare Ceska Republika AS
<i>Director</i>	Gianluca Sartori	

The business address of each member of the Board of Directors is Banco Popolare Luxembourg S.A., 26 boulevard Royal, L-2449 Luxembourg.

Banco Popolare Luxembourg is not aware of any potential conflicts of interests between the duties of the foregoing directors to Banco Popolare Luxembourg and their private interests or other duties.

### **General Managers**

Day-to-day management of Banco Popolare Luxembourg is entrusted to two general managers: Gianfranco Barp and Filippo Negri.

### **Independent Auditors**

The Luxembourg office of Ernst & Young, Ernst & Young Société Anonyme, has been appointed as external auditors to audit BP Luxembourg annual financial statements.

Ernst & Young are registered with the *Institut des Réviseur d'Entreprise* in Luxembourg.

The business address of Ernst & Young S.A. is 7, Parc d'Activité Syrdall, L-5365 Munsbach, Luxembourg.

### ***Account Policy***

Banco Popolare Luxembourg annual financial statements have been prepared in compliance with all applicable provisions of law as well as the accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. Banco Popolare Luxembourg does not currently publish interim financial statements.

### **RISK MANAGEMENT**

With regard to risk management, it should be noted that Banco Popolare Luxembourg, in compliance with regulatory requirements, has formalised a risk management policy and introduced a risk management position in charge of risk identification, assessment and monitoring as well as risk control and management. The holder of this position is also in charge of drafting a report on the internal process for the assessment of Banco Popolare Luxembourg's internal funds each year ("ICAAP"). The report is submitted for approval by the Board of Directors of Banco Popolare Luxembourg, and allows for both monitoring of the evolution of risks and assessment of the adequacy of the level of coverage of Banco Popolare Luxembourg's internal funds in view of the risks incurred.

### **RECENT EVENTS**

There have been no recent events in relation to Banco Popolare Luxembourg which are to a material extent relevant to an evaluation of Banco Popolare Luxembourg's solvency.

# 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. Finally it should be also considered that a broad reforms of the current taxation regime applicable to financial income may be implemented.

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 issued by the Issuer (a) with a maturity of eighteen months or more, and (b) to the extent that they 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 12.5 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 12.5 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 12.5 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 12.5 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).

In such respect it is worth pointing out that 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 12.5 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 12.5 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 12.5 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.

## Payments made by the Guarantor

Payments by the Guarantor to beneficial owners of Notes under the Guarantee of the Notes may be subject to an Italian withholding tax applied at a rate not exceeding 27%, to be applied as final or on account (*a titolo d'imposta or a titolo d'acconto*), depending on the status of the beneficial owners, pursuant to Article 26 of Presidential Decree No. 600 of 29 September 1973. Double taxation treaties entered into by Italy may however provide for allowing for a reduced (generally 10% or, in certain cases, nil) rate of withholding tax. On certain conditions such payments made by the Guarantor may be treated as payments made by the Banco Popolare Luxembourg as Issuer and subject to the same tax treatment as payments by Banco Popolare Luxembourg as Issuer.

## Notes with an original maturity of less than 18 months

Pursuant to Article 26 of Presidential Decree No. 600 of 29 September 1973, as amended ("**Decree No. 600**"), interest and other proceeds on Notes issued by the Issuer that qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917 with an original maturity of less than eighteen months, are subject to withholding tax levied at a rate of 27 per cent.

Where the Noteholder is: (i) an Italian resident individual carrying on a commercial activity, as to Notes connected to the commercial activity carried out; (ii) an Italian resident corporation or a similar Italian commercial entity; (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected; (iv) an Italian resident commercial partnership; or (v) an Italian resident commercial private or public institution, such withholding tax operates as an advance tax payment subject to final assessment. In all other cases, the withholding tax is a final tax payment.

Non-Italian resident Noteholders, may be entitled to claim, if certain relevant conditions are met, a reduction of such 27 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.

## Main tax issues arising in case of early redemption

Notwithstanding the above provisions, Notes issued by the Issuer which fall within the definitions set out above in "Italian Tax Treatment of the Notes – General" and which are redeemed within eighteen months from the date of issue, are subject to an additional tax due by the Issuer at a rate of 20 per cent. in respect of Interest accrued on the Notes up to the date of the early redemption, pursuant to Article 26, paragraph 1, of Decree No. 600. According to one interpretation of Italian tax law, the above 20 per cent. additional tax may also be due in the event of a repurchase by the Issuer of Notes which are subsequently cancelled prior to eighteen months from the date of issue.

## 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 27 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 27 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 12.5 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 12.5 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. 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 12.5 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. 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 12.5 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* 12.5 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. 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 not be subject to any substitutive tax Capital Gains Tax, but must be included in the net results of the relevant portfolio in the relevant tax period and will be subject to a 12.5 per cent. annual substitute tax;
- (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 12.5 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**

Provisions set forth by article 37 of Law Decree no. 248 of 31 December 2007, converted into Law no. 31 of 28 February 2008 abolished Italian transfer tax set forth by Royal Decree No. 3278 of 30 December 1923.

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.

### **Tax Monitoring Obligations**

In case of Notes issued by Banco Popolare Luxembourg, individuals, non profit entities and certain partnerships (in particular, società semplici or similar partnerships in accordance with Article 5 of Presidential Decree 22 December 1986, No. 917) not involved in business activities and resident in Italy, on certain conditions, may be required to report in their yearly income tax declaration, for tax monitoring purposes (pursuant to Law Decree No. 167 of 28 June 1990, converted into law, with amendments, by Law No. 227 of 4 August 1990 as amended and supplemented) (a) the amount of Notes held at the end of each fiscal year, if exceeding in the aggregate €10,000.00 and (b) the amount of any transfers from abroad, towards abroad and occurred abroad, related to the Notes, occurred during each fiscal year, if exceeding in the aggregate €10,000.00.

### **Luxembourg Taxation**

- (a) General

The comments below are intended as a basic summary of certain tax consequences in relation to the purchase, ownership and disposition of the Notes under Luxembourg law. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular Noteholder, including tax considerations that arise from rules of general application or that are generally assumed to be known to Noteholders. It is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on Luxembourg law as it stands on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Prospective investors in the Notes should therefore consult their own professional advisers as to the effect of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

- (b) Withholding Tax

All payments of interest and principal by a Luxembourg paying agent 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 applicable Luxembourg laws, subject however to:

1. the application of the Luxembourg laws of 21 June 2005 (the "**Laws**") implementing the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments (the "**Savings Directive**") and ratifying several agreements concluded with certain dependent or associated territories (the "**Territories**"), providing for the possible application of a withholding tax (20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. from 1 July 2011) on payment of interest and similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories, unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent; and
2. the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended, which has introduced a 10 per cent. withholding tax on payment of interest and similar income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the EU Savings Directive) made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is tax resident of Luxembourg. This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

In addition, pursuant to the Luxembourg law of 17 July 2008 having amended the Luxembourg law of 23 December 2005, Luxembourg tax resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent tax on interest payments made after 31 December 2007 by certain paying agents not established in Luxembourg (defined in the same way as in the Savings Directive), i.e. paying agents located in an EU member state other than Luxembourg, a member state of the European Economic Area or in a state which has concluded an international agreement directly related to the Savings Directive.

The 10 per cent. withholding tax described above or the ten per cent. tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of the tax in application of the Laws and of the Luxembourg law of 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws.

(c) Taxes on income and capital gains

Noteholders will not become residents, or be deemed to be resident in Luxembourg by reason only of the holding of the Notes.

Noteholders who are non-residents of Luxembourg and who do not own the Notes through a permanent establishment or a permanent representative in Luxembourg are not liable to Luxembourg income tax on (i) payments of principal or interest, (ii) accrued but unpaid interest, (iii) payments received upon redemption, repurchase or the exchange of the Notes, or (iv) capital gains on the sale of any Notes.

Noteholders resident in Luxembourg who are fully taxable, or non-resident Noteholders who have a permanent establishment or a permanent representative in Luxembourg with which the holding of the notes is connected, must for income tax purposes include any interest received or accrued in their taxable income. They will not be liable for any Luxembourg income tax on repayment of principal. For individuals resident in Luxembourg, the 10 per cent tax withheld at source on interest constitutes a final taxation.

Individual Luxembourg resident Noteholders are not subject to taxation on capital gains upon the disposal of the Notes, unless the disposal of the Notes precedes the acquisition of the Notes, or the Notes are disposed of within six months of the acquisition of these notes. Upon a repurchase, redemption or exchange of the Notes, individual Luxembourg resident Noteholders must however include the portion of the repurchase, redemption or exchange price corresponding to accrued but unpaid interest in their taxable income.

A Luxembourg resident Noteholder that is governed by any of the following: (i) the law of 31 July 1929 on pure holding companies; (ii) the laws of 30 March 1988 and of 20 December 2002 on investment funds; (iii) the law of 22 March 2004 on securitisation; and (iv) the law of 15 June 2004 on the investment company in risk capital, (v) the law of 13 February 2007 on specialized investment funds or (vi) the law of 11 May 2007 on the *Société de Gestion de Patrimoine Familial*, will, under certain conditions, not be subject to any Luxembourg income tax in respect of interest received or accrued on the Notes, or on gains realised on the sale or disposal of Notes.

A corporate entity, or "*société de capitaux*", which is a Luxembourg resident Noteholder, or a foreign entity of the same type which has a Luxembourg permanent establishment or a permanent representative in Luxembourg to which the Notes are connected, will need to include in its taxable income the difference between the sale, repurchase, redemption or exchange price (including accrued but unpaid interest) and the lower of cost or book value of the Notes sold, repurchased, redeemed or exchanged. These Noteholders should not be liable for any Luxembourg income tax on repayment of principal upon repurchase, redemption or exchange of the Notes.

(d) Other Taxes

Luxembourg net wealth tax will not be levied on a Noteholder, unless (i) such Noteholder is a company tax resident in Luxembourg for the purpose of the relevant legal provisions or (ii) the Notes are attributable to an enterprise or a part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg. In such cases, the Noteholder must take the Notes into account for the purposes of Luxembourg wealth tax, except, under certain circumstances, if the Noteholder is governed by any of the following: (i) the law of 31 July 1929 on pure holding companies; (ii) the laws of 30 March 1988 and of 20 December 2002 on investment funds; (iii) the law of 22 March 2004 on securitisation; and (iv) the law of 15 June 2004 on the investment company in risk capital, (v) the law of 13 February 2007 on specialized investment funds or (vi) the law of 11 May 2007 on the *Société de Gestion de Patrimoine Familial*.

Neither the issuance nor the transfer of the Notes will give rise to any Luxembourg stamp duty, issuance tax, registration tax, transfer tax or similar taxes or duties.

No estate or inheritance taxes are levied on the transfer of the Notes upon the death of the Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate, for inheritance tax or estate purposes. Gift tax may be due on a gift or donation of Notes, if the gift is recorded in a deed passed in front of a Luxembourg notary or registered in Luxembourg.

## Implementation of the EU Savings Directive in Italy

The Italian Government has implemented EC Council Directive 2003/48/EC (the “**Savings Directive**”) through Legislative Decree No. 84 on 18 April 2005 (“**Decree No. 84**”). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State as well as in the dependent or associated territories that have adopted similar legislation (Jersey, Guernsey, Isle of Man, Netherlands, Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla and Aruba). According to Article 1(1) of Decree No. 84, the definition of paying agents includes *inter alia*, banks, *Società di Intermediazione Mobiliare*, *Società di Gestione del Risparmio*, fiduciary companies, financial intermediaries and any economic operator that may be involved commercially or professionally in the payment of interest.

More specifically, according to Article 5 of Decree No. 84, paying agents shall provide the Italian tax authorities with the following information: identity and residence of the beneficial owner; name and address of the paying agent(s); account number of the beneficial owner; or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid. For contractual relations entered into, or transactions carried out in the absence of contractual relations on or after 1 January 2004, residence of the beneficial owner is ascertained on the basis of the address indicated in the passport (if any), in the official identity card or, if necessary, on the basis of any other evidence. Any beneficial owner holding an EU passport or identity card but resident for income tax purposes in a third country shall file a tax certificate issued by the State of residence. Any individual receiving an interest payment is deemed to be the beneficial owner unless he provides evidence that such payment was not received or secured for his own benefit.

Companies, similar entities subject to taxation on business profits, UCITs passported under Directive No. 85/611/EEC and non-passported UCITs that have elected to be treated as if passported, are excluded from the application of Decree No. 84. Mistakes, omissions and any other contravention may be fined under Decree No. 84 with sanctions from Euro 2,065 to Euro 20,658.

Both payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute “payments of interest” under Article 6 of the Savings Directive and, in relation to Italy, Article 2 of Decree 84. Accordingly, such payment of interest in relation to the Notes would fall within the scope of the rules described in this section.

The Savings Directive provides that Austria, Belgium and Luxembourg shall apply a withholding tax for a transitional period, as defined therein, unless during such period they elect otherwise. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010. The withholding tax shall be levied at the rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years and 35 per cent. thereafter. The Savings 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 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 Issuers to any one or more of Banca Aletti & C. 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 Issuers to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 4 August 2010 (the “**Dealership Agreement**”) and made between the Issuers, the Guarantor 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 relevant 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.

Neither the Notes nor the guarantee thereof have been or 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 agreed, and each further Dealer appointed under the Programme will be required to 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 relevant 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 Issuers for use in connection with the offer and sale of the Notes outside the United States. The Issuers 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 Issuers 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 relevant 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 Issuers or the Guarantor; 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.

## **Republic of Italy**

The offering of the Notes has not been registered 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 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) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law 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, including any corporation or other entity organised under the laws of Japan.

## 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 Issuers, the Guarantor (where applicable) 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 Issuers, the Guarantor (where applicable) 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 relevant Issuer and, if applicable, the Guarantor. 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 document.

## 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 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 Management Board of Banco Popolare passed on 13 July 2010 and by resolutions of the Board of Directors of Banco Popolare Luxembourg passed on 21 July 2010. Each of Banco Popolare and Banco Popolare Luxembourg 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 and the giving of the guarantee relating to them.
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 105 to 111 in this Base Prospectus, neither of the Issuers, the Guarantor nor any of their respective 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 Issuers are 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 Issuers, the Guarantor and their respective subsidiaries taken as a whole.
7. Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of the Issuers, the Guarantor or the Banco Popolare Group since 31 December 2009, nor has there been any significant change in the financial or trading position of the Issuers, the Guarantor or the Banco Popolare Group which has occurred since 31 March 2010.
8. 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 Issuers 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 Deed of Guarantee;
  - (e) the Dealership Agreement;
  - (f) reports, letters, balance sheets, valuations and statements of experts included or referred to in listing particulars (other than consent letters);
  - (g) 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 Deeds of Covenant) in respect of, such Notes); and
  - (h) the constitutional documents of each Issuer and the Guarantor.
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, 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 each Issuer and the Guarantor and the latest unaudited consolidated interim financial statements of each Issuer and the Guarantor.
10. 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](http://www.bourse.lu)). The Issuers do not intend to produce any Post-Issuance Information in relation to any assets underlying issues of Notes constituting derivative securities.

**REGISTERED AND HEAD OFFICE OF BANCO POPOLARE**

**Banco Popolare Società Cooperativa**

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37121 Verona  
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**Société Générale**

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## **FISCAL AGENT AND PAYING AGENT**

### **Citibank, N.A., London Branch**

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## **REGISTRAR AND TRANSFER AGENT**

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## **LEGAL ADVISERS**

*To Banco Popolare Società Cooperativa  
as to Italian law*

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as to Luxembourg law*

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*To the Dealers  
as to English and Italian law*

### **Clifford Chance**

### **Studio Legale Associato**

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## **LISTING AGENT**

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