

BASE PROSPECTUS DATED 18 JULY 2013



**BANCO POPOLARE
GRUPPO BANCARIO**

Banco Popolare Società Cooperativa

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

€25,000,000,000 Euro Medium Term Note Programme

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

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

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

No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency). Application has been made for Notes issued under the Programme to be listed on the Official List and 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 33) of Notes will be set forth in the final terms (the "**Final Terms**") which, with respect to Notes to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, will be filed with the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") and delivered to the Luxembourg Stock Exchange about the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes. Application has been made to the *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg, for approval of the Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes under the Programme during the period of 12 months after the date hereof. The CSSF gives no undertaking as to the economic or financial suitability of the transaction or the quality and solvency of the Issuer in line with the provisions of article 7 (7) of the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005, as amended (the "**Luxembourg Prospectus Law**").

There are certain risks related to the issue of Notes under the Programme which investors should ensure they fully understand (see "Risk Factors" on page 3 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 SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). If a Global Note Certificate is held under the New Safekeeping Structure ("**NSS**") the Global Note Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Note Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Overview 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, premium or other amounts relating to the Notes are subject to a substitute tax (referred to as *imposta sostitutiva*) of 20 per cent. in certain circumstances. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, premium or other amounts relating to the Notes each Noteholder not resident in the Republic of Italy is required to comply with the deposit requirements described in "Taxation" and to certify, prior to or concurrently with the delivery of the Notes, that such Noteholder is (i) resident in a country 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, premium or other amounts relating to the Notes, all as more fully set out in "Taxation – Republic of Italy" on pages 154-165.

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

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

Joint Arrangers for the Programme

Citigroup

Banca Aletti & C.
Barclays
BofA Merrill Lynch
Commerzbank
Credit Suisse
Goldman Sachs International
J.P. Morgan
Mediobanca – Banca di Credito Finanziario S.p.A.
Natixis
Société Générale Corporate & Investment Banking
UBS Investment Bank

Dealers

J.P. Morgan

Banca IMI
BNP PARIBAS
Citigroup
Crédit Agricole CIB
Deutsche Bank
HSBC
Landesbank Baden-Württemberg
Morgan Stanley
Nomura
The Royal Bank of Scotland

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

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

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

To the fullest extent permitted by law, neither Citigroup Global Markets Limited nor J.P. Morgan Securities plc, 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 plc 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 plc and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

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

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

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

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

CONTENTS

	Page
Responsibility Statement	1
Supplements to the Base Prospectus	2
Risk Factors	3
Information Incorporated by Reference	23
General Description of the Programme	25
Terms and Conditions of the Notes	33
Further Information Relating to Index Linked Notes	75
Form of Final Terms	79
Overview of Provisions Relating to the Notes while in Global Form.....	94
Use of Proceeds	100
Business Description of Banco Popolare Societa' Cooperativa	101
Taxation	154
Subscription and Sale	166
General Information	171

RESPONSIBILITY STATEMENT

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

SUPPLEMENTS TO THE BASE PROSPECTUS

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

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

RISK FACTORS

Prospective investors should read the entire Base Prospectus.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

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

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

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

Risk Factors in relation to the Issuer

Liquidity risks and risks associated with the European sovereign debt crisis

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

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

The global financial system still has to overcome some of the difficulties which began in August 2007 and which were intensified by the bankruptcy of Lehman Brothers in September

2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone and Italy in particular has progressively intensified, and International Monetary Fund and European Union financial support packages have been agreed for Greece, Cyprus, Ireland and Portugal.

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

There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Ireland, Portugal, and Cyprus will be sufficient to avert "contagion" to other countries (in Europe, specifically Spain and Italy).

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

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

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

Lingering market tensions might affect negatively the global economy and hamper the recovery of the Euro area. Moreover, the tightening fiscal policy by some countries might weigh on households disposable income and on corporate profits with negative implications for the Banco Popolare Group's business, results and financial position. This trend will likely continue in the coming quarters. For more information about the Group's exposure to the Italian government securities please see the paragraph "Exposure to Sovereign Risk" in the "Business Description" below.

Any further deterioration of the Italian economy would have a material adverse effect on the Banco Popolare Group's business, in light of the Banco Popolare Group's significant exposure to the Italian economy.

The European Central Bank's unconventional policy (including a security market programme and provision of liquidity via longer term refinancing operations with full allotment) has contributed to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the European Central Bank could halt or

reconsider the current set up of unconventional measures would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the Banco Popolare Group's business, results and financial position. Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the Euro area, global markets remain characterised by high uncertainty and volatility. Any further acceleration of the European sovereign debt crisis would likely significantly affect, among other things, the recoverability and quality of the sovereign debt securities held by the Banco Popolare Group as well as the financial resources of the Banco Popolare Group's clients holding similar securities. The occurrence of any of the above events could have a material adverse effect on the Banco Popolare Group's business, results and financial condition.

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

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

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

These risks are exacerbated by concerns over the recent crisis involving certain Euro-zone countries (i.e. Greece, Portugal, Ireland and Cyprus) and the levels of the public debt of other certain Euro-zone countries and their relative weaknesses. In particular, in the last years, Greece, Ireland, Portugal and Cyprus have requested financial aid from European authorities and from the International Monetary Fund and have started an ambitious programme of reforms. In March 2012, Greece has restructured its debt after inserting retroactively the so-called "Collective Action Clauses". The decision represented a credit event and has triggered credit default swaps. While the risk that debt restructuring may also be required in other countries has significantly diminished after the European Central Bank's has launched the "Outright Monetary Transactions" policy, it has not completely faded.

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

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

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

Competition

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

In particular, such competition has had two main effects:

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

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

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

Impact of events which are difficult to anticipate

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

Credit risk

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

the credit quality of the Banco Popolare Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties. In addition, the continued liquidity crisis in other affected economies may create difficulties for the Banco Popolare Group's borrowers to refinance or repay loans to the Banco Popolare Group loan portfolio and potentially increase the Banco Popolare Group non-performing loan levels.

Market risk

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

Changes in interest rates

Fluctuations in interest rates in Italy influence the Banco Popolare Group's financial performance. The results of the Banco Popolare Group's banking operations are affected by the Banco Popolare Group's management of interest rate sensitivity and, in particular, changes in market interest rates. Interest rate sensitivity refers to the relationship between changes in market interest and changes in net interest income. 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.

Rising interest rates in line with the yield curve can increase the Banco Popolare Group's cost of funding at a higher rate than the yield on its assets, due, for example, to a mismatch in the maturities of its assets and liabilities that are sensitive to interest rate changes or a mismatch in the degree of interest rate sensitivity of assets and liabilities with similar maturities. At the same time, decreasing interest rates can also reduce the yield on the Banco Popolare Group's assets at a rate which may not correspond to the decrease in the cost of funding.

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 years ended 31 December 2011 and 31 December 2012, 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 Italia - Società Italiana per il Rating S.p.A. ("**Fitch**"), by Moody's Investors Service Ltd ("**Moody's**") and by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") each of which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended by Regulation (EU) No 513/2011 (the "**CRA Regulation**") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation.

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

Changes in regulatory framework and accounting policies

The Banco Popolare Group is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the Italian securities markets regulator), the European Central Bank and the European System of Central Banks. The banking laws to which the Banco Popolare Group is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Banco Popolare Group must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the global credit crisis, and new legislation and regulations are being introduced in Italy and in the European Union. The implementation

of the Basel Committee's reforms to strengthen global capital and liquidity rules of the banking sector ("**Basel III**") may have a material affect on the Banco Popolare Group's business and operations.

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

Evolving regulatory environment

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

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

In particular:

- EU Directive 2009/111/EC ("**CRD II**"), which amended EU Directives 2006/48/EC and 2006/49/EC (together, the "**CRD**") and has changed the criteria for assessing capital eligible to be included in Tier I Capital and may require the Banco Popolare Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria.
- EU Directive 2010/76/EU ("**CRD III**") was issued on 24 November 2010 amending further the CRD as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies. This Directive introduces a number of changes in response to the recent and current market conditions, such as:
 - increase of capital requirements for trading books to ensure that a bank's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
 - imposition of higher capital requirements for re-securitisations to make sure that banks take proper account of the risks of investing in such complex financial products; and

- restriction on the remuneration payable to individuals fulfilling roles with potential impact on a bank's risk profile.

The above changes have already come into force.

Between the end of 2010 and 2012, the Bank of Italy issued a series of measures which amended the new instructions for the prudential supervision of banks (i.e. Circular no. 263 dated 27 December 2006, as amended and supplemented from time to time, the "**Bank of Italy's Regulations**"), for the purposes of implementing the CRD II Directive which may require the Banco Popolare Group, after a transitional period, to replace its financial instruments no longer computable for such purposes.

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

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

The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019. In January 2013, the Basel Committee reviewed its original proposal relating to liquidity requirements by taking into account concerns raised by the banking industry. As result of this review, the Basel Committee decided that the phasing-in of the Liquidity Coverage Ratio should take place gradually (annual increase of 10 per cent.), starting with 60 per cent. in 2015 and ending with 100 per cent. in 2019. In addition,

the Basel Committee expanded the definition of "high quality liquid assets" to include lower quality corporate securities, equities and residential mortgage backed securities.

In order to facilitate the implementation of the Basel III capital and liquidity standards in Europe, in July 2011 the European Commission proposed a legislative package to strengthen the regulation of the banking sector. This package is known as "**CRD IV**". CRD IV will replace the current Capital Requirements Directives (2006/48 and 2006/49) with a directive and a regulation and aims to create a sounder and safer financial system. The CRD IV directive governs access to deposit-taking activities while the CRD IV regulation establishes the prudential requirements institutions need to respect. On 16 April 2013, the European Parliament approved the text of the CRD IV legislation and the text was formally adopted by the European Council on 20 June 2013. Despite the recent above-mentioned clarifications by the Basel Committee on liquidity regulation, until the CRD IV legislation is fully implemented, the Issuer cannot predict the precise effects that such legislation will have on its own financial performance and on its capital and asset and liability management.

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

The Issuer's business can be affected by regulatory factors connected with domestic Italian and European Union developments in financial and fiscal matters, in particular the envisaged reform of the "*banche popolari*" system in Italy.

New legislation or regulations which may come into force in the future may increase operating costs and have an adverse effect upon the business, results and prospects of the Issuer.

As some of the relevant banking laws and regulations affecting the Issuer have only been adopted recently, 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 or results of the operations of the Issuer.

Risks arising from pending legal proceedings

For a description of the details of the Group's exposure to legal proceedings and of the legal proceedings carrying the most significant risks for the Group, see the paragraph "Pending legal proceedings" in the "Business Description" below.

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

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

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

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

Real estate risk

The real estate risk is the risk of a fall in the market value of proprietary real estate assets, as a result of price changes on the Italian real estate market. This risk is monitored by specific technical structures set up within the Group.

Risks relating to the Notes

The Notes may be redeemed prior to maturity

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

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

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

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

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

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

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes.

Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

The terms of the Subordinated Notes include provisions, a number of which are mandated by Bank of Italy regulations, which may affect the ability of the Issuer to make payments under the Notes. The 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.

Notes issued at a substantial discount or premium

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

Redemption for regulatory reasons

In addition, the Issuer may also, at its option, redeem Subordinated Notes following a Regulatory Event in accordance with Condition 5.3 (*Early Redemption for regulatory reasons*). Any redemption of the Subordinated Notes is subject to the prior approval of the Bank of Italy. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Index Linked Notes and CMS Linked Interest Notes

The Issuer may issue Notes with principal or interest which is determined by reference to an index or the CMS Rate (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) where the relevant factor is an index, payment of principal or interest may occur at a different time;
- (d) where the relevant factor is an index, they may lose all or a substantial portion of their principal;
- (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.

An investment in Notes linked to an index entails significant risks not associated with a similar investment in fixed or floating rate debt securities

An investment in Notes the terms of which provide that the principal, premium, if any, and/or interest payable, is linked to the performance of an index (the "**indexed Notes**"), entails significant risks that are not associated with investments in a conventional fixed rate or floating rate debt security. Such investments are speculative and only suitable for highly sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the indexed Notes.

These risks include the possibility that the index may be subject to significant changes, (including that it may even cease to exist during the term of an indexed Note) that the resulting interest rate will be less than that payable on a conventional fixed or floating rate debt security issued by Banco Popolare at the same time, that the repayment of principal and/or premium, if any, can occur at times other than that expected by the investor (including by reason of redemption by Banco Popolare for tax reasons, regulatory reasons or indexation reasons), that any investment return is calculated by reference to the value of the underlying index and hence is inherently unpredictable and that, in certain circumstances, prospective investors could lose all or a substantial portion of their initial investment in the indexed Notes. Prospective investors should therefore, among other things, recognise the complexities of utilising the indexed Notes to hedge against the market risk associated with investing in any securities or indices.

The secondary market, if any, for indexed Notes will be affected by a number of factors independent of Banco Popolare's creditworthiness, including the complexity and volatility of the index, the method of calculating the principal, premium, if any, and/or interest in respect of indexed Notes, the time remaining to the maturity of such Notes, the outstanding amount

of such Notes, any redemption features of such Notes, the amount of other debt securities linked to such index and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of indexed Notes. Accordingly, prospective investors should consult their own financial and legal advisers as to the risks an investment in the indexed Notes may entail and the suitability of the indexed Notes in light of their particular circumstances.

Modification, waiver and substitution

The conditions of the Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Notes including holders that did not attend and vote at the relevant meeting and holders that voted in a manner contrary to the majority. The Conditions also provide that the Fiscal Agent or in the case of Registered Notes, the Registrar, may, without the consent of Noteholders, agree to (i) any modification of any of the provisions of Notes and the Deed of Covenant to correct a manifest error or (ii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17 (*Substitution of the Issuer*) of the Conditions.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Tax Directive**") on the taxation of savings income in the form of interest payments, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a person (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity called "residual entities", within the meaning of Article 4.2. of the EU Savings Directive (the "**Residual Entities**") established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. In the case of Luxembourg, the recipient of the interest payment may opt for one of the two information exchange procedures available instead of the application of the above withholding system. 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.

On 10 April 2013, Luxembourg officially announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payment of interest (or similar income) as from this date.

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

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Reliance upon clearing systems

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

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

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

U.S. Foreign Account Tax Compliance Withholding

In order to receive payments free of U.S. withholding tax under Sections 1471 through 1474 of the US Internal Revenue Code (commonly referred to as "**FATCA**"), the Issuer and financial institutions through which payments on the Notes are made may be required to withhold tax at a rate of up to 30 per cent. on all, or a portion of, payments in respect of the Notes made after 31 December 2016. This withholding does not apply to payments on Notes that are issued prior to 1 July 2014 (or, if later, the date that is six months after the date on which the final regulations that define "foreign passthru payments" are published) unless the Notes are characterised as equity for U.S. federal income tax purposes.

The Issuer may enter into an agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide certain information about investors. Under such an agreement, withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant party to determine whether the investor is a U.S. person or should otherwise be treated as holding a

"United States Account" of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any investor or person through which payment on the Notes is made is not able to receive payments free of withholding under FATCA.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a Noteholder for any such withholding or deduction by the Issuer, a Paying Agent or any other party as a result of the deduction or withholding of such amount. As a result, if FATCA withholding is imposed on these payments, investors may receive less interest or principal than expected.

An investor that is a "foreign financial institution" (as defined under the FATCA rules) that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

The United States is in the process of negotiating intergovernmental agreements to implement FATCA ("**IGAs**") with a number of jurisdictions. Different rules than those described above may apply if the Issuer or an investor is resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA. Italy has initialled an IGA with the United States; however, the contents of the IGA have not yet been made public.

Investors should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

Change of law

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

Regulatory classification of the Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as "Tier II Capital", for so long as this is permitted under Bank of Italy regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. Although it is the Issuer's expectation that the Subordinated Notes qualify as "Tier II capital", there can be no representation that any such Subordinated Notes will continue to qualify as "Tier II Capital" during the life of the Notes or that the Notes will be grandfathered under the implementation of further EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as "Tier II Capital", the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 5.3 (*Early Redemption for regulatory reasons*), subject to the prior approval of the Bank of Italy. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate

that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

Non-Viability Requirement for Subordinated Notes

The Basel Committee's press release dated 13 January 2011 entitled "*Minimum requirements to ensure loss absorbency at the point of non-viability*" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet these requirements in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The January 2011 Press Release is not binding in the European Union, and the non-Viability Requirements will need to be implemented in the European Union.

There has not yet been an official proposal for the implementation of the Non-Viability Requirement in the European Union, although a draft of a new EU directive (called the "**Recovery and Resolution Directive**", or the "**RRD**") containing rules in relation to bank resolution and recovery was released on 6 June 2012. The RRD, although currently in draft form, includes provisions relating to, *inter alia*, "bail-in" (write-down or conversion into equity) of subordinated debt, certain types of senior debt and certain other liabilities at the point of a bank's non-viability. The draft RRD proposes that, with application from 1 January 2015, national authorities in each Member State will be given the power to write down or convert Additional Tier 1 and Tier 2 instruments at the point of the Issuer's non-viability. It is expected that each Member State will be required to implement RRD into its national law. However, it is possible that all or some of the RRD provisions will eventually be implemented by way of a directly-applicable regulation, similar to the CRR.

There can be no assurance that existing legislation or new legislation will be amended or introduced in Italy to reflect the January 2011 Press Release or that any existing legislation or new legislation applying in Italy will be confirmed in due course by a peer group review (as

referred to in paragraph (b) of the Non-Viability Requirement above) to conform with paragraph (a) above such that Subordinated Notes would be subject to being written down or fully loss absorbing on the basis set out in paragraph (a) above. In such circumstances, however, the Terms and Conditions of the Subordinated Notes may still need to provide for such Non-Viability Requirement in order to qualify as regulatory capital under the CRR. As at the date of this Prospectus, there has been no official notification that a peer group review of the kind referred to in paragraph (b) above has been undertaken in respect of any laws of any EU member state.

Investors should be aware, however, that Subordinated Notes may nevertheless be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy or other authority or authorities having oversight of the Issuer at the relevant time (the Relevant Authority) be given the power to do so. The Terms and Conditions of Subordinated Notes issued under the Programme include provisions setting out that the obligations of the Issuer under Subordinated Notes are subject to the powers of the Relevant Authority pursuant to applicable law and/or regulation in force from time to time.

In addition, there can be no assurance that, prior to implementation of the CRD IV and the CRR and the other Basel III reforms in Italy, the Basel Committee will not amend its package of reforms described above. Furthermore, the European Commission may implement the package of reforms, including the terms which capital instruments are required to have, in a manner that is different from that which is currently envisaged or, if permitted, Italy may impose more onerous requirements on the financial Risk Factors institutions. Until fully implemented, the Issuer cannot predict the precise effects of the changes that result from any proposed reforms on both their own financial performance and/or on the pricing of the Subordinated Notes.

Any failure by the Issuer to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on the Issuer's profitability and results and may also have other effects on the Issuer's financial performance and on the pricing of the Subordinated Notes, both with or without the intervention by regulators or the imposition of sanctions.

Prospective investors in Subordinated Notes should consult their own advisers as to the consequences of the proposed CRD IV and CRR.

Risks relating to the Market Generally

The secondary market generally

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

would generally have a more limited secondary market and more price volatility than conventional debt securities. Liquidity may have a significantly adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Rating

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

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

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

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

3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Legal investment considerations may restrict certain investments

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

INFORMATION INCORPORATED BY REFERENCE

The following information shall be incorporated by reference 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 2011 and 2012 together with the auditors' reports and notes thereto;
2. the press release published by the Issuer on 14 May 2013 announcing the approval by the Board of Directors of the Issuer of the unaudited interim reports on operations for the first quarter of 2013 (the "**Press Release**"); and
3. the Base Prospectus in respect of the Banco Popolare Società Cooperativa MTN Programme dated 25 June 2012 (the "**2012 Base Prospectus**").

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

The table below sets out the relevant page references for the notes and the auditor's report in each of the consolidated financial statements of Banco Popolare for 2011 and 2012 and for specific items of information contained in the Press Release, and the 2012 Base Prospectus. The supplements to the 2012 Base Prospectus are not relevant in the context of the update of the programme and, therefore, are not incorporated by reference.

Banco Popolare Società Cooperativa

Audited Consolidated Financial Statements as at and for the year ended 31 December 2011

	Page Reference
Balance Sheet	150
Income Statement	151
Cash Flow Statement	155
Accounting Principles and Explanatory Notes	157
Auditors' Report	145
Remuneration of Directors and Top Managers	341

Banco Popolare Società Cooperativa

Audited Consolidated Financial Statements as at and for the year ended 31 December 2012

	Page Reference
Balance Sheet	154
Income Statement	155

Cash Flow Statement	159
Accounting Principles and Explanatory Notes	163
Auditors' Report	149
Remuneration of Directors and Top Managers	362

Banco Popolare Società Cooperativa
Press Release dated 14 May 2013

Summary of first quarter results	1 - 2
Operating performance	2 - 4
Evolution of key balance sheet items	4 - 5
Group capital ratios	5
Liquidity profile	5
Explanatory notes	6 - 8
Reclassified consolidated balance sheet	10
Reclassified consolidated income statement	11
Reclassified consolidated income statement with separate evidence of the Fair Value Option (FVO) result	12
Reclassified consolidated income statement: quarterly evolution	13
Reclassified consolidated income statement with separate presentation of the Fair Value Option (FVO) result: quarterly evolution	14

2012 Base Prospectus

Terms and Conditions of the Notes	38-77
-----------------------------------	-------

The information incorporated by reference that is not included in the cross-reference lists above is considered additional information and is not required by the relevant schedules of Regulation (EC) 809/2004 (as amended).

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

The Issuer will, in connection with the listing of the Notes on the official list of the Luxembourg Stock Exchange (the "**Official List**") and admission of the Notes to trading on the Luxembourg Stock Exchange's regulated market, so long as any Note remains outstanding and so listed and admitted to trading, in the event of a significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the securities, prepare a supplement to this Base Prospectus for use in connection with any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. If the terms of the Programme are modified or amended in a manner which would make this Base Prospectus inaccurate or misleading, a new Base Prospectus will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

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

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

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

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

Description: Euro Medium Term Note Programme

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

Dealers: Banca Aletti & C. S.p.A., Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, 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 plc, Landesbank Baden-Württemberg, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited, and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a

particular Tranche (as defined below) of Notes.

Regulatory Matters:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. See "Subscription and Sale" herein and the following summary of certain restrictions applicable at the date of this Base Prospectus.
Fiscal Agent:	Citibank, N.A., London Branch
Registrar:	Citibank, N.A., London Branch
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Initial Programme Amount:	Up to €25,000,000,000 (or its equivalent in other currencies calculated as described herein) in aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under "Subscription and Sale".
Issuance in Series:	Notes will be issued in series (each, a " Series "). Each Series may comprise one or more tranches (" Tranches " and each, a " Tranche ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations (of at least €100,000 or its equivalent in another currency).
Form of Notes:	Notes may be issued in bearer form or in registered form. Each Global Note which is intended to be issued in CGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

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 (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 (the "FSMA") 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 Prospectus Law, 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.

Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer. Subordinated Notes constitute unsecured and subordinated obligations of the Issuer, all as described in "Terms and Conditions of the Notes— Status".

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, index or otherwise) as may be specified in the relevant Final Terms.

The redemption of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy. If such approval is not given on or prior to the relevant redemption date, Banco Popolare will re-apply to the Bank of Italy for its consent to such redemption forthwith upon its having again satisfied, by whatever means, such conditions. Amounts that would otherwise be payable on the due date will continue to bear interest as provided in the Terms and Conditions of the Notes and the Fiscal Agency Agreement.

Except as provided in "Optional Redemption" below, Notes will be redeemable at the option of the Issuer

prior to maturity only for taxation, regulatory or indexation reasons. See "Terms and Conditions of the Notes — Redemption and Purchase".

Optional Redemption:

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

In the case of Subordinated Notes, such optional redemption may only be at the option of the Issuer and is subject to any necessary prior consent thereto being obtained from the Bank of Italy.

Redemption for Indexation Reasons

Index Linked Notes may be redeemed before their stated maturity at the option of the Issuer, if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders.

Withholding Tax:

Save as set out below, all payments of principal and interest in respect of the Notes made by the Issuer in case of payments under the Notes will be made free and clear of withholding taxes in the jurisdiction of incorporation of the Issuer be subject to certain exemption as described in "Terms and Condition of the Notes – Taxation".

The Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 on account of Italian substitute tax (*imposta sostitutiva*), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes.

Notes that qualify as atypical securities are subject to withholding tax levied at the rate of 20 per cent. in respect of interest and premium (if any) pursuant to Law Decree No. 512 of 30 September 1983, as amended. Banco Popolare will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

Issue Price:

Notes may be issued at any price, 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 or index-linked rate and may vary during the lifetime of the relevant Series.
Denominations:	Notes will be issued in such denominations (of at least €100,000 or its equivalent in another currency) as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Governing Law:	The Notes and all related contractual documentation and any non-contractual obligations arising therefrom or connected therewith will be governed by English law, except for Condition 3B (<i>Status – Subordinated Notes</i>) and any non-contractual obligations arising therefrom or connected therewith which will be governed by Italian law.
Listing and Admission to Trading:	Each Series may be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, and/or listed or admitted to trading (as the case may be) on any other stock exchange or markets as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authorities, stock exchanges, regulated markets and/or quotation systems.
Terms and Conditions:	<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 listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange be filed with the CSSF and delivered to the Luxembourg Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" as completed by the relevant Final Terms.</p> <p>The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the Dealer(s) at the time of issue in accordance with prevailing market conditions.</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 3 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 18 July 2013 entered into by Banco Popolare (the "**Deed of Covenant**"), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Clearing Systems: Euroclear, Clearstream, Luxembourg and/or, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms.

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

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

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation.

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website a list of credit rating agencies registered and certified in accordance with the CRA Regulation, which may be found on the following page:

<http://wmema.etwopa.eu/page/Ust-registeredHind->

ceiIiJied-CRAs.

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes in definitive form which as completed 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 18 July 2013 and made between Banco Popolare Società Cooperativa ("**Banco Popolare**" or the "**Issuer**"), Citibank, N.A., London Branch in its capacities as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) and as transfer agent, Citibank, N.A., London Branch in its capacity as registrar (the "**Registrar**", which expression shall include any successor to Citibank, N.A., London Branch in its capacity as such) the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agent appointed in accordance with the Fiscal Agency Agreement) and the transfer agents named therein (together with the transfer agent mentioned above, the "**Transfer Agents**", which expression shall include any successor or additional transfer agents appointed in accordance with the Fiscal Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Notes (as defined below), the Issuer may appoint a calculation agent (the "**Calculation Agent**") for the purposes of such Notes, in accordance with the provisions of the Fiscal Agency Agreement, and such Calculation Agent shall be the Fiscal Agent or such other person, as 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 18 July 2013 executed by the Issuer in relation to the Notes issued by the Issuer. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents, the Registrar and the Transfer Agents. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Fiscal Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

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

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

A Note is referred to herein as a Fixed Rate Note, a Floating Rate Note, an Index-Linked Interest Note, an Index-Linked Redemption Note or a Zero Coupon Note or any combination of any of the foregoing, depending upon the provisions set out in the relevant Final Terms.

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) are to Coupons relating to Notes of the relevant Series.

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

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

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as completed by the relevant 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.

Denomination of Bearer Notes

- 1.3 Bearer Notes are in the denomination or denominations specified in the relevant Final Terms (a "**Specified Denomination**") or integral multiples thereof. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of any other denomination.

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

Denomination of Registered Notes

- 1.4 Registered Notes are in the Specified Denomination, as set out in the relevant Final Terms.

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

Currency of Notes

- 1.5 The Notes are denominated in such currency as may be specified in the relevant Final Terms (the "**Specified Currency**"). Any currency may be so specified, subject to

compliance with all applicable legal and/or regulatory and/or central bank requirements.

2. **TITLE AND TRANSFER**

- 2.1 Title to Bearer Notes and Coupons passes by delivery. References herein to the "Holders" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such 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 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 9B.3) for such payment of interest and the date on which such payment of interest falls due.

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

3. **STATUS OF THE NOTES**

3A. **Status — Unsubordinated**

- 3A.1 This Condition 3A (*Status – Unsubordinated*) 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 Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated

and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by law).

3B. **Status — Subordinated Notes**

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

3B.2 The Subordinated Notes (*Passività Subordinate di 2° livello*, as defined in Title I, Chapter 2, Section II, paragraph 5.2 of the Regulations of the Bank of Italy (*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*) as amended from time to time (the "**Bank of Italy's Regulations**")) and the Coupons relating to them constitute unsecured and subordinated obligations of the Issuer and 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 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 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 Subordinated Notes and in priority to the claims of the holders of instruments qualifying as Tier I capital of the Issuer (*strumenti innovativi di capitale*), as defined in Title I, Chapter 2, Section II, paragraph 4 of the Bank of Italy's Regulations, including existing Tier 1 securities of the Issuer (issued by Banco Popolare di Verona e Novara *società cooperativa a responsabilità limitata* and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa) and to the claims of shareholders of the Issuer. Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

4. **INTEREST**

4.1 **Interest**

Notes may be interest-bearing or non interest-bearing, as specified in the Final Terms. Words and expressions appearing in this Condition 4 (*Interest*) and not otherwise defined herein or in the Final Terms shall have the meanings given to them in Condition 4.5 (*Definitions*).

4.2 **Fixed Rate Note Provisions**

4.2.1 This Condition 4.2 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

4.2.2 The Notes bear interest from the Interest Commencement Date at the Interest Rate payable in arrear on each Interest Payment Date, subject as provided in

Condition 9 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4.2 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

4.2.3 The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

4.2.4 The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

4.3 **Floating Rate Note and Index-Linked Interest Note Provisions**

4.3.1 This Condition 4.3 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.

4.3.2 The Notes bear interest from the Interest Commencement Date at the Interest Rate (in the case of Index-Linked Interest Notes, multiplied by the Index Ratio or the Limited Index Ratio in accordance with Condition 8 (*Indexation*)) payable in arrear on each Interest Payment Date, subject as provided in Condition 9 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4.3 (*Floating Rate Note and Index-Linked Interest Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

4.3.3 *Screen Rate Determination (other than for Floating Rate Notes linked to the CMS Rate)*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (i) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

4.3.4 *Screen Rate Determination of Floating Rate Notes which are linked to the CMS Rate*: If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate is to be determined and "CMS Rate" is specified as the Reference Rate in the Final Terms, the Interest Rate for each Interest Period will be:

- (a) where "CMS Reference Rate" is specified as the Reference Rate in the relevant Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{CMS Rate} + \text{Margin}$$

- (b) where "Leveraged CMS Reference Rate" is specified as the Reference Rate in the relevant Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{Leverage} \times \text{CMS Rate}$$

- (c) where "Steepner CMS Reference Rate" is specified as the Reference Rate in the relevant Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

- (i) where "Steepner CMS Reference Rate: Unleveraged" is specified in the relevant Final Terms:

$$\text{CMS Rate 1} - \text{CMS Rate 2}$$

or

- (ii) where "Steepner CMS Reference Rate: Leveraged" is specified in the relevant Final Terms:

$$\text{Leverage} \times [(\text{Min} (\text{CMS Rate 1}; \text{Cap} - \text{CMS Rate 2})) + \text{Margin}]$$

- (d) where "Call Spread CMS Reference Rate" is specified as the Reference Rate in the relevant Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{Leverage} \times \text{Min} [\text{Max} (\text{CMS Rate} + \text{Margin}; \text{Floor}); \text{Cap}]$$

- (e) If the Relevant Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at the Relevant Time on the Interest Determination Date in question. If at least three of the Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

- (f) If on any Interest Determination Date, less than three or none of the Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.
 - (g) For the purposes of this Condition 4.3.4 (*Screen Rate Determination of Floating Rate Notes which are linked to the CMS Rate*), "**Reference Banks**" means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London interbank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent.
- 4.3.5 *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (a) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (b) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (c) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- 4.3.6 *Index-Linked Interest*: 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 accordance with the provisions of this Condition 4 (*Interest*) and the provisions of Condition 8 (*Indexation*).
- 4.3.7 If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

- 4.3.8 The Calculation Agent will, as soon as practicable after the time at which the Interest Rate is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Interest Rate for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- 4.3.9 If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- 4.3.10 The Calculation Agent will cause each Interest Rate and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Interest Rate, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- 4.3.11 All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

4.4 **Zero Coupon Note Provisions**

- 4.4.1 This Condition 4.4 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

4.4.2 If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date specified in the relevant Final Terms to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

4.5 Definitions

For the purposes of these Conditions:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**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;

"**Base Prospectus**" means the base prospectus dated 18 July 2013 relating to the €25,000,000,000 EMTN Programme of Banco Popolare;

"**Business Day**" means:

- (i) in relation to any sum payable in euro, a TARGET Business Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**" in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions 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;
- (iv) **"FRN Convention"**, **"Floating Rate 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 as the Specified Period 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; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Cap" means the percentage per annum specified in the relevant Final Terms;

"CMS Rate" means the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent;

"CMS Rate 1" and **"CMS Rate 2"** means the CMS Rate with a particular Designated Maturity as specified in the relevant Final Terms;

"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 so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

"**Designated Maturity**" has the meaning given in the relevant Final Terms;

"**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;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Floor**" means the percentage per annum specified in the relevant Final Terms;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest 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" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"Interest Rate" means the rate or rates (expressed as a percentage per annum) 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.);

"Leverage" means the percentage specified in the relevant Final Terms;

"Margin" has the meaning given in the relevant Final Terms;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

- (ii) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Currency" has the meaning given in the relevant Final Terms;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Swap Rate" means:

- (i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered

rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

- (iv) where the Reference Currency is any other currency of if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with 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;

"Representative Amount" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"Specified Period" has the meaning given in the relevant Final Terms;

"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; and

"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.

5. REDEMPTION AND PURCHASE

Redemption at Maturity

- 5.1 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its final redemption amount (the **"Final Redemption Amount"**) (as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 8 (*Indexation*)) on the date specified as the maturity date in the relevant Final Terms (the **"Maturity Date"**).

Notwithstanding the provisions of this Condition 5 (*Redemption and Purchase*), the redemption of any series of Subordinated Notes and/or early redemption of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy. To redeem any such Notes where such consent has not been granted shall not

constitute a default of the Issuer for any purpose. Consent to redemption is at the discretion of the Bank of Italy but will not be granted at the initiative of the Noteholder or where the solvency of the Issuer would be affected.

Early Redemption for Taxation Reasons

- 5.2 If, in relation to any Series of Notes (i) as a result of any change in the laws, regulations or rulings of the Republic of Italy or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 7 (*Taxation*), (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it and (iii) such circumstances are evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may, at its option (but, in the case of Subordinated Notes subject to consent thereto having been obtained from the Bank of Italy) and having given no less than 30 nor more than 60 days' notice (ending, in the case of Notes which bear interest at a floating or index-linked rate, on a day upon which interest is payable) to the Noteholders in accordance with Condition 14 (*Notices*) (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 Final Redemption Amount or such other redemption amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 8 (*Indexation*)), 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 or index-linked rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

In the event of early redemption in accordance with this Condition 5 (*Redemption and Purchase*), the Luxembourg Stock Exchange will be notified of such early redemption.

Early Redemption for Regulatory Reasons

- 5.3 (A) *Application:* This Condition 5.3 (*Early Redemption for Regulatory Reasons*) applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.

(B) *Redemption*: If, at any time, the Issuer determines that a Regulatory Event has occurred, the Notes may be redeemed at the option of the Issuer, in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 5.3 (*Early Redemption for Regulatory Reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.3 (*Early Redemption for Regulatory Reasons*), at their early regulatory redemption amount (the "**Early Redemption Amount (Regulatory)**") (which shall be their Final Redemption Amount or such other redemption amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 8 (*Indexation*)), together with accrued interest (if any) thereon.

Prior to the publication of any notice of redemption pursuant to this Condition 5.3 (*Early Redemption for Regulatory Reasons*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

For the purposes of this Condition 5.3 (*Early Redemption for Regulatory Reasons*):

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer);

"**CRD IV**" means the Capital Requirements Directive and Capital Requirements Regulation;

"**Regulatory Event**" means where the Issuer determines in relation to any Subordinated Notes (after consultation with the Relevant Authority and, if so required, subject to its approval) that as a result of a change in Italian law or Applicable Banking Regulations or any change in the official application or interpretation thereof (including as a result of the implementation or applicability in Italy on or after the Issue Date of CRD IV), the Notes cease to qualify either in whole or in part as Tier II Capital of the Issuer for the purposes of (1) the capital adequacy requirements of the Relevant Authority or (2)

any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union;

"**Relevant Authority**" means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having the responsibility of making such decisions); and

"**Tier II Capital**" has the meaning given to it by (i) the Relevant Authority from time to time or (ii) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union from time to time, as applicable.

Optional Early Redemption (Call)

5.4 If this Condition 5.4 (*Option Early Redemption (Call)*) is specified in the relevant Final Terms as being applicable, then the Issuer may, subject in the case of Subordinated Notes to the prior consent of the Bank of Italy, having given the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not, unless and to the extent that the Final Terms specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be, in respect of any Note, its principal amount or such other redemption amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 8 (*Indexation*)), together with accrued interest (if any) thereon on the date specified in such notice.

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

5.5 The appropriate notice referred to in Condition 5.4 (*Optional Early Redemption (Call)*) is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 13 (*Notices*), which notice shall be irrevocable and shall specify:

5.5.1 the Series of Notes subject to redemption;

5.5.2 whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers of the Notes of the relevant Series which are to be redeemed;

5.5.3 the due date for such redemption, which shall be not less than 30 days nor more than 60 days after the date on which such notice is given and which shall be such date or the next of such dates ("**Optional Redemption Date(s) (Call)**") or a day falling within such period ("**Call Option Period**"), as may be specified in the relevant Final Terms and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and

5.5.4 the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Partial Redemption

5.6 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 5.4 (*Optional Early Redemption (Call)*):

5.6.1 in the case of Bearer Notes, the Notes to be redeemed shall be drawn by lot in such European city as the Fiscal Agent may specify, or identified in such other manner or in such other place as the Fiscal Agent may approve and deem appropriate and fair; and

5.6.2 in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, **provided always that** the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an integral multiple thereof, subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

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

Optional Early Redemption (Put)

5.7 Except with respect to the Subordinated Notes to which this Condition 5.7 (*Optional Early Redemption (Put)*) shall not apply, if this Condition 5.7 (*Optional Early Redemption (Put)*) 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, in respect of any Note, its principal amount or such other redemption amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 8 (*Indexation*)), 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 ("**Optional Redemption Date(s) (Put)**") 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 9A.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 relevant 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 Condition 5.4 (*Optional Early Redemption (Call)*).

Early Redemption for Indexation Reasons

5.8 In the case of Index-Linked Interest Notes or Index-Linked Redemption Notes:

- 5.8.1 if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment, or states to the Issuer and the Fiscal Agent that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 8.4 (*Changes in circumstances affecting the Index*), the Issuer shall, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not less than 3 days nor more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their principal amount multiplied by the Index Ratio (or Limited Index Ratio in the case of Limited Index Linked Notes) (the "**Early Redemption Amount (Indexation)**"), applicable to the date on which the date fixed for redemption falls, together with accrued interest; or
- 5.8.2 if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment, or states to the Issuer and the Fiscal Agent that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 8.4 (*Changes in circumstances affecting the Index*), the Issuer may at its option, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not less than 3 days nor more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to the Early Redemption Amount (Indexation) applicable to the date on which the date fixed for redemption falls, together with accrued interest.
- 5.8.3 To the extent that they are not defined elsewhere in these Conditions, capitalised terms used in this Condition 5.8 (*Early Redemption for Indexation Reasons*) have the meanings given to them in Condition 8.5 (*Definitions*).

Purchase of Notes

- 5.9 The Issuer or any of its Subsidiaries may (but, in the case of Subordinated Notes, subject to the restrictions set out under the Bank of Italy's Regulations) at any time purchase Notes in the open market or otherwise and at any price **provided that** all unmatured Coupons appertaining thereto are purchased therewith.

Cancellation of Redeemed and Purchased Notes

- 5.10 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 (*Redemption and Purchase*) will be cancelled forthwith and may not be reissued or resold.

Further Provisions applicable to Redemption Amount and Early Redemption of Zero Coupon Notes

- 5.11 References herein to "**Redemption Amount**" shall mean, as appropriate, the Final Redemption Amount, Early Redemption Amount (Tax), Early Redemption Amount (Regulatory), Early Redemption Amount (Call), Early Redemption Amount (Put), Early Redemption Amount (Indexation) or Early Termination Amount subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 8 (*Indexation*).
- 5.12 Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- 5.12.1 the Reference Price; and
 - 5.12.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

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 such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 5.12 or, if none is so specified, a Day Count Fraction of 30E/360.

6. EVENTS OF DEFAULT

6.1 In the case of Subordinated Notes:

- 6.1.1 This Condition 6.1 (*In the case of Subordinated Notes*) applies only in respect of Subordinated Notes and references to Holders of Notes or Coupons in this Condition 6.1 (*In the case of Subordinated Notes*) 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 (*In the case of Subordinated Notes*) shall be available to Holders of the Notes 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 (each an "**Event of Default**") shall be events of default in relation to any Senior Notes of any Series, namely:

- 6.2.1 *Non-Payment:* the Issuer fails to pay the principal of or any interest on any of the Notes when due and, in case of the principal such failure continues for a period of seven TARGET Business Days and in the case of interest, such failure continues for a period of fifteen TARGET Business Days; or
- 6.2.2 *Breach of Other Obligations:* the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Fiscal Agency Agreement which default is incapable of remedy within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the relevant Noteholder; or
- 6.2.3 *Cross-Default:* (1) any other present or future indebtedness of the Issuer for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity as a result of any payment default thereon by the Issuer, or (2) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (3) the Issuer fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, **provided that** an event of default pursuant to this paragraph 6.2.3 (*Cross-Default*) 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 (*Cross-Default*) has occurred and is continuing and exceeds €50,000,000 or its equivalent in another currency as determined by the Fiscal Agent; or
- 6.2.4 *Enforcement Proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days; or
- 6.2.5 *Security Enforced:* any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable over any material part of the property, assets or revenues of the Issuer and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and in the case of seizure before judgment or interlocutory process, is not discharged or revoked within 10 days; or

- 6.2.6 *Insolvency*: the Issuer is (or is deemed by law or by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- 6.2.7 *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of Directors threatens to cease, to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by (A) a reconstruction, amalgamation, reorganisation, merger, de-merger, or consolidation, or disposal or contribution in kind of assets on terms approved by an Extraordinary Resolution of the Noteholders, or (B) an Approved Reorganisation; or
- 6.2.8 *Analogous Events*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to the events referred to in paragraphs 6.2.6 (*Insolvency*) and 6.2.7 (*Winding-up*) above.

If any Event of Default shall occur in relation to any Series of Notes, any Holder of a Note of the relevant Series may, by written notice to the Issuer, at the specified office of the Fiscal Agent or, in the case of Registered Notes, at the specified office of the Registrar, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its Final Redemption Amount or such other redemption amount as may be specified in the relevant Final Terms), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

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

7. TAXATION

- 7.1 All payments of principal and interest in respect of the Notes and the Coupons (if any) by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and

Couponholders (if relevant) of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply:

7.1.1 in respect of any Note 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 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 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 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 or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and, for the avoidance of any doubt, pursuant to Italian Legislative Decree No. 461 of 21 November 1997; or

7.1.3 in respect of Notes that qualify as atypical securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended.

7.2 As used in these Conditions, "**Relevant Date**" in respect of any Note 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) 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, Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Events of Default*) 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 (*Interest*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking in addition to or in substitution for it under the Fiscal Agency Agreement.

7.3 If the Issuer becomes subject to any taxing jurisdiction other than Italy references in these Conditions shall be construed as references to Italy and/or such other jurisdiction.

8. INDEXATION

8.1 The provisions of this Condition 8 (*Indexation*) apply only to Index-Linked Interest Notes and Index-Linked Redemption Notes.

8.2 Each payment of interest (in the case of Index-Linked Interest Notes) or principal (in the case of Index-Linked Redemption Notes) in respect of the Notes shall be the amount provided in, or determined in accordance with these Conditions, multiplied by the Index Ratio or, in the case of Limited Index Linked Notes (as defined below), the Limited Index Ratio applicable to the date on which such payment falls to be made.

8.3 In respect of Index Linked Redemption Notes, the Calculation Agent will calculate the Final Redemption Amount (Index Linked) or Early Redemption Amount (Index Linked) (as the case may be) of such Index Linked Redemption Notes as soon as practicable after each time such amount is capable of being determined and will notify the Fiscal Agent thereof as soon as practicable after calculating the same. The Fiscal Agent will, as soon as practicable thereafter, notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 14 (*Notices*).

8.4 *Changes in circumstances affecting the Index*

8.4.1 *Change in base*

If at any time the Index is changed by the substitution of a new base for it, then with effect from (and including) the date from and including that on which such substitution takes effect:

- (a) the definition of Base Index Figure in Condition 8.5 (*Definitions*) shall be deemed to refer to the new date in substitution for the Commencement Date of the Index, as specified in the applicable Final Terms (or, as the case may be, for such other date or month as may have been substituted for it); and
- (b) the definition of Base Index Figure in Condition 8.5 (*Definitions*) shall be amended to mean the product of the then applicable Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

8.4.2 *Delay in publication of the Index*

- (a) If, in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which may fall within Conditions 8.4 (*Changes in circumstances affecting the Index*) or 5.8 (*Early Redemption for Indexation Reasons*) (notwithstanding that the Issuer may subsequently be advised that they do not fall within Conditions 8.4 (*Changes in circumstances affecting the Index*) or 5.8 (*Early Redemption for Indexation Reasons*)), the Index Figure relating to any month (the "**calculation month**") which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth day before the date on which such payment is due (the "**date for payment**"), the Issuer shall appoint an Expert and the Index Figure for the relevant calculation month shall be the substitute index figure (if any) as is published by the government department responsible for the publication of such index for the purposes of indexation of payments on the Reference Bond or, failing such publication, on any one or more of index-linked stocks of the issuer of the Reference Bond, as determined by the Expert; or
- (b) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.
- (c) Where the provisions of this Condition 8.4.2 (*Delay in publication of the Index*) apply, a certificate of the Issuer (signed by two Directors), acting on the advice of an Expert, as to the Index Figure applicable to the date for payment falls shall be conclusive and binding upon the Issuer, the Fiscal Agent, the Calculation Agent, the Noteholders and the Couponholders. If a substitute index is published as specified in 8.4.2(a) above, a determination made based on that index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published. If no substitute index is so published and the Index relating to the date for payment is subsequently published then:
 - (i) in the case of any Note not falling due for redemption on the date for payment, if the Index Figure so subsequently published (if published while that Note remains outstanding) is greater or less than the Index Figure applicable by virtue of 8.4.2(b) above, the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest payable on that Note on the date for payment on the basis of the Index Figure applicable by virtue of 8.4.2(b) above fell short of, or (as the case may be) exceeded the interest which would have been payable on that Note if the Index Figure subsequently published had been published on or before the second business day before the date for payment; or

- (ii) in the case of any Note falling due for final redemption on the date for payment, no subsequent adjustment to amounts paid will be made.

8.5 *Definitions:* For the purposes of this Condition 8 (*Indexation*) and Condition 5.8 (*Early Redemption for Indexation Reasons*):

"Base Index Figure" means (subject to Condition 4.6.4 (*Delay in publication of the Index*)) the base index figure relevant to the Commencement Date as specified in the relevant Final Terms;

"Calculation Date" means any date when an Interest Amount, Final Redemption Amount or Early Redemption Amount, Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Early Redemption Amount (Call), the Early Redemption Amount (Put), the Early Redemption Amount (Indexation) or the Early Termination Amount, as applicable, falls due;

"Early Redemption Amount (Index Linked)" means the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Early Redemption Amount (Call), the Early Redemption Amount (Put) or the Early Termination Amount, as applicable, adjusted in accordance with the provisions of Condition 8 (*Indexation*);

"Expert" means an independent investment bank or other expert in London appointed by the Issuer or, if the Fiscal Agent has requested such appointment and the Issuer has failed to make such appointment within ten days, as appointed by the Fiscal Agent;

"Final Redemption Amount (Index Linked)" means the Final Redemption Amount, as applicable, adjusted in accordance with the provisions of Condition 8 (*Indexation*);

"HCIP" means the Non revised Index of Consumer Prices excluding tobacco, expressed as an index and published by Eurostat;

"Index" means HCIP or UK RPI, as specified in the relevant Final Terms;

"Index Figure" means, in relation to any Calculation Date, subject as provided in Condition 8.4 (*Changes in circumstances affecting the Index*), the Index Figure as specified in the relevant Final Terms for the indexation of inflation as published by the Index and applicable to that Calculation Date or, if that index is not published for any Calculation Date, any substituted index or index figures published by the government department responsible for the publication of such Index or the comparable index which replaces such index for the purpose of calculating the amount payable on repayment of the Reference Bond;

Any reference to the **"Index Figure applicable"** to a particular Calculation Date shall, subject as provided in Condition 8.4 (*Changes in circumstances affecting the Index*) below;

if the relevant Final Terms specify that interpolation will apply, be calculated in accordance with the following formula:

$$\frac{\text{RPI}_{m-y} + (\text{Day of Calculation Date} - 1) \times (\text{RPI}_{m-x} - \text{RPI}_{m-y})}{(\text{Days in month of Calculation Date})}$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

RPI^{m-y} means the Index Figure for the first day of the month that is the number of months as specified in the relevant Final Terms ("**Indexation Month Reference Period Y**") prior to the month in which the payment falls due; and

RPI^{m-x} means the Index Figure for the first day of the month that is the number of months as specified in the relevant Final Terms ("**Indexation Month Reference Period X**") prior to the month in which the payment falls due; or

otherwise means the Index Figure for the first day of the month that is the number of months as specified in the relevant Final Terms ("**Indexation Month Reference Period**") prior to the month in which the payment falls due;

the "**Index Ratio**" applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

"**Limited Index Ratio**" means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, the number of months prior thereto (as specified in the relevant Final Terms ("**Limited Indexation Month Reference Period**")); and (c) in respect of any other month or date, as the case may be, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"**Limited Indexation Date**" means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, the number of months prior thereto (as specified in the relevant Final Terms (Limited Indexation Month Reference Period)), provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

"**Limited Indexation Month**" means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Index Linked Notes**" means Index Linked Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor applies;

"**Maximum Indexation Factor**" means the figure specified in the relevant Final Terms;

"**Minimum Indexation Factor**" means the figure specified in the relevant Final Terms;

the "**Rate of Interest**" applicable to any amount payable unless stated otherwise in the relevant Final Terms shall be the amount calculated by reference to Condition 8.2 and rounded to six decimal places (0.0000005 being rounded upwards);

"**Reference Bond**" means the Reference Bond as specified in the relevant Final Terms whereas (a) if the Index is specified as UK RPI, the Reference Bond shall also be read to mean Reference Gilt or (b) if the Index is specified as HCIP, the Reference Bond shall also be read to mean Related Instrument;

"**Reference Gilt**" means UK Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked UK Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an "**Indexation Adviser**");

"**Related Instrument**" means an inflation linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to inflation in the European Monetary Union with a maturity date that falls on (a) the same day as the Maturity Date, (b) the next longest maturity date after the Maturity Date if there is no such bond maturing on the Maturity Date or (c) the next shortest maturity date if no bond defined in (a) or (b) above is selected by the Calculation Agent. The Calculation Agent will select the Related Instrument from such of those inflation linked bonds issued on or before the relevant Issue Date and, if there is more than one such inflation linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such of those bonds. If the Related Instrument is redeemed, the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged); and

"**UK RPI**" means the UK Retail Price Index (RPI) (for all items) published by the Office for National Statistics of the United Kingdom.

9. **PAYMENTS**

9A. *Payments — Bearer Notes*

9A.1 This Condition 9A (*Payments – Bearer Notes*) is applicable in relation to Notes in bearer form.

9A.2 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

9A.3 Payment of amounts in respect of interest on Bearer Notes will be made:

9A.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 9A.4 applies) the United States; and

9A.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 9A.4 applies) the United States.

9A.4 Payments of amounts due in respect of interest on the Notes and exchanges of Talons for Coupon sheets in accordance with Condition 9A.7 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code of 1986 and regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If paragraphs (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

9A.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 9C.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 (*Interest*).

9A.6 Each Note initially delivered with Coupons or Talons 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 Coupons and Talons relating thereto, failing which:

9A.6.1 if the Final Terms specifies that this paragraph 9A.6.1 of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph 9A.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;

9A.6.2 if the Final Terms specifies that this paragraph 9A.6.2 of Condition 9A.6 is applicable (and, in the absence of specification, this paragraph 9A.6.2 shall apply to Notes which bear interest at a floating rate or index rate) 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; and

9A.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.

The provisions of paragraph 9A.6.1 of this Condition 9A.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 (9A.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 (9A.6.1) in respect of such Coupons as have not so become void, the amount required by paragraph (9A.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.

9A.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 9A.4 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 (*Prescription*) 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.

9B. *Payments — Registered Notes*

9B.1 This Condition 9B (*Payments – Registered Notes*) is applicable in relation to Notes in registered form.

9B.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 9C.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 (*Interest*).

9B.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**").

9B.4 Notwithstanding the provisions of Condition 9C.2, payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by cheque and posted to the address (as recorded in the Register of the Holder thereof) (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.6) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the firstnamed) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4 (*Interest*).

9C. *Payments — General Provisions*

9C.1 Save as otherwise specified in these Terms and Conditions, this Condition 9C (*Payments – General Provisions*). is applicable in relation to Notes whether in bearer or in registered form.

9C.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. All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

9C.3 For the purposes of these Terms and Conditions:

9C.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

9C.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.

9C.4 No commissions or expenses shall be charged to the holders of Notes or Coupons in respect of such payments.

10. **PRESCRIPTION**

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

In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 9A.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 10 (*Prescription*) or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

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

The initial Paying Agents, Registrar and Transfer Agents and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent), the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents, another Registrar, additional or other Transfer Agents or another Calculation Agent; **provided that it**

will at all times maintain (i) a Fiscal Agent, (ii) in the case of Registered Notes, a Registrar, (iii) so long as the Notes are admitted to trading on the regulated market of any stock exchange, a Paying Agent and a Registrar or Transfer Agent each with a specified office in such place as may be required by the rules of such stock exchange, (iv) in the circumstances described in Condition 9A.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 14 (*Notices*).

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 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.

12. **REPLACEMENT OF NOTES, CERTIFICATES AND COUPONS**

If any Note, Certificate 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 and Coupons must be surrendered before replacements will be delivered therefor.

13. **MEETINGS OF HOLDERS AND MODIFICATION**

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

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

made to these Terms and Conditions or the Deed of Covenant except with the sanction of an Extraordinary Resolution.

14. NOTICES

To Holders of Bearer Notes

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

To Holders of Registered Notes

14.2 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 listed on the Official List of the Luxembourg Stock Exchange and 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.

15. 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.

16. CURRENCY INDEMNITY

The currency in which the Notes are denominated as specified in the Final Terms (the "**Contractual Currency**"), is the sole currency of account and payment for all sums payable

by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon, the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

17. SUBSTITUTION OF THE ISSUER

17.1 The Issuer may, without the consent of any Holder, substitute for itself any other body corporate being a Subsidiary of the Issuer incorporated in any country in the world as the issuer and debtor in respect of the Notes, any Coupons, the Deed of Covenant and the Fiscal Agency Agreement (the "**Substituted Issuer**") upon notice by the Issuer and the Substituted Issuer to be given in accordance with Condition 14 (*Notices*) **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 17 (*Substitution of the Issuer*));
- (iii) the Substituted Issuer shall enter into a deed of covenant in favour of the Holders on terms no less favourable than the Deed of Covenant then in force in respect of the Notes;
- (iv) if the Substituted Issuer is resident for tax purposes in a territory (the "**New Residence**") other than that in which the Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Holder has the benefit of an undertaking in terms corresponding to the provisions of Condition 7 (*Taxation*) with the substitution of references to the Former Residence with references to the New Residence;

- (v) upon any such substitution becoming effective, the Substituted Issuer will not at such time be able to redeem the Note in accordance with Condition 5.2 (*Early Redemption for Taxation Reasons*) 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 (*Early Redemption for Taxation Reasons*);
 - (vi) the Substituted Issuer and the Issuer have obtained all necessary governmental approvals and consents for the proposed substitution and for the performance by the Substituted Issuer of its obligations under the Documents, the Notes, the Deed of Covenant and the Fiscal Agency Agreement;
 - (vii) legal opinions shall have been delivered to the Fiscal Agent from lawyers of recognised standing in the jurisdiction of incorporation of the Substituted Issuer, in Italy and in England as to the fulfilment of the requirements of this Condition 17 (*Substitution of the Issuer*) and that the Notes and any Coupons are legal, valid and binding obligations of the Substituted Issuer;
 - (viii) if the Notes have been assigned a credit rating by Fitch Italia - Società Italiana per il Rating S.p.A. ("**Fitch**"), Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and/or Moody's Investors Service Ltd ("**Moody's**"), Moody's, Standard & Poor's and/or Fitch, as the case may be, having been notified of the proposed substitution, shall not have stated within 30 days thereafter that, as a result of the proposed substitution, either the current credit rating for the Notes would be revised downward or withdrawn or placed on "**Creditwatch**";
 - (ix) to the extent required, the Substituted Issuer shall prepare and submit to the *Commission de Surveillance du Secteur Financier* 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 Luxembourg Prospectus Law and each stock exchange on which the Notes are listed shall have confirmed in writing that, following the proposed substitution of the Substituted Issuer, the Notes will continue to be listed on such stock exchange; and
 - (x) if applicable, the Substituted Issuer has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes, any Coupons the Fiscal Agency Agreement and/or the Deed of Covenant.
- 17.2 Upon such substitution the Substituted Issuer shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer and with the same effect as if the Substituted Issuer had been named as the Issuer, and the Issuer shall be released from its obligations under the Notes, any Coupons, the Deed of Covenant and the Fiscal Agency Agreement.
- 17.3 After a substitution pursuant 17.1 the Substituted Issuer may, subject to Condition 17.1, without the consent of any Holder, effect a further substitution. All the provisions specified in Conditions 17.1 and 17.2 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.

- 17.4 After a substitution pursuant to Condition 17.1 or 17.3 any Substituted Issuer may, without the consent of any Holder, reverse the substitution, *mutatis mutandis*.
- 17.5 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.

18. 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.

19. LAW AND JURISDICTION

- 19.1 The Notes, the Fiscal Agency Agreement and the Deed of Covenant and any non-contractual obligations arising therefrom or connected therewith are governed by English law, except for Condition 3B (*Status – Subordinated Notes*) and any non-contractual obligations arising therefrom or connected therewith which shall be governed by Italian law.
- 19.2 The Issuer irrevocably agrees for the benefit of the Holders of the Notes that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising from or in connection with the Notes) or the consequences of their nullity (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 19.3 The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.
- 19.4 The Issuer agrees that the process by which any proceedings in England are begun may be served on it by being delivered to Banco Popolare Società Cooperativa, London branch, 1st Floor, 1-5 Moorgate, London EC2R 6JH, its registered office for the time being or any address of the Issuer in Great Britain on which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006 (as modified or re-enacted from time to time). If the irrevocable appointment by the Issuer of the person mentioned in this Condition 19.4 ceases to be effective, the Issuer shall forthwith irrevocably appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within fifteen days, any Holder of a Note shall be entitled to appoint such a person by written notice addressed to the Issuer and

delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing contained herein shall affect the right of any Holder of a Note to serve process in any other manner permitted by law.

- 19.5 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 if and to the extent permitted by applicable law, 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.

FURTHER INFORMATION RELATING TO INDEX LINKED NOTES

The Issuer can issue Notes which are linked to an index ("**Index Linked Notes**") pursuant to the Programme, where the underlying index is either (i) the Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP) ("**HICP Linked Notes**") or (ii) the U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics ("**RPI Linked Notes**"). The following information provides a clear and comprehensive explanation to prospective investors about how the value of Index Linked Notes is affected by the value of the underlying index.

UK Retail Price Index

The U.K. Retail Prices Index (the "**RPI**") is the most familiar general purpose domestic measure of inflation in the UK. The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office for National Statistics (the "**ONS**") using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the RPI. The UK Government uses the RPI for its own existing inflation-linked Notes. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes a couple of weeks for the ONS to compile the index, so they publish each month's RPI figure during the following month, i.e. the figure relating to February will be published in March. The RPI figures used in the calculation of interest payments on the RPI Linked Notes and the amount due to be repaid on the RPI Linked Notes at redemption are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

Information about the past and the further performance of the RPI and its volatility can be obtained from: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Retail+Prices+Index>.

RPI Linked Notes

An RPI Linked Note is a type of Note where the interest payable and the nominal amount of the Note are both adjusted in line with the RPI. This means that both the interest amounts paid periodically and the principal required to be paid on redemption of the RPI Linked Note are adjusted to take account of changes in the RPI since the specified reference date for calculating the RPI (i.e. the index fixing date, as described below).

To calculate the RPI adjustment, two RPI 'fixing' figures are required – one that relates to the start of the Note's life (the "**Base RPI**") and one that relates to the relevant payment date. The real rate of interest offered on RPI Linked Notes (i.e. the rate before taking inflation into account) is fixed when the RPI Linked Notes are issued.

Interest on RPI Linked Notes

The interest amount due on each interest payment date of a RPI Linked Note will be adjusted to take into account the change in inflation between the Base RPI figure and the RPI figure

relating to the relevant interest payment date, and is calculated using the following simple formula:

Specified Denomination x Real Rate of Interest x Day Count Fraction x (RPI relating to the relevant interest payment date/ Base RPI)

Redemption of RPI Linked Notes

Assuming that the Issuer is able to pay its debts in full and the RPI Linked Notes are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, RPI Linked Notes will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the RPI between the Base RPI figure and the RPI figure relevant to the payment date. The redemption amount will be calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the RPI figure relevant to the payment date is lower than the Base RPI, investors will receive less than the nominal amount of the RPI Linked Notes on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount x [RPI figure relating to the maturity date / Base RPI]

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the "**HICP**") is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States' individual harmonised index of consumer prices excluding tobacco ("**Individual HICP**"). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country's weight in the HICP for the Eurozone equals the share that such country's final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone

HICP starting from January of that year. The new Member State's weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat's internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th – 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are "price updated" to December of the previous year.

Information about the past and the further performance of the HICP and its volatility can be obtained from: <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>

HICP Linked Notes

A HICP Linked Note is a type of Note where the interest payable and the nominal amount of the Note are both adjusted in line with the HICP. This means that both the interest amounts paid periodically and the principal required to be paid on redemption of the HICP Linked Note are adjusted to take account of changes in the HICP since the specified reference date for calculating the HICP (i.e. the index fixing date, as described below).

To calculate the HICP adjustment, two HICP 'fixing' figures are required – one that relates to the start of the Note's life (the "**Base HICP**") and one that relates to the relevant payment date. The real rate of interest offered on HICP Linked Notes (i.e. the rate before taking inflation into account) is fixed when the HICP Linked Notes are issued.

Interest on HICP Linked Notes

The interest amount due on each interest payment date of a HICP Linked Note will be adjusted to take into account the change in inflation between the Base HICP figure and the HICP figure relating to the relevant interest payment date, and is calculated using the following simple formula:

Specified Denomination x Real Rate of Interest x Day Count Fraction x (HICP relating to the relevant interest payment date/ Base HICP)

Redemption of HICP Linked Notes

Assuming that the Issuer is able to pay its debts in full and the HICP Linked Notes are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, HICP Linked Notes will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the HICP between the Base HICP figure and the HICP figure relevant to the payment date. The redemption amount is calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the HICP figure relevant to the payment date is lower than the Base HICP, investors will receive less than the nominal amount of the

HICP Linked Notes on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount x [HICP figure relating to the maturity date / Base HICP]

FORM OF FINAL TERMS

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

Final Terms dated [•]

BANCO POPOLARE SOCIETÀ COOPERATIVA

Issue of

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

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

Part A

Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Section "Terms and Conditions of the Notes" of the Base Prospectus dated 18 July 2013 [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto (including Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].] The Base Prospectus and, in the case of Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 25 June 2012. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto (including Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 18 July 2013 [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 25 June 2012 and are incorporated by reference in the Base Prospectus dated 18 July 2013. 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 25 June 2012 and 18 July 2013 [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 listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

[Include whichever of the following apply or specify as "Not Applicable". 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, 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) Series Number: []
(ii) Tranche Number: []
[(If fungible with an existing Series, name of that Series, including the date on which the Notes become fungible.)] []
2. Specified Currency or Currencies: []
(Condition 1.5)
3. Aggregate Principal Amount of Notes:
(i) Series: []
(ii) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5. (i) Specified Denominations: []
(Condition 1.3 or 1.4)
(ii) Calculation Amount: []

[No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency)]

6. (i) Issue Date: []
- (ii) Interest Commencement Date: []
(Condition 4.5)
7. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
(Condition 5.1)
8. Interest Basis: [[] per cent. Fixed Rate]
(Condition 4) [[specify reference rate] +/- [] per cent. Floating Rate]
[Floating Rate: CMS Linked Interest]
[Index-linked Interest]
[Zero Coupon]
(further particulars specified below)
9. Redemption/Payment Basis: [Redemption at par]
(Condition 5) [Index-linked Redemption]
- [(N.B. If the Final Redemption Amount is other than 100 per cent. 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.)]*
10. Change of Interest or Redemption/Payment Basis: []/[Not Applicable]
11. Put/Call Options: [Investor Put]
(Condition 5.4 or 5.7) [Issuer Call]
[(further particulars specified below)]
[Not Applicable]
12. (i) Status of the Notes: [Senior/Subordinated]
(Condition 3)
- (ii) Date [Board] approval for issuance of Notes obtained: []/[Not Applicable]
(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)

- (i) Interest Rate: [] per cent. per annum [payable [annually/
(Condition 4.2) semiannually/quarterly/monthly] in arrear]
- (ii) Interest Payment [] in each year [adjusted in accordance with
Date(s): [the Business Day Convention]/not adjusted]
(Condition 4.5)
- (iii) Business Day [Following Business Day Convention/
Convention: Modified Following Business Day Convention
Modified Business Day Convention/
Preceding Business Day Convention/
FRN Convention/
Floating Rate Convention/
Eurodollar Convention]/
[Not Applicable]
- (iv) Relevant Financial [Not Applicable/[__]]
Centre(s):
- (v) Fixed Coupon [] per Calculation Amount
Amount[(s)]:
- (vi) Broken Amount(s): [] per Calculation Amount payable on the
Interest Payment Date falling [in/on][]
- (vii) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) /
(Condition 4.5) Actual/365 (Fixed) / Actual/360 / 30/360
/360/360 / Bond Basis / 30E/360 / Eurobond
Basis / 30E/360 (ISDA)]
14. **Floating Rate Note** [Applicable/Not Applicable]
Provisions *(If not applicable, delete the remaining sub-
paragraphs of this paragraph)*
- (i) Specified []/[Not Applicable]
Period(s)/Interest
Period(s)
(Condition 4.5)
- (ii) Interest Payment []/[Not Applicable]
Dates:
(Condition 4.5)
- (iii) First Interest Payment []
Date:
- (iv) Business Day [Following Business Day Convention/
Convention: Modified Following Business Day Convention
(Condition 4.5) Modified Business Day Convention/
Preceding Business Day Convention/
FRN Convention/
Floating Rate Convention/

Eurodollar Convention]

- (v) Relevant Financial Centre(s): []
(Condition 4.5)
- (vi) Additional Business Centre(s): [Not Applicable/[]]
(Condition 4.5)
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
(Condition 4.3)
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [[name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)/[Not Applicable]]
(Condition 4.5)
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
(Condition 4.3)
- Reference Rate: [For example, LIBOR or EURIBOR]/[CMS Reference Rate/Leveraged CMS Reference Rate/Steepner CMS Reference Rate: [Unleveraged/Leveraged]/Call Spread CMS Reference Rate]
 - Relevant Screen Page: []
(Condition 4.3) (In the case of a CMS Rate): [ISDAFIX2]/[]
 - Interest Determination Date(s): []
(In the case of a CMS Rate where the Reference Currency is euro): [Second day on which the TARGET2 system is open prior to the start of each Interest Period]

(In the case of a CMS Rate where the Reference Currency is other than euro): [Second (specify type of day) prior to the start of each Interest Period]
 - Reference Currency: []
 - Designated []/[The CMS Rate having a Designated Maturity of [] shall be "CMS Rate 1" and the

- Maturity: CMS Rate having a Designated Maturity of [] shall be "**CMS Rate 2**"]
(Where more than one CMS Rate, specify the Designated Maturity for each relevant CMS Rate)
- Relevant Time: []
 - Relevant Financial Centre: []
 - CMS Rate definitions: [Applicable/Not Applicable]
 [Cap means [] per cent. per annum]
 [Floor means [] per cent. per annum]
 [Leverage means [] per cent.]
- (x) ISDA Determination: [Applicable/Not Applicable]
 (Condition 4.3.5)
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (xi) Margin(s): [+/-][] per cent. per annum
- (xii) Minimum Interest Rate: [[] per cent. per annum/Not Applicable]
- (xiii) Maximum Interest Rate: [[] per cent. per annum /Not Applicable]
- (xiv) Day Count Fraction: [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 /360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
15. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
 (Condition 4.4) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [] per cent. per annum []
 - (ii) Reference Price: []
 - (ii) Day Count Fraction: [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 /360/360 / Bond Basis / 30E/360 / Eurobond

Basis / 30E/360 (ISDA)] / [Not Applicable]

16. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]
(Conditions 4.3.6 and 4.8) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index: [HCIP/ UK RPI]
- (ii) Index Figure: [] [*Specify the relevant Index Figure*]
- (iii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [[*name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)] / [Not Applicable]
- (iv) Determination Date(s): []
- (v) Interest or calculation period(s): []
- (vi) Specified Period(s)/Specified Interest Payment Dates: []
- (vii) Business Day Convention: [Following Business Day Convention/
Modified Following Business Day Convention/
Modified Business Day Convention/
Preceding Business Day Convention/
FRN Convention/
Floating Rate Convention/
Eurodollar Convention]
- (Note that this item adjusts the end date of each Interest Period (and, consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 9 (Payments).)*
- (viii) Additional Business Centre(s): [Not Applicable/[]]
- (ix) Minimum Rate of Interest: [[] per cent. per annum /Not Applicable]
- (x) Maximum Rate of Interest: [[] per cent. per annum /Not Applicable]
- (xi) Day Count Fraction: [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 /360/360 / Bond Basis / 30E/360 / Eurobond]

Basis / 30E/360 (ISDA)]

- (xii) Minimum Indexation Factor: [Not Applicable/ *specify*]
- (xiii) Maximum Indexation Factor: [Not Applicable/ *specify*]
- (xiv) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor: []/ [Not Applicable]
- (xv) Limited Indexation Month Reference Period: []/ [Not Applicable]
- (xvi) Commencement Date of the Index: []/*[Specify the relevant commencement month of the retail price index]*
- (xvii) Base Index Figure on Commencement Date of the Index: []/*[Specify the relevant commencement month of the retail price index]*
- (xviii) Interpolation: [Applicable/Not Applicable]
- (xix) Indexation Month Reference Period X: []/ [Not Applicable]
- (xx) Indexation Month Reference Period Y: []/ [Not Applicable]
- (xxi) Base Index Figure: []
- (xxii) Reference Bond: []

PROVISIONS RELATING TO REDEMPTION

- 17. **Call Option** [Applicable/Not Applicable]
(Condition 5.4) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
 - (i) Optional Redemption Date(s) (Call): []
 - (ii) Early Redemption Amount (Call): [] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [[] per Calculation Amount/ Not Applicable]

- (b) Maximum Redemption Amount: [[] per Calculation Amount/ Not Applicable]
- (iv) Notice period: [[] / Not Applicable]
18. **Redemption for regulatory reasons** (Condition 5.3) [Condition 5.3 is applicable/Not Applicable]
(Only applicable for Subordinated Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)
- Early Redemption Amount (Regulatory): [] per Calculation Amount
19. **Put Option** (Condition 5.7) [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (i) Optional Redemption Date(s) (Put): []
- (ii) Early Redemption Amount (Put): [] per Calculation Amount
- (iii) Notice period: [] / [Not Applicable]
20. **Final Redemption Amount of each Note** [[] per Calculation Amount/ Index Linked Redemption Note – See Condition 8 and item 16]
21. **Early Redemption Amount (Tax)/Early Termination Amount** (Condition 5.2) (Condition 6)
 Early Redemption Amount(s) (Tax)/Early Termination Amount per Calculation Amount payable on redemption for taxation or regulatory reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. 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*

23. New Global Note Form: [Yes] [No]
24. Relevant Financial Centre(s): [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 14(vi) and 16(viii) relate]
(Condition 4.5)
(Condition 9C.3)
25. Talons for future Coupons (and dates on which such Talons mature): [Yes/No. If yes, insert as follows:
(Condition 1.2) One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date 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 the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]
26. Consolidation: Consolidation [Not] Applicable

[THIRD PARTY INFORMATION

[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from

information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: _____
Duly authorised

Part B
Other Information

1. **LISTING AND ADMISSION TO TRADING**

- (i) Listing: [Official List of the Luxembourg Stock Exchange/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [on the regulated market of the Luxembourg Stock Exchange/ [•]] with effect from [•].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: []

2. **RATINGS**

Ratings: The Notes to be issued have been rated:

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

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

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

*[[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered]/[is neither registered nor has it applied for registration] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]*

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

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

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

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

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

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

[Save for any fees payable to the [Managers/Dealer],] 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: / [Not Applicable]

6. **Floating Rate Notes and CMS Linked Interest Notes only – HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/CMS] rates can be obtained from [Reuters] / [Not Applicable].

7. **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 SA/NV 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): [] / [Not Applicable]

8. **DISTRIBUTION**

(i) Method of syndication: [Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers: [Not Applicable/give names]

(iii) Date of Subscription Agreement: [Not Applicable/[•]]

(iv) Stabilising Manager(s) (if any): [Not Applicable/give names]

(v) If non-syndicated, name of Dealer [Not Applicable/give names]

(vi) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Bearer Notes

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

Exchange of Temporary Global Notes

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

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

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

If:

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

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 18 July 2013 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

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

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

If:

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

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

Registered Notes

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

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

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

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

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

Global Note Certificate exchangeable for Individual Note Certificates

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

- (i) 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
- (ii) in any case, if any of the circumstances described in Condition 6 (*Events of Default*) occurs.

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

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

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

Clearing System Accountholders

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note or Global Note Certificate and in relation to all other rights arising under the Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and

Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or Global Note Certificate.

Conditions applicable to Global Notes and Global Note Certificates

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

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

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

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

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

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

Exercise of put option: In order to exercise the option contained in Condition 5.7 (*Optional Early Redemption (Put)*) the bearer of the Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such

option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

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

Notices: Notwithstanding Condition 14 (*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 14 (*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 listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Payment Business Day: Notwithstanding the provisions of Condition 9A.5 and Condition 9B.2, if the due date for payment of any amount in respect of any note represented by a Global Note or a Global Note Certificate is not a Relevant Financial Centre Day and a Local Banking Day (each as defined in Condition 9C.3), the Holder thereof shall not be entitled to payment of the amount due until the next succeeding Payment Business Day. "**Payment Business Day**" means:

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

USE OF PROCEEDS

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

BUSINESS DESCRIPTION OF BANCO POPOLARE SOCIETA' COOPERATIVA

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**". The Issuer's term of duration has been established as up until 31 December 2040, and may be extended.

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 Issuer's corporate purpose is to collect savings and provide loans in various forms, for the benefit of both shareholders and non-shareholders, in accordance with the principles of cooperative lending. In compliance with applicable regulations and subject to obtaining the necessary authorisations, the Issuer may carry out all banking, financial and insurance transactions and services, including the setting up and managing of open or closed-end pension funds, and other activities that may be performed by lending institutions, including bond issues, financing activity regulated by special laws and the purchase and sale of corporate credit.

The Issuer may implement any other transaction that is useful or in any case related to the achievement of its corporate purpose. In order to pursue its objectives, the Issuer may take up membership of associations and consortia.

In its capacity as the bank exercising the activity of direction and coordination over the Banco Popolare Group, pursuant to Article 61(4) of Italian Legislative Decree No. 385 of 1 September 1993, the Issuer shall issue regulations to Group members, including for

the purpose of executing instructions provided by the supervisory authorities and in the interest of Group stability.

Share Capital of the Issuer

The share capital of the Issuer is variable, and represented by ordinary shares without par value which may be issued in unlimited numbers. The shares shall be registered.

The issue of new shares may be agreed:

- (a) exceptionally, by an extraordinary Shareholders' Meeting, in accordance with applicable laws, with the quorum and majority requirements established by the Articles of Association for convening and resolutions of extraordinary Shareholders' Meetings; or
- (b) ordinarily, by the Board of Directors pursuant to applicable laws.

As long as the Issuer's shares are listed on regulated markets, the Board of Directors shall not issue new shares pursuant to the aforementioned letter b).

Pursuant to Articles 2443 and 2420-ter of the Italian Civil Code, the extraordinary Shareholders' Meeting may assign the Board of Directors the power to increase share capital or issue convertible bonds pursuant to applicable laws, within the limits set forth in the second paragraph, letter n) of Article 33.2 of the Articles of Association.

Within the limits set by applicable laws and subject to obtaining any administrative authorisations required, the Issuer may issue classes of shares with different rights, establishing their contents.

All shares belonging to the same class shall be entitled to equal rights.

Shares are indivisible. In the event of joint ownership, rights of the joint-owners must be exercised by a common representative in compliance with applicable laws.

On 30 January 2010, the extraordinary Shareholders' Meeting adopted a resolution to assign, pursuant to Article 2420-ter Italian Civil Code, the Management Board the power to issue, in one or more tranches, by and no later than a maximum of two years from the date of the resolution, subject to the Supervisory Board's favourable opinion, bonds convertible into ordinary shares of the Issuer for a maximum value of Euro 1 billion, with consequent capital increase to be used for conversion worth a total maximum value of Euro 1 billion, inclusive of share premium, through the issue of ordinary shares of the Issuer without par value, with normal dividend entitlement and of the same class as those outstanding at the issue date, to be used for the exclusive purpose of conversion of the convertible bonds, to be offered under option to all those entitled to them. The Management Board has the power to establish the par value, subscription price and option ratio of the convertible bonds, the value of the coupon to be attributed to the instruments, the ratio for conversion into the Issuer's shares, the events and procedures for adjusting the conversion ratio, the regulations of the convertible bonds, their conversion and redemption procedures and duration, the value of the share capital increase to be used for the conversion, which may not exceed the total maximum value of Euro 1 billion, the number of shares to be issued, as well as any other procedures, terms and conditions of the issue and offering of the convertible bonds and consequent capital increase.

On 2 February 2010 and 25 February 2010, in the implementation of the powers assigned by resolution adopted by the extraordinary Shareholders' Meeting on 30 January 2010, as put on record by the Notary Public Marco Porceddu Cilione of Verona on 31 January 2010, file no. 54089, folder no. 19038, the Management Board resolved to issue 162,014,061 convertible bonds, each with a par value of Euro 6.15, for a total par value of Euro 996,386,475.15, to be offered under option to those who, at the start of the subscription period, prove to be shareholders of the Issuer and/or holders of convertible bonds under the "*Banco Popolare Prestito Obbligazionario Convertibile subordinato ("TDF") 4,75% 2000/2010 – ISIN IT 0001444360*" subordinated convertible bond programme, at a ratio of one convertible bond for every four Issuer shares, and at a ratio of forty-three convertible bonds to every four hundred convertible bonds under the "*Banco Popolare Prestito Obbligazionario Convertibile subordinato ("TDF") 4,75% 2000/2010 – ISIN IT 0001444360*" subordinated convertible bond programme. Thereafter, again in implementation of the abovementioned powers, the Management Board approved an increase in share capital to be used for conversion of the bonds worth a maximum value of Euro 996,386,475.15, to be released in a number of stages through the issue of a maximum number of 276,774,021 ordinary shares of the Issuer, without par value, with normal dividend entitlement and of the same class as those outstanding at the issue date, to be used for the exclusive purpose of conversion of the convertible bonds. The extraordinary Shareholders' Meeting held on 26 November 2011 assigned the Board of Directors, pursuant to Article 2443 Italian Civil Code, the power, to be exercised by and no later than a maximum of two year from the resolution date, to amend the resolutions adopted by the Management Board on 2 and 25 February 2010 concerning the increase in share capital to be used for the "*Banco Popolare 2010/2014 4,75% convertibile con facoltà di rimborso in azioni*", convertible bond programme with option for refund in shares, in order to increase the issue of the number of ordinary shares to be used for the aforesaid bond programme up to a maximum of 1,500,000,000 shares, with exclusion of the option right pursuant to Article 2441(5) Italian Civil Code. A total of 70,437 convertible bonds were converted, against which a total of 70,437 ordinary shares were issued resulting in a share capital increase of Euro 3.60 for each share issued.

In addition to the above, following elimination of the express par value determined by the Shareholders' Meeting held on 11 December 2010, the bond conversion ratio referred to in the previous paragraph is established as one ordinary share issued against a capital increase of Euro 3.60 to each convertible bond of the par value of Euro 6.15 submitted for conversion.

As at the date of this Base Prospectus, the Issuer has an authorised and issued share capital of €4,294,149,634.83 consisting of 1,763,730,800 shares.

Principal Shareholders

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

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

As at 10 July 2013 (source: CONSOB), the shareholders holding, directly or indirectly, a stake of over 2 per cent. of the ordinary share capital of Banco Popolare are as follows:

	% of the Ordinary Shareholder Share Capital
NORGES BANK	2.137

Corporate Governance System

The corporate governance of Banco Popolare is based on a "traditional" corporate governance system based on a Board of Directors and a Board of Statutory Auditors¹.

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

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

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

Board of Directors

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

The Board of Directors is composed of twenty-four board members, of whom no less than three and no more than four shall be chosen from amongst the top managers of the Issuer or of Group companies or amongst persons who hold or have held for more than twelve months the office of Managing Director of the Issuer or of Group companies.

The remaining members of the Board of Directors may not receive powers of attorney or individually perform, even on a de facto basis, duties pertaining to corporate management, unless they participate in the Executive Committee.

The composition of the Board of Directors gives due consideration to the traditional areas of the banks which gave rise to Banco Popolare (Verona, Lodi and Novara). Sixteen directors - other than the Issuer's executives - who may not be vested with

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

delegated powers, nor carry out functions associated with the management of the Issuer, except for participating in the Executive Committee, are chosen from among the shareholders residing in the three geographical areas according to the following criteria:

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

The Chairman of the Board of Directors is elected by the Shareholders' Meeting from among shareholders residing in any one of the Traditional Verona Area, the Traditional Lodi Area or the Traditional Novara Area. The two Vice Chairmen are chosen from among non-executive directors and drawn from the same list as the Chairman from among shareholders residing in one of the three areas, provided that the Chairman and the Vice Chairmen shall each come from a different area.

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

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

Office	Name	Principal Activities outside the Issuer
Chairman	Carlo Fratta Pasini (*)	Vice Chairman Credito Bergamasco S.p.A.
Vice Chairman	Guido Duccio Castellotti (*)	—
Vice Chairman	Maurizio Comoli (*)	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 of the Board of Statutory Auditors Monviso S.p.A. Director Istituto Europeo di Oncologia S.r.l. Chairman Centro Interportuale Merci- Cim S.p.A. Director Crosstec S.r.l. Statutory Auditor Gessi S.p.A.
C.E.O.	Pier Francesco Saviotti (*)	Director Brembo S.p.A. Director F.c. Internazionale Milano S.p.A. Director Moncler S.r.l. Director Nuovo Trasporto Viaggiatori S.p.A. Director Stefanel S.p.A. Director Tod's S.p.A.
Director	Alberto Bauli	Director Banca Aletti & C. S.p.A. Chairman Bauli S.p.A. Chairman Arka S.r.l.

Office	Name	Principal Activities outside the Issuer
		Sole Director Motta S.r.l. Sole Director Immobiliare Gravon S.r.l. Director Istituto di Certificazione Etica nello sport S.p.A.
Director	Angelo Benelli	—
Director	Pietro Buzzi	C.E.O. Buzzi Unicem S.p.A. Director Buzzi Unicem Investimenti S.r.l. Director Buzzi Unicem International S.r.l. Director Dickerhoff AG Director Fratelli Buzzi S.p.A. Director IHB Lux S.A. Chairman Presa S.p.A. Director Unical S.p.A. Chairman Fimedi S.p.A. Director Addiment Italia S.r.l. Director Alamo Cement Company Director Fresit N.V. Director Rc Lonestar Inc. Director Corporación Moktezuma, SAB de CV
Director	Aldo Civaschi	Vice Chairman Compagnie Monegasque de Banque
Director	Vittorio Coda	Chairman Banca Aletti & C. S.p.A.
Director	Giovanni Francesco Curioni	Chairman R.I.B Reinsurance International
Director	Domenico De Angelis (*)	—
Director	Maurizio Faroni (*)	Vice Chairman Banca Italease S.p.A. Director of Credito Bergamasco S.p.A. Director Alba Leasing S.p.A. Director Palladio Finanziaria S.p.A.
Director	Gianni Filippa	Chairman PPG Univer S.p.A. C.E.O. Univer Italiana S.p.A. Director Monterosa 2000 S.p.A.
Director	Andrea Guidi	C.E.O. Impresa Costruzioni Guidi Gino S.p.A.
Director	Valter Lazzari	Vice Chairman Prelios SGR S.p.A.
Director	Maurizio Marino	—
Director	Enrico Perotti	—
Director	Gian Luca Rana	C.E.O. Pastificio Rana S.p.A. Chairman Società Athesis S.p.A. Director Verfin S.p.A. Director Società Italiana Finanziaria Immobiliare S.I.F.I. S.p.A. Director Mamma Lucia S.A. Director Giovanni Rana Deutschland GmbH Director Rana USA Inc. Director Giovanni Rana (UK) Ltd. Vice-Chairman Rana Hispania S.A.U.
Director	Claudio Machiavelli	Rangoni —
Director	Fabio Ravanelli	Vice Chairman and C.E.O. Mirato S.p.A. C.E.O. Mil 76 S.p.A.
Director	Sandro Veronesi	Chairman Calzedonia Holding S.p.A. Chairman Calzedonia S.p.A. Chairman Calzificio Trever S.p.A. C.E.O. Falconeri S.r.l. Chairman Intimo 3 S.p.A. Chairman Ti-Bel S.p.A. Sole Director Zalli S.r.l. C.E.O. Alibrent B.V.
Director	Tommaso Zanini	Chairman of the Statutory Auditors Forgreen S.p.A.

Office	Name	Principal Activities outside the Issuer
		Chairman of the Board Statutory Auditors Agsm Verona S.p.A.
		Chairman of the Board Statutory Auditors H.P.M. – S.p.A.
		Chairman of the Board Statutory Auditors Multi Greenpower S.p.A.
		Statutory Auditor Multiutility S.p.A.
		Chairman of the Board Statutory Auditors Traconf S.r.l.
		Statutory Auditor NLMK Verona S.p.A.
Director	Cristina Zucchetti	Director Zucchetti Group S.p.A.
		Director Apri S.p.A.
		Director Zucchetti Consult S.r.l.
		Director Zucchetti S.p.A.
		Limited Partner Mamoka S.a.s. di Lava e Cuce S.r.l. & C.

(*) Member of the Executive Committee.

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

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

Board of Statutory Auditors

The Board of Statutory Auditors, which is made up of five standing and two alternate auditors and carries out its auditing duties in compliance with current regulations and the Articles of Association, is appointed by the Shareholders' Meeting based on list voting. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

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

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

Office	Name	Principal Activities outside the Issuer
Chairman	Pietro Manzonetto	Statutory Auditor RCS MediaGroup S.p.A. Chairman of the Board of Statutory Auditors CIR S.p.A. Chairman of the Board of Statutory Auditors Humanitas Mirasole S.p.A.
Standing Auditor	Giuliano Buffelli	Director Italfim S.p.A. Chairman of the Board of Statutory Auditors Stomer S.p.A.
Standing Auditor	Maurizio Calderini	Chairman of the Board of Statutory Auditors Ada S.r.l. Chairman of the Board of Statutory Auditors Agiur S.r.l. Chairman of the Board of Statutory Auditors IGEAS S.r.l. Chairman of the Board of Statutory Auditors Immobiliare Docet S.r.l. Chairman of the Board of Statutory Auditors Immobiliare PALLIUM S.r.l.

Office	Name	Principal Activities outside the Issuer
Standing Auditor	Gabriele Camillo Erba	Chairman of the Board of Statutory Auditors Immobiliare PICTEA S.r.l.
		Chairman of the Board of Statutory Auditors Immobiliare Siac S.r.l.
		Chairman of the Board of Statutory Auditors Nuova Casarile S.r.l.
		Chairman of the Board of Statutory Auditors Quartiere Piave S.r.l.
		Chairman of the Board of Statutory Auditors Molino Pagani S.p.A.
		Chairman of the Board of Statutory Auditors Casa di Cura Privata S.Giacomo S.r.l.
		Statutory Auditor Release S.p.A.
		Statutory Auditor Immobiliare Clafamar S.r.l.
		Statutory Auditor Line Servizi per la Mobilità S.p.A.
		Chairman of the Board of Statutory Auditors Stella Bianca S.p.A.
Standing Auditor	Alfonso Sonato	Auditor Fenzi S.p.A.
		Chairman of the Board of Statutory Auditors Banca Aletti & C. S.p.A.
		Chairman of the Board of Statutory Auditors Arda S.p.A.
		Statutory Auditor Autostrada del Brennero S.p.A.
		Statutory Auditor Tecres S.p.A.
		Statutory Auditor CEP S.r.l.
		Statutory Auditor Faiveley Transport Italia S.p.A.
		Chairman of the Board of Statutory Auditors Holding Partecipazioni Immobiliari S.p.A.
		Chairman of the Board of Statutory Auditors Immobiliare Caselle S.p.A.
		Chairman of the Board of Statutory Auditors Immobiliare Torricelli S.p.A.
Alternate Auditor	Marco Bronzato	Statutory Auditor Società Athesis S.p.A.
		Chairman of the Board of Statutory Auditors Verfin S.p.A.
		Chairman of the Board of Statutory Auditors Quadrifoglio Verona S.p.A.
		Chairman of the Board of Statutory Auditors Società Editrice-Arena SEA S.p.A.
		Chairman of the Board of Statutory Auditors Casa di Cura dott. Pederzoli S.p.A.
		Statutory Auditor TI-BEL S.p.A.
		Statutory Auditor Veronamercato S.p.A.
		Statutory Auditor Promofin S.r.l.
		Chairman of the Board of Statutory Auditors Aletti Fiduciaria S.p.A.
		Chairman of the Board of Statutory Auditors Aletti Gestielle SGR S.p.A.
Statutory Auditor Banca Italease S.p.A.		
Chairman of the Board of Statutory Auditors Calzedonia Holding S.p.A.		
Chairman of the Board of Statutory Auditors Calzedonia S.p.A.		
Statutory Auditor Calzificio Trever S.p.A.		
Statutory Auditor Catalina S.p.A.		
Statutory Auditor Erreci S.r.l.		

<u>Office</u>	<u>Name</u>	<u>Principal Activities outside the Issuer</u>
		Chairman of the Board of Statutory Auditors Holding di Partecipazione Finanziarie Banco Popolare S.p.A.
		Chairman of the Board of Statutory Auditors Intimo 3 S.p.A.
		Chairman of the Board of Statutory Auditors Panasonic Electric Works Italia S.r.l.
		Chairman of the Board of Statutory Auditors Uteco Converting S.p.A.
Alternate Auditor	Carlo Sella	Statutory Auditor A.P.G. S.r.l.
		Statutory Auditor Biasi Immobiliare S.p.A.
		Statutory Auditor di Consorzio Canale Industriale Giulio Camuzzoni S.r.l.
		Auditor Diamant S.r.l.

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

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

Territorial Committees and Divisions – Shareholders' Participation

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

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

Territorial committees will be set up alongside or within each Territorial Division. These committees, which are unencumbered by management, strategic direction and

third-party representation functions and powers, will be in charge of favoring ongoing ties with the shareholding base and with the traditional franchise areas.

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

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

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

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

Board of Advisers (Collegio Dei Proviviri)

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

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

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

Position	Name
Standing	Aldo Bulgarelli, Luciano Codini and Giuseppe Germani
Alternate	Matteo Bonetti and Donato Vestita

Independent Auditors

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

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

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

The historical financial statements as of and for the years ended 31 December 2012 and 31 December 2011 of Banco Popolare, incorporated by reference in this Base Prospectus, have been audited by Reconta Ernst & Young S.p.A.

Reconta Ernst & Young S.p.A. did not refuse to issue its audit reports on the financial statements as of and for the years ended 31 December 2012 and 31 December 2011, nor the audit reports of Reconta Ernst & Young S.p.A. contained any qualifications or disclaimers of opinion.

History of the Group

BPVN

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

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

BPI

BPI was incorporated in 1864 and was the first cooperative bank established in Italy. It was formed to promote savings by local customers and to provide banking services to support their business activities. BPI was listed on the Mercato Ristretto of the Italian Stock Exchange in 1981 and has been listed on the MTA since 1998. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c.a.r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa. BPI together with its consolidated subsidiaries (the "**BPI Group**"), has a strong presence in the Italian banking sector with significant operations in several Italian regions. Since 1995, BPI has expanded its operations into most regions of Italy, including Tuscany, Sicily, Liguria and Abruzzo and, as at 31 December 2006, the BPI Group conducted operations through 971 branches in Italy and 2 branches outside of Italy.

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

The Merger

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

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

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

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

Approval of the New Model of Major "Banca Popolare"

On 15 July 2011, the Supervisory Board and the Management Board of Banco Popolare approved the guidelines of a project aimed at the realisation of a new model of major "banca popolare" at the service of the territory, resulting from the integration process – by way of mergers by incorporation – in Banco Popolare of the following so-called territory banks: Banca Popolare di Verona–S. Geminiano e S. Prospero, Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona and Banca Popolare di Crema. Credito Bergamasco S.p.A. maintains its status as a listed company under the control, direction and coordination of Banco Popolare.

Detailed information about the evolution of this project can be found on the section "Significant events during the year".

Group Financial Highlights and Ratios

Financial highlights

The tables below set out the reclassified Group's main financial highlights which have been extracted from the audited annual consolidated financial statements of the Issuer for the year ended 31 December 2012 and 31 December 2011 (prepared in accordance with IFRS/IAS).

Income statement figures	31/12/2012	31/12/2011^(*)	Change
	<i>(in millions of euro)</i>		
Financial margin	1,692.6	1,796.8	(5.8%)
Net fee and commission income	1,364.3	1,271.8	7.3%
Operating income	3,612.1	3,345.9	8.0%
Operating expenses	(2,260.5)	(2,398.0)	(5.7%)
Income (loss) from operations	1,351.6	948.0	42.6%
Income (loss) before tax from continuing operations	16.0	100.5	(84.0%)
Net income before impairment	(184.1)	266.8	
Impairment on goodwill and investments in associates and companies subject to joint control	(442.5)	(2,832.7)	(84.4%)
Net income (loss) (without FVO)	(626.6)	(2,566.0)	(75.6%)
FVO Impact	(317.9)	307.5	
Net income (loss)	(944.6)	(2,258.4)	(58.2%)

^(*) The figures have been restated to comply with IFRS 5 and adjusted with the retrospective application of IAS 19. The attachments contain a statement of reconciliation between the reclassified income statement schedule published in the annual financial report as at 31 December 2011 and that restated in this schedule.

Balance sheet figures	31/12/2012	31/12/2011	Change
	<i>(in millions of euro)</i>		
Total assets	131,921.4	134,126.6	(1.6%)
Loans to customers (gross)	96,223.1	97,509.6	(1.3%)
Financial assets and hedging derivatives	24,201.9	19,425.2	24.6%
Shareholders' equity	8,612.4	9,037.4	(4.7%)
Customers' financial assets			
Direct deposits	94,506.3	100,200.0	(5.7%)
Indirect deposits	61,831.8	64,396.7	(4.0%)
- Asset management	26,691.9	26,511.1	0.7%
- Mutual funds and SICAVs	9,656.3	7,137.6	35.3%
- Securities and fund management	7,060.9	7,168.5	(1.5%)
- Insurance policies	9,974.7	12,205.0	(18.3%)
- Administered assets	35,139.9	37,885.6	(7.2%)
Information on the organisation			
Average number of employees and other staff ^(*)	18,693	19,104	
Number of bank branches	1,999	2,119	

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

Financial and economic ratios and other Group figures

The tables below set out the Group's main financial ratios calculated on figures extracted from the audited annual consolidated financial statements of the Issuer for the years ended 31 December 2012 and 31 December 2011.

	31/12/2012 ^(*)	31/12/2011 ^(*)
Profitability ratios (%)		
Financial margin / Operating income	46.9%	53.7%
Net fee and commission income / Operating income	37.8%	38.0%
Operating expenses / Operating income	62.6%	71.7%
Operational productivity figures (000s of Euro)		
Loans to customers (gross) per employee ^(**)	5,147.5	5,104.1
Annualized operating income per employee ^(**)	193.2	175.1
Annualized operating expenses per employee ^(**)	120.9	125.5
Credit risk ratios (%).....		
Net doubtful loans / Loans to customers (net).....	4.69%	3.93%
Net substandard loans / Loans to customers (net)	4.96%	4.11%
Net doubtful loans / Shareholders' equity.....	49.87%	40.57%
Other ratios		
Core tier 1 ratio	10.07%	7.05%
Tier 1 capital ratio.....	11.18%	8.34%
Total capital ratio	13.98%	11.69%
Leverage Ratio (tangible assets/tangible shareholders' equity)	20.61	19.72
Financial assets / Total assets.....	18.35%	14.48%
Derivative assets / Total assets.....	4.96%	4.08%
- trading derivatives / total assets	4.36%	3.61%
- hedging derivatives / total assets.....	0.60%	0.47%
Net trading derivatives / Total assets	0.02%	0.17%
Net loans / Direct funding	96.80%	93.21%
Banco Popolare stock		
Number of outstanding shares.....	1,763,730,800	1,763,729,753
Official closing prices of the stock.....		
- Maximum	1.66	2.75
- Minimum.....	0.81	0.81
- Average	1.16	1.66

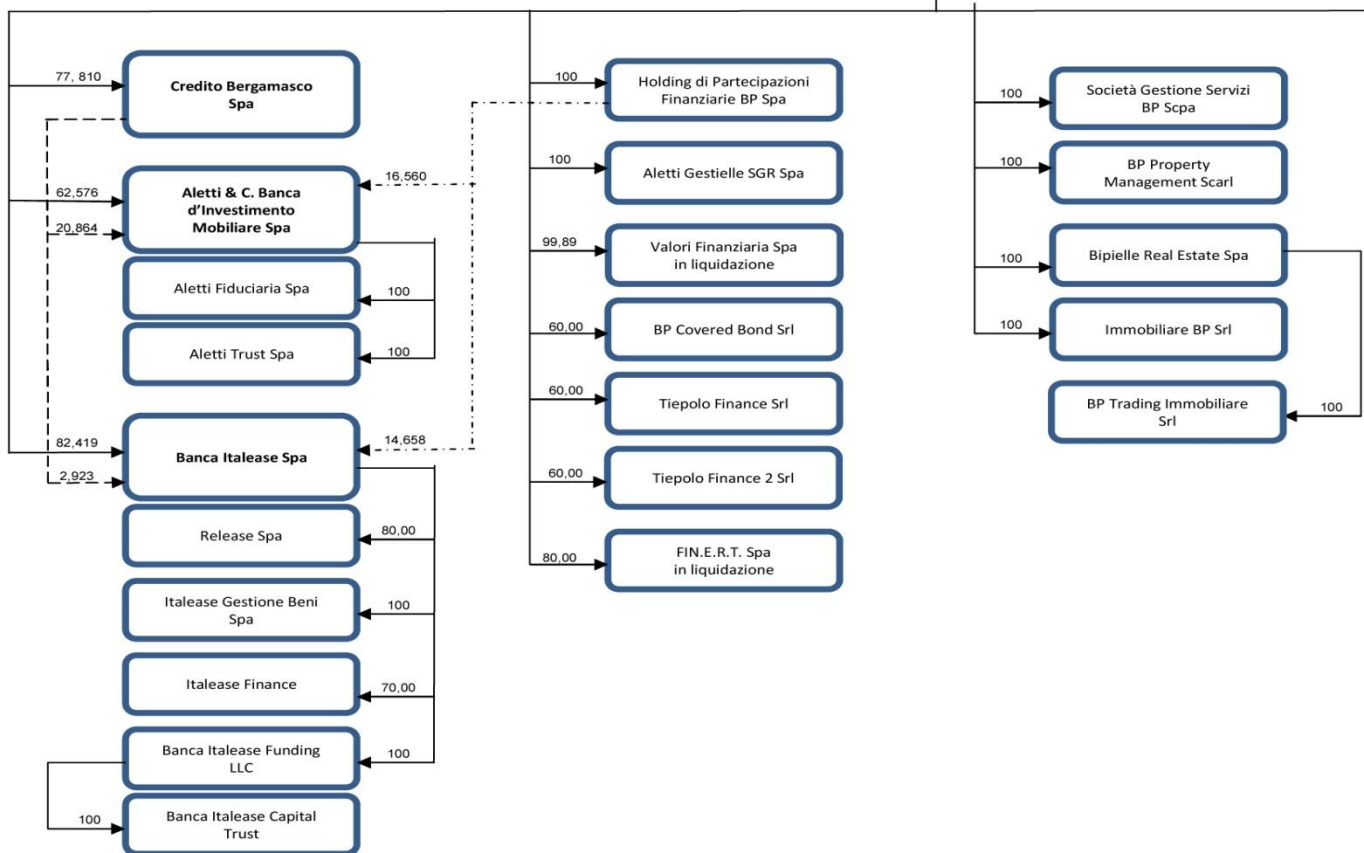
^(*) The ratios were calculated excluding the effect of the FVO

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

Banco Popolare Group

The structure of the Banco Popolare Group, as at the date of this Base Prospectus, is as follows:

**BANCO POPOLARE
Società Cooperativa**



Activities of the Banco Popolare Group

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

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

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

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

Pending Legal Proceedings

Banco Popolare and companies within the group are involved in a series of judicial proceedings of varying natures and legal proceedings deriving from their ordinary course of business.

In the Banco Popolare's 2012 consolidated financial statements the provisions for risks and charges include the sub-item "legal disputes" which refers to provisions for claw back actions of Euro 35.2 million (Euro 59.3 million as at 31 December 2011) and those for other proceedings for the remainder, corresponding to Euro 188.3 million (Euro 200.5 million as at 31 December 2011).

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

Area S.p.A. dispute

In July and September 2009, Banco Popolare (and others) were summoned, by means of separate actions brought by two separate groups of former shareholders of Area S.p.A..

In the first proceedings, 42 plaintiffs requested that the defendants be ordered to pay compensation of Euro 13.15 million, on the assumption of an alleged agreement between the former Banca Popolare di Lodi S.p.A. ("**BPL**") and Banca Intesa S.p.A., which would have led, among other things, to the exclusion of Area S.p.A.'s minority shareholders without the payment which would have been due on exercise of the right to withdraw as a consequence of the merger of Area S.p.A. in Bipielle Investimenti S.p.A..

In the second proceedings, 76 plaintiffs requested the sentencing of Banco Popolare, BPL and its former managing director, Mr. Gianpiero Fiorani, subject to ascertaining the alleged criminal liability of the latter and liability of the banks pursuant to Article 5 of Italian Legislative Decree No. 231/2001 of the two banks, to compensate the plaintiffs with alleged damages of Euro 25.2 million, inferring the same profiles as the first proceedings.

On 20 January 2010, Banca Intesa S. Paolo summoned BPL and Mr. Fiorani in the proceedings filed by 42 shareholders of Area S.p.A. to extend the sentence, if determined against them, to Banco Popolare.

Based on the opinion of external legal counsel, Banco Popolare believes that there is only a remote risk of not successfully defending these allegations.

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

By a notice served on 21 July 2004, Parmalat Finanziaria S.p.A. ("**Parmalat Finanziaria**") and Parmalat S.p.A. ("**Parmalat**") began legal proceedings against, amongst others, Mr. Gian Paolo Zini and Mr. Calisto Tanzi, accusing them of causing the financial turmoil of Parmalat. This led to the request for damages of Euro 2.63 billion in favour of Parmalat and Euro 9.273 billion in favour of Parmalat Finanziaria.

During the proceedings, in which the assignee under agreements (the new Parmalat S.p.A.) was established, Mr. Zini called a series of parties before the court, including the then Banca Popolare Italiana ("**BPI**"), on the basis of joint and several liability. BPI appeared before the court requesting the inadmissibility of the third party summons, due to the lack of the legal requirements and, consequently the rejection of all applications insofar as groundless in fact and in law.

In September 2006, the court declared the suspension of the civil proceedings until the criminal proceedings filed by Parmalat against several defendants, including Mr. Zini, were concluded. On conclusion of the criminal proceedings, the Supreme Court confirmed the sentence of imprisonment of Mr. Zini.

The civil proceedings were then resumed by the assignee under contract, Parmalat. Banco Popolare appeared before the counsel, with other third parties, and requested that the claims made against it by Mr. Zini be dismissed. As Mr. Zini did not appear before the court, the cancellation of the cases against the third parties summoned by him was requested.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of not prevailing.

Raffaele Viscardi S.r.l.

The legal proceeding commenced by Raffaele Viscardi S.r.l. against Banco Popolare on 30 April 2009 in which the plaintiff is claiming Euro 46 million of damages, concerns the operations of a branch in Salerno relating to the granting of agricultural loans to the plaintiff company. The company alleges that it was led to subscribe Banco Popolare bonds to guarantee the sums disbursed and claims damages to its image due to reporting in the Italian Central Credit Register.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of not successfully defending these allegations.

Massimo Conca

On 30 January 2007, Mr. Conca commenced legal proceedings to contest claims made by then Banca Popolare di Lodi against him, amounting to Euro 27.5 million.

On 7 January 2011, the Court of Lodi approved the counterclaim made by the Issuer, ordering Mr. Conca to pay the sum of Euro 25,813,049.54 plus interest and expenses, as well as the payment of an additional amount of Euro 2 million plus interest.

On 22 February 2011, Mr. Conca challenged the ruling of the court of first instance before the Court of Appeal of Milan. Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of the appeal being successful.

Giovanni Potenza

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

Following the sale of the real estate assets of CRIA to the Norman Group, Mr. Giovanni Potenza filed, starting on 22 November 2001, a series of lawsuits to claim damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI at a price he retained as inadequate, as well as to obtain the annulment of the settlement agreements between the Norman Group and ICCRI and of the relative contract of sale of the assets.

Whilst awaiting the decision of the first instance court, the plaintiff also initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion. The claims were dismissed by the Public Prosecutor's Office.

An appeal has been made against the sentence of the court of first instance in 2009, which ruled in favour of the Issuer and ordered the plaintiff to pay legal expenses.

Based on external legal advice, Banco Popolare believes it is likely that the ruling of the first instance will be confirmed.

Criminal proceedings relating Banca Italease S.p.A.

Banca Italease S.p.A. ("**Banca Italease**") has appealed to the Supreme Court against a ruling of the Court of Appeal ruling which confiscated the sum of Euro 54.1 million (Euro 64.2 million in the first instance) for administrative liability under Italian Legislative Decree no. 231/2001 and ordered Banca Italease to pay a fine of Euro 1.9 million; both the fine and the confiscation cannot be enforced until the ruling has been passed by the court.

Supported by various opinions of external counsel, with regard to the confiscation, the Banca Italease considers the potential liability possible, while with regard to the fine, it considers the potential liability as likely. It has therefore made an allocation to provisions of the full amount of Euro 1.9 million to cover the monetary fine.

Banca Italease was committed for trial in its capacity as liable administratively as per Italian Legislative Decree No. 231/2001 in the criminal proceedings relating to the former members of the Executive Committee for the crime of false company communications regarding the approval of the 2008 half-yearly financial statements of the Banca Italease.

Banca Italease has been summoned as a civilly responsible party with relation to Mr. Fabio Innocenzi, the former Deputy Chairman of Banca Italease, for offences of false company communication and market manipulation.

Civil proceedings relating Banca Italease

Egerton Capital Limited

By means of a summons dated 14 March 2008, Banca Italease was ordered to appear before the court by Egerton Capital Limited (on its own account and on behalf of some managed funds) on a claim of damages of Euro 105 million relating to investments in Banca Italease shares made in the period between January and May 2007, alleging illicit conduct of Banca Italease, namely that it had concealed the fact that a considerable amount of business activities regarded high-risk complex derivatives from the market by circulating financial statements, interim reports and the prospectus dated January 2007 regarding the share capital increase.

In the court of first instance, Banca Italease was ordered to pay Euro 79.8 million plus legal expenses of Euro 495 thousand.

The enforcement of the ruling has been suspended awaiting the outcome of the appeal.

Banca Italease has made risk assessments on the basis of the opinions provided by external legal counsel.

Kevios S.p.A

By means of act served on 18 December 2009, Kevios S.p.A. summoned Banca Italease before the Milan Court, so as to obtain the upholding of the request for compensation of damages for around Euro 65 million, founded summarily on the alleged existence of numerous cases represented therein: abuse of economic dependence, abuse of the right and contractual breach, primarily, attributable to the bank.

Banca Italease and its legal advisors believe that the claims are groundless.

Wheelrent Car Rental

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

In a ruling issued on 12 September 2012, the court, acknowledging the objection to the settlement formulated by the bank's defence, stated that he was not competent to decide on the dispute in question and ordered Wheelrent to pay legal expenses.

Given the developments in these proceedings, with the support of various external legal counsel, Banca Italease has made the appropriate risk assessments.

Bankruptcy of Dimafin S.p.A.

The insolvent company Dimafin has requested that the Court of Rome declare the null and void and/or to revoke the "termination agreement by mutual consent" signed on 16 June 2010 by Dimafin, Mercantile Leasing (incorporated into Banca Italease) and Release S.p.A. related to the finance lease contract for a property located in Palazzo Sturzo in Rome.

By virtue of the annulment request, the court has been asked to declare that the original finance lease contract is fully in force and effective for the parties, therefore condemning the defendants to immediately make the property available again or, if not possible, to pay a corresponding amount in cash, as well as return all instalments of the commercial lease received or to be received as of 1 July 2010.

In a ruling issued on 22 April 2013, the Court of Rome fully rejected the claims of the insolvent company Dimafin, ordering the same to pay legal expenses to Mercantile Leasing (incorporated into Banca Italease) and Release S.p.A..

Di Mario group

With regard to the criminal proceedings for fraudulent bankruptcy and preferential bankruptcy relating to the default of the Di Mario group, Banca Italease received a seizure notice for Euro 7.9 million on 20 June 2012, corresponding to the sum that is presumed to be preferential or groundless. At present, given the fact that the proceedings are at a preliminary stage, no assessment of any risk of losing the case can be made.

Bankruptcy of S.E.R.

The insolvent company S.E.R. summoned a series of entities including Mercantile Leasing (incorporated into Banca Italease). S.E.R. has sought to obtain a declaration of invalidity, and, therefore, the unenforceability against the bankruptcy estate of the transfer deed regarding the property named "*Palazzo Sturzo*", entered into between S.E.R., at the time not subject to bankruptcy proceedings, and the Partito Popolare, as well as the transfer deeds which followed, including that which was entered into

between Mercantile Leasing, Dima Costruzioni and Dimafin (the value of the property being around Euro 50 million).

In a ruling issued on 24 March 2009, the Court of Rome fully rejected the claims of the insolvent company, ordering the same to pay legal expenses to Mercantile Leasing.

In the appeal filed by the insolvent company on 23 September 2009, Release S.p.A. appeared before the court instead of Mercantile Leasing, following the assignment of the leasing contract and the relative disputed property by Mercantile to Release.

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

ITTIERRE S.p.A.

ITTIERRE is in Extraordinary Receivership. On the basis of the proceedings, a summons was notified to the former BPL and former BPN ordering the return of capital amounting to Euro 16,560,533.84 and interest amounting to Euro 4,936,669.14, under Art. 67 Italian Bankruptcy Law. It was pleaded that the payment order had been issued twice, whereas in fact it was related to the same current account transferred from BPL to BPN following the branches swap. The annulment of the order was also requested due to vagueness of the demands, as the counterparty did not specify which payments were disputed.

The proceedings against the former BPN are at the pre-trial stage, whereas the proceedings against the former BPL have been postponed to September 2013 when the conclusion will be drawn.

In February 2013, the Judge rejected all the requests for preliminary investigations submitted by the counterparty.

Dispute with G.D.M. S.p.A. in Extraordinary Receivership

On 19 October 2012, Banca Italease received notice of the exclusion of a senior receivable of Euro 22.6 million due from G.D.M. S.p.A., a company declared bankrupt by the Milan Court in January 2012, in relation to a real estate mortgage loan granted in 2007.

This decision was challenged in light of the completion of the real estate mortgage loan and the regular acquisition of consolidated mortgage collateral on extensive assets.

Furthermore, G.D.M. S.p.A. is currently involved in two proceedings with the Milan Court regarding the declaration of the bankruptcy and the subsequent commencement of the extraordinary receivership procedure.

Current disputes with the Italian Tax Authority

Group tax situation

Current disputes with the Italian Tax Authority

Banco Popolare, the companies that merged to form the same, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Italian Tax Authority in 2012 and in previous years. These activities concerned the

taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. Following said inspections, the Banco Popolare Group is involved in numerous legal proceedings.

The potential liabilities relating to tax disputes underway that involve Banco Popolare and its subsidiaries amounted to Euro 482.2 million as at 31 December 2012, of which Euro 374.6 million relate to notices of assessment and Euro 107.6 million relate to formal reports on findings served. In this regard, note that the estimate of said potential liabilities relating to the notices of assessment does not consider any interest, while the estimate of potential liabilities relating to formal reports on findings does not include interest or sanctions, insofar as they are not indicated in the latter document.

As at 31 December 2011, the claims of the Italian Tax Authority resulting from the notices of assessment and the formal reports on findings served amounted to Euro 384.5 million.

With regard to the disputes listed above, provisional payments totalling Euro 21.0 million have been made to the Italian Tax Authority relating to the tax demands notified. These provisional payments are classified as receivables from Italian Tax Authority.

Developments in 2012

New disputes that emerged in the period and/or developments of existing disputes following formal reports on findings served

- During 2012, potential liabilities rose by Euro 111.0 million, mainly resulting from the following events:

A new formal report on findings served to Banca Italease by the Milan Inland Revenue – Large Taxpayers Office after the completion of the assessment relating to tax years 2007, 2008 and 2009.

The higher taxes ascertained amount to Euro 76.1 million, of which Euro 66.69 million for IRES, Euro 7.78 million for IRAP and Euro 2.62 million for not applying tax withholdings (excluding sanctions and interest).

The claims by the Italian Tax Authority originate in the assessment that started in April 2012 in relation to the crimes of market manipulation, obstruction of the regulatory function and false company communication committed by the Managing Director Massimo Faenza and the General Manager Antonio Ferraris in the years assessed. They are based on an interpretation of the concept of "costs and expenses relating to facts or actions that are considered offences" contained in Article 14, paragraph 4-bis of Italian Law no. 537/1993, considering undeductible even costs that are not attributed to the commission of the offences charged to the then management bodies of the company, without taking into any account the amendments introduced by Article 8, paragraphs 1 to 3, of Italian Decree Law no. 16 of 2 March 2012. With the support of authoritative external opinions, the Issuer retains that the claims made by the Italian Tax Authority are groundless and that the potential liability should be assessed as possible but unlikely. Therefore, no allocation to provisions has been made in Banco Popolare's 2012 financial statements relating to the above dispute.

With regards to just the abovementioned findings on withholding tax, the notice of assessment for failure to pay and the formal written notice of the sanctions were served in 24 December 2012.

- The Issuer has received notice of the following claims for failure to apply VAT to fees for custodian banking services for mutual investment funds:
 - formal written notice of sanctions received by the subsidiary company Aletti Gestielle SGR for tax years 2007, 2008 and 2009 (Euro 1.2 million);
 - notice of assessment relating to tax year 2007 (which includes the findings contained in the formal report on findings dated 31 August 2011) received by Banco Popolare as the incorporating company of the former BPV - SGSP (Euro 2.1 million of sanctions applied in addition to additional taxes of Euro 1.1 million already received);
 - notice of assessment relating to tax year 2007 (which includes the findings contained in the formal report on findings dated 12 September and 13 October 2011) received by Banco Popolare as the incorporating company of the former Banca Popolare Italiana (Euro 4.2 million of sanctions applied in addition to additional taxes of euro 2.3 million already received);
 - notice of assessment relating to tax year 2006 (which includes the findings contained in the formal report on findings dated 29 September 2011) received by Banco Popolare as the incorporating company of the former Banca Popolare Italiana (Euro 3.5 million of sanctions applied in addition to additional taxes of Euro 1.9 million already received);
 - notice of assessment relating to tax year 2007 received by Banco Popolare as the incorporating company of the former Banca Popolare di Novara (Euro 1.9 million);
 - notice of assessment related to the tax year 2007 received by Credito Bergamasco (Euro 4.2 million);
 - formal report on findings served to Credito Bergamasco relating to tax years 2008 and 2009 (Euro 1.2 million);
 - formal report on findings served to Banco Popolare as incorporating company of the former Banca Popolare di Lodi relating to tax years 2008 and 2009 (Euro 0.6 million); and
 - notice of assessment relating to tax year 2007 received by Banco Popolare as the incorporating company of the former Banca Popolare di Lodi (Euro 2.0 million).
- The Issuer is also involved in the following other disputes:
 - formal report on findings served to Banco Popolare as the incorporating company of Efibanca following the general inspection of tax year 2008, which started in June 2011. The additional taxes demanded amount to

Euro 8.5 million. The main finding regards additional IRES taxes relating to the negative components generated by several financial liabilities, whose classification was changed in the previous year for accounting purposes. Even though Efibanca's financial statements for 2007 and 2008 were certified by the independent auditors, the inspectors retain that said change is not permitted by international accounting standards. It should also be noted that the additional taxes were demanded even though the change in the classification criteria actually led to a higher taxable income;

- formal report on findings served to Banco Popolare as incorporating company of the former Banca Popolare di Lodi relating to tax years 2008 and 2009 (Euro 1.1 million in various taxes resulting from the failure to apply VAT to custodian bank fees); and
- formal report on findings served to Credito Bergamasco relating to tax year 2008 (Euro 0.1 million in various taxes resulting from the failure to apply VAT to custodian bank fees).

Disputes concluded and/or settled during the year

Potential liabilities that are no longer due or that decreased in any event during the year following the management of disputes by the Group totalled Euro 13.3 million, as illustrated in more detail below:

- As at 31 December 2011, a dispute involving the subsidiary Banca Italease regarding the notice of assessment relating to 1998 had not been settled; this notice contained charges regarding the accrual accounting of lease instalments paid on signature of contracts (so-called maxi-instalments) and part of the commissions of the "bank quality bonus" paid to the banks backing the lease transactions. The potential liability was Euro 8.8 million (higher IRPEG and IRAP taxes ascertained of Euro 4.4 million plus administrative fines of an equal amount). In its ruling, the Regional Tax Commission of Lombardy had accepted the appeal in terms of the findings relating to the maxi-instalments, and instead rejected the accrual criteria applied to commissions. In a ruling on 6 June 2012, the Supreme Court confirmed the decision of the Regional Tax Commission.
- Therefore, Euro 7.7 million of relative potential liability is to be retained extinguished, while the remainder of Euro 1.1 million is to be retained as due.
- As the Inland Revenue did not challenge the relevance of the commissions for "bank quality bonus" the bank will request the reimbursement of the higher amount of tax paid in the year to which the cost is correctly attributed.
- The amount charged to the income statement for the year 2012 therefore corresponds to fines amounting to Euro 0.5 million, plus any arrears interest accrued.
- As at 31 December 2011, the dispute relating to the submission of the CNM 2005 Form by the subsidiary company Banca Valori S.p.A.

resulting from an automated check, pursuant to art. 36-bis of Italian Presidential Decree no. 600 of 29 September 1973, was also still outstanding. On 13 June 2012, the term for the submission of an appeal to the Supreme Court by the Inland Revenue expired, and therefore the judgment became final. The potential liabilities that no longer apply amount to Euro 0.4 million.

- In March 2012, according to art. 6 of Italian Legislative Decree 218/97, the notices of assessment relating to the transparency of the recognition of income for 2006 of Popolare Vita S.p.A. by Banco Popolare and Credito Bergamasco were settled. The charge recorded on the income statement totalled Euro 0.2 million.
- In April 2012, according to art. 6 of Italian Legislative Decree 218/97, the notice of assessment relating to 2006, received by Bipielle Real Estate S.p.A., was settled. The charge booked to the income statement totalled Euro 0.2 million, against a previously estimated potential tax liability of Euro 1.8 million.
- In June 2012, according to art. 5-bis of Italian Legislative Decree 218/97, the formal report on findings received during the year by Banca Italease S.p.A. (as the incorporating company of Leasimpresa S.p.A.) following the inspections conducted on 2007, was settled. The charge recorded on the income statement was Euro 0.3 million.
- In September 2012, Bipielle Real Estate received a notice of assessment relating to 2007, following the formal report on findings served on 25 May 2010. Even though it includes the fines, the potential liability relating to this notice of assessment appears to be Euro 1.4 million lower than that assumed on the basis of the formal report on findings, due to the fact that the Inland Revenue has archived one of the main findings. In November 2012, this notice of assessment was settled. The charge recorded on the income statement was Euro 0.9 million.

It should also be noted that in June 2012 the subsidiary company Mariner S.r.l. also reached an agreement with the Inland Revenue – Provincial Directorate I of Milan, for the overall settlement of the accusations contained in the formal report on assessment findings dated 28 January 2010 regarding tax years 2005 and 2006, including the tax "repercussions" of the same up to 2009 (the potential liability relating to the settlement amounting to Euro 13.4 million). The agreement regarded the payment of Euro 3.9 million in twelve quarterly instalments. The charge has been fully deducted from the income statement for the year 2012.

As in the "Framework" agreements relating to the sale of shares of Banco Popolare, the assigning companies had issued specific guarantees against any out-of-period taxes relating to tax years prior to the date of purchase, the procedure to recover the liabilities sustained has been launched. The relative receivables have therefore been recognised as a balancing entry to the corresponding credit of the income statement for the year 2012.

Finally, in November 2012, the subsidiary Popolare Vita S.p.A. reached an agreement with the Inland Revenue - Piedmont Regional Directorate for the overall settlement of the accusations contained in the formal report on assessment findings dated 21 April

2010 regarding the tax year 2007. The agreement regarded the payment of Euro 0.2 million.

Details of unresolved disputes as at 31 December 2012

Due to the developments illustrated in the paragraph above, the main tax disputes unresolved as at 31 December 2012 (potential liability equal to or exceeding Euro 1 million) are as follows:

Disputes relating to Banca Italease

- Banca Italease - Liquidation notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006 –the amount claimed totals Euro 3.2 million. The appeal submitted by Banca Italease on 28 July 2009 was upheld in the first and second instance. The Attorney General submitted an appeal to the Supreme Court on 27 February 2012. The bank has submitted the relevant counter-appeal.
- Formal report on findings of 30 November 2012 for the tax years 2007, 2008 and 2009 mainly relating to facts or actions that are considered offences. The tax demanded amounts to Euro 76.1 million.
- Notice of assessment and formal written notice of sanctions which includes the findings regarding the claimed failure to apply withholding tax contained in the formal report on findings of 30 November 2012 and related to the tax year 2007. The amount of tax demanded amounts to Euro 3.2 million.

Disputes relating to Banco Popolare and to other subsidiaries

- Banco Popolare (formerly Banca Popolare di Verona e Novara) – tax claims relating to IRAP tax paid to the Veneto and Tuscany Regional Authorities in tax years 2003, 2004, 2005 and 2006. The claims refer to the application of the ordinary rate of 4.25 per cent to the net value of production resulting from business activities performed in Veneto, and for 2004 only in Toscana, instead of the higher rate of 5.25 per cent and amount to a total of Euro 20.6 million. The tax demands have been contested. With regard to the various tax years, the dispute is at different stages of progress and different rulings have been made. As regards tax years 2003 and 2004, a ruling of the Provincial Tax Commission in favour of Banco Popolare was then followed by a ruling of the Regional Tax Commission, which partially admitted the claims of the Italian Tax Authority, retaining a rate of 4.75 per cent to be applicable. The outcome is still pending, awaiting the ruling of the Supreme Court. With regard to tax year 2005, the Provincial Tax Commission rejected Banco Popolare's appeal, while in a ruling dated 10 March 2011, the Regional Tax Commission partially admitted the appeal and declared that the fines requested were not due. On 14 December 2011, an appeal was submitted to the Supreme Court. With regard to the tax demand for tax year 2006, in a ruling dated 17 May 2011, the Provincial Tax Commission partially admitted the appeal and declared that the fines requested were not due. The Regional Tax Commission confirmed the ruling of the court of first

instance, therefore cancelling the tax claim relating to higher IRAP regarding the Tuscany Regional Authority. On 29 March 2013 an appeal was submitted to the Supreme Court.

- Banco Popolare (formerly Banca Popolare Italiana) – notice of correction regarding the registration tax applicable to the disposal of a business segment in 2004 between Banca Eurosystemi S.p.A. (later incorporated into Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop. The claim resulting from the correction of the value of the business segment amounts to Euro 7.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. An appeal submitted to the Supreme Court on 23 December 2010 is still pending.
- Banco Popolare (formerly Banca Popolare Italiana) – notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa and Banca Popolare Italiana as a business segment disposal. The claims amount to Euro 14.5 million. In a ruling dated 18 October 2011, the Regional Tax Commission of Florence fully upheld the appeal submitted by Banco Popolare.
- Banco Popolare (formerly Banca Popolare Italiana) – notices of assessment and formal reports on findings regarding the claimed non-deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences. The claims amount to Euro 177.5 million. On 17 February 2012 an appeal was presented to the Provincial Tax Commission.
- Banco Popolare (formerly Banca Popolare di Novara) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2005. The claim amounts to Euro 3.8 million. The Provincial Tax Commission postponed the case without fixing the date of discussion.
- Banco Popolare (formerly Banca Popolare di Novara) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2006. The claim amounts to Euro 3.5 million. The Provincial Tax Commission postponed the case without fixing the date of discussion.
- Banco Popolare (formerly Banca Popolare di Novara) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2007. The claim amounts to Euro 1.9 million.
- Banco Popolare (formerly Banca Popolare di Verona San Geminiano e San Prospero) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2007. The claim amounts to Euro 3.2 million. We are awaiting for the case to be discussed by the Provincial Tax Commission.
- Banco Popolare (formerly Banca Popolare di Verona San Geminiano e San Prospero) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2008 and 2009. The claim amounts to Euro 0.4 million.

- Banco Popolare (formerly Banco Popolare di Verona e Novara) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2006. The claim amounts to Euro 6.3 million.
- Banco Popolare (formerly Banco Popolare di Verona e Novara) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2007. The claim amounts to Euro 6.5 million.
- Banco Popolare (formerly Banca Popolare di Novara) – formal report on findings regarding the failure to apply VAT to custodian bank fees invoiced in 2008 and the relevance of several losses on receivables deducted in the same administrative period. The claim amounts to Euro 3.1 million.
- Banco Popolare (formerly Banca Popolare di Novara) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2006. The claim amounts to Euro 5.4 million.
- Banco Popolare (formerly Banca Popolare Italiana) – formal report on findings regarding the failure to apply VAT to custodian bank fees in tax years 2008 and 2009. The claim amounts to Euro 4.9 million.
- Banco Popolare (formerly Banca Popolare di Lodi S.p.A.) – formal report on various findings for the tax years 2008 and 2009. The claim amounts to Euro 1.7 million.
- Banco Popolare (formerly Banca Popolare di Lodi S.p.A.) – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2007. The claim amounts to Euro 2.0 million.
- Banco Popolare (Efibanca S.p.A.) – formal report on findings. The main finding is limited to IRES tax of negative components only relating to several financial liabilities measured at fair value for the tax year 2008. The claim amounts to Euro 8.5 million.
- Banca Aletti – notice of assessment and formal written notice regarding the claimed failure to apply withholding tax to dividends as envisaged for securities lending transactions by Article 26, paragraph 3-bis, of Italian Presidential Decree no. 600 of 29 September 1973 relating to tax year 2007. The claim amounts to Euro 44.0 million. On 22 May 2012 an appeal was submitted to the Provincial Tax Commission.
- Bipielle Real Estate – settlement notices for registration tax regarding the reclassification of a series of property conferrals. The claim amounts to Euro 21.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. Whilst awaiting the Supreme Court appeal, the tax demands have been paid and the relative amount has been charged to the income statement of previous years.
- Bipielle Real Estate – settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding (later incorporated into Banca Popolare Italiana Soc. Coop.). The claim amounts to Euro 13.6 million. The Provincial and Regional

Commissions ruled in favour of the subsidiary company Bipielle Real Estate. The Inland Revenue has appealed to the Supreme Court. On 26 March 2012 a counter-appeal was submitted.

- Bipielle Real Estate – notices of assessment regarding VAT and IRAP taxes for tax year 2005 served to Basileus S.r.l., (a subsidiary company sold in 2008, for which Bipielle Real Estate is fiscally liable for the years prior to the disposal). The claims amount to Euro 11.3 million. In January 2012, the sentence of the Lodi Provincial Tax Commission was filed. The ruling annulled the notices of assessment issued against the company, ordering Inland Revenue to pay legal expenses. The Inland Revenue has appealed to the Regional Tax Commission. A decision is expected.
- Aletti Fiduciaria – notice to recover taxes due by the fiduciary company pursuant to the personal liability of the shareholder under art. 36, paragraph 3, of Italian Presidential Decree no. 602/1973. The claim amounts to Euro 7.9 million. The company's appeal was fully upheld in the first and second instance. In January 2013, the Inland Revenue submitted an appeal in the Supreme Court.
- Credito Bergamasco – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2006. The claim amounts to Euro 2.8 million.
- Credito Bergamasco – notice of assessment regarding the failure to apply VAT to custodian bank fees invoiced in 2007. The claim amounts to Euro 4.2 million.
- Credito Bergamasco – formal report on findings regarding the failure to apply VAT to custodian bank fees invoiced in 2008 and 2009. The claim amounts to Euro 1.3 million.
- Aletti Gestielle SGR – notice of fines for the failure to pay VAT on taxable transactions pursuant to Italian Legislative Decree 471/1997 and more specifically on invoices issued for custodian bank services in 2006. The claim amounts to Euro 3.4 million.
- Aletti Gestielle SGR – notice of fines for the failure to pay VAT on taxable transactions pursuant to Italian Legislative Decree 471/1997 and more specifically on invoices issued for custodian bank services in 2007. The claim amounts to Euro 2.8 million.
- Aletti Gestielle SGR – formal report on findings almost entirely regarding the claimed failure to pay VAT on taxable transactions pursuant to Italian Legislative Decree 471/1997 and more specifically on invoices issued for custodian bank services in 2008 and 2009. The claim amounts to Euro 4.7 million.
- Aletti Gestielle SGR (as the incorporating company of Aletti Gestielle Alternative) – notice of fines for the failure to pay VAT on taxable transactions pursuant to Italian Legislative Decree 471/1997 and more specifically on invoices issued for custodian bank services in 2007, 2008 and 2009. The claim amounts to Euro 1.2 million.

- Holding di Partecipazioni Finanziarie (as the incorporating company of Bipielle Finanziaria S.p.A.) – notice of fines for the failure to pay VAT on taxable transactions pursuant to Italian Legislative Decree 471/1997 and more specifically on invoices issued for custodian bank services in 2006. The claim amounts to Euro 0.9 million.

Classification and valuation of potential liabilities in accordance with the provisions of accounting standard IAS 37

In the light of the successful outcomes in the court of first instance and/or the existence of valid grounds on which to challenge the claims made by the Italian Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external parties, potential liabilities classified as possible but unlikely amount to a total of Euro 458.2 million.

The potential liabilities classified as probable amount in total to approximately Euro 24 million and have already been fully debited from the income statement when the tax demands received were paid or are entirely covered by provisions allocated under tax liabilities.

Inspections underway as at 31 December 2012

As at 31 December 2012 inspection of Banca Aletti relating to the tax years 2007, 2008 and 2009 by the Milan Regional Headquarters of the finance police (the "**Finance Police**") and regarding dividends distributed pursuant to article 89 of Italian Presidential Decree no. 917 of 22 December 1986 were still ongoing. On 19 June 2012, the inspection was extended to the tax year 2005.

On 21 February 2013, the formal notice of assessment was filed.

The inspectors once again alleged that the single stock future transactions and, for 2008, the share loan transactions with non-resident counterparties were carried out with the purpose of avoiding taxes. In relation to this, the inspectors made a series of claims around withholding tax, direct taxes and tax receivables carried out abroad. If these findings were to be held up by the Lombardy Regional Directorate, which is responsible for investigating the claims by the Finance Police and to issue any payment order, the tax bill could amount to Euro 283.0 million for failure to apply tax withholdings, Euro 42.5 million for IRES and IRAP and Euro 114.7 million for receivables not due for taxes paid abroad, in addition to any potential sanctions and interest.

The Issuer believes that both the findings reported in the notice of assessment and in the formal written notice regarding 2006 and, even more so, the content of the formal report on findings served at the end of February 2013 are unfounded because the claims of a presumed "legal infringement" alleged by the Finance Police is based on incorrect assumptions.

In the light of the above, on the basis of the information currently available, and with the support of an authoritative external opinion, the Issuer believes that the potential liability arising from the reports mentioned above should be considered as possible but unlikely.

Despite being certain that the actions undertaken were legitimate, the possibility of finding a potential settlement of the dispute with the Inland Revenue will be taken into

account before the notification of the first formal written notice. This is because a settlement out of court is considered preferable to the decision to face the costs, the lengthy procedure and the unavoidable uncertainties of a court dispute.

Evolution of the tax dispute after the closing of the financial year

In January 2013, Aletti Gestielle SGR – as the incorporating company of Aletti Gestielle Alternative – received a notice of fines for the failure to pay VAT on taxable transactions pursuant to Italian Legislative Decree 471/1997 regarding the custodian bank services in the tax years 2007, 2008 and 2009. The original claim amounting to Euro 1.2 million was reduced to Euro 0.74 million as a result of the cumulation of the sanctions under art. 12, paragraph 7, of Italian Legislative Decree no. 472/1997.

The National Tax Consolidation Scheme

Banco Popolare and the subsidiaries listed below have opted for the national tax consolidation scheme under Articles 117 to 129 of Italian Presidential Decree no. 917 of 22 December 1986. This option, valid for the tax period 2010-2012, refers to all Group companies which meet the requirements of the aforementioned regulations and, specifically:

1. Aletti Fiduciaria S.p.A.;
2. Aletti Gestielle SGR S.p.A.;
3. Aletti Trust S.p.A.;
4. Banca Aletti & C. S.p.A.;
5. Banca Italease S.p.A.;
6. Bipielle Real Estate S.p.A.;
7. BP Property Managemet S.c.r.l.;
8. Credito Bergamasco S.p.A.;
9. Holding di Partecipazioni Finanziarie BP S.p.A.;
10. Immobiliare BP S.r.l.;
11. Italease Gestione Beni S.p.A.;
12. Lido dei Coralli S.r.l.;
13. Mariner S.r.l.;
14. Nadir Immobiliare S.r.l.;
15. Release S.p.A.;
16. Ri Investimenti 2 S.r.l.;
17. Sirio Immobiliare S.r.l.;

18. Società Gestione Servizi BP S.c.p.A.;
19. Sviluppo Comparto 6 S.r.l.;
20. Sviluppo Comparto 8 S.r.l.;
21. Tecmarket Servizi S.p.A.; and
22. Valori Finanziaria S.p.A.

The "tax consolidation" area changed during 2012 as a result of the inclusion of the subsidiary Aletti Trust S.p.A. and the exit from the scope of tax consolidation of Società Gestione Crediti BP S.c.p.A., which was incorporated into Banco Popolare effective for tax and accounting purpose from 1 January 2012, and Mercantile Leasing S.p.A., which was incorporated into Banca Italease S.p.A. effective for tax and accounting purpose from 1 January 2012.

The advantages of exercising the national consolidation option in 2012 are mainly linked:

- to the fact that taxes are levied on one single taxable income, resulting from the summation of the taxable income of the companies listed above that exercised the option;
- to the possibility of offsetting the non deductible portion of interest expense against the possible Gross Operating Income availability (G.O.I.), pertaining to other Companies of the Group, under art. 96, paragraph 4 of the ITCL. G.O.I. is the core business gross operating income calculated as the difference between the value of production and the cost of production under letters A and B of art. 2425 of the Italian Civil Code, excluding depreciation of property and equipment and amortisation of intangible assets and finance lease payments for capital goods; and
- to the full deductibility of interest expense of banks and other financial entities – accrued against entities participating in the tax consolidation – up to the total amount of interest expense accrued by the participating entities in favour of entities not included in the tax consolidation.

The adoption by Banco Popolare of Group taxation along with its subsidiary companies results in an expansion of its administrative liabilities, summarised as follows:

- exclusive liability for the fulfilment of duties associated with the calculation of the group's total consolidated income;
- joint liability for any increased tax, fines and interest on the total taxable income of each consolidated company; and
- joint liability with all the relevant companies for the failure to pay amounts due based on the consolidated income tax return.

To this end, and in compliance with the regulatory changes introduced by the 2008 Italian Budget law, the Issuer prepared the "**consolidation agreements**" governing its relations with the above mentioned subsidiaries that joined the consolidated taxation

treatment. The agreements were approved by the individual Boards of Directors of the Subsidiaries.

Exposure to Sovereign Risk

In 2012, tensions in the European sovereign debt markets, affected consumption and investment expectations, curbing the weak economy recovery under way in the area. By reducing the rate of future development, these tensions also reduced expectations regarding the sustainability of debt for the weaker European economies. The ten-year returns on government bonds of the countries designated as less at risk have returned to minimum historic levels, reflecting investors' preferences for assets considered to be safer. The tensions were effectively attenuated by monetary measures, backed by action taken by the European and Eurozone authorities, which took significant steps towards the closer economic-financial integration of the Euro-zone.

The Banco Popolare Group's total exposure in sovereign debt securities as at 31 December 2012 was Euro 13,319 million, is provided below, broken down by country (in thousands of Euro):

Countries	Debt securities	of which Banco Popolare	Loans	of which Banco Popolare	Total
Italy.....	12,940,961	12,137,763	97,757	96,731	13,038,718
Spain.....	205,337	205,337	—	—	205,337
Germany.....	169	2	—	—	169
Austria.....	1,711	—	—	—	1,711
Other EU Countries.....	2,065	—	—	—	2,065
Total EU Countries.....	13,150,243	12,343,102	97,757	96,731	13,248,000
USA.....	34,543	—	—	—	34,543
Switzerland.....	23,295	—	—	—	23,295
Croatia.....	13,162	—	—	—	13,162
Argentina.....	23	23	—	—	23
Total other countries.....	71,023	23	—	—	71,023
Total.....	13,221,266	12,343,125	97,757	96,731	13,319,023

More specifically, the exposure is represented by:

- loans granted to the Italian State of Euro 97.8 million;
- debt securities issued by central and local governments of EU Member States amounting to Euro 13,221.3 million, Euro 13,150.2 million of which were issued by EU Member States.

The tables below provide more detailed information on the breakdown of the exposure in debt securities to EU Member States, which represented 98.7 per cent of total exposure, by accounting portfolio, residual life bracket and fair value hierarchy.

Financial assets held for trading

Country	Matures by 2013	Matures between 2014 and 2018	Matures between 2019 and 2023	Matures beyond 2023	Total fair value as at 31.12.12	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	1,995,809	705,267	40,371	2,560	2,744,007	2,744,005	—	2
Greece.....	—	—	—	—	—	—	—	—
Other EU Countries.....	21	167	54	1	243	243	—	—
Total.....	1,995,830	705,434	40,425	2,561	2,744,250	2,744,248	—	2
of which Banco Popolare	1,403,975	520,204	30	12	1,924,221	1,924,219	—	2

Financial assets available for sale

Country	Matures by 2013	Matures between 2014 and 2018	Matures between 2019 and 2023	Matures beyond 2023	Total fair value as at 31.12.12	Net AFS Reserve	Value adjustments	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	2,309,996	6,545,740	310,280	1,027,527	10,193,543	(93,015)	—	10,185,118	8,425	—
Spain.....	—	205,337	—	—	205,337	(6,516)	—	205,337	—	—
Greece.....	—	—	—	—	—	—	—	—	—	—
Other EU Countries.....	—	—	—	—	—	—	—	—	—	—
Total.....	2,309,996	6,751,077	310,280	1,027,527	10,398,880	(99,531)	—	10,390,455	8,425	—
of which Banco Popolare.....	2,309,996	6,751,077	310,280	1,027,527	10,398,880	(99,531)	—	10,390,455	8,425	—

Investments held to maturity

Country	Matures by 2013	Matures between 2014 and 2018	Matures between 2019 and 2023	Matures beyond 2023	Total book value as at 31.12.12	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy.....	3,411	—	—	—	3,411	3,419	3,419	—	—
Greece.....	—	—	—	—	—	—	—	—	—
Other EU Countries.....	—	3,701	—	—	3,701	3,720	3,720	—	—
Total.....	3,411	3,701	—	—	7,112	7,139	7,139	—	—
of which Banco Popolare..	—	—	—	—	—	—	—	—	—

Investments in sovereign debt securities of EU Member States totalling Euro 13,150.2 million, in terms of book value, represent 79.1 per cent of the Group's total portfolio invested in debt securities, 97.9 per cent of which regards investment in securities issued by the Italian Government. Around 20.8 per cent of said investments have been allocated to the trading portfolio and 79.1 per cent to the financial assets available for sale portfolio; a marginal share of 0.1 per cent has been classified as investments held to maturity.

Around 90 per cent of total exposure is represented by debt securities that mature before 2018.

As at 31 December 2012, the Banco Popolare Group did not have exposures in Greek, Portuguese or Irish sovereign debt.

The decrease in exposure as compared to 31 December 2011 is due to the debt exchange operation carried out by the Greek government.

Within the programme of economic reforms agreed with the European Union and with the International Monetary Fund, aimed to minimise the risk of Greek defaulting and triggering a knock-on effect to the other sovereign states of the Eurozone, on 24 February 2012, the Greek Republic announced the terms of a public offer of exchange for outstanding bonds, made to private investors, for a total nominal value of Euro 206 billion. Said offer closed on 25 April 2012, with subscriptions amounting to total securities worth Euro 199 billion (around 96.6 per cent).

The cited agreement envisaged, for each bond exchanged held by private investors, a 53.5 per cent reduction in terms of nominal value and the payment of the residual value according to the following terms:

- 31.5 per cent through twenty new Greek amortizing step-up bonds, maturing between 11 and 30 years; and

- 15 per cent through bonds issued by the State Rescue Fund (namely by the European Financial Stability Facility - EFSF), with a short maturity (maximum two years).

Furthermore, bonds index-linked to the Greek GDP were issued, which envisage, in terms of the only cash flow, a maximum payment of 1 per cent, proportional to the amount of new Greek bonds in circulation, in the event that specific growth assumptions of Greek GDP in real terms occur.

Lastly, the agreement has established that the interest accrued up to 24 February 2012 on old bonds held, will be settled through the issue of short-term (six month) EFSB bonds.

The Banco Popolare Group decided to subscribe to the exchange offer on Greek Government Bonds proposed by the Greek Government, and handed over its entire basket of bonds, for a nominal value of Euro 96.1 million.

From an accounting perspective, the transaction in question is recognised by derecognising old instruments and recognising the new instruments obtained from the exchange at their fair value, classifying the same in the "Financial assets available for sale" portfolio, with the exception of the bond index-linked to the Greek GDP, which was classified in the portfolio of "Financial assets held for trading" and all sold during the first half of the year.

On the date of the exchange, the transaction did not have a significant impact on the Group's income statement, insofar as the valuations in the financial statements as at 31 December 2011, which incorporated a loss of around 77 per cent in terms of nominal value, were already substantially aligned to the fair value of the new assets consigned; the impact of the "derecognition" of the old bonds, relating only to the results of trading the index-linked bond, was an overall loss of Euro 0.5 million.

In the fourth quarter, on 9 October 2012, the Banco Popolare Group annulled its exposure relating to Greek sovereign debt, as a result of its prior subscription to the swap offer on Greek Government bonds.

The sale of the basket of Greek bonds, with a total nominal value of Euro 30.3 million, had a negative impact on the income statement amounting to approximately Euro 0.9 million.

The only exposure to "sovereign debt" of Euro-peripheral countries other than Italy is that relating to Spain, which is unchanged in terms of total nominal value (Euro 200 million) and is characterised by a short residual life of under two years.

Significant Events during the Year

The main events which occurred during the 2012 are described below.

Events related to the reorganisation of the Group

Making the branch network more efficient

Pursuing the guidelines of the 2011-2013/2015 Business Plan, the Banco Popolare Group has continued to strive to increase the efficiency of its distribution network by

completing the project to reorganise the branch network in Italy in the last few months of the year.

This project entailed a series of transfers of bank branches between the Group's various banks, with a view to rationalising the territorial overlaps present within the Group, and seeking to facilitate the image of the "prevailing" bank in the areas in question and to obtain synergies through the realignment of productivity, recovering commercial efficiency and savings costs.

The branches whose business suffered from territorial overlap or that are in any event from economically productive were identified. These branches were closed in order to reduce the operating costs of the same.

Reorganisation of the branch network

The plan to reorganise the branch network, approved in May 2011 by Banco Popolare, and by the former network banks and by Credito Bergamasco, as part of the 2011-2013/2015 Business Plan, was completed on 10 December 2012 through the transfer of 35 branches from Credito Bergamasco to Banco Popolare.

With regard to Credito Bergamasco, the plan envisaged Credito Bergamasco acquiring 52 branches from the Group's former network banks, located in areas where the Bank has its historic roots, specifically Brescia (21 branches), Bergamo (12 branches), Varese (9 branches), as well as Como (4), Milan (3), Monza-Brianza (1) and Rome (2).

Instead, it was envisaged that Credito Bergamasco would transfer 35 branches to the Group's former network banks, 17 of which located in areas where the Group's presence is marginal in terms of its core business, specifically in the regions of Veneto (7), Emilia Romagna (4), Piedmont (4) and Liguria (2).

The above-cited transfers and acquisitions entailed the closure of a total of 43 branches due to territorial overlaps, 26 of which are part of the 52 branches acquired by Credito Bergamasco, and 17 of which are part of the 35 branches transferred to Banco Popolare, leading to significant benefits in terms of synergies of administrative and personnel costs.

Effective 1 August 2011, Credito Bergamasco implemented the first stage of the plan by acquiring 52 branches from Group banks, while the transfer of the 35 branches to the banks was delayed following the approval, in July 2011, of the "large cooperative bank" project.

To complete the incorporation of the network banks (with the exclusion of Credito Bergamasco) into Banco Popolare, and to merge the operations and IT systems of the incorporated banks, which finalised at the end of the first half of 2012, the Boards of Directors of Banco Popolare and of Credito Bergamasco approved, on 26 September and 15 October 2012 respectively, the transfer of the 35 branches from Credito Bergamasco to Banco Popolare through a direct transfer operation.

The operation completed in the year regarded a business segment comprised of rights and tangible and intangible assets used to conduct banking activities, with a total asset value as at 31 December 2011 of Euro 1.4 billion, balanced by an equal number of liabilities; the consideration was established as Euro 83.4 million, which corresponds to the goodwill recognised for the business segment in question, of which Euro 80 million

was paid on the date of signature of the agreement, and the remaining Euro 3.4 million at a later date, based on a possible price adjustment in the event in which on the date of effectiveness of the sale, the deposits and loans of the branches in question should change.

The sale agreement was signed on 28 November 2012 (effective 10 December 2012) and, on this date, Banco Popolare paid the first instalment of Euro 80 million to Credito Bergamasco by crediting the correspondent interbank account.

During the weekend of 8-9 December 2012, the IT migration of the 35 branches and the accounts linked to the sale was successfully completed; all customers involved had been informed of this in November 2012, with a view to limiting any possible inconvenience.

The bank branches have been reorganised within the scope of the Banco Popolare Group as follows:

- 10 branches to the BPV-SGSP Division (of which 3 branches located in the province of Verona, 2 branches in the province of Treviso, 2 branches in the city of Bologna, 1 branch in the city of Padua, 1 branch in the city of Vicenza and 1 branch in the city of Mantua);
- 13 branches to the BPL Division (of which 4 branches located in the province of Cremona, 3 branches in the province of Monza-Brianza, 2 branches in the province of Milan, 2 branches in the city of Genoa and 2 branches in the city of Parma); and
- 12 branches to the BPN Division (of which 2 branches located in the province of Turin, 2 branches in the province of Milan, 6 branches in the city of Rome, 1 branch in the city of Alessandria and 1 branch in the city of Novara).

The operation has strengthened Banco Popolare's network in the areas of its historic roots, as well as, as mentioned above, led to significant savings in terms of operating expenses, due to the elimination of territorial overlaps.

In the separate financial statements of Banco Popolare, the purchase of the business segment of bank branches for Euro 69.8 million, led to accessory charges of Euro 2.5 million being booked to the income statement and the reduction of shareholders' equity by Euro 46.7 million (Euro 69.8 million represented by the purchase price paid and 23.1 million by the positive effect of the relative taxes paid in advance). Instead, there are no impacts on the consolidated income statements and shareholders' equity.

Closure of inefficient branches

During 2012, a total of 108 branches were closed, the majority of which due to territorial overlap. The customers involved in the process to simplify and optimise the branch network, whose accounts have been transferred to the closest Group branch, were properly informed in advance, with a view to avoiding any possible inconvenience or problems in the management of their accounts.

In addition, 15 new branches were opened during the year, of which 7 are equipped to provide treasury services to local authorities.

By virtue of this process to render the Group's network of branches more efficient, as at 31 December 2012, the network is comprised of 1,999 units, compared with 2,092 units as at 31 December 2011.

Full implementation of the new organisation model: the Large Cooperative Bank

In line with the plan, at the end of June 2012, the migration of the former Network Banks, incorporated into Banco Popolare at the end of 2011, to Banco Popolare's IT system was completed, without causing any problems or difficulties to customers. More specifically, migrations to the "clone target" were completed and the target organisational and territorial structure was achieved.

In addition, work was completed to give a clear-cut structure to the offices, responsibilities and tasks of Divisions, Territorial Departments and Business Areas. The organisational structure of the network was also completed, including the use of the new brand name "**Banco Popolare Siciliano**" with the installation of the relative signs and decals in over 120 branches on the island.

Overall, considerable efforts were made by the offices and the staff of Banco Popolare and SGS in this project: the project involved around 8,000 colleagues of the former Network Banks and of Banco Popolare's central offices affected by the operations, as well as 400 colleagues from SGS.

Events relating to the process to simplify corporate structure and organisation

Also in 2012, the process to simplify the corporate and organisational structure continued, through the incorporation of subsidiaries, whose existence as independent legal entities is no longer economically viable.

Incorporation of Società Gestione Crediti BP into Banco Popolare

In line with the objectives of the Project entitled "*Grande Banca Popolare*", and more specifically to permit operating synergies and cut operating costs, at a meeting held on 3 April 2012, the Board of Directors of Banco Popolare approved the merger by incorporation of Società Gestione Crediti BP (SGC BP) into Banco Popolare.

SGC BP was the Group's special purpose vehicle which, on the basis of retainer agreements, carried out credit collection of non-performing loans, manages judicial and out-of-court disputes and disputes in general associated to credit collection, as well as managing bankruptcy revocatories and positions classified as watchlist, with credit facilities that have been revoked and customers in default for Group companies.

Following the conclusion of the above-mentioned "*Grande Banca Popolare*" project, which entailed the merger by incorporation of the Network Banks into Banco Popolare, and the transfer of the shares held by Credito Bergamasco and Banca Italease to Banco Popolare (which took place in August), on the date of resolution as regards the merger, the company, whose share capital was initially held by all Network Banks, was wholly owned by Banco Popolare.

On 24 July 2012, the proposed merger by incorporation was registered with the Company Register of Lodi and Verona, following authorisation of the merger issued by the Bank of Italy on 4 July 2012.

The operation became legally effective from 1 November 2012, while accounting and fiscal effects will be backdated to 1 January 2012; as the operation regards the merger of companies that are already wholly owned, there are no impacts on the consolidated income statement or shareholders' equity.

Instead, in Banco Popolare's separate financial statements, the operation led to the elimination, from an accounting perspective, of the book value of the equity interest in SGC, of Euro 80.9 million, with the corresponding fraction of shareholders' equity of the incorporated company, leading to a positive reserve from cancellation of Euro 2.3 million.

Incorporation of Mercantile Leasing into Banca Italease

The extraordinary Shareholders' Meeting of Mercantile Leasing held on 18 April 2012 and the Board of Directors' Meeting held on 20 April resolved on the merger by incorporation of Mercantile Leasing into Banca Italease, with legal effect as of 1 June 2012; the merger agreement was signed on 25 May.

This operation has no impact on the Group's consolidated balance sheet as the incorporated company is wholly owned by Banca Italease. It has enabled savings to be made in terms of operating costs relating to the management of an independent legal entity, as well as permitting a significant rationalisation of internal organisational processes and structures.

Incorporation of Compagnia Finanziaria Ligure Piemontese into Holding di Partecipazioni Finanziarie BP

On 13 December 2012, the merger by incorporation of Compagnia Finanziaria Ligure Piemontese (Cofilp) into Holding di Partecipazioni Finanziarie BP was completed. Also in this case, the operation, which envisages backdating accounting and fiscal effects to 1 January 2012, has no impact on the shareholders' equity or income statement as the incorporated company is wholly owned by the Group.

Lastly, on 22 November 2012, the minutes of the extraordinary shareholders' meeting in which the shareholders of the subsidiaries Seri and Finert resolved to approve the merger by incorporation of Finert into Seri and the simultaneous change of the incorporating company's name to Finert, was recorded in the appropriate Company register.

This operation was concluded in January 2013, and has fiscal and accounting effect as of 1 January 2013.

Organisational rationalisation of Banca Italease

During the year, further measures to centralise activities have been implemented (e.g. Administration and Budget, Finance and Security) with a view to fully integrating Banca Italease into the Banco Popolare Group with the objective of benefiting from a more effective support and control function integrated with the Group system, as well as enjoying synergies, while exploiting existing human resources to their best advantage.

Furthermore, several measures have been implemented on the organisational structures of Banca Italease S.p.A. (regarding specifically the Legal, Compliance and General Affairs Service, the Resources and Services Service, the Operations service and the

Credit Service), and on those of Release S.p.A. and IGB S.p.A. with a view to making the structures more efficient and to enhancing cost control, at the same time safeguarding the effectiveness of support processes and risk management.

Events relating to the management of investments in associates and companies subject to joint control

Sale of the subsidiary Auto Trading Leasing IFN

On 6 December 2012, Banco Popolare and Holding di Partecipazioni Finanziarie BP sold their entire equity investment, corresponding to 100 per cent of share capital, in Auto Trading Leasing IFN to APS Holding SE, a Czech company belonging to the private equity company Slavia Capital, and to its subsidiary APS Romania S.r.l.

The sale was made at a price of Euro 452 thousand.

Sale of associated companies

At a meeting held on 12 June 2012, the Board of Directors of Banco Popolare resolved on the partial disposal of the shareholding held in Arca SGR. The operation regarded 4,188,000 shares, corresponding to 8.376 per cent of share capital and became official on 26 June at a price of Euro 2.70 per share, for a total of Euro 11.3 million.

The disposal reduced the share held by the Group to 19.9 per cent, and led to the removal of the investee, previously carried at equity, from the scope of consolidation, and the recognition of the residual interest under "*Financial assets available for sale*".

The above operation had a positive impact on the consolidated income statement for the period, of a total of Euro 1.5 million, which includes, in addition to the profit of Euro 4.3 million, the contribution of the investee in terms of the pertinent share of the same up until the date of the disposal, corresponding to minus Euro 2.8 million.

The overall effect recorded in the income statement of Banco Popolare, net of taxes, was around Euro 8 million.

Furthermore, in December 2012, Banco Popolare sold its shareholding in the associated company Cores Costruzioni Residenziali, corresponding to 32.5 per cent of share capital.

This operation, completed for a price of Euro 150 thousand, led to the removal of the equity investment, carried at equity, from the scope of consolidation, without any significant impact on the Group's balance sheet or on Banco Popolare's separate financial statements.

Conclusion of liquidation of subsidiary and associated companies

During 2012, the liquidation procedures of the following subsidiary companies were completed:

- B.P.I. International (UK);
- Istituto Pisano Leasing S.p.A.;
- Tirrena Professional Factor S.p.A.; and

- Acque Minerali Riunite S.p.A.

As regards associated companies, liquidation procedures for Portone Soc. Cons. a r.l. and Novara Promuove S.r.l. were completed and the same were removed from the scope of consolidation.

The completion of the liquidation operations and the consequent exclusion from the scope of consolidation of the investments did not have any significant impact on the income statement for the year insofar as the consolidated book value was substantially aligned to the amounts received for the liquidation.

Popolare Vita: consequences of Unipol taking control of the Fondiaria-SAI Group

Banco Popolare has a "bancassurance" agreement in place with Fondiaria-SAI for several years regarding the production and distribution of life insurance policies, an agreement which is managed by Popolare Vita S.p.A. and its subsidiary company Lawrence Life Assurance Company Limited.

The shareholders' agreement signed by Banco Popolare and Fondiaria-SAI S.p.A. on 7 September 2007 grants Banco Popolare an option to purchase the controlling interest of the associated company Popolare Vita, which is currently held by Fondiaria-SAI S.p.A. in the event that there is a change in the shareholding structure of Fondiaria-SAI.

On 19 July 2012, following the subscription by UGF of the share capital increase of Premafin, Unipol gained control of Premafin and therefore also of the Fondiaria-SAI group. As a direct consequence of the same, Banco Popolare had the opportunity to exercise its option to acquire the controlling interest of Popolare Vita currently held by Fondiaria-SAI, conditional to the approval of the Regulatory authorities (Bank of Italy, Ivass and AGCM).

Based on the valuations made, the Group decided to waive the exercise of the cited call option and to give continuity to the joint venture in its current configuration.

Agreement to supplement and amend the call option contracts on Credito Bergamasco shares

On 31 January 2012, Banco Popolare and the Cassa di Risparmio di Lucca Foundation extended the term of the two call options granted by the Foundation to Banco Popolare on 5 July and 21 September 2010 on a total of 7,136,711 shares of Credito Bergamasco, corresponding to 11.562 per cent of the share capital.

The call options may be exercised by Banco Popolare by 30 June 2013. The parties also agreed that Banco Popolare may exercise the call option on one or more occasions, on all or also only a part of Credito Bergamasco shares.

Investment in the share capital of Agos Ducato S.p.A.

The results achieved by the associated company in 2012 substantially reflect the economic situation of the consumer credit industry as well as difficulties relating to the shareholding structure, where Crédit Agricole is the majority shareholder and Banco Popolare is the minority shareholder.

On 24 April 2012, Agos Ducato was informed of the results of the inspection conducted by the Bank of Italy. The associated company set in place a series of interventions in

order to comply with the recommendations of the Supervisory Body. In terms of capital requirements, in order to reach the objective indicated as an overall capital index of 7 per cent, the company resolved a share capital increase of a total of Euro 235 million, which was concluded on 28 June 2012. Banco Popolare fully subscribed its share for a total of Euro 91.6 million.

On the date of preparation of the financial statements of Banco Popolare as of 31 December 2012, the associated company had not prepared its draft financial statements as at 31 December 2012. In a situation of uncertainty due to the lack of information needed to conduct the standard valuation of the shareholding based on the equity method, Banco Popolare's consolidated financial statements include the relevant share of the result for the year of the associated company, as stated in correspondence from the same provided for the purpose of drawing up the interim report on operations as at 30 September 2012. More specifically, the consolidated income statement has suffered from the impact of its share of the losses recorded by the associated company as at 30 September 2012 totalling Euro 116.3 million. Said loss includes:

- the adjustment of the valuation at net equity made at the time of preparation of the financial statements as at 31 December 2011 of Euro 67.6 million. Following the approval of the Interim report on operations at 31 March 2012, the Board of Directors of the associated company, exercising the right to extension envisaged by art. 2364, paragraph 2 of the Italian Civil Code, prepared new draft financial statements as at 31 December 2011, which were approved by the Shareholders' Meeting on 28 June 2012. The Financial Statements of Agos Ducato as at 31 December 2011 closed with a loss for the period of Euro 120.8 million, compared with the net profit of Euro 52.8 million recorded in the draft financial statements approved by the Board of Directors of Agos Ducato, used for the purposes of valuation at net equity when the consolidated financial statements of the Banco Popolare Group as at 31 December 2011 were drawn up; and
- the share of the loss recorded by the associated company for the first nine months of the year was Euro 48.7 million. The loss resulting from the latest balance sheet and income statement prepared by the associated company and provided to shareholders amounts to Euro 125.9 million. Based on the income statement produced by the associated company, it can be seen that main reason for this loss is the significant increase in value adjustments on loans recorded in the income statement, which in the first nine months of 2012 amounted to Euro 639.2 million.

The risk linked to the investment in the associated company was assessed by means of the impairment test conducted on the value of the shareholding based on information currently available. In this regard, it is worth noting that even though a business plan was presented by Agos Ducato management and approved by the associated company's Board of Directors in July 2012 and relates to 2012-2016, it has been acknowledged that the management and controlling company believe that the income flows inferred in the same are to be considered as exceeded in the light of the process to revise economic forecasts currently under way. Without a new business plan approved by the management body of the associated company, the impairment test was conducted on the basis of the most recent information acquired on performance in the fourth quarter of the year and on the basis of the most recent economic-financial forecasts drawn up by the management of Agos Ducato as part of the process to revise the previously

mentioned business plan. The results of the assessments conducted in this way led to the need to charge a value adjustment of the investee company to the income statement of Euro 399.5 million, of which around Euro 100 million relates to the estimated loss of scope of Banco Popolare in the fourth quarter of the year, which, in any event, does not take into account any impairment relating to the goodwill recorded in the financial statements of the associated company. This write-down represents the best estimate of the risk relating to the equity investment based on information currently available.

On the basis of the assessments made and illustrated above, the investee company is now recorded in the consolidated financial statements as at 31 December 2012 for the value of Euro 382.4 million.

The events illustrated above were mostly unexpected by Banco Popolare. Note in this regard that the investee company, prior to the approval of the 2012-2016 business plan mentioned above, had regularly conducted impairment testing of its intangible assets with an indefinite life, amounting to Euro 862.5 million. The impairment test conducted, also sustained by the approval of an external expert, had not indicated the need to write down said assets. Also the impairment test on the value of the investee company recorded in the financial statements of Banco Popolare, conducted starting from the same information, had not indicated the need for any write-downs.

Other events in the period

Authorisation obtained from the Supervisory Authority to adopt internal models to measure credit risk and market risk.

On 18 May 2012, Banco Popolare received the authorisation of the Supervisory Body which allows the Group to adopt its own internal models to measure credit risk and market risk from 30 June 2012.

In terms of credit risk, the authorisation regards the advanced internal rating models (PD, for both monitoring and acceptance, and LGD) regarding loans to corporate and retail customers of Banco Popolare and Credito Bergamasco. With regard to market risk, the scope of application of the internal models is represented by the generic and specific risk of equity instruments, by the generic risk of debt securities and by the risk relating to UCIT units generated in the trading portfolio of Banco Popolare and of Banca Aletti.

As envisaged by regulations, in the provisions of its authorisation, the Supervisory Authority indicated the minimum consolidated level of capital requirement against credit, market, counterparty and operational risks as 85 per cent (floor) of the capital requirement calculated according to the provisions of the Supervisory Instructions for banks in force up until 2006 (so-called "**Basel I**").

Please see the section containing comments on the results for the period for a more detailed illustration of this topic.

Offer to sell Group Tier 1 and Tier 2 securities to Banco Popolare

On 6 February 2012, Banco Popolare formally invited the holders of Tier 1 and Tier 2 financial instruments of the Group to submit offers to sell the same to Banco Popolare.

The justification for the repurchase operation can be found in the economic terms offered under the same with respect to the book value of the financial instruments involved, as well as in the fact that they will no longer be included in the calculation of regulatory capital when the changes in regulations known as "**Basel III**" come into force. The operation, authorised by the Bank of Italy on 6 February, was concluded on 15 February 2012, namely the deadline by which holders of the securities could submit the offer to sell, with a settlement date of 20 February 2012.

The securities covered by the offer to sell are shown in the following table:

Description of the instruments	ISIN	Purchase price (as % of the nominal value)	Nominal value accepted for purchase (in thousands of Euro)	Residual nominal value after the settlement date (in thousands of Euro)
Perpetual Step-Up Subordinated Fixed/Floating Rate Notes issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a r.l.)	XS0304963290	70.0%	192,650	76,800
Perpetual Non Step-Up Subordinated Fixed/Floating Rate Notes issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a r.l.)	XS0304963373	71.0%	140,200	138,350
Non-cumulative Guaranteed Floating Rate Perpetual Trust Preferred Securities issued by Banca Italease Capital Trust	XS0255673070	43.0%	78,999	66,001
Non-cumulative Guaranteed Fixed/Floating Rate Perpetual Trust Preferred Securities issued by Banca Popolare di Lodi Investor Trust III	XS0223454512	78.0%	126,883	360,182
Lower Tier II Subordinated Callable Floating Rate Notes due June 2016 issued by Banca Italease S.p.A.	XS0259400918	75.0%	10,505	66,021
Lower Tier II Subordinated Callable Step-up Floating Rate Notes due June 2016 issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a r.l.)	XS0256368050	78.0%	70,100	165,400
Lower Tier II Subordinated Callable Step-up Floating Rate Notes due November 2016 issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a r.l.)	XS0276033510	78.0%	10,500	157,900
Lower Tier II Subordinated Callable Step-Up Floating Rate Notes due February 2017 issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a r.l.)	XS0284945135	76.0%	56,750	124,150
Lower Tier 2 Subordinated 5.475% Fixed Rate Notes due November 2016 issued by Banco Popolare Soc. Coop.	XS0464464964	89.0%	32,396	286,004
Lower Tier II 6.00% Subordinated Notes due November 2020 issued by Banco Popolare Soc. Coop.	XS0555834984	91.0%	218,473	731,327
Lower Tier II Subordinated 6.375% Fixed Rate Notes due May 2021 issued by Banco Popolare Soc. Coop.	XS0632503412	90.5%	263,669	337,072
Upper Tier II 4.625% Subordinated Instruments due March 2015 issued by Banco Popolare Soc. Coop. (formerly Banca Popolare di Lodi S.c.a	XS0215451559	90.0%	6,030	292,294

Description of the instruments	ISIN	Purchase price (as % of the nominal value)	Nominal value accepted for purchase (in thousands of Euro)	Residual nominal value after the settlement date (in thousands of Euro)
--------------------------------	------	--	--	---

r.l.)

On the settlement date, the holders of the securities were paid a cash amount, calculated in percentage terms with respect to the relative nominal value. With the exception of the Banca Italease Preferred Securities, on which no interest was paid, the holders of the securities accepted for the purchase received the interest accrued between the last interest payment date and the settlement date of the invitation.

The above operation had a positive impact of around Euro 109.9 million, before the relative tax effect, on the consolidated income statement. The impact includes the gain on repurchasing the securities and the positive effect generated by terminating the derivative contracts entered to hedge interest rate risk.

In the separate financial statements of Banco Popolare, the positive impact on the income statement for the year was Euro 54.6 million, relating to the repurchased share of securities issued by the same.

Banca Italease - Derisking process

Negotiations with the leading debtors continue, aimed at closing the default positions or restoring them to performing status. In 2012, in particular, the following events took place:

Relations with main debtors

- early extinguishment on Release of one position, previously classified as watchlist, amounting to around Euro 13 million;
- repossession, through the exercise of *datio in solutum*, of five properties for a total value of Euro 12.1 million;
- re-release of a property for Euro 47.9 million to a new counterpart, with the release of provisions of Euro 13 million, net of the transfer to losses of Euro 4.2 million. This position was previous classified as a non-performing loan;
- reclassification to performing from restructured of a position worth Euro 41.9 million, with a positive impact of Euro 0.9 million; and
- reclassification to performing from watchlist of two positions worth Euro 64 million, with a positive impact of Euro 2.7 million.

Sales

- sale of a boat, previously recorded under IFRS 5 in December 2011, for Euro 5.4 million, associated to Release and previously belonging to a counterpart of the Coppola Group, without an impact on the income statement;
- sale of a boat associated to Release and previously belonging to a counterpart of the Di Mario Group for Euro 4.35 million, with a gain of Euro 0.8 million;

- sale of a property associated to Release and recorded under IFRS 5, previously the subject of a repossession through *datio in solutum* for Euro 20.1 million;
- sale of a property for Euro 2.1 million relating to a position classified as a non-performing loan, with a gross risk of Euro 2.7 million and a positive impact on the income statement of Euro 1 million due to recoveries;
- sale of a property in Pisa for Euro 2.7 million, associated to Banca Italease, with a gain of Euro 0.8 million; and
- sale of a property for Euro 0.5 million, associated to Italease Gestione Beni, with a gain of Euro 0.2 million.

Relations with the Italian Tax Authority

Banco Popolare's participation in the European Central Bank's Auction

On 29 February 2012, Banco Popolare took part in the ECB's three-yearly auction for the figure of Euro 3.5 billion, the same amount as the end-of-2011 auction, for strategic purposes and not dictated by a specific liquidity requirement.

Transfer of custodian banking activities to Istituto Centrale Banche Popolari Italiane

On 11 May 2012, Banco Popolare, Banca Popolare dell'Emilia Romagna, Banco di Sardegna, Banca Popolare di Vicenza and Banca Popolare di Sondrio signed an agreement to transfer custodian banking activities and agreement relating to the funds managed and/or promoted by Arca SGR and, in some cases, by other customers, to Istituto Centrale delle Banche Popolari Italiane (ICBPI).

More specifically, for Banco Popolare, the transfer regards custodian banking agreements relating to Arca SGR funds amounting to Euro 9 million.

After Istituto Centrale delle Banche Popolari Italiane (ICBPI) had obtained the authorisation of the competent authorities and had completed the envisaged legal procedures, on 13 July 2012, Banco Popolare, Banca Popolare dell'Emilia Romagna, Banco di Sardegna, Banca Popolare di Vicenza and Banca Popolare di Sondrio completed the transaction.

As a result of the above transfer, in the third quarter, the Group recorded a gain, before tax, of Euro 8.8 million, corresponding to the price paid on the transfer date, net of costs directly related to the transaction.

Covered bond transactions and securitisations

The Covered Bonds issue is part of the Group's strategic plan, and represents a tool to diversify sources of funding. At a meeting held on 13 December 2011, Banco Popolare's Board of Directors approved the implementation of a Commercial CB Programme, the total nominal value of which is Euro 5 billion, while in 2010, it had launched a Residential CB programme, renewed and extended from the initial Euro 5 billion to Euro 10 billion in February 2011. Under the two Programmes, Banco Popolare acts as the Issuing Bank of the CB and, following the merger of several network banks into Banco Popolare on 27 December 2011, acts jointly with Credito Bergamasco also as the Bank Assigning the assets (pursuant to art. 7-bis of Italian Law no. 130 of 30 April

1999) and as Lending Bank. The Programmes are implemented through the assignment of receivables against payment, en bloc and without recourse to BP Covered Bond S.r.l.

Under the Commercial CB programme, the overall value of the receivables sold to BP Covered Bond S.r.l. was around Euro 1.7 million as at 31 December 2012. On 20 January 2012, Banco Popolare issued the first series of CB under the Commercial CB Programme for a figure of Euro 900 million; it is a floating rate "soft bullet" CB (3m Euribor + 120 bps), due date of interest as 20 January 2012, maturity on 31 March 2014, issue price of Euro 100. On 30 March 2012, Banco Popolare issued the second series of CB for a nominal value of Euro 800 million; it is a floating rate "soft bullet" CB (3m Euribor + 120 bps), due date of interest as 30 March 2012, maturity on 31 March 2014, issue price of Euro 100.

The Commercial CB Programme has been structured as unrated; in this case, the rating assigned to the CB issued is equal to the corporate rating of Banco Popolare on the relative issue date. The bonds, listed on the Luxembourg Stock Exchange, were entirely subscribed by Banco Popolare and used as collateral in ECB refinancing operations.

Under the Residential CB programme, the overall value of the receivables sold to BP Covered Bond S.r.l. was around Euro 10.2 billion as at 31 December 2012. Overall, the bonds issued by Banco Popolare under this programme as at 31 December 2012 correspond to Euro 7.3 billion; the bonds are listed on the Luxembourg Stock Exchange and the rating assigned by Fitch, as part of the annual review of Italian Covered Bond Programmes and with relation to the national economic and financial scenario, was downgraded from "AAA" to "BBB+", while the Moody's rating changed from "Aa2" to "A2".

With regard, instead, to securitisation transactions, note that in December 2012, the first stage of the BPL Mortgages 5 securitisation transaction, launched in November 2012 through the assignment to the special purpose vehicle BPL Mortgages S.r.l. of a first portfolio of residential mortgage loans originated by Banco Popolare and Credito Bergamasco ("**Originator Banks**") was completed. This transaction is structured so as to take place in two separate stages: (i) a stage in which against the assignment of an initial portfolio, the special purpose vehicle issued securities for a principal corresponding to the amount of the initial portfolio assigned, and (ii) a subsequent stage in which, against the assignment of a further two portfolios, the same special purpose vehicle may increase the principal amount of the securities already issued with a "partly paid" structure. To fund the purchase of the first portfolio, on 21 December 2012, the special purpose vehicle issued the following securities: class A securities ("**Senior Notes**") with a legal maturity of 31 October 2058, with a rating and listed on the Irish Stock Exchange for an amount corresponding to Euro 1.7 billion and class B securities ("**Junior Notes**"), without a rating, for the amount of Euro 800.6 million. Both classes of notes were subscribed, to an extent proportional to the portfolio assigned, by the Originator Banks. The Senior Notes, following the declaration of allocatability obtained in January 2013, are used for refinancing operations with the European Central Bank. The assignment of the second portfolio of receivables is envisaged by the end of the first quarter of 2013 and subsequent to said assignment, the special purpose vehicle will increase the outstanding amount of the securities already issued in December 2012.

Purchase of treasury shares

At the Shareholders' Meeting of Banco Popolare held on 21 April 2012, amongst other resolutions, the same approved the proposal submitted by the Board of Directors regarding the purchase of treasury shares, in accordance with the timing and procedures envisaged by legislation in force, in order to sustain the liquidity of the shares and to facilitate smooth trading based on permitted market practices recognised by Consob.

The resolution regarded the purchase, in one or more tranches, of treasury shares, limited to a maximum amount of available reserves corresponding to Euro 50 million and for a number of shares in the portfolio that does not exceed 2 per cent of the shares representing share capital. Authorisation to purchase treasury shares, granted without any time constraint, is effective until approval of the 2012 financial statements.

As at 31 December 2012, no treasury share purchases have been made to sustain the liquidity of the same.

Allocation of shares to executive members of the Board of Directors and to key Group executives

The Shareholders' Meeting of Banco Popolare held on 21 April 2012 also approved, in accordance with current legislation, a share allocation plan addressed to executive members of the Board of Directors and to key Group executives, namely the category of the most important staff according to the relevant provisions of the Bank of Italy.

The plan envisages the assignment of ordinary shares to the above employees and executives of the Banco Popolare Group to the extent of at least 50 per cent of the bonus accrued following the results of the 2012 incentive system.

The Shareholders' Meeting therefore authorised the Board of Directors to purchase treasury shares, in accordance with the limitations imposed by articles 2357 and 2357-ter of the Italian Civil Code and therefore to the extent of the available reserves resulting from the last approved financial statements, and within 18 months from the date of the resolution, for a maximum counter value of Euro 3.55 million; in any event overall, up to a maximum of 2,354,000 ordinary Banco Popolare shares, again in observance of the limit set forth in article 2357, paragraph 3 of the Italian Civil Code.

The purchases of the treasury shares will be made according to the terms and procedures prescribed by current legislation.

Allocation of shares to Banco Popolare Group employees

The Banco Popolare's Shareholders' Meeting held on 21 April 2012 also approved, in accordance with current legislation, the Share Allocation Plan, as the portion of the company bonus for 2011, addressed to the majority of the employees of the Banco Popolare Group companies which apply the national collective labour agreement (CCNL) in the credit sector.

The plan envisages that the afore-mentioned employees may request payment of all or part of the bonus, and in any event up to a maximum of Euro 2,065.83, through the allocation of ordinary Banco Popolare shares.

The Shareholders' Meeting therefore authorised the Board of Directors to purchase treasury shares, in accordance with the limitations imposed by articles 2357 and 2357-ter of the Italian Civil Code and therefore to the extent of the available reserves resulting from the last approved financial statements, for a maximum quantity corresponding to the total portion of the company bonus that may be paid in shares, corresponding to Euro 39,250,770, in any event overall, up to a maximum of 24,577,815 ordinary Banco Popolare shares (which represent in total 1.39 per cent of share capital), again in observance of the limit set forth in article 2357, paragraph 3 of the Italian Civil Code.

The authorisation to purchase treasury shares to support said plan has been requested for a maximum period of 18 months.

Between 11 and 22 June 2012, 2,200,000 ordinary Banco Popolare shares were purchased for a total investment of Euro 2.1 million.

Agreement signed for access to the Solidarity Fund

On 1 December 2011, an agreement was signed with the Trade Unions regarding access to the Solidarity Fund for 301 resources.

As a result of the reform, which has changed the parameters for access to pensions, the 132 employees who confirmed their intention to subscribe to the Solidarity Fund, as still fulfilling requirements all left the company in 2012. Subsequently, given the evolution of the reference legislative framework and the agreement signed with Trade Union organisations on 10 October 2012, a further 128 resources have been granted access to the Solidarity Fund, and left the company before 31 December 2012.

Strengthening Banco Popolare's Management

At a meeting on 15 May 2012, the Board of Directors resolved to strengthen the Management structure of Banco Popolare, by improving the current organisational model and repositioning several of the Group's top managers.

With a view to improving the Group's coordination processes, a new department, reporting to the General manager, called Planning, Equity Investments and Research was established and entrusted to Maurizio Di Maio. Special Projects will also report to this department.

At the same time, with a view to strengthening the management of commercial processes, the Commercial Department was established, reporting to the Joint General Manager, headed up by the Chief Commercial Officer, Pietro Gaspardo. The Retail and Corporate Departments will be included in the same.

As part of the improvement of the organisational structure of Banco Popolare, the Communications Department was also created, reporting to the Managing Director.

Change in corporate offices

The Shareholders' Meeting of Banco Popolare held on 21 April 2012 elected Angelo Benelli as a member of the Board of Directors until the approval of the financial statements for the year ending 31 December 2013. Mr Benelli had already been co-

opted to the Board of Banco Popolare, following the resignation of Roberto Romanin Jacur.

Significant Events after the End of Year

Illustrated below are the most significant events occurred between the date of the financial statements and the approval of the draft financial statements by the Board of Directors.

Reorganisation project of the real estate segment

As part of the wider Group reorganisation and streamlining process, the project to reorganise the real estate segment started in the first few months of 2013. The Board of Directors' meeting of 26 February 2013 resolved to proceed with the merger by incorporation of Immobiliare BP and Braidense Seconda into the subsidiary Bipielle Real Estate.

The operation, which would be implemented through a simplified procedure because the companies involved are wholly owned by Banco Popolare, will be finalised by the first half of 2013, with the accounting and fiscal effects backdated to 1 January 2013, and will have no impact on the balance sheet and the consolidated capital ratio.

At the same time, it was agreed that the investment held in TR Toscana Resort would be transferred from Banco Popolare to Bipielle Real Estate, to guarantee a professional management of the real estate assets and to optimise their financial management.

As a result of this sale, which will be finalised at a price determined on the basis of an external appraisal, TR Toscana Resort will be considered, within the Group, as an SPE into which the real estate resulting from datio in solutum operations will converge.

Merger between Group companies

As described in the section "*Significant events during the year*", on 29 January 2013 the merger by incorporation of FINERT into the parent company SERI was finalised through the registration of the merger deed on the Company Register while, at the same time, changing the name of the merging company from SERI to "*FIN.E.R.T. Finanziaria Esattorie Ricevitorie Tesorerie S.p.A.*" in Liquidation.

The transactions of the incorporated company will be entered in the financial statements of the merging company starting from 1 January 2013. The fiscal effect also start from the same date.

The merger, which took place without any exchange ratio or cash payment, led to the disappearance of the incorporated company and, at the same time, its exit from the scope of consolidation of the Banco Popolare Group.

Conclusion of liquidation of Group companies

Following the completion of the liquidation procedure for Eurocasse Sim, in which Banco Popolare has an investment of 20.981 per cent, in January 2013 the company was removed from the Company Register. The removal from the scope of consolidation of the investee company, previously valued under equity, will not have an impact on the consolidated income statement.

Covered bond transactions and securitisations

With regards to the covered bond transactions, the sale of an eighth portfolio of suitable assets for the Residential CB Programme was finalised on 31 January 2013. This portfolio has a total residual debt of approximately Euro 800 million and consists in part of monetary receivables relating to mortgage loans from the unwinding of the BPL Mortgages 4 transaction and in part of residential mortgage and landed loans originated by the assigning banks. To honour the purchase price, Banco Popolare utilised the disbursement of the seventh tranche of the subordinated revolving loan granted by the assigning banks.

On 16 February 2013, the assigning banks sold a third portfolio of suitable assets for the Commercial CB Programme with a residual debt of approximately Euro 1.1 billion, consisting in part of monetary receivables from the unwinding of the BPL Mortgages 4 transaction and in part of further mortgage and landed, commercial and residential loans originated by the assigning banks. To honour the purchase price of the third portfolio, Banco Popolare will utilise part of the liquidity available and in part through the disbursement of a third tranche of the subordinated revolving loan granted by the assigning banks. The sold portfolio will be mainly used to create the over-securitisation required to obtain the rating from Moody's on the covered bonds issued as part of the programme.

With regards to the securitisations segment, it is worth highlighting that on 28 January 2013 Banco Popolare and Credito Bergamasco repurchased the mortgage loans underlying the securitisation carried out through the Special Purpose Entity BPL Mortgages in July 2009 ("**Residential and Commercial 2009**"). BPL Mortgages repaid the securities issued early in the interest payment date of 8 February 2013.

On 22 February 2013, Banco Popolare and Credito Bergamasco sold to the Special Purpose Entity BPL Mortgages two loan portfolios from landed, mortgage, agricultural and unsecured loans that the SPE purchased in block and without recourse, a portion of which (other than the unsecured loans) derives from the unwinding of the BPL Mortgages 4 transaction. The residual debt of the loans included in the Portfolio amounts to approximately Euro 5.2 billion and the related purchase price will be settled at the issue date of the securities.

Closing of the tax inspection regarding Banca Aletti

The tax inspection of Banca Aletti that the Regional Headquarters of the Finance Police started in February 2011, was completed on 21 February 2013. The inspection involved the single stock futures (listed derivatives that take the value of a single stock, equally listed, as reference) and, only residually, share loans transactions carried out between 2005 and 2009, i.e. those transactions linked to the shares falling into the typical investment banking activity. The outcomes of the inspection were provided in two reports on findings.

In the first formal report, notified in 2011 and referring only to 2006, the inspectors alleged that the single stock futures transactions carried out by the bank in its own name had an illicit purpose perpetrated by the market counterparty not resident in Italy, i.e. to avoid applying the 27 per cent withholding tax on the dividend of the share making up the underlying of the aforesaid futures. The Lombardy Regional Directorate, having taking note of the allegations made by the Finance Police inspectors, qualified them

differently, without prejudice to the presumed illicit purpose, and submitted to the bank two payment orders, one for Euro 17.6 million for failing to apply the tax withholdings and Euro 26.4 million in sanctions plus interest. Despite being convinced that the payments requests were groundless, in order to diffuse the situation the bank attempted a settlement, which was unsuccessful as the inspection by the Finance Police had not yet been completed. As a result, the bank appealed with the Milan Provincial Tax Commission and, once the inspection had terminated, initiated the procedure for a court settlement.

In the second formal report, notified on 21 February 2013 and referring to the period from 2005 to 2009, the inspectors once again alleged that the single stock future transactions and, for 2008, the share loan transactions with non-resident counterparties were carried out with the purpose of avoiding taxes. In relation to this, the inspectors made a series of claims around tax withholdings, direct taxes and tax receivables applied abroad. If these findings were to be held up by the Lombardy Regional Directorate, which is responsible for the preliminary investigation of the claims by the Finance Police and issuing any resulting payment orders, the tax bill could amount to Euro 283.0 million for failure to apply tax withholdings, Euro 42.5 million for IRES and IRAP and Euro 114.7 million for receivables not due for taxes paid abroad, in addition to any potential sanctions and interest.

Both the findings reported in the notice of assessment and in the formal written notice regarding 2006 and, even more so, the contents of the formal report on findings notified at the end of February 2013 appear groundless because the claims of a presumed "**legal infringement**" alleged by the Finance Police is based on mere presumptions, if not on assumptions. Moreover, the findings failed to take into account factual circumstances and technical elements. In the light of the above, on the basis of the information currently available, and with the support of an authoritative external opinion, we believe that the potential liability arising from the reports mentioned above should be considered as possible but unlikely. Despite being certain that the actions undertaken were legitimate and confidence of the groundlessness of the claims, the possibility of finding a potential settlement of the dispute with the Inland Revenue, as customary in such circumstances, was taken into account before the notification of the first formal written notice. This is because a settlement out of court is considered preferable to the decision to face the costs, the lengthy procedure and the unavoidable uncertainties of a court dispute.

Offer to sell Group Tier 1 and Tier 2 securities to Banco Popolare

On 16 May 2013, Banco Popolare formally invited the holders of Tier 1 and Tier 2 financial instruments of the Group to submit offers to sell the same to Banco Popolare.

The aforementioned invitation for the securities was made with the objective to rebalance the regulatory capital composition of Banco Popolare and of the Group, in view of the regulatory developments provided under the Basel III standard. The operation, authorised by the Bank of Italy on 26 April 2013, was concluded on 24 May 2013, namely the deadline by which holders of the securities could submit the offer to sell, with a settlement date of 30 May 2013.

The securities covered by the offer to sell are shown in the following table:

<u>Description of the instruments</u>	<u>ISIN</u>	<u>Purchase price (as % of the nominal value)</u>	<u>Series Acceptance Amount (in thousands of Euro)</u>	<u>Residual nominal value after the settlement date (in thousands of Euro)</u>
Perpetual Step-Up Subordinated Fixed/Floating Rate Notes issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a.r.l.)	XS0304963290	66.5%	21,600	51,450
Perpetual Non Step-Up Subordinated Fixed/Floating Rate Notes issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a.r.l.)	XS0304963373	66.0%	16,600	104,950
Non-cumulative Guaranteed Floating Rate Perpetual Trust Preferred Securities issued by Banca Italease Capital Trust (the " Banca Italease Preferred Securities ")	XS0255673070	40.0%	12,979	17,505
Non-cumulative Guaranteed Fixed/Floating Rate Perpetual Trust Preferred Securities issued by Banca Popolare di Lodi Investor Trust III	XS0223454512	86.0%	105,840	248,192
Lower Tier II Subordinated Callable Floating Rate Notes due June 2016 issued by Banca Italease S.p.A.	XS0259400918	91.0%	29,280	34,741
Lower Tier II Subordinated Callable Step-up Floating Rate Notes due June 2016 issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a.r.l.)	XS0256368050	91.75%	55,050	109,600
Lower Tier II Subordinated Callable Step-up Floating Rate Notes due November 2016 issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a.r.l.)	XS0276033510	90.75%	20,200	137,700
Lower Tier II Subordinated Callable Step-Up Floating Rate Notes due February 2017 issued by Banco Popolare Soc. Coop. (formerly Banco Popolare di Verona e Novara S.c.a.r.l.)	XS0284945135	92.0%	30,400	81,650
Lower Tier 2 Subordinated 5.473% Fixed Rate Notes due November 2016 issued by Banco Popolare Soc. Coop.	XS0464464964	105.25%	131,002	151,502

On the settlement date, the holders of the securities were paid a cash amount, calculated in percentage terms with respect to the relative nominal value. With the exception of the Banca Italease Preferred Securities, on which no interest was paid, the holders of the securities accepted for the purchase received the interest accrued between the last interest payment date and the settlement date of the invitation.

The above operation has generated an estimated aggregate total positive impact on the consolidated profit and loss account equal to 30 million Euros, net of the associated tax effects. The impact includes the gain on repurchasing the securities, the positive effect resulting by terminating the derivative contracts entered into to hedge the interest rate risk and the estimated savings in terms of interest expense to be charged to the profit and loss account for the financial year 2013.

TAXATION

REPUBLIC OF ITALY

The following is a general overview 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 overview is based upon tax laws and practice of Italy in effect on the date of this Base Prospectus which are subject to change potentially retroactively. Prospective Noteholders should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.

Italian Tax Treatment of the Notes – General

Italian Legislative Decree No. 239 of April 1996, as amended and supplemented ("**Decree No. 239**") regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to Notes that qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

Taxation of Interest arising in the hands of Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that fall within the definitions set out above are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent. (either when Interest is paid or when the relevant payments thereof are obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of the relevant payment of Interest, and is:

- (a) an individual holding Notes otherwise than in connection with an entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime (i.e. the Discretionary Investment Portfolio Regime) pursuant to Article 7 of the Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**"); or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations; or

- (c) a private or public institution not carrying out commercial activities; or
- (d) an investor exempt from Italian corporate income taxation.

All the above categories are usually referred as "net recipients".

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as an advance income tax; Interest deriving from the Notes is included in the taxable income and *imposta sostitutiva* suffered may be deducted from the tax due.

Pursuant to Decree No. 239, the 20 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio*, stockbrokers and other qualified entities resident in Italy (the "**Intermediaries**", and each an "**Intermediary**"), or by permanent establishments in Italy of foreign banks or Intermediaries, who are required to act in connection with the collection of Interest or in the transfer or disposal of Notes, including in their capacity as transferees.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld by any Italian bank or any Italian Intermediary paying Interest to the Noteholder or, alternatively, by the Issuer.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above in "Italian Tax Treatment of the Notes — General" are not subjected to the 20 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 ("**Pension Fund**"), Italian resident real estate investment funds established after 26 September 2001 pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 and Article 14-bis of Law No. 86 of 25 January 1994, or in any case subject to the tax treatment provided for by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 ("**Real Estate Investment Funds**"); and
- (iii) Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Discretionary Investment Portfolio Regime (Regime del *Risparmio gestito*).

Such categories are usually referred as "gross recipients".

In particular please consider the following:

- (a) where the Noteholder is an Italian open-ended or a closed-ended investment fund or a SICAV, a withholding tax of 20 per cent. will be levied on proceeds

distributed by the fund or the SICAV or received by certain categories of unitholders upon redemption or disposal of the units;

- (b) where the Noteholder is an Italian Pension Fund, Interest in respect of Notes 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.

To ensure payment of Interest in respect of the Notes without the application of the 20 per cent. *imposta sostitutiva*, gross recipients must be the beneficial owners of payments of Interest on the Notes and deposit the Notes, together with the coupons relating to such Notes, in due time directly or indirectly with an Italian authorised financial Intermediary (or permanent establishment in Italy of a foreign intermediary).

Where the Noteholder is an Italian resident corporations, or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, are entitled to deduct *imposta sostitutiva* suffered from income taxes due. More in details, Interest accrued on the Notes would be included in the taxable income subject to corporate income tax (and in certain circumstances, depending on the "status" of the Noteholder, also in the taxable income for purposes of regional tax on productive activities) in accordance with ordinary tax rules.

Taxation of Interest arising in the hands of Non-Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer falling within the definitions set out in "Italian Tax Treatment of the Notes – General" above and paid to non-Italian resident Noteholders with no permanent establishment in Italy to which the Notes are effectively connected will not be subject to *imposta sostitutiva* at the rate of 20 per cent., **provided that**:

- (a) such Noteholders are the beneficial owners of the Interest payments received under the Notes;
- (b) such Noteholders are resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a the Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917; and
- (c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to: (i) international entities and organisations set up in accordance with international agreements which have entered into force in Italy (so called "supranational entities and organisations"); (ii) central banks or entities also authorised to manage the official reserves of a state; or (iii) "professional investors" (e.g., investment funds, pensions funds, etc.) established in any of the countries listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917, even if they do not qualify as

"persons" in their own country of establishment under the relevant double taxation treaties.

To ensure payment of Interest in respect of the Notes without the application of 20 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (a) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (b) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that the Noteholder is a resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the Economy and Finance of 12 January 2001, as amended and supplemented, is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and central banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments made to a non-resident Noteholder.

Should the above exemptions not be applicable, non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of the 20 per cent. *imposta sostitutiva* (generally to 10 per cent., or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Notes that qualify as atypical securities

Notes that do not qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44, paragraph 2, lett. c) of Decree No. 917 are characterised for Italian tax purposes as "atypical securities". Pursuant to Article 44 of Decree No. 917, securities can be qualified, for income tax purposes, as *titoli similari alle obbligazioni* (securities similar to bonds) only to the extent that they incorporate an unconditional obligation to pay at maturity or upon redemption (to the Noteholder) an amount not less than therein indicated without providing any right to the Noteholders to participate in, or to control, the activity carried on by the Issuer.

Income of any kind, including interest and any sum paid to the Noteholders at maturity in excess over the issue price and relating to Notes characterised as "atypical securities" are subject to withholding tax levied at the rate of 20 per cent. (final or in advance,

depending on the "status" and tax residence of the Noteholder) pursuant to Article 5 of Law Decree no. 512 of 30 September 1983, converted into law with amendments by Law No 649 of 25 November 1983. More in details, where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership, or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

For the sake of completeness it is worth pointing out that non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of such 20 per cent. withholding tax (generally, to 10 per cent. or to the other applicable rates, if more favourable) under the double taxation treaty, if any, entered into by Italy and its country of residence, subject to timely filing of required documentation.

Taxation of capital gains arising in the hands of Italian resident Noteholders

Pursuant to Decree No. 461, a 20 per cent. substitute tax (hereinafter also the "**Capital Gain Tax**") applies to capital gains realised by Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof. The taxpayer may opt for one of the following three tax regimes:

- (i) *Tax Return Regime.* Pursuant to the Tax Return Regime (*Regime della Dichiarazione*), the relevant Noteholder must report on her or his annual income tax return the overall capital gains realized in each tax year, net of any incurred capital losses, and pay the 20 per cent. substitute tax together with the income tax due for the same tax year. Capital losses exceeding such capital gains may be carried forward and offset against similar capital gains realized in the four subsequent tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. This regime automatically applies if the taxpayer does not opt for the regimes described in clauses (ii) and (iii) below.
- (ii) *Non-discretionary Investment Portfolio Regime.* Pursuant to the Non-discretionary Investment Portfolio Regime (*Regime del Risparmio Amministrato*), the relevant Noteholder may elect to pay the 20 per cent. substitute tax on each capital gain realized, net of any incurred capital losses. The substitute tax is paid by the qualified intermediaries holding the Notes in deposit or in administration. A Noteholder may only opt for this regime if (x) its units are deposited with banks, SIMs or other authorized intermediaries and (y) he or she makes a written election of the Risparmio Amministrato regime. Where a particular sale, transfer or redemption of the Notes results in a net capital loss, the intermediary is entitled to deduct such capital loss from similar capital gains subsequently realized on the disposal of assets held by the investor in the same deposit account in the four years following the tax year in which the loss was realized. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. The

Noteholder is not required to report the gains on his or her annual income tax return. If the deposit relationship with the intermediary is terminated, any capital loss can be carried forward for the four years following the tax year in which the loss was realized and may be deducted against similar capital gains realized by the Noteholder under another non-discretionary investment portfolio regime or under the tax return regime.

- (iii) Discretionary Investment Portfolio Regime. Pursuant to the Discretionary Investment Portfolio Regime (Regime del *Risparmio gestito*), if the Notes are part of a portfolio managed by an Italian asset management company, capital gains will not be subject to the 20 per cent. substitute tax but will be included in the net annual result accrued under the portfolio management. This annual net accrued portfolio result, even if not realized, is subject to an ad hoc 20 per cent. substitute tax levied by the asset management company. Any investment portfolio losses accrued at year end may be carried forward against net profits accrued in the four years following the tax year in which the loss was accrued. Any investment portfolio losses accrued before 1 January 2012 may be carried forward to be offset against subsequent net profits accrued from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant losses. The Noteholder is not required to report the gains on his or her annual income tax return.

Any capital gains realised by Italian resident individuals engaged in entrepreneurial activity to which the Notes are connected. 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 income tax in Italy, according to the relevant ordinary tax rules.

Special rules apply to capital gains realised by Noteholders which are Italian resident collective investment funds and SICAVs, Italian resident pension funds referred to in Decree No. 124 and Italian resident real estate investment funds. In particular please consider the following:

- (a) where the Noteholder is an Italian open-ended or a closed-ended investment fund or a SICAV, capital gains realised on the Notes will neither be subject to Capital Gains Tax, nor to any other income tax in the hands of the relevant Noteholders; a withholding tax of 20 per cent. will be levied on proceeds distributed by the Fund or the SICAV or received by certain categories of unitholders upon redemption or disposal of the units;
- (b) where the Noteholder is an Italian Pension Fund capital gains realised on the Notes will not be subject to Capital Gains Tax, but must be included in the results of the relevant portfolio in the tax period and will be subject to an 11 per cent. substitute tax; and
- (c) where the Noteholder is an Italian Real Estate Investment Fund capital gains realised on the Notes will neither be subject to Capital Gains Tax, nor to any other income tax in the hands of the real estate fund (as such funds are exempt entities for Italian income tax purposes).

Taxation of capital gains arising in the hands of Non-Italian resident Noteholders

The 20 per cent. Capital Gains Tax may in certain circumstances be due on any capital gains realised upon sale, transfer, or redemption of the Notes, or upon the occurrence of any another event assimilated to a disposal of the Notes for Italian tax purposes, by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be in Italy. However, any such capital gains are not taxable (i.e., they are exempt from taxation) in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, irrespectively of the place in which they are held or deemed to be held.

Where the Notes are not traded on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461 and Law Decree No. 350 of 25 September 2001, non-Italian resident Noteholders that qualify for the exemption from *imposta sostitutiva* under the applicable provisions of Decree No. 239 – as described above under section "Taxation of Income – Non-Italian resident Noteholders" – are exempt from Capital Gains Tax in Italy, subject to timely filing of the required documentation; and
- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty between Italy and their country of residence providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to tax in Italy, subject to timely filing of required documentation, on any capital gains realised upon sale for consideration or redemption of Notes.

Inheritance and Gift Tax

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006 as amended by Law No. 296 of 27 December 2006, the transfers of any valuable asset (such as the Notes as well as the Shares) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000.00;
- (b) transfer in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding Euro 100,000.00; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer Tax

The transfer deed may be subject to registration tax at the fixed amount of Euro 168,00. 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 voluntary registration, in "case of use" (*caso d'uso*) or in case of cross reference in a deed, agreement or other document entered into, executed or signed by the same parties thereto and registered with the competent Registration Tax Office or in any judicial decision (*enunciazione*). "Case of use", according to article 6 of Presidential Decree No. 131 of 26 April 1986, would occur if the relevant document is deposited with a central or local government office or with a court chancery in connection with an administrative procedures.

Stamp Duty

According to Article 19 of Decree 6 December 2011, No. 201 ("Decree No. 201/2011", converted into law by Law of 22 December 2011, No. 214), a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their clients; this stamp duty applies at the rate of 0.15 per cent on the market value or – in the lack of a market value – on the nominal value or the redemption amount of any financial product. The stamp duty cannot be lower than Euro 34.20 and, for Noteholders which are not individuals, it cannot exceed the amount of Euro 4,500. The newly introduced proportional stamp duty will apply on the Notes to the extent that the Notes are held with an Italian based financial intermediary.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay a wealth tax at the rate of 0.15 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value of such financial assets held outside of the Italian territory.

Luxembourg

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes, payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This description is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

The residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in this section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

All payments of interest (including accrued but unpaid interest) or principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes,

which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005, as amended, implementing the EU Savings Tax Directive (Council Directive 2003/48/EC) and ratifying several agreements concluded with certain dependant or associated territories providing for the possible application of a withholding tax of 35 per cent. on interest or similar income paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities" as defined in article 4-2 of the EU Savings Tax Directive) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above mentioned directive (see, paragraph "EU Savings Tax Directive" below) or agreements, unless the beneficiary of such payment opts for one of the two information exchange procedures available. For a transitional period, however, Luxembourg introduced an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Tax Directive, does not comply with one of the procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. However, the Luxembourg government officially announced on 10 April 2013 that it will no longer apply the withholding tax system as from 1 January 2015, and will provide details of payment of interest (or similar income) as from this date under the European Union Savings Directive; and
- (ii) 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 savings income paid by a Luxembourg paying agent (within the meaning of the EU Savings Tax Directive) (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005, as amended, implementing the EU Savings Tax Directive).

Pursuant to the law of 23 December 2005, as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a 10 per cent. tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a state or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The 10 per cent. withholding tax (as described above) or the 10 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 tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

EU Savings Tax Directive

Under EU Savings Tax Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person (within the meaning of the EU Savings Tax Directive) within

its jurisdiction to, or collected by such a person (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity called "residual entities", within the meaning of Article 4.2. of the EU Savings Directive (the "**Residual Entities**") established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent., unless in the case of Luxembourg, the recipient of the interest payment may opt for one of the two information exchange procedures available instead of the application of the above withholding system. 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.

On 10 April 2013, Luxembourg officially announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payment of interest (or similar income) as from this date.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or Residual Entities 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 Residual Entities established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Tax Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Implementation of the EU Savings Tax Directive in Italy

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 (Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, with respect to interest paid starting from 1 July 2005 (including the case of interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU Member State or in a dependent or associated territory under the relevant international agreement (currently, Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (i.e. banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in

respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, UCITS recognised in accordance with Directive 2009/65/EC.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute "payments of interest" under Article 6 of the EU Savings Tax Directive and, as far as Italy is concerned, Article 2 of Decree No. 84. Accordingly, such payment of interest arising out of the Notes would fall within the scope of the EU Savings Tax Directive being the Notes issued after 1 March 2001.

Noteholders who are individuals and receive Interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes above, should not be due in respect of withholding tax imposed under or pursuant to the EU Savings Tax Directive, or any law implementing or complying with, or introduced in order to conform to the EU Savings Tax Directive.

The EU Savings Tax Directive provides that Austria and Luxembourg shall apply a withholding tax for a transitional period, as defined therein, unless during such period they elect otherwise. The withholding tax shall be levied at the rate of 35 per cent. The EU Savings Tax Directive provides for an exemption from the withholding tax to the extent that the beneficial owner provides the paying agent with minimum data requirements. The Noteholders should consult their tax advisers and/or the custodians with which they hold the Notes in order to carefully assess the regime to which their Notes are subject for the purposes of the EU Savings Tax Directive, depending *inter alia* on their status, the country in which they are resident for tax purposes, and the country where the relevant paying agents are established.

The proposed financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States

may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca Aletti & C. S.p.A., Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, 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 plc, Landesbank Baden-Württemberg, Mediobanca – Banca di Credito Finanziario S.p.A., Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 18 July 2013 (the "**Dealership Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America

Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealership Agreement, it will not offer, sell or, in the case of Notes in bearer form, deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each Dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on

offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act (if available).

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (1) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including

the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended from time to time) and any other applicable laws and regulations; and

- (b) in compliance with any other applicable laws and regulations requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended) or any other Italian authority.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) and, accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold, and will not, directly or indirectly offer or sell any Notes in Japan or to or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of, any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized 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 Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that (to the best of its knowledge and belief) it will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or has in its possession or distributes such offering material, in all cases at its own expense. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in this paragraph headed "General".

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this Base Prospectus.

GENERAL INFORMATION

1. Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange.
2. Notes may be issued pursuant to the Programme which will not be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.
3. The establishment and update of the Programme were authorised by resolutions of the Board of Directors of the Issuer passed on 14 May 2013. The Issuer has obtained and will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

5. Bearer Notes (other than Temporary Global Notes) and any Coupon 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 or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon 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 116 to 133 in this Base Prospectus, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

7. Except as disclosed on pages 116 to 153 in this Base Prospectus, there has been no material adverse change in the prospects of the Issuer or the Banco Popolare Group since 31 December 2012, nor has there been any significant change in the financial or trading position of the Issuer or the Banco Popolare Group which has occurred since 31 March 2013.
8. Each of Fitch Italia - Società Italiana per il Rating S.p.A., Moody's Investors Service Ltd and Standard & Poor's Credit Market Services Europe Limited is established in the EEA and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.
9. For so long as the Programme remains in effect or any Notes shall be outstanding, electronic copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the registered offices of the Issuer and the specified office of the Fiscal Agent, Registrar and any Transfer Agent and the Paying Agent in Luxembourg, namely:
 - (a) the current Base Prospectus together with any supplements to the Base Prospectus and any other information incorporated herein or therein by reference;
 - (b) the Fiscal Agency Agreement;
 - (c) the Deed of Covenant;
 - (d) the Dealership Agreement;
 - (e) the most recent publicly available audited annual consolidated financial statements of the Issuer beginning with such financial statements as at and for the years ended 31 December 2012 and 2011;
 - (f) any Final Terms relating to Notes which are listed on any stock exchange. (In the case of any Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be obtainable by a Holder of or, as the case may be, a Beneficiary (as defined in the Deed of Covenant) in respect of, such Notes); and
 - (g) the constitutional documents of the Issuer.
10. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be obtained, free of charge, during normal business hours at the registered offices of each Issuer and the specified office of the Fiscal Agent and the Registrar and any Transfer Agent, namely the most recent publicly available audited consolidated and unconsolidated annual financial statements of the Issuer and the latest unaudited consolidated interim financial statements of the Issuer.
11. It is confirmed that this Base Prospectus, any information incorporated by reference herein and any Final Terms shall be published on the website of the

Luxembourg Stock Exchange (www.bourse.lu). The Issuer does not intend to produce any Post-Issuance Information in relation to any assets underlying issues of Notes constituting derivative securities.

12. Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including the provision of loan facilities and/or securitisation transactions) and other related transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of business the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED AND HEAD OFFICE OF BANCO POPOLARE

Banco Popolare Società Cooperativa

Piazza Nogara 2
37121 Verona
Italy

DEALERS

Banca Aletti & C. S.p.A.

Via Roncaglia 12
20146 Milano
Italy

Banca IMI S.p.A.

Largo Mattioli, 3
20121 Milan
Italy

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
England

BNP PARIBAS

10 Harewood Avenue
London NW1 6AA
England

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

Commerzbank Aktiengesellschaft

Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Germany

**Crédit Agricole Corporate
and Investment Bank**

9 Quai du President Paul Doumer
92920 Paris-La Defense
Cedex, France

**Credit Suisse Securities (Europe)
Limited**

One Cabot Square
London E14 4QJ
England

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
England

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
England

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
England

Landesbank Baden-Württemberg

Am Hauptbahnhof 2
70173 Stuttgart
Germany

**Mediobanca – Banca di Credito
Finanziario S.p.A.**

Piazzetta E. Cuccia 1
20121 Milan Italy

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
England

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
England

Natixis

30 Avenue Pierre Mendès-France
75013 Paris
France

Nomura International plc

1 Angel Lane
London EC4R 3AB
United Kingdom

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
England

Société Générale

29 Boulevard Haussmann
75009 Paris
France

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
England

AUDITORS

Reconta, Ernst & Young S.p.A.

Via Isonzo, 11
37126 Verona
Italy

FISCAL AGENT AND PAYING AGENT

Citibank, N.A., London Branch

13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch

13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

LEGAL ADVISERS

*To Banco Popolare Società Cooperativa
as to Italian law*

Chiomenti Studio Legale

Via Verdi, 2
20121 Milan
Italy

*To the Dealers as to English and Italian
law*

Clifford Chance Studio Legale

Associato
Piazzetta M. Bossi, 3
20121 Milan
Italy

LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch

33, rue de Gasperich
L-5826 Herperange
Luxembourg