

BASE PROSPECTUS DATED 9 July 2015



**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 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 25) 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. By approving this Base Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the operation 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 26 per cent. in certain circumstances (increased from 20 per cent., pursuant to Decree No. 66 of 24 April 2014). In order to obtain exemption 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 161-169.

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 26 per cent. (increased from 20 per cent. with reference to any interest, premiums and other income due and payable as of 1 July 2014, pursuant to Decree No. 66 of 24 April 2014) 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, France 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.

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RESPONSIBILITY STATEMENT

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

SUPPLEMENTS TO THE BASE PROSPECTUS

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

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

RISK FACTORS

Prospective investors should read the entire Base Prospectus.

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons 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.

In recent years, the 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. 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 in turn raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries, which may in turn have an impact on Euro-zone banks' funding. In the last few years, several European countries including Greece, Cyprus, Ireland and Portugal have requested financial aid from European authorities such as the ECB and from the International Monetary Fund and are currently pursuing an ambitious programme of reforms. Concern has grown since the maturity of a portion of Greece's bail-out funding in 2015 without replacement funding secured. Uncertainty around Greece's ability to find a long-term solution to its funding needs, with a consequent liquidity crisis and/or exit from the Eurozone, has led to increased market volatility affecting the banking system and has increased concerns about potential economic stagnation in Europe more generally.

Lingering market tensions might affect negatively the global economy and hamper the recovery of the Euro-zone. Any 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. In addition, if any of the countries in which the Banco Popolare Group operates witnessed a significant deterioration in economic activity, the Banco Popolare Group's results of operations, business and financial condition would be materially and adversely affected.

The Issuer's financial performance is affected by borrower credit quality

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.

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 2013 and 31 December 2014, which are incorporated by reference in this Base 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**"), Moody's Investors Service Ltd ("**Moody's**"), and DBRS Ratings Limited ("**DBRS**"), 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 and No 462/2013 (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

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. 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, as described below.

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision (the "**Basel Committee**") approved, in the fourth quarter of 2010, revised global regulatory standards (the "**Basel III**") on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019. Minimum common equity tier 1 (the "**CET1**") will be increased from broadly 2% of risk-weighted assets to 7.0%. The 7.0% includes a "capital conservation buffer" of 2.5% to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. An additional "countercyclical buffer requirement" of 0-2.5% will be implemented according to national circumstances. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction.

In January 2013 the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (i.e. annual increases of 10%, starting with 60% in 2015 and ending with 100% in 2019), and the Basel Committee expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**", and together with the CRD IV Directive the "**CRD IV**"). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed until after such date.

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular No. 285, dated 17 December 2013, the "**Prudential Regulations for Banks**"), which came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised at an EU level. As of 1 January 2014, Italian banks are required to comply with a minimum CET1 capital ratio of 4.5%, Tier I Capital ratio of 6% and Total Capital Ratio of 8%. These minimum ratios are complemented by the following capital buffers, to be met with CET1 capital:

- Capital conservation buffer: is set at 2.5% of risk weighted assets and applies from 1 January 2014 (pursuant to Part I, Title II, Chapter I, Section II of Prudential Regulations for Banks);
- Counter-cyclical capital buffer: is set by the relevant competent authority between 0% - 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016, and applying temporarily in the periods when the relevant national

authorities judge the credit growth excessive (pursuant to Article 130 of CRD IV Directive).

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive the relevant competent authority has the option to introduce a systemic risk buffer which must be at least 1% of CET1 capital.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 141 and 142 of the CRD IV Directive).

As part of the CRD IV transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as CET1, Additional Tier 1 and Tier II capital instruments under the framework which CRD IV has replaced (CRD III) that no longer meet the minimum criteria under CRD IV will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 70% in 2015, with this cap decreasing by 10% in each subsequent year.

The new liquidity requirements introduced under CRD IV will also be phased in: the Liquidity coverage ratio, as discussed above, will apply from 1 January 2015 and be gradually phased in and the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

CRD IV may also introduce a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. Institutions are required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the European Commission's review in 2016 of whether or not the ratio should be introduced. There is therefore uncertainty as to regulatory requirements that the Issuer will be required to comply with.

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 "*Legal Disputes*" 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 such 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, 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 its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria may apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

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

On 27 May 2015, EU and Switzerland signed a protocol amending the taxation of savings income (the "**Amending Protocol**"), transforming substantially the current measures adopted into a new automatic exchange of information regime. The Amending Protocol should be effective from 1 January 2017.

On 24 March 2014, the Council of the European Union formally adopted a Council Directive amending the EU Savings Tax Directive (the "**Amending Directive**") thus broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

However, the European Commission has proposed the repeal of the EU Savings Tax Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides

that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State who is not obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive.

U.S. Foreign Account Tax Compliance Withholding ("FATCA")

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see *Taxation – Foreign Account Tax Compliance Act*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for them to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how it may affect them. The Issuer's obligations under the Notes are discharged once it has paid the ICSDs and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the ICSDs.

Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to make a withholding under FATCA or an IGA (or any law implementing an IGA) from payments they make.

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 depository 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 depository 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.

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

On May 15, 2014, the Council of the European Union approved the Directive 2014/59/EC establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (the "**Recovery and Resolution Directive**"). The Recovery and Resolution

Directive provides competent authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

Except for the bail-in tool with respect to eligible liabilities, which is expected to apply as from 1 January 2016, the Recovery and Resolution Directive contemplates that the measures set out therein applies as from 1 January 2015.

The powers provided to “resolution authorities” in the Recovery and Resolution Directive include write down/conversion powers to ensure that capital instruments (including Subordinated Notes) and eligible liabilities (including senior debt instruments) fully absorb losses at the point of non-viability of the issuing institution (referred to as the bail-in tool). Accordingly, the Recovery and Resolution Directive contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full on a permanent basis, or convert them in full into common equity tier 1 instruments. The Recovery and Resolution Directive provides, inter alia, that resolution authorities shall exercise the write down power in a way that results in (i) common equity tier 1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including Subordinated Notes) being written down or converted into common equity tier 1 instruments on a permanent basis and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority.

The point of non-viability under the Recovery and Resolution Directive is the point at which the national authority determines that:

(a) the institution is failing or likely to fail, which includes situations where:

- (i) the institution has incurred/will incur in a near future losses depleting all or substantially all its own funds;
- (ii) the assets are/will be in a near future less than its liabilities;
- (iii) the institution is/will be in a near future unable to pay its debts or other liabilities when they fall due; and/or
- (iv) the institution requires public financial support;

(b) there is no reasonable prospect that a private action would prevent the failure; and

(c) a resolution action is necessary in the public interest.

The Recovery and Resolution Directive represents the implementation in the European Economic Area of the non-viability requirements set out in the press release dated 13 January 2011 issued by the Basel Committee entitled “Minimum requirements to ensure loss absorbency at the point of non-viability”, which forms a part of the broader Basel III requirements, implemented in the European Union through CRD IV.

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 2013 and 2014 together with the auditors' reports and notes thereto;
2. the unaudited interim reports on operations for the first quarter of 2015 (the "**Interim Reports**"); and
3. the Base Prospectus in respect of the Banco Popolare Società Cooperativa EMTN Programme dated 16 July 2014 (the "**2014 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 points 1 and 2 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 2013 and 2014 and for specific items of information contained in the Interim Reports, and the 2014 Base Prospectus. The supplements to the 2014 Base Prospectus are not relevant in the context of the update of the programme and, therefore, are not incorporated by reference.

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The 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 depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. 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 of the Notes".

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.

To the extent required by the Applicable Banking Regulations, the redemption of Subordinated Notes shall be subject to the prior approval of the Bank of Italy. If any 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 26 per cent. (increased from 20 per cent. with reference to any interest, premiums and other income due and payable as of 1 July 2014, pursuant to Decree No. 66 of 24 April 2014) 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 (*Status – Subordinated Notes*) 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:** 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.
- The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the Dealer(s) at the time of issue in accordance with prevailing market conditions.
- Risk Factors:** There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "Risk Factors" beginning on page 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 9 July 2015 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://www.esma.europa.eu/page/List-registered-and-certified-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 9 July 2015 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 9 July 2015 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 (being those Notes the Final Terms of which specify that their status is Subordinated) 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, 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.

For the purposes of these Conditions:

"**Prudential Regulations for Banks**" means the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time, including any successor regulations.

"**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).

"**Subordinated Notes**" means Notes intended to qualify as Tier II Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Prudential Regulations for Banks and Article 63 of the CRR.

"**Tier I 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.

"**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.

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 (a) the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; or (b) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Fixed Rate Note Provisions are stated to apply.

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 (a) the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the

relevant Final Terms as being applicable or (b) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are stated to apply.

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 "Steeper 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 **Change in Interest Basis**

If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 4.2 (*Fixed Rate Note Provisions*) or Condition 4.3 (*Floating Rate Note and Index-Linked Interest Note Provisions*), each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 14 (*Notices*) on or prior to the relevant Switch Option Expiry Date and delivering a copy of such notice to the Fiscal Agent, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified by the Issuer pursuant to this Condition and in accordance with Condition 14 (*Notices*) prior to the relevant Switch Option Expiry Date.

4.6 **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 9 July 2015 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 annually, semi-annually, quarterly or monthly 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;

"Minimum Redemption Amount" has the meaning given to it in the relevant Final Terms;

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

"Maximum Redemption Amount" has the meaning given to it 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 or 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**").

Subordinated Notes shall have a minimum maturity period of five years, as provided under the Prudential Regulations for Banks. Notwithstanding the provisions of this Condition 5 (*Redemption and Purchase*), (i) to the extent required by the Applicable Banking Regulations, the redemption of any series of Subordinated Notes at their Maturity Date shall be subject to the prior approval of the Bank of Italy; and/or (ii) the early redemption of any series of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy. Failure to redeem any such Notes where such consent has not been granted shall not constitute a default of the Issuer for any purpose.

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, (iii) in the case of Subordinated Notes only if the circumstances under points (i) and (ii) above have occurred before five years from the issue of the relevant Subordinated Notes, the Issuer has demonstrated to the satisfaction of the Relevant Authority that such change is material and was not reasonably foreseeable at the Issue Date, and (iv) 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 (subject to the prior approval of the Relevant Authority) 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 these Conditions:

"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 and including, for the avoidance of doubt, as at the Issue Date the rules contained in, or implementing, CRD IV);

"CRD IV" means the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

"CRD IV Directive" means Directive 2013/36 of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

"CRD IV Implementing Measures" means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Bank of Italy, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a standalone basis) or the Issuer together with its consolidated Subsidiaries (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a standalone or consolidated basis).

"CRR" means Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012.

"Regulatory Event" is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier II Capital of the Issuer and, in case the Regulatory Event has occurred before five years from the issue of the relevant Subordinated Notes, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

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 (an **"Issuer Call"**), 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.

If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Early Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

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 (an "**Investor Put**"), 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 8.5 (*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 8.5 (*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 8.6 (*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 unmaturing Coupons appertaining thereto are purchased therewith.

Cancellation of Redeemed and Purchased Notes

- 5.10 All unmaturing 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 all circumstances in which the requirements and procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Decree No. 239, or related implementing regulation, have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
- 7.1.4 in respect of Notes that qualify as atypical securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended; or
- 7.1.5 any combination of items (7.1.1) to (7.1.4) above.
- 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 Subject to Condition 8.5 (*Changes in circumstances affecting the Index*), the Rate of Interest for Index-Linked Interest Notes for each Interest Period will be adjusted to take into account the change in inflation between the relevant Base Index Figure and the relevant Index relating to the relevant Interest Payment Date, and will be calculated using the following formula:

Real Rate of Interest x Day Count Fraction x (Index relating to the relevant Interest
Payment Date / Base Index Figure).

8.5 *Changes in circumstances affecting the Index*

8.5.1 *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 8.6 (*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 8.6 (*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.

8.5.2 *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 8.5 (*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 8.5 (*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 8.5.2 (*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 8.5.2(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 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 8.5.2(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 8.5.2(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.

8.6 *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 8.5 (*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 8.5 (*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:

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

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);

"Real Rate of Interest" means the figure specified in the relevant Final Terms;

"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 DBRS Rating Limited ("**DBRS**") Fitch Italia - Società Italiana per il Rating S.p.A. ("**Fitch**") and/or Moody's Investors Service Ltd ("**Moody's**"), DBRS, Moody'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 the Italian Chamber of Commerce and Industry for the UK at 1 Princes Street, London W1B 2AY. 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

In relation to the Rate of Interest due on each Interest Payment Date of a RPI Linked Note, the interest amount due on each Interest Payment Date will be calculated in accordance with Condition 8 (*Indexation*).

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

In relation to the Rate of Interest due on each Interest Payment Date of an HICP Linked Note, the interest amount due on each Interest Payment Date will be calculated in accordance with Condition 8 (*Indexation*).

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 9 July 2015 [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of 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 16 July 2014. This document [constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of 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 9 July 2015 [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 16 July 2014 and are incorporated by reference in the Base Prospectus dated 9 July 2015. 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 16 July 2014 and 9 July 2015 [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 4.6)

7. Maturity Date: (Condition 5.1) *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
8. Interest Basis: (Condition 4) *[[] per cent. Fixed Rate]*
[[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: (Condition 5) *[Redemption at par]*
[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 Basis: *[Applicable / Not Applicable]*
- (if applicable, specify the date when any fixed to floating rate or viceversa change occurs or cross refer to items 13, 14 and 16 (as appropriate) below and identify there)*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (N.B. To be completed in addition to items 13, 14 and 16 (as appropriate) if any fixed to floating or fixed reset rate change occurs)*
- (i) Reset Date(s) *[]*
- (ii) Switch Option: *[Applicable – [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]/[Not Applicable]*
- (N.B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 14 on or prior to the relevant Switch Option Expiry Date)*
- (iii) Switch Option Expiry Date: *[]*

- (iv) Switch Option []
Effective Date:
11. Put/Call Options: [Investor Put]
(Condition 5.4 or 5.7) [Issuer Call]
[Not Applicable]
12. (i) Status of the Notes: [Senior/Subordinated]
(Condition 3)
- (ii) Date [Board] approval []/[Not Applicable]
for issuance of Notes
obtained: *(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 a Change of Interest Basis applies): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]]
- (If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Interest Rate: [] per cent. per annum [payable [annually/semiannually/quarterly/monthly] in arrear]
(Condition 4.2)
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with *[the Business Day Convention as selected from paragraph 13 (iii)]*]/not adjusted]
(Condition 4.6)
- (iii) Business Convention: Day [Following Business Day 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 Centre(s): [Not Applicable/[__]]
- (v) Fixed Amount[(s)]: Coupon [] per Calculation Amount
(Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Periods)

- (vi) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on][]
- (vii) Day Count Fraction: [Actual/Actual ([ICMA]/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
(Condition 4.6)
14. **Floating Rate Note Provisions** [Applicable/Not Applicable/(if a Change of Interest Basis applies): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Specified Period(s)/Interest Period(s)
(Condition 4.6) []/[Not Applicable]
- (ii) Interest Payment Dates:
(Condition 4.6) []/[Not Applicable]
- (iii) First Interest Payment Date: []
- (iv) Business Convention:
(Condition 4.6) Day [Following Business Day Convention/
Modified Following Business Day Convention/
Modified Business Day Convention/
Preceding Business Day Convention/
FRN Convention/
Floating Rate Convention/
Eurodollar Convention]
- (v) Relevant Financial Centre(s):
(Condition 4.6) []
- (vi) Additional Business Centre(s):
(Condition 4.6) [Not Applicable/[]]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined:
(Condition 4.3) [Screen Rate Determination/ISDA Determination]
- (viii) Calculation Agent (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]]
- (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*): []
- 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 Maturity: []/[The CMS Rate having a Designated Maturity of [] shall be "**CMS Rate 1**" and the 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: [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: [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/(if a Change of Interest Basis applies): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]]
(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) Real Rate of Interest: []
- (xii) Day Count Fraction: [Actual/Actual ([ICMA]/ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 /360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
- (xiii) Minimum Indexation Factor: [Not Applicable/ *specify*]
- (xiv) Maximum Indexation Factor: [Not Applicable/ *specify*]
- (xv) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor: [] / [Not Applicable]
- (xvi) Limited Indexation Month Reference Period: [] / [Not Applicable]
- (xvii) Commencement Date of the Index: []/[*Specify the relevant commencement month of the retail price index*]
- (xviii) Base Index Figure on Commencement Date of the Index: []/[*Specify the relevant commencement month of the retail price index*]
- (xix) Interpolation: [Applicable/Not Applicable]

(xx) Indexation Month []/[Not Applicable]
Reference Period X:

(xxi) Indexation Month []/[Not Applicable]
Reference Period Y:

(xxii) Base Index Figure: []

(xxiii) 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 [] per Calculation Amount
Amount (Call):

(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 is applicable/Not Applicable]
(Condition 5.3)

(Only applicable for Subordinated Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)

Early Redemption Amount [] per Calculation Amount
(Regulatory):

19. **Put Option** [Applicable/Not Applicable]
(Condition 5.7)

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

(i) Optional Redemption []
Date(s) (Put):

(ii) Early Redemption [] per Calculation Amount

Amount (Put):

(iii) Put Period: [] / [Not Applicable]

(N.B. When setting put periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)

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) [] per Calculation Amount
(Tax)/Early Termination Amount per Calculation Amount payable on redemption for taxation or regulatory reasons or on event of default:

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 depositary 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 (Condition 4.6) relates to the date and place of payment, and not (Condition 9C.3) Interest Period End Dates, to which items 14(vi) and 16(viii) relate]
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.]

[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:

[DBRS: []]
[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: []

Common Code: []

New Global Note / New Safekeeping Structure intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No].

[Yes. Note that the designation “yes” means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and 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 satisfaction of the Eurosystem

eligibility criteria.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

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)]

Names and addresses of additional Paying Agent(s) (if any): [] / [Not Applicable]

8. DISTRIBUTION

- (i) Method of syndication: [Syndicated/Non-syndicated]
- (ii) Delivery: Delivery [against/free of] payment
- (iii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iv) Date of Subscription Agreement: [Not Applicable/[●]]
- (v) Stabilising Manager(s) (if any): [Not Applicable/*give names*]
- (vi) If non-syndicated, name of Dealer: [Not Applicable/*give names*]
- (vii) Names and addresses of entities which have a firm commitment to act as intermediaries in secondary trading providing liquidity: [Not Applicable/*give names and addresses*]

through bid and offer rates
and description of the main
terms of their commitment:

- (viii) 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 9 July 2015 (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 depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depository; or (b) in the case of a Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

Global Note Certificate exchangeable for Individual Note Certificates

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

- (i) 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 depositary or a common depositary 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. If, in respect of any particular issue, a particular use of proceeds is identified, this will be specified in the applicable Final Terms.

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 in the Republic of Italy 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.

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 purchase and sale of business receivables.

The Issuer may implement any other transaction that is useful or in any way 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 management and coordination of the Banco Popolare Banking Group pursuant to Article 61(4) of Italian Legislative Decree 385 of 1 September 1993, the Issuer provides guidelines to Group members, including for the purpose of executing instructions issued by the supervisory authorities and in the interest of Group stability.

Share Capital of the Issuer

The share capital is variable and is represented by ordinary shares without nominal value that can be issued without limitation. The shares are registered.

The issue of new shares may be decided:

- (a) on an extraordinary basis, by the Extraordinary Shareholders' Meeting, pursuant to laws in force, with the quorums and the majorities established by these Articles of Association for constitution and resolutions of the Extraordinary Shareholders' Meeting; or
- (b) on an ordinary basis, by the Board of Directors pursuant to laws in force.

For as long as the Company's shares are listed on regulated markets, the Board of Directors shall not issue new shares pursuant to point b) of the second paragraph of this article.

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 the share capital or to issue convertible bonds pursuant to laws in force within the limits set forth in Article 33.2, paragraph 2, point n).

Within the limits established by laws in force and without prejudice to obtaining any administrative authorisations that may be required, the Company may issue categories of shares provided with different rights, determining their content.

All shares belonging to the same category assign equal rights.

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

As at the date of this Base Prospectus, the Issuer has an authorised and issued share capital of Euro 6,092,996,076.83 consisting of 362,179,606 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 7 July 2015 (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
BLACKROCK INC	5.374

FONDAZIONE CASSA DI RISPARMIO DI LUCCA	2.891
NORGES BANK	2.167

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 is responsible for managing the corporate business of the Issuer, as well as for implementing the Issuer’s strategic guidelines and objectives, and is assisted by the Executive Committee, the Managing Director and the General Management.

The Executive Committee, which is vested with a series of delegated powers in respect of day-to-day operations, consists of seven directors, including by right the Chairman of the Board of Directors, the two Deputy Chairmen and the Managing Director. Two of the other three members are chosen from the board members who meet the requirements specified in the first paragraph of Article 29.1 of the Articles of Association. (for further details please see the paragraph entitled “*Board of Directors*” below).

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 24 (twenty-four) Board Members, of whom no less than 3 (three) and no more than 4 (four) are chosen from amongst the high-ranking executives of the Company or of the Group banking companies or amongst persons who hold or have held for more than 12 months the office of Managing Director of the Company or of any of the Group banking companies.

The remaining members of the Board of Directors shall 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.

Without prejudice to the above, 16 (sixteen) Board Members other than those meeting the requirements specified in the first paragraph of the Article 29.1 of the Articles of Association shall be chosen as follows:

- (i) 6 (six) from amongst shareholders resident in regions of Veneto and Emilia-Romagna, but not residing in the provinces of Parma and Piacenza (the “**Traditional Verona Area**”);

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. As a result, the Supervisory Board of the Issuer is no longer in existence.

- (ii) 6 (six), of whom 1 (one) resident in the provinces of Lucca, Pisa or Livorno, from amongst shareholders resident in the regions of Lombardy (but not residing in the province of Pavia), Tuscany and in the provinces of Parma, Piacenza, Genoa and La Spezia (the “**Traditional Lodi Area**”);
- (iii) 4 (four) from amongst shareholders resident in regions of Piedmont, Valle d’Aosta, Lazio, in the southern regions of Italy, in the islands or in the provinces of Pavia, Savona and Imperia (the “**Traditional Novara Area**”).

Hereinafter the Traditional Verona Area, the Traditional Lodi Area and the Traditional Novara Area shall be jointly referred to as the “**Traditional Areas**”.

The Chairman of the Board of Directors is elected by the Shareholders' Meeting from among shareholders residing in any one of the Traditional Areas. The two Deputy 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 Traditional Areas, provided that the Chairman and the Deputy 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:

<u>Office</u>	<u>Name</u>	<u>Principal Activities outside the Issuer</u>
Chairman	Carlo Fratta Pasini (*)	—
Vice Chairman	Guido Duccio Castellotti (*)	—
Vice Chairman	Maurizio Comoli (*)	Standing Statutory Auditor Loro Piana 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. Standing 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. Standing Statutory Auditor Gessi S.p.A. Standing Statutory Auditor Herno S.p.A. Chairman of the Board of Statutory Auditors Siirtec Nigi Holding S.p.A. Chairman of the Board of Statutory Auditors Siirtec Nigi S.p.A.
C.E.O.	Pier Francesco Saviotti (*)	Director Moncler S.p.A. Director Tod's S.p.A.
Director	Patrizia Codecasa	—
Director	Luigi Corsi	Chairman of the Board of Statutory Auditors Lazzari Auto S.p.A. Chairman of the Board of Statutory Auditors Fenzi S.p.A. Chairman of the Board of Statutory Auditors Lazzari S.p.A. Chairman of the Board of Statutory Auditors Agricola Sementi S.r.l. Standing Statutory Auditor Frigotermica S.r.l. Chairman of the Board of Statutory Auditors

Office	Name	Principal Activities outside the Issuer
		Lodigiana Maceri S.r.l. Standing Statutory Auditor Ferrari Giovanni Industria Casearia S.p.A. Sole Director Consulenti Associati S.r.l. Chairman Studio Corsi Curioni S.r.l. —
Director and Co-General Manager	Domenico De Angelis (*)	
Director and General Manager	Maurizio Faroni (*)	Vice Chairman Banca Italease 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. Vice Chairman Monterosa 2000 S.p.A. Chairman S.V.A.L.T.U.R. S.r.l.
Director	Cristina Galeotti	Director Catografica Galeotti S.p.A. Director Galefin S.r.l. Director Immobiliare G S.r.l.
Director	Andrea Guidi	C.E.O. Impresa Costruzioni Guidi Gino S.p.A. Chairman S.E.I.T. Società Elettrica Idroturrite Vice Chairman Prelios SGR S.p.A.
Director	Valter Lazzari	—
Director	Maurizio Marino	Director Rubelli S.p.A.
Director	Daniela Montemerlo	Director Gread Elettronica S.r.l. Sole Director Linz Electric S.p.A. C.E.O. Pedrollo S.p.A. Director Società Agricola Villa Merighi S.r.l. Director Athesis S.p.A. Chairman Telearena S.p.A. Director HYPERTEC SOLUTION S.r.l. C.E.O. and Vice Chairman 2VFIN S.p.A. —
Director	Giulio Pedrollo	
Director	Enrico Perotti	Director Cooperativa Modenese Essicazione Frutta – Società Agricola Cooperativa
Director	Claudio Rangoni Machiavelli	Vice Chairman and Director Mirato S.p.A. C.E.O. Mil Mil 76 S.p.A. C.E.O. Moltiplica S.p.A.
Director	Fabio Ravanelli	Chairman Cesbe S.r.l. Director Società Gestione Servizi BP S.cons.p.A. Chairman Calzedonia Holding S.p.A. Chairman Calzedonia S.p.A. Chairman Calzificio Trever S.p.A. Chairman Intimo 3 S.p.A. Chairman Ti-Bel S.p.A. Sole Director Zalli S.r.l. Director Alibrent B.V.
Director	Cecilia Rossignoli	
Director	Sandro Veronesi	Director Consorzio Mutue (Società di Mutuo Soccorso) Director Mirato S.p.A. Chairman of the Statutory Auditors Forgreen S.p.A. Chairman of the Board Statutory Auditors Agsm Verona S.p.A. Chairman of the Board Statutory Auditors H.P.M. – S.p.A. Chairman of the Board Statutory Auditors Multi Greenpower S.p.A. Standing Statutory Auditor Multiutility S.p.A. Chairman of the Board Statutory Auditors Traconf S.r.l. Standing Statutory Auditor NLMK Verona S.p.A.
Director	Franco Zanetta	
Director	Tommaso Zanini	

<u>Office</u>	<u>Name</u>	<u>Principal Activities outside the Issuer</u>
		Chairman of the Board Statutory Auditors Fashion Logistic S.r.l.
		Chairman of the Board Statutory Auditors Fedrigoli Costruzioni S.p.A.
		Chairman of the Board Statutory Auditors Finval S.p.A.
		Chairman of the Board Statutory Auditors Neurimpulse S.r.l.
		Chairman of the Board Statutory Auditors Olivi Agricoltura S.r.l.
		Standing Statutory Auditor Park Arsenale S.r.l.
		Chairman Società Agricola La Tendina S.r.l.
		Standing Statutory Auditor QIS S.p.A.
Director	Cesare Zonca (*)	Chairman CZ Rinnovabili S.r.l.
		Director Equipe Group S.r.l.
		Director and member of the Executive Committee S.A.C.B.O. S.p.A.
		Director STOMER S.p.A.
		Chairman of the Board Statutory Auditors Pietro Pozzoni & C. S.a.p.A.
Director	Cristina Zucchetti	Chairman Zucchetti Group S.p.A.
		Director Apri S.p.A.
		Director Zucchetti Consult S.r.l.
		Director Zucchetti S.p.A.

(*) 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 2014, 2015 and 2016.

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

<u>Office</u>	<u>Name</u>	<u>Principal Activities outside the Issuer</u>
Chairman	Pietro Manzonetto	Chairman of the Board of Statutory Auditors Buccellati Holding 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 Statutory Auditor RCS Mediagroup S.p.A.

Office	Name	Principal Activities outside the Issuer
Standing Auditor	Maurizio Calderini	Chairman of the Board of Statutory Auditors IGEAS S.r.l. Chairman of the Board of Statutory Auditors Nuova Casarile S.r.l.
Standing Auditor	Gabriele Camillo Erba	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. Standing Statutory Auditor Release S.p.A. Standing Statutory Auditor Line-Servizi per la Mobilità S.p.A.
Standing Auditor	Claudia Rossi	Director Ateneo Bergamo S.p.A.
Standing Auditor	Alfonso Sonato	Chairman of the Board of Statutory Auditors Banca Aletti & C. S.p.A. Chairman of the Board of Statutory Auditors Arda S.p.A. Standing Statutory Auditor Autostrada del Brennero S.p.A. Chairman of the Board of Statutory Auditor Tecres S.p.A. Chairman of the Board of Statutory Auditors Immobiliare Caselle S.p.A. Standing Statutory Auditor Società Athesis S.p.A. Standing Statutory Auditor 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 Privata Polispecialistica Pederzoli S.p.A. Standing Statutory Auditor TI-BEL S.p.A. Standing Statutory Auditor Veronamercato S.p.A. Standing Statutory Auditor Promofin S.r.l. Chairman of the Board of Statutory Auditors 2VFIN S.p.A. Chairman of the Board of Statutory Auditors Quadrifoglio Brescia S.p.A. Chairman of the Board of Statutory Auditors Salus S.p.A. Chairman of the Board of Statutory Auditors Società Italiana Finanziaria Immobiliare S.I.F.I. S.p.A. Director Zenato Azienda Vitivinicola S.r.l. Director Zenato Holding S.r.l.
Alternate Auditor	Marco Bronzato	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. Chairman of the Board of Statutory Auditors Calzedonia Holding S.p.A. Chairman of the Board of Statutory Auditors Calzedonia S.p.A. Standing Statutory Auditor Calzificio Trever S.p.A. Standing Statutory Auditor Catalina S.p.A. Standing Statutory Auditor Erreci S.r.l. Chairman of the Board of Statutory Auditors Holding di Partecipazione Finanziarie Banco Popolare S.p.A.

Office	Name	Principal Activities outside the Issuer
		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 EFFEGI STYLE S.p.A.
Alternate Auditor	Paola Pesci	Standing Statutory Auditor FERRARI Group S.r.l.
		Chairman of the Board of Statutory Auditors Effe H S.p.A.
		Chairman of the Board of Statutory Auditors Gruppo Pizzolo S.p.A.
		Chairman of the Board of Statutory Auditors Enoitalia S.p.A.
		Standing Statutory Auditor Archivvia S.r.l.
		Standing Statutory Auditor Agrifap 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.

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, is currently the auditor of the Issuer and is 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 2014 and 31 December 2013 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 2014 and 31 December 2013, 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 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 two 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.Prospiero, 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. has been merged into Banco Popolare with effect from 1 June 2014. Detailed information about the evolution of this project can be found on the section “*Significant events during the year*”.

Banca Italease S.p.A. has been merged into Banco Popolare on 16 March 2015 with effect for accounting and tax purposes as of 1 January 2015. 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 highlights and main ratios of the Group, calculated on the basis of the reclassified financial statements, are presented below.

In previous years, the Banco Popolare Group exercised the option of designating financial liabilities issued by the bank at fair value (“*fair value option*”) as an alternative to hedge accounting, also for issues classified as institutional.

Measuring the financial liabilities placed on the institutional market at fair value also entails measuring the impact of the change in its own creditworthiness following the date of issue of the liability. Due to said previous option, the Group’s profit (loss) is influenced to a significant extent by its creditworthiness measured on the basis of market quotations of the specific credit default swap. Given the fact that the economic impact of the fair value option has no value in terms of analysing the Group’s effective profitability, in the tables below, it was considered appropriate to show the impact of the afore-mentioned fair value option in a separate item, also showing the profit (loss) of previous periods compared net of said impact².

Income statement figures	31/12/2014	31/12/2013	Change
	<i>(in millions of Euro)</i>		
Financial margin.....	1,645.6	1,619.6	1.6%
Net fee and commission income.....	1,385.4	1,387.1	(0.1%)
Operating income	3,385.9	3,584.6	(5.5%)
Operating expenses.....	(2,269.3)	(2,253.8)	0.7%
Income (loss) from operations	1,116.6	1,330.7	(16.1%)
Income (loss) before tax from continuing operations	(2,760.8)	(543.5)	407.9%
Net income (loss) without FVO.....	(1,919.9)	(510.5)	276.1%

2) It should also be noted that on 24 July 2014, the International Accounting Standard Board (“IASB”) issued the final version of the new accounting standard “IFRS 9 – Financial Instruments”. One of the changes introduced by the new standard is the elimination of income statement volatility resulting from changes in creditworthiness. The latter changes will now be recognised directly as changes in shareholders’ equity, without passing through the income statement. Companies may apply this new approach for recognition of the same even before implementing the other changes introduced by the new accounting standard. The standard must be applied from 1 January 2018, however early application will be permitted as soon as the same has become part of Community regulations. The proposed presentation of income statement figures therefore anticipates the expected change in the accounting recognition of this particular phenomenon, immediately providing an income statement result that is free of the impact of changes in creditworthiness.

Income statement figures	31/12/2014	31/12/2013	Change
	<i>(in millions of Euro)</i>		
FVO Impact	(26.0)	(95.8)	(72.9%)
Net income (loss)	(1,945.9)	(606.3)	220.9%

Statement of financial position figures	31/12/2014	31/12/2013	Change
	<i>(in millions of Euro)</i>		
Total assets	123,081.7	126,042.7	(2.3%)
Loans to customers (gross)	87,661.2	91,582.8	(4.3%)
Financial assets and hedging derivatives	26,190.6	24,590.1	6.5%
Shareholders' equity	8,064.2	8,173.6	(1.3%)
Customers' financial assets			
Direct funding	86,513.5	90,017.7	(3.9%)
Indirect funding	66,476.0	63,843.2	4.1%
- Asset management	32,552.6	28,761.7	13.2%
- Mutual funds and SICAVs	15,539.4	12,868.2	20.8%
- Securities and fund management	6,716.1	6,530.6	2.8%
- Insurance policies	10,297.1	9,362.8	10.0%
- Administered assets	33,923.4	35,081.5	(3.3%)
Information on the organisation			
Average number of employees and other staff ^(*)	17,575	18,038	
Number of bank branches ^(**)	1,858	1,990	

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

^(**) Including treasury and foreign branches.

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 2014 and 31 December 2013.

	31/12/2014^(*)	31/12/2013^(*)
Profitability ratios (%)		
Financial margin / Operating income	48.60%	45.18%
Net fee and commission income / Operating income ...	40.92%	38.70%
Operating expenses / Operating income	67.02%	62.88%
Operational productivity figures (000s of Euro)		
Loans to customers (gross) per employee ^(**)	4,987.8	5,077.2
Annualized operating income per employee ^(**)	192.7	198.7
Annualized operating expenses per employee ^(**)	129.1	124.9
Credit risk ratios (%)		
Net bad loans / Loans to customers (net)	7.52%	6.42%
Net substandard loans / Loans to customers (net)	8.34%	7.69%
Net bad loans / Shareholders' equity	74.40%	67.64%
Capitalisation ratios^(***)		
Common equity tier 1 ratio (CET1 capital ratio)	11.87%	n/a
Core tier 1 ratio	n/a	9.70%
Tier 1 capital ratio	12.26%	10.60%
Total capital ratio	14.62%	13.34%
Tier 1 capital ratio / Tangible assets	4.86%	4.22%
Other ratios		
Financial assets / Total assets	21.28%	19.51%
Derivative assets / Total assets	2.94%	3.53%

	<u>31/12/2014^(*)</u>	<u>31/12/2013^(*)</u>
- trading derivatives / total assets.....	3.19%	3.63%
- hedging derivatives / total assets	3.04%	0.39%
Net trading derivatives / Total assets	2.50%	0.63%
Gross loans / Direct funding	101.33%	101.74%
Banco Popolare stock		
Number of outstanding shares	362,179,606	1,763,730,870
Official closing prices of the stock		
- Maximum	15.78 ^(****)	1.56
- Minimum	8.97 ^(****)	0.89
- Average	12.05 ^(****)	1.20

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

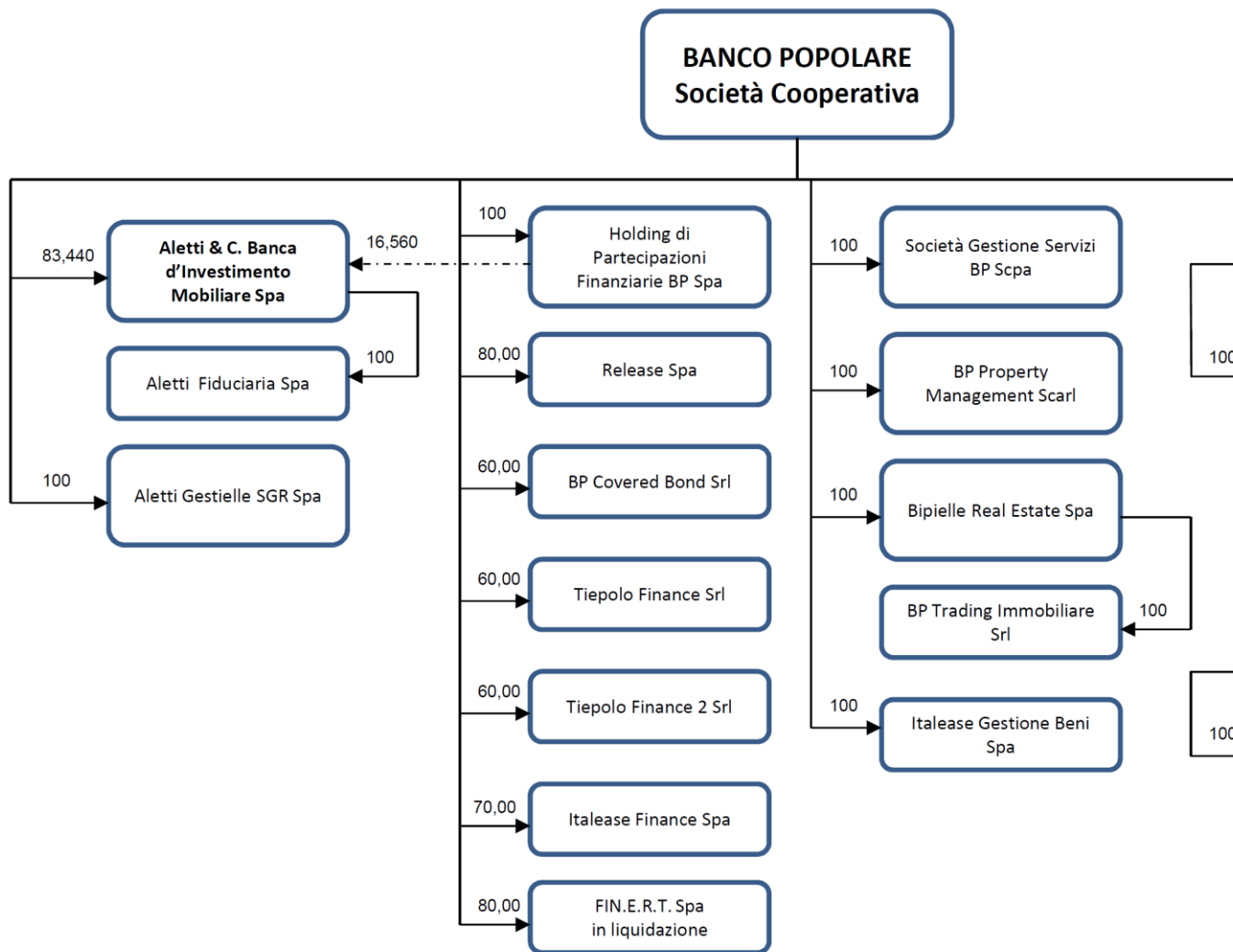
(**) Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.

(***) From 1 January 2014, new prudential regulations (“Basel 3”) came into force, therefore the capital ratios as at 31 December 2014 are not comparable to those that refer to 31 December 2013.

(****) Stock underwent a grouping operation, at a ratio of 1 new share for every 10 existing ordinary shares. Furthermore, two share capital increases were completed in the first half of the year. The prices of Banco Popolare stock prior to 31 March 2014 (start date of share capital increase and detachment of the relative rights) have been amended by applying the adjustment factor provided by Borsa Italiana (0.757143).

Banco Popolare Group

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



Activities of the Banco Popolare Group

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

In its role as 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; and
- 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.

Legal Disputes

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.

As at 31 March 2015, provisions for legal disputes underway and clawbacks amounted to Euro 160.6 million, compared to Euro 168.2 million recorded as at 31 December 2014.

A summary of the main risk positions at Group level relating to clawback actions and pending lawsuits are detailed below.

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 and 39 other parties who joined the proceedings requested that the defendants be ordered to pay compensation of Euro 19.11 million, on the assumption of an alleged agreement between the former Banca Popolare di Lodi S.c.a.r.l. (“**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, the former BPL and its former managing director, Mr. Gianpiero Fiorani, subject to ascertaining the alleged criminal liability of the latter and liability pursuant to Article 5 of Italian Legislative Decree No. 231/2001 of the two banks, to compensate the alleged damages of Euro 25.2 million, inferring the same profiles as the first proceedings.

On 20 January 2010, Banca Intesa Sanpaolo S.p.A. (formerly Banca Intesa S.p.A.) summoned BPL and Mr. Fiorani in proceedings filed by 9 plaintiffs to extend the sentence to Banco Popolare. In these proceedings, an order to pay alleged damages of Euro 1.7 million was requested for the same reasons as the previous two cases.

The three proceedings were concluded, with an order of the Milan Court, which in judgements dated 8-9 May 2013, totally rejected the demands made by the plaintiffs, ordering the same to pay legal expenses; the rulings relating to the first two proceedings have been appealed against by several of the plaintiffs, while the ruling of the third proceeding has been final.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of losing.

Raffaele Viscardi S.r.l.

The law suit, notified on 30 April 2009 and which has a *petitum* of around Euro 46 million, concerns the operations of a branch in Salerno relating to the granting of agricultural loans to the plaintiff company, which 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 losing.

Pandette S.r.l.

In a notice dated 13 March 2014, Banco Popolare was summoned to appear before the court by Pandette S.r.l. (“**Pandette**”). The dispute originates from a put and call option contract for no. 25,300,000 shares of RCS Mediagroup S.p.A. (“**RCS**”), signed by the former Banca Popolare Italiana and Pandette in 2006, and amended at the beginning of 2009 with the last exercise period set as February 2014 (the “**Option Agreement**”). Following two different extraordinary transactions on the share capital of RCS in 2007 and 2013, the number of shares covered by the option contract fell to 3,870,900.

In the writ of summons, Pandette is requesting confirmation that (i) the price for the transfer of the RCS shares covered by the Option Agreement is Euro 31,418,985.27 against the claim of the Company of Euro 113,473,670.55, (ii) the cost of the service due from Pandette for the transfer of the RCS shares is excessively high and (iii) Banco Popolare and Pandette have an obligation to renegotiate the terms of the Option Agreement.

Based on the opinion of external legal experts, Banco Popolare believes that there is only a remote risk of losing and has taken measures to safeguard against further credit claims.

Gruppo Perna-IT Holding S.p.A. in Extraordinary Receivership-PA Investments in Extraordinary Receivership

In a notice dated 1 July 2014, IT Holding S.p.A. (“**IT Holding**”), in extraordinary receivership, summoned Banco Popolare to appear before the court, as well as the former board directors and statutory auditors of the same IT Holding, the former board directors of the parent company PA Investments S.A. (“**PA Investments**”), and the independent auditors KPMG and Reconta Ernst & Young.

In the Proceedings, Banco Popolare (the incorporating company of Efibanca S.p.A.) is accused of having planned and implemented, in collaboration with the board directors of IT Holding and of PA Investments, a series of allegedly prejudicial operations, related to the acquisition of Gianfranco Ferrè S.p.A., which is alleged to have contributed to the deterioration of the company’s financial situation, and is requested to be ordered to pay compensation for damages of not less than Euro 144 million, together with the other accused parties.

On the basis of substantially similar arguments, in a notice dated 29 July 2014, PA Investments, in extraordinary receivership, summoned Banco Popolare to appear before the court, together with the former board directors of PA Investments, requesting that Banco Popolare be ordered to pay compensation for damages of not less than Euro 128 million, together with the other accused parties.

After an overall assessment of the agreements and the documents submitted to the court, Banco Popolare believes it has a valid case to argue against the accusations made.

Maflow S.p.A. in Extraordinary Receivership

In a notice dated 14 April 2014, Maflow S.p.A. (“**Maflow**”), in extraordinary receivership, summoned Banco Popolare before the court, requesting: (i) a court order, together with others, to pay compensation for damages of Euro 199 million, corresponding to the financial difficulties of Maflow, as calculated by the counterparty; (ii) a court order to return the amount allegedly received by Banco Popolare unlawfully from loans granted to Maflow from establishment to default. The above is all based on the assumption that Banco Popolare played a dominant role by influencing the financial management of Maflow.

Banco Popolare believes that these requests are entirely spurious, based on a reconstruction of the facts that is as far from reality as any proper legal standing.

Giovanni Potenza

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

IMMOCRI S.p.A. (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 demonstrate the damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI S.p.A. 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.

Pending the outcome of the civil court of first instance, the plaintiff also initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion. The accusations were then 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 Banco Popolare 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.

Administrative Proceedings

On 17 July 2014, Banco Popolare received a formal written notice, insofar as jointly and severally obliged with those potentially responsible for the alleged infringement, regarding the alleged infringement of anti-money laundering legislation (Italian legislative Decree no. 231/2007). The accusation regards the failure to report a transaction regarded as suspicious, following inspections conducted by the Finance Police; the matter in question dates back to 2009 and regards the paying in of 41 non-transferrable banker's drafts for a total amount of Euro 10,052,000.

With the support of various external legal advisors, Banca Popolare has made the appropriate risk assessments.

Ittierre S.p.A.

Ittierre S.p.A. was placed under extraordinary receivership. By means of a summons, both the former Banca Popolare di Lodi ("**BPL**") and the former Banca Popolare di Novara ("**BPN**") were requested to return, pursuant to art. 67 of Royal Decree no. 267 of 16 March 1942, as amended (the Italian bankruptcy law) the total sum of Euro 16.6 million for the principal creditor and Euro 4.9 million for the secondary creditor. An objection was raised as to the erroneous duplication of the request, which in reality referred to the same current account migrated from BPL to BPN following a swap of branches. Furthermore, the grounds of the request were challenged, due to the imprecision of the same insofar as the counterparty had not specified which remittances were being disputed. As regards the former BPN dispute, the judge is currently being replaced, as regards the other, a court-appointed expert witness in accounting has been admitted even though the judge had previously denied the petition of the first instance.

Send S.r.l.

Send S.r.l. was declared bankrupt in 2009. The receivable results from a pool operation of Euro 49.5 million with the Unicredit head office, allocated to the construction of a shopping centre in Vicenza and secured by a mortgage at the same level on the property

complex funded. Banco Popolare's share was 28.80%. The pool receivables (and therefore also Banco Popolare's) have been regularly admitted to the bankruptcy proceedings due to the mortgage privilege.

Recently the bankruptcy receiver filed a claim for damages against the Pool Banks for the amount of the loan. The first hearing will be in 2015.

Criminal proceeding relating to Banca Italease

In the ruling of the court of first instance on 27 February 2014, Banca Italease was found guilty in its capacity as liable administratively as per Italian Legislative Decree No. 231/2001 and as the civilly liable party in the criminal proceedings relating to the former members of the Executive Committee for the crime of false company communication regarding the approval of the 2008 half-yearly financial statements of the Banca Italease. The ruling ordered the payment of a fine of Euro 450 thousand, the confiscation of the sum of around Euro 59 million and compensation of damages to be paid to several of the civil parties for a total of around Euro 1.8 million. Banca Italease appealed against the ruling of the court of first instance insofar as it believes it has valid arguments to refute the ruling established by the court of first instance. As stated in the press release issued on 29 May 2015 by Banco Popolare, Banco Popolare (formerly Banca Italease) obtained a favorable outcome for the criminal proceedings for false corporate disclosure in Banca Italease's 2008 half-yearly report against the former members of the Executive Committee (Lino Benassi, Massimo Mazzega, Massimo Minolfi, Mimmo Guidotti and Massimo Luvì) and against Banco Popolare (formerly Banca Italease). The Court of Appeal of Milan fully rejected the ruling passed by the lower court, because "the facts did not occur". With the order of full acquittal, also Banco Popolare's contingent liability has been cancelled, that according to the Lower Court would amount to more than Euro 61 million.

Civil proceedings relating to Banca Italease

Kevios S.p.A

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

In a ruling dated 26 June 2013, the Court of Milan rejected the requests of the plaintiff company as groundless, ordering the same to pay the legal expenses of the bank. An appeal was submitted against the first instance sentence.

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

Bankruptcy of Dimafin S.p.A.

The insolvent company Dimafin has asked the Court of Rome to declare 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 related to the finance lease contract for the property located in Palazzo Sturzo in Rome.

By virtue of the annulment request, the Judge 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 this is 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 dated 22 April 2013, the Court of Rome rejected the requests made by the insolvent company, ordering it to pay legal expenses. An appeal was submitted against the first instance ruling.

Based on external legal advice, Banca Italease believes that the dispute has a low risk profile.

With regard to the criminal proceedings for fraudulent bankruptcy and preferential bankruptcy relating to the default of the Di Mario Group, on 20 June 2012, Banca Italease received a seizure notice for Euro 7.9 million, corresponding to the sum that is presumed to be preferential or groundless with relation to a mortgage loan granted in 2009 by Banca Italease, in a pool with Unicredit and Cassa di Risparmio di Bolzano, to Raetia SGR, the contract of which was assigned to Release.

The external legal counsel is of the opinion that the accusations made against the defendants are groundless and, therefore, the Company has no liability under art. 2049 of the Italian civil code.

Furthermore, between the end of December 2013 and the beginning of January 2014, the following notices were served:

- four summons to Banca Italease from the insolvent companies of the Dimafin Group requesting compensation of damages and/or clawback actions for bankruptcy totalling Euro 98 million jointly with other banks and companies that are not part of the Banco Popolare Group;
- two warning notices to Banca Italease and Release from Raetia SGR and from the Cassa di Risparmio di Bolzano regarding requests for compensation of damages. Raetia's claim, addressed to 11 counterparties not part of the Banco Popolare Group, held jointly responsible, amounts to a total of Euro 95 million, that of the Cassa di Risparmio di Bolzano addressed to 11 counterparties not part of the Banco Popolare Group, held jointly responsible, amounts to a total of Euro 17.2 million. At present, the share of the *petitum* pertaining to the Group has not been defined.

On 10 November 2014, Banca Italease and other parties received a further summons relating to three separate financial lease agreements stipulated with Di Mario Group companies (Dimafin S.p.A. and Dimatour). In this case, the plaintiff company, the bankruptcy of Diemme Costruzioni S.p.A., is requesting the annulment of the purchase agreement regarding a group of properties located in Pomezia, as well as the invalidity of the leasing agreements related to the same, and therefore the repayment of the total amount of Euro 21.2 million by Banca Italease. The first hearing has been postponed to 25 June 2015.

Given the complexity of the dispute, which and also involves other banks and companies that are not part of the Banco Popolare Group, based on the opinion of external legal counsel, the risk of losing the above-indicated disputes should be classified as possible.

Bankruptcy of S.E.R. S.p.A.

The insolvent company S.E.R. summoned a series of entities including Mercantile Leasing (incorporated into Banca Italease) seeking to obtain the declaration of invalidity, and, therefore, the unenforceability against the bankruptcy estate, of the transfer deed regarding the property named “Palazzo Sturzo”, entered into between S.E.R., at the time not subject to bankruptcy proceedings, and the Partito Popolare, as well as the transfer deeds which followed, including that which was entered into between Mercantile Leasing, Dima Costruzioni and Dimafin (value of the property around Euro 50 million).

The Court of Appeal in Rome, in a ruling dated 6 September 2013, confirming the ruling of the court of first instance, fully rejected the bankruptcy application, ordering it to pay legal expenses. An appeal has been submitted to the Supreme Court.

Based on external legal advice, and also on the outcome of the rulings of the court of first and second instance, Banca Italease believes that the dispute has a low risk profile.

Letter from Generali Immobiliare Italia SGR

On 5 November 2013, Banco Popolare received a letter from Generali Immobiliare Italia SGR, the manager of the closed-end mutual property investment fund reserved to qualified investors called the “Eracle Fund”, regarding the completion of a tax assessment of the same. The VAT claim amounted to a total of Euro 35.1 million. In its letter, the management company advised that indemnity would have been sought from the Banco Popolare Group for any liability incurred by the Fund and by the management company itself. The letter from Generali Immobiliare Italia SGR is based on the guarantees made by Banco Popolare to the above-mentioned management company at the time of the assignment of the properties owned by the subsidiary Immobiliare BP S.r.l to the above Eracle Fund and the subsequent signature of the lease agreements between the Fund and the subsidiary BP Property Management. In 2014, the dispute with the Tax Authority - Regional Headquarters of Friuli Venezia Giulia, in an agreement between Generali Immobiliare Italia SGR and Banco Popolare, also representing its subsidiaries, was settled. The settlement established that Generali Immobiliare Italia SGR would pay the VAT due for tax years 2010, 2011 and 2012 on behalf of the Eracle Fund amounting to Euro 24.7 million in total, plus interest for Euro 2.9 million. By virtue of the guarantee given by Banco Popolare, in 2015, Generali Immobiliare Italia SGR will exercise its right to reclaim the VAT from BP Property Management with relation to the amount of Euro 24.7 million, and to enforce the guarantee made by Immobiliare BP (now incorporated into Bipielle Real Estate S.p.A.) to obtain indemnity for the amount paid in interest. As BP Property Management is a consortium, it will in turn organise for the VAT claimed to be recharged to the shareholders to which it provides services, including the Parent Company.

From last year, allocations for the same amount have been made to other provisions for risks and charges to cover the liabilities that Group companies will be exposed to.

The following paragraphs illustrate the main tax disputes in progress as at 31 December 2014, which have led to the recognition of allocations to provisions for risks and

charges of Euro 30.1 million, in addition to the amount of Euro 7.5 million already deducted from the income statement in previous years. Note that the disclosure on the opinion as to whether individual disputes are likely to be lost and/or as to the amount of the allocation has been omitted as considered prejudicial to the outcome of the dispute, as permitted by accounting standard IAS 37.

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 Tax Authority in 2014 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. As a consequence of 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 as at 31 March 2015 to Euro 407.0 million, of which Euro 391.3 million relate to notices of assessment, tax demands and payment notices and Euro 15.7 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 usually consider any interest, while the estimate of potential liabilities relating to formal reports on findings does not usually include interest or fines, insofar as they are not indicated in the latter document.

As at 31 December 2014, the claims of the Tax Authority resulting from the notices of assessment and the formal reports on findings served amounted to Euro 483.7 million.

Developments in 2014

The following paragraphs provide an illustration of the disputes that arose during the year 2014.

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

During 2014, potential liabilities rose by Euro 130.5 million.

The main increase, corresponding to Euro 89.5 million relates to new formal reports on findings, notices of assessment and notifications of fines. The main potential liabilities estimated on the basis of the claims made by the Tax Authority relate to:

- the receipt on 25 June 2014 of a new formal report on findings on conclusion of the inspection relating to tax year 2010, launched on 21 June 2013, and subsequently extended to tax years 2009, 2011 and 2012. The claim contained in the formal report on findings amounts to a total of Euro 20.3 million (Euro 4.8 million of which relates to 2009) and mostly regards the alleged failure to apply (and consequently to pay) withholding tax at source, as set forth in art. 26, paragraph 5 of Italian Presidential Decree no. 600, on the interest due from the former Banca Popolare di Lodi S.p.A. to foreign special purpose entities resident in the American State of Delaware. Note in this regard that the use of foreign special purpose entities represented, prior to the “reform of corporate law”

implemented by Italian Legislative Decree no. 6 of 17 January 2003, the only way that banks could issue so-called preference shares (hybrid equity instruments), which Banca Popolare Italiana actually issued in 2000 and 2005 with the specific authorisation of the Bank of Italy to strengthen its equity position. On 22 December 2014, the Tax Authority followed up on the above-cited formal report on findings by issuing a notice of assessment for 2009 only in which, in addition to confirming the claim for the payment of withholding tax of Euro 4.8 million, also establishes a fine of Euro 10.6 million. The Tax Authority's claims, therefore, currently provisionally amount to a total of Euro 30.9 million. Note that the contention originates from the mere reclassification of the legal nature of the relations between the banks and the foreign special purpose entities from deposits in funding. The claims made can also be classified as part of a series of assessments that the Tax Authority is conducting against the banking system as a whole, given that all of the banks that issued preference shares before the reform of corporate law, adopted the same frameworks and the same interpretations. The decisions made by Tax Commissions on appeals submitted by other Italian banks indicate rulings that are constantly in favour of the Tax Authority in terms of the fact that the withholding taxes are due. However, the same rulings have always excluded the application of fines;

- the notices of assessment relating to IRES and IRAP taxes for 2009 served to Banco Popolare (as incorporating company of the former Banca Popolare di Lodi S.p.A., of the former Credito Bergamasco S.p.A. and of the former Efibanca S.p.A.) at the end of the fourth quarter of 2014. The claim amounts to a total of Euro 58.4 million. The findings originate from the alleged incorrect application of the reference accounting standards regarding the valuation of financial liabilities designated at fair value (the bond issues made by the banks and placed with retail customers for which the fair value option was exercised at the time of the issue). More specifically, the decision taken at the time of the preparation of the 2009 financial statements is being disputed, in which the criteria for determining the fair value of the above-cited bond issues was changed from a mark-to-model approach to a mark-to-market one. This change was in line with that envisaged by the reference international accounting standard, which privileges the application of the mark-to-market insofar as, as specified in paragraph AG 69 of IAS 39, the best indication of fair value is the existence of "official quotations in an active market". Precisely in 2009, the Banco Popolare Group set in place, through its subsidiary company Banca Aletti, an organised system to trade the securities issued by Group companies, called the "MTG Group Securities Market". The establishment of this market had been recommended by Consob to guarantee the improved liquidity of these financial instruments; the market represents an efficient organised trading system on the basis of which Banca Aletti has undertaken to continually disclose the quantity and the relative purchase price of the bond issues issued by group companies. Given the existence of prices that can be found on the basis of the transactions performed on the above-cited MTG, and based on that indicated by the reference accounting standards and the internal regulations of the Group, in 2009, all Group banks changed their method for determining the fair value of their bond issues designated at fair value placed with retail customers, using the MTG prices as reference. This change, which was fully illustrated in all of the

financial statements of Group banks, was considered correct by all of the internal and external auditing bodies. Note in this regard that all of the financial statements in question have been regularly certified by the respective independent auditing companies, who have issued reports that do not highlight any exceptions. By contrast, the Tax Authority retains that the MTG at that time could not be considered an active market and that therefore the valuation of the above-cited bond issues should have continued to have been made applying the previous mark-to-model approach. The higher taxable income identified by the Tax Authority originates from the fact that, while the mark-to-model approach adopted up until the 2008 financial statements included changes in the creditworthiness of the issuer banks when determining the fair value, the prices adopted on the MTG did not and continue not to take this aspect into account. Note in this regard that this results from a specific decision taken by the Group to protect retail customers who, after having subscribed to a Group bond issue, then decide to sell it. It should also be noted that the contention made by the Tax Authority is also simply a question of accrual accounting. In fact, in its findings, the Tax Authority limits itself to disputing that 2009 is the right year for recovering the higher taxes paid by Group companies in previous years with regard to the deterioration of its creditworthiness, which started from the breakout of the financial crisis at the end of 2008. Lastly, it should be noted that the notices of assessment in question do not result from findings formulated in previous formal reports on findings. More specifically, the notices of assessment refer to the inspections that led to the formal reports on findings being served to the afore-mentioned companies on 23 July 2012, 24 July 2012 and 28 September 2012 respectively. These formal reports on findings, however, did not include any finding relating to adjustments of the tax returns contained in the assessment notices served on 23 December 2014. In the light of the above, we believe that we have valid grounds on which to refute the claims made by the Tax Authority;

- the settlement notice served to Banca Italease S.p.A., in which it is alleged to have failed to apply registration tax of 0.50% on a guarantee to third parties stipulated abroad (Euro 0.2 million).

In addition to the above, Euro 41.0 million of the increase in liabilities is due to disclosure aspects resulting from the notices of assessment received in 2014, which following the formal reports on findings already in existence at the beginning of the year. This change incidentally represents the algebraic balance of the increases in liabilities resulting from the application of fines (not indicated in the Formal Report on Findings - FRF) and decreases resulting from findings indicated in the FRF which the Tax Authority decided not to dispute when drawing up the notices of assessment and which consequently were removed from the list of potential liabilities.

Disputes concluded and/or settled during the year 2014

The management of disputes in progress at the beginning of 2014 enabled the amount of potential liabilities as at the beginning of 2014 to be reduced by Euro 125.1 million, as stated in the annual financial statements of Banco Popolare for the year ended 31 December 2014.

The decrease results:

- mainly, for the figure of Euro 121.5 million, from the settlement, under article 15, paragraph 2 bis of Italian Legislative Decree 218/97 of the notices served to Banca Aletti regarding tax years 2005 to 2009. The settlement finalised is in line with the conditions proposed by the Regional Headquarters of Lombardy and by the Central Assessment Headquarters of the Tax Authority regarding all of the tax years under inspection. A specific allocation to the provision for risks and charges made in previous years was used to honour said payment. The surplus provision recorded (corresponding to Euro 0.6 million) was booked to the income statement;
- from the finalisation of further out-of-court settlements reached with the Tax Authority amounting to Euro 2.1 million. More specifically, several disputes regarding the applicability for VAT purposes of fee and commission income on custodian bank services (Euro 1.6 million) and the dispute regarding the formal report on findings dated 23 July 2012 regarding tax year 2009 served to the incorporated company Banca Popolare di Lodi S.p.A. (Euro 0.5 million) were settled;
- from the extinguishment of several disputes relating to the failure to pay substitute tax under articles 15 of Italian Presidential Decree 601/1973 on loans stipulated abroad amounting to Euro 1.2 million. The settlement notices appealed against before the relevant Provincial Tax Commissions were cancelled by the Office following an internal review, before the hearing of the first instance;
- from the settlement of a dispute relating to the recovery of taxes for a higher IRAP rate applicable to the taxable income generated in the Veneto region, pending against former Credito Bergamasco S.p.A. for 2006 amounting to Euro 0.3 million. The Regional Tax Commission of Milan issued a favourable final judgement for said dispute.

For the sake of completeness of information, please note that:

- the tax inspection that started on 12 February 2014 by the Tax Authority - Provincial Headquarters of Lodi on the subsidiary company Bipielle Real Estate and relating to tax year 2009 was concluded on 28 March 2014. The dispute was settled immediately by complying with the formal report on findings pursuant to article 5-bis of Italian Legislative Decree No. 218/1997. The settlement entailed a total cost of Euro 0.4 million, which was charged to the income statement for the first quarter of 2015;
- the tax inspection that started on 19 March 2014 by the Tax Authority - Regional Headquarters of Lombardy on the former subsidiary company Italease Network S.p.A. and relating to tax year 2009 was concluded on 25 July 2014. The formal report on findings indicates limited insignificant amounts. This dispute was also settled immediately by complying with the formal report on findings pursuant to article 5-bis of Italian Legislative Decree No. 218/1997;
- the tax inspection that started on 18 July 2013 by the Tax Authority - Regional Headquarters of Veneto on the subsidiary company BP Property Management and relating to tax years 2009 and 2010 was concluded on 27 October 2014. The

formal report on findings indicates limited insignificant amounts. This dispute was also settled immediately by complying with the formal report on findings pursuant to article 5-bis of Italian Legislative Decree No. 218/1997.

Details of unresolved disputes as at 31 December 2014

Due to the developments illustrated in the paragraph above, the main tax disputes unresolved as at 31 December 2014 (potential liability equal to or exceeding Euro 1 million) are as follows (for further developments which occurred in 2015, please see the section “*Subsequent Events after 31 December 2014*” below):

Disputes relating to Banco Popolare

- Banco Popolare (former Banco Popolare di Verona e Novara Soc. Coop.) - tax demands regarding IRAP tax paid to the Regional headquarters for Veneto and to that for Tuscany in tax years 2003, 2004, 2005 and 2006. The claims refer to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto, and for 2004 only in Tuscany, instead of the higher rate of 5.25% and amount to a total of Euro 20.7 million. The tax demands have been contested. With regard to the various tax years, different rulings have been made at different levels of the court system. As regards tax years 2003 and 2004, a ruling of the Provincial Tax Commission entirely in favour of Banco Popolare was then followed by a ruling of the Regional Tax Commission, which partially admitted the claims of the Tax Authority, retaining a rate of 4.75% to be applicable. The outcome is still pending, awaiting the ruling of the Supreme Court. With regard to tax year 2005, the Provincial Tax Commission rejected Banco Popolare’s appeal, while in a ruling dated 10 March 2011, the Regional Tax Commission partially admitted the appeal and declared that the fines requested were not due. An appeal has been 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 higher IRAP regarding the Tuscany Regional Authority. An appeal has been submitted to the Supreme Court. For further developments which occurred in 2015 please see the section “*Development of disputes underway with the Government Tax Authorities*” below.
- Banco Popolare (former Banca Popolare Italiana Soc. Coop.) - 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. For further developments occurred in 2015 please see section “*Development of disputes underway with the Government Tax Authorities*” below.

- Banco Popolare (formerly Banca Popolare Italiana Soc. Coop.) - 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. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare (former Banca Popolare Italiana Soc. Coop.) - notices of assessment relating to tax year 2005 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 (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Popolare Italiana with relation to the attempted takeover of Banca Antonveneta). The claims amount to Euro 170.5 million. In separate rulings filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), the Provincial Tax Commission of Milan, Section 22, fully rejected the appeals submitted by the Bank, although providing no reasons underlying its confirmation of the tax claim. We have appealed against the above ruling to the Regional Tax Commission of Lombardy. In this regard, it should be noted that the valuation of the relative potential tax liabilities has not been affected by the above rulings. In fact, these rulings can be rebuked from a number of perspectives. First of all, the grounds of the rulings are totally insufficient/superficial. More specifically, after having correctly established that the fundamental requirements for doubling the terms for the assessment is the existence of prerequisites for a compulsory criminal complaint for one of the offences envisaged by cited Italian legislative decree no. 74, the Company's petition was rejected without any explanation as to the grounds for such, where, in the case in hand, the cited prerequisites underlying the obligation to make a criminal complaint did actually exist. Secondly, also with regard to the merits of the dispute, the judges of the first instance made a ruling based on statements that were clearly unsuitable to provide (valid) grounds for the case. The appeals were rejected without explaining the reasons why, in the case in hand, the negative components relating to the tax charges would represent - as expressly requested by the new law - costs sustained for the purchase of goods and services directly used to commit the crimes with criminal intent with regard to which criminal action was taken against several top management figures of the former BPI. An appeal was presented to the Regional Tax Commission. For further developments occurred in 2015 please see section "*Development of disputes underway with the Government Tax Authorities*" below
- Banco Popolare (former Banca Popolare Italiana Soc. Coop.) - notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. These notices also regard the claimed non-deductibility for IRES and IRAP purposes of costs retained as relating to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by Banco Popolare in its financial statements for 2005, were deductible on a straight line basis over the following 18 financial years pursuant to the version in effect at the time of art. 106,

paragraph three, of Italian Presidential Decree no. 917 of 22 December 1986. The notices of assessment services therefore dispute the claimed non-deductibility of the quotas of the above-cited adjustments on loans deducted in 2006, 2007, 2008 and 2009. The claims amount in total to Euro 15.8 million. An appeal to the Provincial Tax Commission is currently being prepared.

- Banco Popolare (formerly Efibanca S.p.A.) – notices of assessment served on 23 December 2014 relating to the formal report on findings dated 28 September 2012. The main finding that referred to the recovery of just IRES tax relating to the negative income components recognised in the 2008 income statement against the fair value valuations of financial liabilities issued before 1 January 2007, was not confirmed in the notice of assessment. We therefore presume that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the finding. The claim, including taxes and fines, amounts to Euro 1.7 million, against Euro 8.5 million requested for higher taxes only in the formal report on findings. The main remaining finding regards a matter of interpretation relating to the tax classification of amounts distributed to Efibanca in 2009 by a Luxembourg Sicar, which Efibanca considered taxable as dividends. An instance for compliance has been submitted to encourage the re-examination of the above-mentioned finding by the Tax Authority before filing formal proceedings.
- Banco Popolare (former Banca Popolare di Novara, former Banca Popolare di Verona SGSP, former Efibanca) - settlement notices regarding the alleged failure to pay substitute tax on loans pursuant to art. 15 of Italian Presidential Decree 601/1973 on several deeds stipulated abroad. The claim amounts to Euro 2.6 million. Appeals have been submitted to the Relevant Provincial Tax Commissions.
- Banco Popolare (former Banca Popolare di Novara S.p.A.) – various settlement notices concerning the alleged failure to pay registration tax on finalised deeds related to the operation to restructure the debt of an Italian industrial group. Note in this regard that the claim amounts to Euro 0.6 million and has been cancelled following an internal review conducted by the Tax Authorities in January 2015.
- Banco Popolare - formal report on findings served on 25 June 2014 which contains, relating to tax years 2010, 2011 and 2012, allegations of the failure to apply the withholding tax set forth in art. 26, paragraph 5 of Italian Presidential Decree 600, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware of amounts received from the placement of the preference shares issued. The claims amount to Euro 15.5 million (this amount is net of the withholding tax related to 2009 of Euro 4.8 million, transferred to the assessment notice dated 22 December 2014, together with the relative fines of Euro 10.6 million, as illustrated below). Considering the “system” nature of the proceedings and the outcomes, which are continually not in favour of the taxpayer, based on rulings made to date by Provincial Tax Commissions, the opportunity of seeking an out-of-court settlement will be evaluated.

- Banca Popolare - Notice of assessment and formal written notice of the sanctions, served on 22 December 2014, which contains findings relating to the failure to apply withholding tax contained in the formal report on findings dated 25 June 2014 regarding tax year 2009. The claims amount to Euro 15.4 million. The same considerations already stated with regard to similar disputes relating to tax years 2010, 2011 and 2012 illustrated above, also apply here.
- Banco Popolare - notices of assessment served on 23 December 2014 regarding 2009 for the former subsidiaries Banca Popolare di Lodi, Credito Bergamasco and Efibanca. The total claim amounts to Euro 58.5 million and has already been extensively illustrated in the paragraph above. Appeals will be submitted to the relevant Provincial Tax Commissions.

Disputes relating to the subsidiary company Banca Italease

- Banca Italease - settlement notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006. The claim amounts to Euro 3.2 million. The appeal submitted by Banca Italease was upheld in the first and second instance. The Attorney General submitted an appeal to the Supreme Court. The bank has submitted the relative counter-appeal.
- Banca Italease – formal report on findings dated 30 November 2012 relating to tax years 2007 and 2008 regarding costs relating to facts or actions that are considered offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Italease with regard to the incorrect recognition of counterparty risk in derivative contract transactions performed in 2007). The claim amounts in total to Euro 73.1 million. In January 2013, defensive briefs were submitted pursuant to article 12 of Italian Law no. 212 dated 27 July 2000. The assessment notices served in December 2014 did not contain the cited findings. We may therefore presume that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the finding.
- Banca Italease - notices of assessment following the formal report on findings dated 30 November 2012 - tax years 2007, 2008 and 2009 regarding the redetermination of loan ceilings of 0.30%, and for 2009 only to the relevance for tax purposes of a fund taxed at the time of the share capital increase of Release, with transfer of the business division. The claim amounts in total to Euro 40.2 million. An appeal to the Provincial Tax Commission is currently being prepared.
- Banca Italease – notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2007. The claim amounts in total to Euro 3.2 million. In January 2013, appeals were submitted against the above documents, which are now pending before the competent Provincial Tax Commission. The Tax Authority appeared before the court to submit its counter arguments.

- Banca Italease – notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2008. The claim amounts in total to Euro 3.9 million. In January 2013, appeals were submitted against the above documents, which are now pending before the competent Provincial Tax Commission.
- Banca Italease – notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2009. The claim amounts in total to Euro 0.6 million. An appeal has been submitted to the Provincial Tax Commission.
- Banca Italease – Various settlement notices concerning the alleged failure to pay registration tax on finalized deeds related to the operation to restructure the debt of an Italian industrial group. The claim amounts to a total of Euro 3.1 million, Euro 2.9 million of which was cancelled following an internal review.

Disputes relating to other subsidiary companies

- Bipielle Real Estate S.p.A. - settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding as counterparty (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 Tax Authority has appealed to the Supreme Court. A counter appeal has been submitted. Overturning the outcome of the previous instances, the Supreme Court accepted the appeal submitted by the Tax Authority, endorsing the approach according to which Article 20 of the Consolidated Law on registration tax allows for an investigation of the “real reason” for the operation in light of the interests pursued by the parties, as this shall prevail over that shown in the files/formally in the deeds filed by the parties. On this basis, the Supreme Court quashed the ruling of the Regional Tax Commission, assigning the examination of the reasons for the appeal, which had not been discussed at the time (as they were absorbed in the quashed decision) and the determination of legal fees to another section of said Commission. In consideration of the favourable outcomes in the previous instances, no provisions had been allocated for this dispute. Following the decision of the Supreme Court illustrated above, a specific allocation of Euro 17.7 million was made to provisions for risks and charges, charging them to the income statement of the first quarter of 2015. The provision covers the amount of taxes due and the estimate of the related interest accrued. No fines were imposed.
- Bipielle Real Estate S.p.A. - 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 ruling of the Lodi Provincial Tax Commission was filed. The ruling annulled the notices of assessment issued against the Company, ordering the Office to pay legal expenses. In a ruling issued in May 2013, the Regional Tax Commission of Milan, changing the ruling in the first instance, upheld the appeal submitted by

the Tax Authority, confirming all of the claims. An appeal has been submitted to the Supreme Court.

- Aletti Fiduciaria S.p.A. - 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 Tax Authority appealed to the Supreme Court.

The list of existing disputes shown above does not include tax disputes regarding the applicability of VAT to custodian bank fees received by the Group as out-of-court settlements are current being negotiated for the same. The residual liability that the Group is expected to incur is estimated to be Euro 0.2 million and is covered by a specific allocation to the provision for "risks and charges" (*fondo per rischi e oneri*).

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

As at 31 March 2015, in the light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external studios, the potential liabilities classified as possible but unlikely amount to a total of Euro 369.4 million.

The potential liabilities classified as probable amount in total to Euro 37.6 million and have already been fully debited from the income statement when the tax demands received were paid (Euro 7.5 million) or are entirely covered by allocations to provisions for risks and charges.

Lastly, with regard to all of the disputes illustrated above, we would like to state that as at 31 March 2015, tax credit amounting to Euro 58.9 million was due from the Tax Authority, following payments made provisionally for the assessment notices served. In this regard, we must emphasise that said payments are not considered such as to impact the risk of losing the disputes, which have been valued on the basis of the provisions of IAS 37: in fact, these amounts are paid as part of an automatic mechanism, which is unrelated to the groundlessness or otherwise of the related tax claims.

Inspections underway as at 31 March 2015

As at 31 March 2015, no inspections were in progress against Banco Popolare or its subsidiaries.

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 2013-2015, 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. Banca Aletti & C. S.p.A.;

4. Bipielle Real Estate S.p.A.;
5. BP Property Management S.c.r.l.;
6. BP Trading Immobiliare S.r.l.;
7. BRF Property S.p.A.;
8. Holding di Partecipazioni Finanziarie BP S.p.A.;
9. Italease Gestione Beni S.p.A.;
10. Lido dei Coralli S.r.l.;
11. Mariner S.r.l.;
12. Nadir Immobiliare S.r.l.;
13. P.M.G. S.r.l.;
14. Release S.p.A.;
15. Sirio Immobiliare S.r.l.;
16. Società Gestione Servizi BP S.c.p.A.;
17. Sviluppo Comparto 6 S.r.l.;
18. Sviluppo Comparto 8 S.r.l.;
19. Tecmarket Servizi S.p.A.; and
20. Toscana Tissue S.r.l..

During 2014 and the first quarter of 2015, following the extraordinary merger operations, the following companies are no longer included in the scope of consolidation:

- Credito Bergamasco S.p.A., insofar as incorporated into Banco Popolare Soc. Coop. effective for tax purposes as of 1 January 2014;
- Aletti Trust S.p.A., insofar as incorporated into Aletti Fiduciaria S.p.A. effective for tax purposes as of 1 January 2014;
- RI. Investimenti 2 S.r.l., insofar as incorporated into Sviluppo Comparto 8 S.r.l. effective for tax purposes as of 1 January 2014;
- Banca Italease S.p.A., insofar as incorporated into Banco Popolare Soc. Coop. effective for tax purposes as of 1 January 2015.

The advantages of exercising the national consolidation option in 2014 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) TUIR (Italian Consolidated Income Tax Law). 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;
- 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 of Banco Popolare Soc. Coop. of Group taxation along with the 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 in force, Banco Popolare prepared the “consolidation agreements” governing its relations with the subsidiaries that joined the consolidated taxation treatment scheme. The agreements were approved by the individual Boards of Directors.

There are no associates for which Banco Popolare opted for the fiscal transparency regime under articles 115 and following of Italian Presidential Decree no. 917 of 22 December 1986.

Exposure to Sovereign Risk as of 31 December 2014

In the first half of 2014, the process of normalising and stabilising the financial situation in peripheral EU countries (so-called PIIGS) experienced a critical acceleration, indicating a turning point and the beginning of a virtuous circle: following Ireland’s departure from the European Union rescue programme, Spain followed suit at the beginning of the year, and Portugal made the same decision in May. The stabilisation of financial markets in these two countries was followed by improvement in their access to foreign markets, with significant benefits for liquidity in their respective banking systems, which led authorities to request the suspension of the EU assistance programme.

Financial operators responded positively to the announcement, triggering the aforementioned virtuous circle that, due to more available liquidity in international financial markets, had positive repercussions on government debt securities in peripheral European countries. Firstly, by reducing the country risk of each and bringing about successful auctions of government bonds, with demand much greater than supply, as well as by markedly strengthening the Euro exchange rate, which against the Dollar, reached 1.3925 at the beginning of May, its highest level for the year. The improvement in the Spanish economy led to yields on the 10-year Bonos that were even lower than those of the 10-year U.S. treasury bonds. For its part, Greece has managed to re-launch itself on the international capital market with an issue of medium-long term securities, attracting demand that was significantly higher than the quantity offered. However, internal political factors then had a negative impact on the spread of Greek government bonds in the second half, differentiating Greece’s performance from those of other peripheral countries.

The aforementioned factors had a catalytic and dynamic effect, and support to peripheral countries’ government bonds through the Outright Monetary Transactions (“OMT”) plan continued, initiated by the European Central Bank (“ECB”) in September 2012 but never activated. The flow of capital to government bonds of these

countries, characterised by particularly appealing yields, was then reflected in a generalised] closure of the gap with the 10-year German Bund in the first part of the year. In Italy, the appointment of the new Renzi administration, mentioned previously, and the results of the European elections held in May, to the advantage of the Italian government, provided a boost to the process of convergence towards German interest rates.

Lastly, the decisions adopted by the Executive Committee of the ECB on 5 June regarding the introduction of refinancing operations, the objective of which is to disburse credit to the non-financial sector of the Eurozone, (Targeted Longer-Term Refinancing Operations, “**TLTRO**”), gave the final boost to the narrowing of spreads, fuelling expectations of the reactivation of the credit cycle and a step towards a more sustained economic recovery in the region.

During the second half of 2014, diminishing forecasts for economic recovery and weak inflationary dynamics led to expectations of an even more expansionary monetary policy from the ECB, which hastened to confirm its intention to use new, unconventional measures to fully reactivate the bank lending channel and sustain the EU economy.

Hence, the European Central Bank’s determination kept the pressure on treasury yields under control in peripheral countries, which are still facing significant imbalances in public accounts and weak economic growth hampered by the tax system, causing the yields of Italian government bonds to continue their downward trend for the rest of the year, even after reform measures were enacted by the government. In the meantime, the Euro exchange rate with the US Dollar began a depreciation phase, particularly beginning in September.

The absence of tangible effects on the yields of Italian government bonds after the downgrading of sovereign debt in December by Standard & Poor’s in light of uncertain growth prospects, was a striking manifestation of this “protective shield” deployed by the Central Bank.

However, the volatility was still present, although at contained levels, in financial markets in the Eurozone toward the end of the year, after the announcement of political elections in Greece at the end of January. The possible repercussions of any changes in economic policies and the management of public debt generated uncertainty about the cohesion of the Eurozone. Interest rates on 3-year Greek bonds began to show high volatility, reaching more than 15%. The tensions on the spreads of peripheral countries were incited also by the violation of the 3% limit for the deficit/GDP ratio by France in the last quarter of the year. This reawakened concerns about the Italian government’s ability to comply with the limit. However, the statements by the Executive to ensure that the limits would be respected along with the agreement reached on the 2015 budget within the Eurozone at the beginning of December, both for Italy and France, dispelled these concerns.

More specifically, with regard to the trend in interest rate spreads over the year, the BTP-Bund spread, after starting the year at 202 b.p., reached its highest level of 224 b.p. in the first few weeks of the year, then began a downward trend, hitting its lowest level of 117 b.p. at the beginning of December. At the same time, the interest rates on the

Bonos reached its highest level of 220 b.p. at the beginning of 2014, and then fell to its minimum of 103 b.p., at a position consistently lower than Italian interest rates (Bonos-BTP spread -14 b.p.). The fall in the spread of Portuguese securities was even more surprising, which, after having opened the year at a high of 425 b.p., then recorded a drop of more than half of the interest rate spread, recording a minimum of 193 b.p. at the beginning of June, before the difficulties of the main Portuguese bank, Banco di Santo Espirito, drove the spread up to 240 b.p. in subsequent months, closing 2014 at 215 b.p. However, Greece experienced the opposite trend: the spread against the 10-year Bund, after closing at 423 b.p. at the beginning at June, began to rise again in the second half, reaching its highest level of 908 b.p. in the final days of the year as a result of the aforementioned tensions.

The Group's total exposure in sovereign debt securities as at 31 December 2014 was Euro 16,740 million, and 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	16,445,111	15,659,330	157,404	156,512	16,602,515
Spain.....	104,292	103,637	—	—	104,292
Austria	1,645	—	—	—	1,645
Other EU Countries	1,937	—	—	—	1,937
Total EU Countries	16,552,985	15,762,967	157,404	156,512	16,710,389
USA.....	29,593	—	—	—	29,593
Argentina.....	60	—	—	—	60
Total other countries	29,653	—	—	—	29,653
Total.....	16,582,638	15,762,967	157,404	156,512	16,740,042

More specifically, the exposure is represented by:

- loans granted to the Italian State of Euro 157.4 million;
- debt securities issued by central and local governments of Euro 16,582.6 million, Euro 16,553 million of which was issued by EU Member States. This position is held mostly by the Parent Company Banco Popolare which, as at 31 December, held a total of Euro 15,763 million, Euro 15,659.3 million of which related to Italian government securities.

The tables below provide more detailed information on the breakdown of the exposure in debt securities to EU nations, which represented nearly the entire exposure, by accounting portfolio, residual life brackets and fair value hierarchy.

Financial assets held for trading

Country	Matures by 2015	Matures between 2015 and 2020	Matures between 2020 and 2025	Matures beyond 2025	Total fair value as at 31.12.14	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy	740,622	639,045	30,688	5,730	1,416,085	1,416,083	—	2
Spain	—	—	655	—	655	655	—	—
Other EU countries.....	—	3	—	—	3	3	—	—

Country	Matures by 2015	Matures between 2015 and 2020	Matures between 2020 and 2025	Matures beyond 2025	Total fair value as at 31.12.14	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Total	740,622	639,048	31,343	5,730	1,416,743	1,416,741	—	2
of which Banco Popolare	1	630,267	34	7	630,309	630,307	—	2

Financial assets available for sale

Country	Matures by 2015	Matures between 2015 and 2020	Matures between 2020 and 2025	Matures beyond 2025	Total fair value as at 31.12.14	Net AFS Reserve	Value adjustments	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy	2,870,097	5,479,297	1,121,887	626,671	10,097,952	105,505	—	10,059,682	38,270	—
Spain	103,637	—	—	—	103,637	47	—	103,637	—	—
Total	2,973,734	5,479,297	1,121,887	626,671	10,201,589	105,552	—	10,163,319	38,270	—
of which Banco Popolare	2,973,734	5,479,297	1,121,887	626,671	10,201,589	105,552	—	10,163,319	38,270	—

Investments held to maturity

Country	Matures by 2015	Matures between 2015 and 2020	Matures between 2020 and 2025	Matures beyond 2025	Total book value as at 31.12.14	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy	—	4,413,361	517,712	—	4,931,073	5,214,187	5,214,187	—	—
Other EU Countries	—	3,579	—	—	3,579	3,587	3,587	—	—
Total	—	4,416,940	517,712	—	4,934,652	5,217,774	5,217,774	—	—
of which Banco Popolare	—	4,413,361	517,709	—	4,931,070	5,214,184	5,214,184	—	—

Investments in sovereign debt securities of EU Member States, in terms of book value, represent 77.5% of the Group's total portfolio invested in debt securities. Around 8.6% of said investments have been allocated to the trading portfolio, 61.6% to the financial assets available for sale portfolio, while 29.8% has been classified as investments held to maturity. Around 86% of total exposure is represented by debt securities that mature before 2020.

Exposure towards Greece, Portugal and Ireland

As regards the Group's exposure to the sovereign debt of countries defined as "euro-peripheral", note the absence of positions vis-à-vis Greece, Portugal and Ireland, while the exposure towards Spain has remained unchanged at Euro 103.6 million.

Exposure to Sovereign Risk as of 31 March 2015

In the first quarter of 2015, with the exception of Greece, the positive trend that characterised sovereign debt prices of peripheral European countries starting in September 2012 gained further strength. Despite certain difficulties in implementing policies to restore public finances, and also due to the improving economic situation, supported by economies in the export area and driven by the depreciation of the Euro, sovereign yields continued to converge towards the Eurozone benchmark - represented by German government bonds. The closing of spreads for peripheral countries was not stopped even by the heating up of the Greek crisis, following the collapse of the Greek government at the end of 2014 and the subsequent general elections which brought an

anti-austerity coalition to power. The new administration immediately placed in doubt the agreements with the European Union to realise the macroeconomic adjustment programme to rebalance public finances, which is a prerequisite for the disbursement of the last tranche of aid from the European Financial Stability Facility and the transfer of profits on Greek securities realised by the Eurosystem in 2014 as part of the Securities Markets Programme. The request made by the Greek government for an additional extension - up to 30 June - to complete said programme was accepted by the Eurogroup on 20 February 2015. Conversely, negotiations to revise the terms of the programme have been underway for more than two months, with an uncertain outlook for the outcome. Declaring its intention to comply with the commitments undertaken with its creditors and preserve the sustainability of public debt, the Greek government has committed to propose a list of structural reforms. Nonetheless, to date, the versions submitted have not met the requirements set out by the European authorities and, more generally, no agreements have been reached with creditors. In this deadlock phase, the Eurogroup has thus suspended the disbursement of the new tranche of aid. The performance of the spread of Greek securities was also worsened due to its exclusion from the QE launched by the ECB, which involves the purchase of only investment grade securities, thus excluding Greek until the derogation on Greek bonds is restored.

Specifically concerning performance of the markets, in the initial months of 2015 the yield spreads on 10-year government bonds of the peripheral countries mentioned above compared to the corresponding German bonds decreased almost similarly in Portugal, Italy and Ireland (by 69, 24 and 16 basis points, respectively), while they remained almost unchanged in Spain. However, in Greek, the 10-year spread rose by 188 basis points. More specifically, following slight tensions at the beginning of the year, with the spread between 10-year BTP and Bund with the same maturity reaching 192 basis points, this spread decreased to a minimum of 113 basis points on 11 March 2015, then recovering several basis points to dose at 129 basis points at the end of March 2015. The volatility of the spreads, for the peripheral countries, but specifically for Italy and Portugal, spiked at times concurrent with the crucial deadlines for negotiations underway with Greece, both at the time of full payment of tranches of debt and during important phases of the negotiations.

Significant Events during the Year

The main events which characterised the Group's operations and results in 2014 are without a doubt the entry into force of the new prudential supervisory provisions and the entry into operation of the Single Supervisory Mechanism (the "**SSM**"). As regards supervisory legislation, over the course of 2013, Community institutions approved directive 2013/36/EU, known as "CRD IV", and (EU) Regulation no. 575, known as "CRR", which transpose the standards established by the Basel Committee for bank supervision (so-called Basel 3 Framework) into the European Union. The new provisions came into force on 1 January 2014 in accordance with the instructions established by the Bank of Italy in circulars 285 ("*New Supervisory Provisions for banks*") 286 ("*Instructions on preparing prudential reports for banks and asset management companies*") published at the end of 2013. Starting from reporting as at 31 March 2014, "Own Funds" are calculated according to the new regulations.

In terms of supervision, starting from 4 November 2014, in accordance with EU Regulation no. 1024/2013, the European Central Bank ("**ECB**"), with the assistance of the Bank of Italy, became responsible for the prudential supervision of banks identified

as “significant” in the list published by the same ECB on 4 September 2014. Banco Popolare is on said list. The impact of this very important event, which was felt even before the formal launch of the SSM, insofar as it was anticipated by the performance, by the ECB, in collaboration with national supervisory authorities, of a preventive Comprehensive Assessment exercise addressed to verifying the adequacy of the capitalisation levels of “significant” banks. Given the above, Banco Popolare’s prime objective in the first half of the year 2014 was to finalise the measures to strengthen its capital base that had already been launched at the end of the previous year and which are illustrated below.

Redemption of the convertible bond and share capital increase

At the meeting held on 24 January 2014, Banco Popolare’s Board of Directors resolved to fully redeem the Banco Popolare 2010/2014 4.75% convertible bond through payment in cash. At the natural maturity date of the loan (24 March 2014) each outstanding convertible bond was therefore redeemed through payment of an amount equal to the nominal value (Euro 6.15 each), for a maximum total of Euro 996 million in addition to interest at the rate set out in the Regulations of the loan. At the same meeting, the Board approved a share capital increase for a maximum amount of Euro 1.5 billion, through the issue of ordinary shares to be offered under a payment option to shareholders. Furthermore, to simplify the administrative processes of managing the high number of shares issued, the Board of Directors resolved on a reverse share split of 1 new ordinary share with standard entitlement for each 10 existing ordinary shares, to be executed prior to the launch of the offer under option.

The proposed share capital increase was submitted to the Extraordinary Shareholders’ Meeting on 1 March 2014, which approved the same with a large majority, assigning the Board of Directors the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital by up to the maximum amount previously indicated, by the end of 24 months from the date of the shareholders’ meeting resolution, and the power to establish, closer to the offer, the issue price of newly-issued ordinary shares, the option ratio and entitlement.

On 4 March 2014, the Board of Directors resolved, in accordance with the resolution of the Extraordinary Shareholders’ Meeting on 1 March and following the approval issued by the Bank of Italy, to proceed with the share capital increase for the total amount of Euro 1.5 billion, and at a subsequent meeting held on 27 March 2014, it approved the final conditions for the offer under option. More specifically, the Board of Directors resolved to increase the share capital, on a splittable basis, for a maximum counter value of Euro 1,498,263,975 in a single tranche, to be allocated entirely to the share capital, through the issue of a maximum of 166,473,775 ordinary Banco Popolare shares to be offered under option to shareholders, at a swap ratio of 17 shares for each 18 shares held, at a price of Euro 9 each, corresponding to a discount of 30.70% with respect to the “theoretical ex right price”. The new shares have standard entitlement (1 January 2014) and the same characteristics as the ordinary shares in circulation at the time of issue. The offer under option ended on 17 April with the subscription of 99.138% of the total shares offered, at a total counter value of Euro 1,485,346,797. In the space of just two days, all of the 1,519,668 rights not exercised during the option period were then also sold. The share capital increase was therefore successfully concluded on 29 April 2014 with the full subscription of the 166,473,775 shares at a total counter value of

Euro 1,498,263,975, without the intervention of the consortium of banks that had guaranteed the placement. In accounting terms, the above operation led to an increase of the Group's capital resources (share capital and share premium) of Euro 1,459.4 million; in actual fact, both the transaction costs directly incurred for the share capital increase and the income resulting from the sale of unopted rights, both net of the relative tax, are recognised in the share premium reserve. As at 31 December 2014, the cited components led to a net deduction from the share premium reserve of Euro 39 million.

Share capital increase following the incorporation of the subsidiary company Credito Bergamasco

The operations, which is also illustrated in more detail in the next chapter on “*Events relating to the process to simplify corporate structure and organisation*”, became effective as of 1 June 2014 and entailed a further share capital increase for Banco Popolare totalling Euro 300,582,215 through the issue of 19,332,744 new ordinary shares allocated to shareholders of Credito Bergamasco. In accounting terms, the cited exchange operation represents a transaction between shareholders in accordance with accounting standard IFRS 10 and therefore led to a reduction of minority shareholders' equity (namely minority shareholders of Credito Bergamasco) and a corresponding increase in group equity of Euro 289.3 million. The net transaction costs directly related to the merger operation, which amounted to Euro 2.8 million, were deducted as a balancing entry from other reserves of shareholders' equity. As a result of this operation, Common Equity Tier 1 Capital (“**CET1 Capital**”), a key indicator in the valuation of the level of capitalisation of a bank pursuant to Basel 3, was strengthened, as a component subject to a calculation threshold (minority shareholders' equity) was replaced by a component which is not subject to a calculation threshold (share capital).

Bank of Italy authorisation for the use of the internal model to calculate the capital requirement for operating risk

In a notice dated 5 August 2014, the Bank of Italy informed Banco Popolare of its authorisation for the use of the internal model to calculate the capital requirement for operating risk (Advanced Measurement Approach - AMA). Banco Popolare had submitted a formal request in April 2014, accompanied by an implementation plan, in which the use of AMA methods is initially envisaged for the Parent Company and the subsidiaries Credito Bergamasco, Banca Aletti, SGS BP and BP Property Management, to be later extended to Aletti Gestielle SGR and to Banca Italease, on the basis of a gradual programme of application, which is envisaged to be completed by December 2015. The authorisation has been given for individual and consolidated reporting related to 30 June 2014, enabling the weighted risk assets resulting from the assessment of the above type of risk to be reduced and therefore guaranteeing a reduction in the capital requirement, estimated to be over Euro 100 million.

The Results of the Comprehensive Assessment

On 26 October 2014, the Supervisory Board and the Governing Council of the ECB approved the Final Report and Results of the Comprehensive Assessment exercise. The publication of the results at European level by the ECB and the EBA was followed by the publication of the results of the Italian banks participating in the exercise by the Bank of Italy.

On the basis of the actual figures taken from the disclosure submitted to the markets by the Bank of Italy, Banco Popolare passed the exercise by a wide margin, obtaining the following indicators:

- CET1 ratio post AQR of 11.50% compared to a minimum threshold required of 8.0% (a surplus of +350 b.p. corresponding to over Euro 1.8 billion);
- CET1 ratio post Stress Test impact conducted according to the baseline scenario of 10.26% compared to a minimum threshold required of 8.0% (a surplus of +226 b.p.);
- CET1 ratio post Stress Test impact conducted according to the adverse scenario of 8.29% compared to a minimum threshold required of 5.5% (a surplus of +279 b.p.).

As indicated by the ECB in its notice, the shortfalls that emerged as regards the equity situation of Banco Popolare as at 31 December 2013, have been totally recovered by the capital strengthening measures taken in the first half of 2014, including the share capital increase of Euro 1.5 billion completed in April 2014 and the sale of the foreign subsidiary BP Croatia, finalised in April 2014. The comprehensive assessment exercise, which Banco Popolare passed, with surplus regulatory capital estimated to be around Euro 1.2 billion, nevertheless represented the starting point for the supervisory activities performed by the ECB. In fact, the Supervisory Body invited the banks that participated in the exercise to conduct a careful analysis of the detailed results of the Asset Quality Review (“AQR”). Said analysis, combined with further recommendations made by the Supervisory Body and considerations on the new competitive arena in which Banco Popolare will have to operate, are behind the significant negative economic results recorded in the fourth quarter of the year and illustrated below.

The launch of the Single Supervisory Mechanism and the impact of the analysis of the Asset Quality Review results

As requested by the Supervisory Body, in the fourth quarter, after receiving details of the AQR results from the ECB, Banco Popolare conducted an in-depth analysis of the prudential adjustments totalling Euro 1,603 million (gross figure before tax) emerging from the exercise. After establishing that almost all of the above-cited adjustments related to the level of coverage of credit exposures towards customers (Euro 1,561 million), taking the recommendations made by the Supervisory Body into due account, the existence of a significant “regulatory shortfall” (Euro 1.3 billion as at 30 September 2014) and given the new competitive scenario, it decided to make a series of interventions on the processes usually applied to classify and value loans, by adopting from the range of approaches relating to estimation processes permitted by the reference accounting standards, policies, models and valuation parameters that were partially different to those used prior to the preparation of the financial statements as at 31 December 2014. In line with that recommended by the Supervisory Body, the changes adopted were addressed to eliminating as far as possible the misalignment between valuations made for financial statement purposes and the so-called “ECB thresholds”. The changes introduced, together with the usual revisions of the estimates of expected losses on loans in the light of more recent information that has become available, led to the recognition in the fourth quarter of 2014 of net value adjustments on loans of Euro 2.5 billion, generating, together with the recognition of the adjustments on goodwill and

other assets, a net loss for the period of Euro 1.8 billion, which brought the loss for the year as a whole to Euro 1.9 billion.

Although the conservative valuation approach adopted had a significant negative impact on profitability for the period, it had a much lesser impact on CET1 Capital and the relative “fully phased” ratio. Against a loss in the fourth quarter of Euro 1.8 billion, “fully phased” CET1 Capital fell in the same period by only Euro 358 million and the CET1 ratio accordingly recorded a reduction of 35 bps, settling at 11.3% against 11.7% as at 30 September 2014.

This is due to the fact that credit exposures, based on prudential metrics, had already been valued at a lower level than the value allocated in the financial statements, by using the different rules envisaged by the reference accounting standards, giving rise to the so-called “shortfall”. The decision to increase the level of coverage of exposures in the financial statements with the consequent negative impact on the economic result for the year was therefore significantly offset by the cancellation of the shortfall. The same principle applies, even more so, to goodwill and the other intangible assets that have always been wholly deducted from regulatory capital ratios. In the end, the sacrifice in terms of profit resulting from the substantial full implementation of the quantitative indications emerging from the AQR, as regards valuation models – necessarily different to prudential ones – should be seen in the light of the Group’s different positioning in the new supranational competitive arena. The capital base continues to be particularly solid, even after having significantly increased the average level of coverage of credit exposures relating to both non performing and performing loans. The coverage ratio for the aggregate of non performing loans as a whole, including bad loans, which are partially derecognised, is 44.6% (showing a net increase both against the 37.6% recorded in December 2013 and against the 38.4% recorded in September 2014). The coverage ratio for performing loans also increased considerably, rising from 0.40% as at 31 December 2013 to the current 0.64%. Excluding exposures relating to repurchase agreements, securities lending and related parties from the calculation, which are substantially risk-free, the coverage ratio rises to 0.73% against 0.46% as at 31 December 2013.

The following paragraphs illustrate the other main events which characterised 2014.

Events relating to the process to simplify corporate structure and organisation

Merger of Credito Bergamasco into Banco Popolare

Verification of the Exchange ratio and decision on the formula for adjustment of the exchange ratio

Following the approval of the share capital increase of Banco Popolare described above, at the meeting of 17 February 2014, the Board of Directors assessed the impacts of the same on the Exchange Ratio and, more generally, on the merger by incorporation of Credito Bergamasco into Banco Popolare resolved previously. Given that the final ratio could only have been expressly established at the end of the reverse share and share capital increase transactions underway at the time, after in-depth analyses conducted with the assistance of the advisor, the Board of Directors verified that the Exchange Ratio, on the assumption that the share capital increase and the related reverse share transaction are carried out, had been calculated on the basis of the following formula:

Exchange Ratio = $[(1,763,730,870 + N) / 61,726,847 \times 1 / 3.935] \times 1 / \text{Reverse Share Split Ratio}$

Where:

- 1) 1,763,730,870 = Banco Popolare shares issued at 14 February 2014;
- 2) “N” = new Banco Popolare shares issued for the share capital increase of Euro 1.5 billion;
- 3) 61,726.847 = Credito Bergamasco shares issued at 14 February 2014;
- 4) 3.935 = ratio of the absolute value attributed to Banco Popolare to the absolute value attributed to Credito Bergamasco by the Board of Directors of Banco Popolare;
- 5) reverse share split ratio for Banco Popolare shares: corresponding to 10, i.e. 1 new ordinary share with standard entitlement for each 10 existing ordinary shares, to be executed prior to the launch of the offer under option.

The final Exchange ratio, established according to the above formula, was set by the Board of Directors of Banco Popolare at a meeting held on 27 March 2014 as 1.412 ordinary Banco Popolare shares for each ordinary Credito Bergamasco share offered in exchange. None of the Credito Bergamasco shareholders exercised its right to withdraw. On the effective date of the merger, 1 June 2014, Banco Popolare increased its share capital by a total amount of Euro 300,582,215, through the issue of 19,332,744 new ordinary shares allocated to Credito Bergamasco shareholders. The ordinary shares of Credito Bergamasco were withdrawn from trading as of 2 June 2014. The finalisation of the above operation marks the completion of the project to simplify the corporate and administrative structure, launched by Banco Popolare in 2011 with the integration of the network banks into the Company. The integration of Credito Bergamasco lays the foundations for the full enjoyment of the benefits resulting from the reduction of corporate complexity in term of fully rationalisation of Banco Popolare’s distribution network and reduction of administrative costs, also resulting from centralising duplicate functions and tax burdens. On 22 September 2014, the IT migration of Credito Bergamasco to the target system of Banco Popolare was successfully completed and, on the same date, 9 branches of the Division were closed, as envisaged in the plan to rationalise the Group’s branch network.

Merger of Banca Italease into Banco Popolare

In a meeting held on 1 April 2014, the Board of Directors of the Parent Company approved the proposal for the merger by incorporation of Banca Italease into Banco Popolare, made at the end of 2013. On 28 March, the Shareholders’ Meeting of Banca Italease, in extraordinary session, had resolved to approve the proposed merger and therefore to proceed with the incorporation of the same into Banco Popolare. The incorporation of Banca Italease will be performed with the simplified procedure envisaged by the Italian Civil Code for wholly-owned companies, insofar as Banco Popolare, following the transfer of the share of 14.657% of the share capital from Holding di Partecipazioni Finanziarie BP to the Parent Company finalised in April and the subsequent incorporation of Credito Bergamasco, in which Banca Italease held 2.923%, currently holds 100% of Banca Italease’s share capital. The merger, which did not result in any share exchange or issues of new shares by Banco Popolare, took effect as of 16 March 2015 in statutory terms, through the reigistration of the deed on the relevant company registers; while in accounting and fiscal terms, the effect of the

merger was moved back to 1 January 2015. At the same time, the integration of Banca Italease into Banco Popolare, from an organisational and IT perspective is also envisaged, through the establishment of a “Leasing Division”, directly reporting to the Managing Director.

Merger of Aletti Trust into Aletti Fiduciaria

On 31 March 2014, the merger by incorporation of Aletti Trust S.p.A. into Aletti Fiduciaria S.p.A. was finalised and is effective, for accounting and tax purposes, as of 1 January 2014. The merger took place without an exchange ratio, or cash payment, and did not entail any share capital increase for the incorporated company, insofar as both companies are wholly owned by the parent company Banca Aletti.

Merger of RI Investimenti Due into Sviluppo Comparto 8

On 30 June 2014, the merger by incorporation of RI Investimenti Due S.r.l. into Sviluppo Comparto 8 S.r.l. was finalised. The merger, which took place without the exchange of shares or cash, resulted in the termination of the incorporated company, and the cancellation of its share capital; the merger is effective for accounting and tax purposes from 1 January 2014.

Evolution of the network distribution model

In 2014, the project pertaining to the evolved form of the network distribution model, to reduce customer service costs, among other benefits, was able to provide proof of its effectiveness with the implementation of the numerous measures, including:

- the introduction of a more flexible network distribution structure, with the use of a new “Hub and Spoke” model in about 70% of the Group network;
- the conversion of over 110 branches into “Business Branches” and the consequent elimination of 76 business centres in the BPV, BPL and BPN Divisions;
- the closure of 9 business areas;
- the continuation of efforts to simplify and develop the chain of responsibility by adopting an approach of “Private Individuals” and “Enterprises”, abandoning the “Retail” and “Corporate” classification and centralising the management of Large Corporate customers (national and local) with revenues exceeding Euro 250 million, previously in the hands of the Business Areas of the Departments, to the Business Department at Banco Popolare’s Head Office.

A project to streamline the Group’s Branch Network was also undertaken, relating to the closure of 114 branches belonging to Banco’s four divisions, also considering the above-mentioned merger of Credito Bergamasco into the Parent Company.

Branches to be closed regarded those with a profile that meets one or more of the following conditions:

- territorial overlap with respect to other Group branches;
- limited contribution to net interest and other banking income, also due to its small size;
- location in isolated provinces with respect to the other branches;
- problematic credit situation.

At the end of the project to rationalise the Group's branch network as a whole, the net reduction made over the course of 2014 was 112 branches.

Events relating to the management of investments in subsidiaries, associates and joint ventures

Sale of the subsidiary Banco Popolare Croatia

In January 2014 Banco Popolare and OTP Banka Hrvatska, a subsidiary of the Hungarian Group OTP, signed an agreement for the sale to the latter of the entire investment held by the Parent Company in the share capital of Banco Popolare Croatia d.d.. The transaction, conditional to obtaining all the necessary authorisations from the competent supervisory authorities, envisaged the payment of a consideration of around 107 million Kunas (equal to about Euro 14 million) relating to the entire share held by Banco Popolare, equal to around 99% of the ordinary share capital. At the time of the preparation of the consolidated financial statements for the year ending 31 December 2013, the assets and liabilities belonging to the Croatian subsidiary were reclassified under "Assets and relative liabilities relating to disposals" aligning their total net value to the sale price, after the relative expenses. On 24 April 2014, after obtaining authorisation from the competent Authorities, Banco Popolare executed the contract of sale; a cash payment was received for the same. Following the sale, BP Croatia is no longer part of the Banking Group. The operation did not have an impact on the statement of financial position or income statement for the current year. In line with the strategies established by Group management, the above-illustrated operation completed the process of focusing on its core business of domestic banking, launched with the previous sales of subsidiaries in the Czech Republic, Romania and Hungary.

Winding-up of Group companies

On 24 January 2014, to complete the winding-up procedure, the striking off of the company Seefinanz AG in liquidation from the Commercial Register of Canton Ticino became effective. The strike-off was published in the Swiss Official Trade Journal on 29 January 2014. On 31 March 2014, the winding-up of the associated company Phoenix S.p.A. (in liquidation), in which the Parent company held a 40% stake, was completed, following the striking off of the same from the Company Register of Verona, while in May, its 99% stake in the Irish subsidiary Royle West was wound up following the completion of the liquidation procedure. Lastly, in June 2014, the associated company Estates Capital Venture S.A. in liquidation, in which the Parent Company held 43.368% of share capital, was wound up, and was consequently struck off the Company Register of Luxembourg.

Sale of Eurovita Assicurazioni and Finoa

After obtaining the approval of the competent Authorities, on 30 June 2014, Banco Popolare, Aviva Italia Holding and Finoa executed the contract to sell 79.62% of Eurovita Assicurazioni S.p.A. to JCF III Eurovita Holdings S.a.r.l., a special purpose vehicle of the Private Equity Fund JC Flowers & Co LLC for a total consideration of Euro 47 million. The 77.55% stake in Eurovita's share capital, an insurance company that distributes its products through a widespread network of local and regional Italian banks, was the only significant asset of Finoa S.p.A., and was held jointly by Banco

Popolare and Aviva. Banco Popolare also directly held a further share of 2.07% in Eurovita's capital. At the same time as the sale of Eurovita, Banco Popolare and Aviva started the procedure to wind up the joint venture in Finoa, through the initial distribution, in July, of the available reserves, which was completed in December with the distribution of all of the residual reserves to the shareholders. The distribution of the reserves made by Finoa to shareholder Banco Popolare totalled Euro 16.3 million. On 23 December 2014, Banco Popolare then sold its shareholding in Finoa, corresponding to 50% of share capital, to Aviva Holding, at a price of Euro 50 thousand. The entire operation did not have an impact on the statement of financial position or income statement, as the value of the shareholdings in Eurovita Assicurazioni and Finoa were already aligned to the sale price, net of accessory charges.

Acquisition of equity investments for credit collection operations

Following the signature of the new Restructuring plan for the Aedes Group on 23 December 2014, Banco Popolare purchased equity investments corresponding to 100% of the share capital of Manzoni 65 S.r.l., Sviluppo Comparto 2 S.r.l. and Terme Ioniche S.r.l. from Aedes through its subsidiary company Bipielle Real Estate. The original purchase price of the equity investments (corresponding to Euro 25 thousand, Euro 29 thousand and Euro 16.1 million) was paid by offsetting a receivable for the same amount held by Bipielle Real Estate vis-à-vis Aedes. Said receivable had been assigned without recourse by Banco Popolare to Bipielle Real Estate on the same date. The equity investments acquired will be included in the scope of consolidation of consolidated companies using the line-by-line method and will contribute to the consolidated financial statements starting from 31 December 2014. The operation did not have any further negative impacts on the income statement for the year with respect to the value adjustments on loans that had already been recognised. Banco Popolare also acquired 25% of the share capital of Motia Compagnia di Navigazione S.p.A., following agreement to the closure of the “ex chapter 11” proceedings, filed with the Court of New York by Marco Polo Sea Trade BV. The allocation of the Motia shares, classified as an equity investment in an associated company, was made by means of a *datio in solutum* against a loan from Banco Popolare originally for Euro 25 million to Marco Polo Sea Trade, a credit position which was secured by a lien on the Motia shares. The book value of the above-mentioned shares, also based on an evaluation made by PricewaterhouseCoopers Advisory S.p.A., corresponds to zero. The operation did not have any further negative impacts on the income statement for the year with respect to the value adjustments on loans that had already been recognised.

Other events in the year 2014

Exercise of put option on RCS Media Group S.p.A. ordinary shares

On 18 February 2014, as a result of the Board of Directors resolution of 17 February 2014, Banco Popolare exercised the put option (“**Put Option**”), granted by Pandette Finanziaria S.r.l. (“**Pandette**”) to Banco Popolare concerning the sale of 3,870,900 ordinary shares of RCS Media Group S.p.A., (the “**RCS Shares**”) and therefore under the sale and purchase option contract signed by Banco Popolare and Pandette on 29 November 2006, and partially amended by the agreement signed on 21 February 2009. In the press release relating to the exercise of the Put Option, the sale price of RCS shares was established by Banco Popolare at Euro 113.5 million. With regard to the exercise of the Put Option, and until said option is settled, Banco Popolare boasts a

receivable from Pandette corresponding to the consideration for the sale of the RCS Shares, recorded in the accounts under “financial assets held for trading”. In the summons notice dated 12 March 2014, Banco Popolare was summoned to appear before the court by Pandette, which is requesting confirmation that: (i) the excessively high amount charged by Banco Popolare as consideration for the transfer of the RCS shares be ascertained; (ii) the price for the transfer of the RCS Shares under the Put Option be re-established as Euro 31.4 million and (iii) Banco Popolare and Pandette are obliged to renegotiate the contractual terms. Please refer to the Notes to the Financial Statements, Part B, section 12 of Liabilities for further details. Based on the opinion of external legal experts engaged to protect its interests, Banco Popolare believes that there is only a remote risk of losing the abovementioned dispute, as it believes the quantification of the price that Pandette has stated it is willing to pay inconsistent and illogical. In the light of said consideration and of the valuation of the financial profile of the debtor, the receivable of Euro 113.5 million has been established existing in full and as recoverable.

Upper Tier II subordinated loan “Banca Caripe Euribor 6M + 0.50% 28/09/2006 – 28/09/2016”

On 14 March 2014, the Official Receiver of Banca Tercas S.p.A. in Extraordinary Receivership, parent company of the Tercas Banking Group and the company that controls Banca Caripe S.p.A., holding a stake of 89.20% in the share capital of the same, informed Banco Popolare, underwriter of the subordinated bond loan issued by Caripe called Upper Tier II “Banca Caripe Euribor 6M + 0.50% 28/09/2006 – 28/09/2016” (the “**Bond Loan**”), of the suspension of the right of payment of the Bond Loan relating to the coupon currently becoming due (entitlement 28 September 2013 – 28 March 2014). According to the Official Receiver of Tercas, the decision not to pay Banco Popolare the interest on the current coupon was due to the serious situation of the losses recorded by Caripe as at 31 December 2013 and to the confirmation of capital ratios that are below the minimum regulatory thresholds for the continuation of banking activity. The subordinated bond loan with a nominal value of Euro 80 million is recorded in the statement of financial position under “Receivables due from banks”. Following the finalisation of the operation that entailed Banca Popolare di Bari obtaining control of Banca Tercas, as part of a recovery plan, which also involved the Interbank Deposit Guarantee Fund, the Extraordinary Receivership procedure against Banca Tercas and the subsidiary Banca Caripe was concluded on 30 September 2014. Following said operation, the above-mentioned receivable due to Banco Popolare from Banca Caripe became legally payable, both as regards the principal and the coupons that had matured and not been paid. At the present time, negotiations are underway with the new controlling shareholder to obtain the payment of the amount owed by Banca Caripe.

Change in substitute tax on the revaluation of the equity interest held in the Bank of Italy

On 23 June 2014, Law no. 89 converting Italian Decree Law no. 66/2014 (“*spending review*”) was approved, on the basis of which the substitute tax rate for the revaluation of the stake in the Bank of Italy was re-established as 26%, with respect to that of 12% established by Italian Law no. 147/2013 and taken as reference for financial year 2013 for the recognition of tax on income generated by the above-cited revaluation.

Based on the new legislative provisions, and on the income fully recognised in the previous year, the higher amount of Euro 14.5 million had to be deducted from the income statement in the second quarter of 2014. For further details, please consult the paragraph entitled “Accounting policies and uncertainties with regard to the use of estimates for drawing up the financial statements” in Part A of the Notes to the consolidated financial statements.

Agreements relating to employees

In 2014, negotiations already launched in previous years continued. The purpose of the same is to cut operating expenses, also making use of possible levers to cut labour costs by adopting measures to defend employment and with a view to generational renewal. Furthermore, these negotiations, closely related to the lines of action envisaged in the 2014-2016/2018 business plan, also entailed agreeing upon a series of measures that seek to achieve operating and production efficiency with a view to social sustainability in terms of the action taken vis-à-vis personnel. The numerous agreements signed since the beginning of the year, which are contributing to meeting the above objectives are illustrated below.

Reduction of employment levels, organisational measures to rationalise the Network and to simplify the Group structure

Agreements relating to cutting the workforce made on 23 January, 31 July and 26 November 2014, which also confirmed the use of part-time work, envisaged, on a voluntary basis, access to the extraordinary income support provisions of the sector Solidarity Fund, and the retirement of a very large category of workers (over 1000 resources), who meet the relative social security requirements, and who, with the exception of those who already left the company in 2014, will leave the company within a period of time consistent with the timing for the reduction of the workforce established in the current business plan. The agreements to reduce the workforce were made alongside specific understandings relating to the social and economic repercussions on workers following the measures to reorganise the network - both as a whole, by introducing the New Network Model, and with regard to specific production companies located in specific areas (Sicily and Rome) - where a total number of 114 branches will be gradually closed. Measures to simplify the corporate structure, which entailed the merger of Credito Bergamasco and Banca Italease into Banco Popolare, also entailed negotiations to harmonise the economic and legislative arrangements already in place for employees that work in the companies merged, or to be merged, with those applied to Banco Popolare employees.

Recruitment/Stabilisation

The agreements reached in 2014 regarding the reduction of the workforce entail the implementation, in 2014 and 2015, of detailed plans to recruit and stabilise new young employees, setting a total maximum threshold of 325 resources once the objectives to reduce the workforce have been met, both with a view to generational renewal, and in order to better balance the territorial distribution of the workforce.

Implementation of suspension from work measures with use of the ordinary provisions of the Solidarity Fund

With regard to measures to safeguard employment, the suspension from work arrangements were agreed for the two year period 2014-2015 for all Group company employees which specifically envisages taking 2 days of compulsory suspension from

work in 2014 and 1 day in 2015, as well as the option, on a voluntary basis, of taking further variable periods of suspension, based on the different categories of activation.

Company bonus, outstanding holiday leave, accumulated hours and permits for bank holidays

Although the agreement signed for the disbursement of the company bonus in 2015, necessarily had to take the economic situation of the industry into account, and therefore entailed a change to disbursement criteria, resulting in an average bonus which is lower than previous years, in any event it managed to ensure the payment of amounts that can still be considered reasonable. At the same time as the Company Bonus was established, again in 2015, the full use of holiday leave, permits for bank holidays and accumulated hours is envisaged.

Supplementary welfare

Agreements relating to significant socially-oriented measures entailed the further development of the Group's complementary Welfare system, through the introduction of the so-called individual Welfare Account, related to the crediting of "figurative" amounts, both individual and corporate, with which each worker may access the following Welfare services:

- Supplementary pension arrangements;
- Healthcare;
- A.H. (Additional Healthcare);
- Instruction and Education.

The agreements drawn up in this regard also permitted further specific "figurative" amounts to be established, to be paid into the Welfare account and used for the above mentioned social services, benefitting from special treatment in terms of tax and social security contributions envisaged by the law.

Funded training

Again in 2014, negotiations continued with a view to funding training courses that are important and essential to the development of human capital and addressed to a very high number of workers, through a specific industry fund, called the "Bank and Insurance Company Fund".

Video surveillance systems, traceability of bank transactions

Negotiations regarding video surveillance and the traceability of bank transactions entailed the establishment of the respective agreements, which are standard and apply to all Group companies, enabling the rational and non onerous compliance with the requirements of art. 4 of the workers statute relating to guaranteeing the remote control of working activities.

Detaxation of productivity pay

The application of the tax break (so-called "detaxation") on productivity pay, within the new limits set by the relevant legislation in force was also confirmed for 2014, with the necessary agreement of the trade union.

Covered Bond transactions and securitisations

For the existing Covered Bond (“CB”) Programmes, Banco Popolare acts as the Issuing Bank of the CB and, following the merger of Credito Bergamasco into Banco Popolare, acts as the Bank Assigning the assets (pursuant to art. 7-bis of Italian Law no. 130 of 30 April 1999) and as sole Lending Bank.

Under the Residential CB Programme, following the redemption of the Fifth Series of the CB issued, which expired on 31 December 2013, for a nominal value of Euro 1.75 billion, on 8 January 2014, Banco Popolare issued the Seventh Series of CB for a nominal value of Euro 1.5 billion, at a floating interest rate (3m Euribor + 100 bps) maturing on 31 March 2016. The bond was entirely subscribed by Banco Popolare and used as collateral in refinancing operations with the ECB. On 31 March 2014, the Third Series of CB issued was fully redeemed for a nominal value of Euro 1.25 billion. On 19 September 2014, Banco Popolare issued the Eighth Series of CB for a notional amount of Euro 1.5 billion, at a floating interest rate (3m Euribor + 100 bps) maturing on 30 September 2017. Also in this case, the bond was entirely subscribed by Banco Popolare and used as collateral in monetary policy operations. Under this Programme, the bonds issued by Banco Popolare and outstanding as at 31 December 2014 therefore amount to Euro 7.45 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Fitch “BBB+”, while the Moody’s rating is “A3”).

On 21 May 2014, Banco Popolare and Credito Bergamasco (“**Assigning Banks**”) sold a new portfolio of eligible assets (the ninth) to BP Covered Bond S.r.l. (the “**Covered Bond SPE**”) with a residual debt of Euro 866.3 million, comprised of residential and property mortgage loans originated by the Assigning Banks. To honour the purchase price of the loans portfolio, made on 30 June 2014, the Covered Bond SPE utilised available liquidity deposited in its current accounts at the London Branch of Banco Popolare. Following the latter assignment, the total residual value of the receivables sold to the Special Purpose Vehicle was Euro 10.1 billion as at 31 December 2014.

Under the Commercial CB Programme, following the full redemption of the First and the Second Series of the CB issued, which expired on 31 March 2014, for a total nominal value of Euro 1.7 billion, on 4 April 2014, Banco Popolare issued the Fourth Series of CB for a nominal value of Euro 1.5 billion, at a floating interest rate (3m Euribor + 30 bps) maturing on 2 July 2016. Therefore, the bonds issued by Banco Popolare under this programme and outstanding as at 31 December 2014 amount to Euro 1.7 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Moody’s “Baa2”, subscribed by Banco Popolare and used as collateral for refinancing operations with the ECB).

On 7 November 2014, Banco Popolare sold a new portfolio of eligible assets (the fifth) to the Covered Bond SPE with a residual debt of Euro 215.2 million, comprised of commercial and residential landed and mortgage loans originated by Banco Popolare itself. The purchase price was paid by the Covered Bond SPE on 2 January 2015 by using available liquidity deposited in its current accounts at the London Branch of Banco Popolare. On the same date of 7 November 2014, Banco Popolare also repurchased a portion of mortgage loans previously sold to the Covered Bond SPE and not “eligible” for a total residual debt of Euro 380.7 million, the payment for which was made on 2 January 2015 by offsetting the partial early repayment of the subordinated loan granted to the “Assigning Banks” to the SPE.

Lastly, in order to bring the level of cash below the threshold envisaged by Italian law on Covered Bonds, Banco Popolare asked the Covered Bond SPE to advance part of the subordinated loan in cash corresponding to Euro 220 million, in addition to that relating to the repurchase price on the non eligible mortgage loans. The date of the early repayment was 2 January 2015. The total residual value of the receivables sold to the Covered Bond SPE was Euro 2.1 billion as at 31 December 2014.

On 21 February 2014, the rating agency Moody's, mainly due to the change in the rating for the outlook of Italian Government bonds from "negative" to "stable", upgraded the rating attributed to the CB issued under the Residential Programme from "Baa2" to "Baa1" and that attributed to the CB issued under the Commercial CB Programme from "Baa3" to "Baa2"; furthermore, on 12 March 2014, following several changes to the rating method adopted, Moody's further upgraded the rating of the Residential CB Programme from "Baa1" to "A3".

Instead, with regard to securitisation transactions, on 27 May 2014, Banco Popolare and Credito Bergamasco ("**Originator Banks**") sold a new portfolio of receivables resulting from mortgage, landed, agrarian and other loans disbursed to SMEs (Small Business Enterprises) to BPL Mortgages S.r.l. ("**BPL SPE**"), with a total residual debt of around Euro 1.8 billion ("**BPL Mortgages 7**"). To fund the purchase of the receivables, on 30 June 2014, the BPL SPE issued three classes of Asset Backed notes with limited recourse: a class of Senior Notes for a total nominal value of Euro 1.077 billion, listed on the Irish Stock Exchange, (rated "A2" by Moody's and "A" by DBRS), a class of Mezzanine Notes for a total nominal value of Euro 269.3 million, listed on the Irish Stock Exchange, (rated "Baa2" by Moody's and "BBB (Low)" by DBRS), and a class of unrated, unlisted Junior Notes for a total nominal value of around Euro 448.9 million. All of the classes of notes were underwritten by Banco Popolare. Note that in August 2014, the Senior Notes were classified as allocable and were used by Banco Popolare for refinancing operations with the European Central Bank.

With regard to the "BP Mortgages 1" operation, in February 2014 Fitch downgraded the Senior Note (Class C Notes) from a rating of "BBB+" to "BBB" and then, in November 2014, further downgraded the Senior Note (Class C Notes) from "BBB" to "BBB-" and downgraded the rating of the Senior Note (Class B Notes) from "AA+" to "AA". With regard to the "BP Mortgages 2" operation, in November 2014, Fitch downgraded the Senior Note (Class B Notes) from "AA+" to "AA" and changed the outlook on Class A2 and Class C Notes from "Stable" to "Negative". Furthermore, during the year, S&P downgraded the rating of the Senior Note (Class A Notes) relating to "BPV Mortgages" operation from "A" to "BBB", while the rating agency Fitch instead upgraded the Class C security of the "Bipitalia Residential" operation from "BBB" to "A". Following the downgrading of Banco Popolare in the previous year by Moody's, in June and July 2014, with a view to maintaining the rating of the notes issued, several changes were made to the contractual documentation of the "BPL Mortgages 5", "BPL Mortgages 6" and "Bipitalia Residential", "BP Mortgages 2007-1" and "BP Mortgages 2007-2" operations, agreed with the relative rating agencies and with the noteholder representatives. For further developments which occurred in 2015, please see section "*Other Events 2015 - Covered Bond transactions and securitisations*" below.

Exposure to the Sorgenia Group

At the end of 2013, the Sorgenia Group announced to the group of banks that the market scenario had changed and that it was undergoing a situation of financial tension which meant that it was in difficulty in repaying its debts. In December 2013, Sorgenia informed the lending banks that it was drawing up a business and financial plan, with the help of its advisors, one of the aims of which was to identify ways of recapitalising and improving its economic and financial situation. The main features of the Plan, which is part of a debt restructuring agreement pursuant to art. 182 bis of the Italian Bankruptcy Law, are as follows:

- liberation from unpaid debts by the banks for a total of around Euro 600 million (Banco Popolare's share of which corresponds to around 11.6%), of which around Euro 400 million by means of the assignment, without recourse of a part of the MLT receivables held by several banks against Sorgenia S.p.A. to a "Holdco" held by the banks in question, while the remainder through the conversion, by the group of banks, of medium-long term receivables into a 10-year convertible bond (as well as an option to further extend the deadline by 2 years);
- the postponement of the payment deadline to 2023 (in addition to an option of a further 2 years extension of the deadline) of the residual medium-long term debt of Sorgenia S.p.A., net of the amount of Euro 600 million subject to conversion, corresponding to a total of Euro 241 million;
- confirmation of the short-term credit lines for a total of around Euro 344 million;
- disbursement of a new loan during the Plan for a total of Euro 256 million;
- the postponement of the payment of debts due to SPE Sorgenia Power (2025 + an option of a further 2 year's extension) and to Sorgenia Puglia (2021 + an option of a further 1 year's extension), as well as below market level pricing.

Following the signature of the debt restructuring agreement under art. 182 of the Italian Bankruptcy Law, on 12 November 2014, Banco Popolare purchased a share of a nominal value Euro 1,665 for a total price of Euro 6,660, corresponding to 16.65% of the share capital of 8 Marzo 91 S.r.l. The remaining amount of the capital was purchased by a further five banks, which signed the Restructuring Agreement, with equal shares. When approval for the Restructuring Agreement for Sorgenia S.p.A. is received, envisaged for the first half of 2015, the company will obtain control of the same Sorgenia S.p.A., subject to the transformation of the same into a joint stock company and the subsequent issue of Participating Financial Instruments of which Banco Popolare will also be an assignee. Banco Popolare's exposure to the companies covered by the restructuring arrangement (namely, Sorgenia S.p.A., Sorgenia Power S.p.A. and Sorgenia Puglia S.p.A.) which as at 31 December 2014 totalled Euro 157.5 million, Euro 136.3 million of which in cash, Euro 20.5 in unsecured loans and Euro 0.7 million in derivatives. The above exposures in cash and unsecured loans have been classified as non performing restructured loans with total provisions of Euro 52.4 million. The exposure relating to the liberation arrangement is that of Sorgenia S.p.A., amounting to Euro 117.9 million as at 31 December 2014, Euro 97.4 million of which relate to two medium-long term pool loans and Euro 20.5 million to unsecured loans. The exposure to the other two companies, with total cash drawdowns of Euro 38.9 million (Euro +0.7 million in derivatives), instead regard the participation in two pool project financial arrangement to sustain part of the investment costs of two projects to construct thermoelectric power stations. For further developments which occurred in

2015, please see the section “*Subsequent events after 31 December 2014 - Exposure to the Sorgenia Group*” below.

Change in corporate offices

The Shareholders’ Meeting held on 29 March 2014, among other resolutions, appointed the members of the Board of Directors, including the Chairman and the Deputy Chairmen, who will remain in office for the three-year period 2014-2016. The following were elected: Carlo Fratta Pasini (Chairman), Guido Castellotti (Deputy Chairman), Maurizio Comoli (Deputy Chairman), Patrizia Codecasa, Giovanni Francesco Curioni, Gianni Filippa, Andrea Guidi, Maurizio Marino, Giulio Pedrollo, Enrico Perotti, Claudio Rangoni Machiavelli, Fabio Ravanelli, Cecilia Rossignoli, Sandro Veronesi, Franco Zanetta, Cristina Zucchetti, Pier Francesco Saviotti, Maurizio Faroni, Domenico De Angelis, Enrico Fusi, Cristina Galeotti, Valter Lazzari, Daniela Montemerlo and Tommaso Zanini.

The members of the Board of Statutory Auditors were also appointed: Pietro Manzonetto (Chairman), Maurizio Calderini, Gabriele Camillo Erba, Claudia Rossi, Alfonso Sonato and, as alternate auditors, Marco Bronzato and Paola Pesci. At the meeting held on 1 April 2014, the Board of Directors confirmed Pier Francesco Saviotti as Managing Director and appointed the members of the Executive Committee, the Internal Control and Risks Committee, the Emoluments Committee and the Appointments Committee. The Shareholders’ Meeting also acknowledged the resignation of Board Director Giovanni Francesco Curioni. On 29 April 2014, to make up its quorum, the Board of Directors co-opted Luigi Corsi, who will remain in office until the next Shareholders’ Meeting. Note also that on 11 June 2014, board director Enrico Fusi resigned; at a meeting held on 24 June, the Board of Directors resolved to co-opt Cesare Zonca, who will remain in office until the next Shareholders’ Meeting. In compliance with the provision of the Articles of Association, which came into force on 1 June 2014, raising the number of Executive Committee members from 6 to 7, at the same meeting, board director Zonca was appointed a member of said Committee.

Subsequent events after 31 December 2014

Events relating to the process to simplify corporate structure and organisation

Merger of Banca Italease into Banco Popolare

Banca Italease S.p.A and Banco Popolare, in execution of the resolutions of the Extraordinary Shareholders' Meeting of Banca Italease S.p.A. and of the Board of Directors of Banco Popolare, signed the deed of merger by incorporation of the subsidiary Banca Italease S.p.A. into the Parent Company Banco Popolare on 9 March 2015.

The merger, which did not result in any share exchange or issues of new shares by Banco Popolare, took effect as of 16 March 2015 in statutory terms, through the registration of the deed on the relevant company registers; while in accounting and fiscal terms, the effect of the merger was moved back to 1 January 2015.

Evolution of the network distribution model

In addition to that implemented in 2014, and in line with the timing of the Project to develop the distribution model, in 2015 (effective as from 12 January 2015) Banco Popolare proceeded with the further reduction of the number of Business Areas, in particular, cutting the previous 5 areas in Sicily down to 4 and the previous 4 in Rome of the BPN division down to 2.

This rationalisation was possible as a result of the closing of numerous branches in December 2014. Specifically, the actions in Rome — where, as a result of the merger of Credito Bergamasco into Banco Popolare (occurred in September 2014), the Creberg branches were assigned to the BPN Division - resulted in the correct redistribution of existing branches into only 2 business areas.

Furthermore, Banco Popolare's business model was extended to the Creberg Division, identifying, in line with the features and the potential of the area, dedicated business branches where corporate activities should be concentrated, in order to reduce the response times and improve service levels.

In February 2015, pursuant to a notification made in December 2015 to all corporate customers involved in the process of transferring accounts, over 3,200 corporate customers were automatically migrated to the dedicated branches and the number of corporate branches was consequently reduced from 86 to 30.

Events relating to the management of investments in subsidiaries, associates and joint ventures

Winding-up of Group companies

In March 2015 the subsidiary Verona e Novara (France) in liquidation was struck off the Paris Trade and Companies Register and expunged from the Banco Popolare Banking Group, following completion of the liquidation procedure. On 19 February 2015, the subsidiary's shareholders' meeting approved the final liquidation financial statements as at 31 December 2014 along with the voluntary arrangement plan which envisages distribution of net assets to the shareholders. The portion received by Banco Popolare in relation to shares held amounts to Euro 2.9 million. This operation did not have an impact on the statement of financial position or the income statement for the quarter insofar as the consolidated book value of the subsidiary was in line with the outcome of the liquidation procedure.

The liquidation of Italfinance RMBS S.r.l. was completed through the strike off of the company from the Trento Company's Register on 23 January 2015, following the approval of the final liquidation financial statements on 23 December 2014.

Lastly, in January 2015, the liquidation of the associated company Alfa Iota 2002 S.r.l., in which Banco Popolare held a 35% stake was completed with the cancellation of the same from the Company Register.

These operations also had no impact on the statement of financial position or income statement, as the value of the shareholdings was already aligned with the pro-rata shareholders' equity values in the final liquidation financials statements.

Other Events in 2015

Banco Popolare fully complies with the minimum capital ratios required by the European Central Bank

On 25 February 2015 the European Central Bank (ECB) notified Banco Popolare of its final decision on the minimum capital ratios to be complied with by the bank on an ongoing basis. The decision is based on Article 16 (2) (a) of EU Regulation no. 1024 of 15 October 2013, which confers on the ECB the power to require any supervised bank to hold own funds in excess of the minimum capital requirements laid down by current regulations. The minimum ratios required by the Regulator are a Common Equity Tier 1 ratio (CET1 ratio) of 9.4% and a Total Capital Ratio of 10.5%. The current level of own funds enables Banco Popolare to fully comply with the Regulator's requirements, both with respect to the calculation rules currently applicable in the transition period, as well as when the new capital requirements shall apply in full.

Covered Bond transactions and securitisations

As part of the Residential CB Programme, on 5 March 2015 Banco Popolare issued the Ninth Series of CB with a nominal value of Euro 1 billion, fixed-rate coupon of 0.75% (0.803% only for the first coupon payable as at 31 March 2016), maturity on 31 March 2022, subscribed by institutional investors. Following this last issue, the bonds issued and outstanding under this Programme as at 31 March 2015 therefore amount to Euro 8.45 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Fitch “BBB+”, while the Moody's rating is “A3”). The total residual value of the receivables sold to the Special Purpose Entity was Euro 9.8 billion as at 31 March 2015. During the first quarter of 2015 there were no new issues of Covered Bonds under the Commercial CB Programme. Therefore, the bonds issued and outstanding as at 31 March 2015 amount to Euro 1.7 billion (the securities are listed on the Luxembourg Stock Exchange, rating assigned by Moody's “Baa2”, subscribed by Banco Popolare and used as collateral for refinancing operations with the ECB). The total residual value of the receivables sold to the Special Purpose Entity was Euro 2 billion as at 31 March 2015. However, as regards securitisation transactions, in support of the transactions “BP Mortgages 1” and “BP Mortgages 2” in order to safeguard the rating of the senior notes issued, pursuant to the resolution of the Board of Directors of 27 January 2015, on 17 March 2015 Banco Popolare repurchased (settled on 24 March 2015) of a part of the non performing loans, an option envisaged in the contract, so as to transfer the funds needed by the Covered Bond SPE to bring the Cash Reserves of both operations back up to the target level and to eliminate the shortfall created in the structure of the “BP Mortgages 1” operation. During the first quarter of 2015, Moody's upgraded the ratings of several securities of securitisation transactions of the BPL SPE and BP Mortgages S.r.l.. The action taken on the rating reflects the updating of the method applied to structured finance operations, which specifically implements the improvement in the valuation of country risk for Italy, announced by Moody's in January 2015. In particular, Moody's upgraded the Senior Note of the BPL Mortgages 5 operation from “A2” to “Aa2”, the Senior Note of the BPL Mortgages 6 operation from “A2” to “A1” and, with reference to the BPL Mortgages 7 operation, upgraded the rating of the Senior Note from “A2” to “A1” and of the Mezzanine Note from “Baa2” to “A3”. As regards the BP Mortgages 2 operation, Moody's upgraded the Class A2 Note from “A2” to “Aa2”, the Class B Note from a rating of “Baa1” to a rating of “A1” and the Class C Note from a rating of “Baa3” to a rating of “Baa1”. Furthermore, for both securitisation operations “BP Mortgages 1” and “BP Mortgages 2”, in February 2015, following

several updates of the criteria used to assign ratings, the agency S&P downgraded the Class B Notes from a rating of "A+" to "A" and upgraded the rating of the Class C Notes from "BBB" to "BBB+". Lastly, in February 2015, S&P downgraded the Class A Senior Note of the securitisation operation "BPV Mortgages" from "BBB" to "BBB-".

Exposure to the Sorgenia Group

The restructuring agreement for the total debt of the Sorgenia Group was endorsed in February 2015. During the first quarter of 2015, implementing the provisions of said agreement, Banco Popolare subscribed its portion of the share capital increase of Nuova Sorgenia Holding S.p.A. (former 8 Marzo 91), as well as the participating financial instruments of Euro 110,000, which were posted under financial assets available for sale at a fair value of zero. Moreover, Banco Popolare subscribed the "Convertendo" bond loan (Class A bonds) issued by Sorgenia S.p.A. in a nominal amount of Euro 23.1 million by offsetting the amount using receivables of the same amount due from said company, recording the loan under financial liabilities designated at fair value through profit and loss as at 31 March 2015. The difference between the nominal value of the receivable and the fair value of the instruments acquired was posted to losses on receivables and covered using provisions for value adjustments previously allocated and, in any event, with no impacts on the Group's quarterly income statement. Lastly, Banco Popolare transferred a portion of the residual payables due to Sorgenia S.p.A. to Nuova Sorgenia Holding S.p.A. for a total of Euro 46.1 million, along with the provisions for value adjustments to ensure net exposure in line with the fair value of the receivable, as established by the fairness opinion for the restructuring plan. As at 31 March 2015, the exposure of the Banco Popolare Group to the companies Sorgenia S.p.A. and Nuova Sorgenia Holding S.p.A. amounted to a total of Euro 98.3 million, of which Euro 81.7 million in cash and Euro 16.6 million unsecured, with value adjustments of Euro 46.2 million and Euro 4.2 million, respectively.

Rejection of refund of tax credit

On 22 July 2014, Banco Popolare was served, by the Tax Authority, Provincial Headquarters of Novara, with 2 refund rejection notices regarding IRPEG and ILOR credit for which Banca Popolare di Novara s.c.a.r.l. had requested a refund for 1995, prior to the merger with Banca Popolare di Verona, SGSP s.c.a.r.l. which established Banco Popolare di Verona e Novara s.c.a.r.l. The credit rejected, recognised in the financial statements as at 31 December 2014, amounts to a total of Euro 86.5 million, Euro 52.6 million of which as principal and Euro 33.9 million of which is interest accrued. Considering that the grounds stated by the Tax Authority are totally illegitimate and groundless, on 5 November 2014, the company submitted an appeal against said measures before the competent Tax Commission. The hearing to discuss the disputes before the Provincial Tax Commission was held on 7 April 2015.

With ruling filed on 30 April 2015, the Provincial Tax Commission accepted both (combined) appeals, also ordering the Tax Authority to pay legal fees.

Risks associated with current disputes with the 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 Tax Authority in 2015 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. As a consequence of 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 as at 31 March 2015 to Euro 407.0 million, of which Euro 391.3 million relate to notices of assessment, tax demands and payment notices and Euro 15.7 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 usually consider any interest, while the estimate of potential liabilities relating to formal reports on findings does not usually include interest or fines, insofar as they are not indicated in the latter document. As at 31 December 2014, the claims of the Tax Authority resulting from the notices of assessment and the formal reports on findings served amounted to Euro 483.7 million

New disputes that emerged in the first quarter of 2015 and/or developments of existing disputes following formal reports on findings served

Between 31 December 2014 and 31 March 2015 no new potential liabilities arose.

Disputes concluded and/or settled during the period between 31 December 2014 and 31 March 2015

During the quarter outstanding disputes decreased by a total of Euro 76.7 million, comprising Euro 73.1 million due to the write-off of potential liabilities relating to the alleged non-deductibility of costs relating to facts or actions that are considered offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Italease with regard to the incorrect recognition of counterparty risk in derivative contract transactions performed in 2007), contained in the report on findings of 30 November 2012.

The decision to consider said potential liabilities as no longer existing results from the reading of the deed of certification of pending charges of Banca Italease issued on 2 March 2015 by the Milan Regional Headquarters of the Tax Authority. Unlike from the previous deeds, this deed no longer mentions the report on findings of 30 November 2012. As illustrated in the Annual Financial Report 2014, the assessment notices served in December 2014 did not include said findings. In light of this situation, we reasonably believe that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the findings. In relation to the claim, no provisions were recorded, as losing the dispute was deemed only possible.

Euro 3.5 million in the additional reductions in potential liabilities derive from the termination of the dispute against the former Banco Popolare di Novara S.p.A. and the former Banca Italease concerning the alleged failure to pay registration tax on finalised deeds related to the operation to restructure the debt of an Italian industrial group. The claim was no longer valid due to the cancellation following an internal review of the payment notices previously issued. In relation to the claim, no provisions were recorded, as losing the dispute was deemed only possible.

In addition to the developments illustrated, during and following the quarter numerous hearings were held in which the appeals submitted by Banco Popolare or the opponent were discussed. Below, the main disputes under discussion are summarised:

- (i) on 24 February 2015, the dispute regarding Banco Popolare (formerly Banca Italease) was discussed before the Provincial Tax Commission. This dispute regards the applicability of withholding to interest paid in 2008 to the subsidiary special purpose entity resident in Delaware for amounts deriving from the placement of financial instruments calculated as part of regulatory capital (preference shares). The Commission partially rejected Banco's appeal, ordering it to pay the withholding, but cancelling the application of fines. The ruling had no impact on the income statement for the quarter, as the amount of withholding had already been allocated on drawing up the financial statements as at 31 December 2014;
- (ii) on 17 March 2015, several of the disputes of Banco Popolare (formerly Banca Popolare di Verona e Novara) regarding the applicability of the regional increase in the IRAP tax rate for the years 2003, 2004 and 2005 were discussed before the Supreme Court. As illustrated in more detail in the section regarding the significant events after the end of the quarter, the Supreme Court fully confirmed the decision of the Regional Tax Commission, compensating legal fees;
- (iii) also on 17 March 2015, the Banco Popolare (formerly Banca Popolare Italiana) dispute regarding the registration tax applicable to the disposal of a business segment finalised in 2004 between Banca Eurosystemi and Banca Popolare di Lodi was discussed before the Supreme Court, that fully confirmed the decisions of the Regional Tax Commission, ordering the bank to pay legal fees;
- (iv) also on 17 March 2015, the dispute involving the subsidiary Bipielle Real Estate regarding the registration tax applied to the reclassification of the contribution of a business segment, where Reti Bancarie Holding was the counterparty, was discussed before the Supreme Court that quashed the ruling of the Regional Tax Commission, accepting the appeal filed by the Tax Authority and sending all proceedings back to the Regional Tax Commission;
- (v) on 20 April 2015, the dispute regarding Banco Popolare (formerly Banca Italease) was discussed before the Provincial Tax Commission. This dispute regards the applicability of withholding to interest paid in 2007 to the subsidiary special purpose entity resident in Delaware for amounts deriving from the placement of financial instruments calculated as part of regulatory capital (preference shares).

In addition to the disputes illustrated above, on 22 July 2014, Banco Popolare was notified, by the Tax Authority -Provincial Headquarters of Novara, with 2 refund rejection notices regarding IRPEG and ILOR credit for which Banca Popolare di Novara s.c.a.r.l. had requested a refund for 1995, prior to the merger with Banca Popolare di Verona - SGSP s.c.a.r.l. which established Banco Popolare di Verona e Novara s.c.a.r.l. The credit rejected, recognised in the financial statements as at 31 December 2014, amounts to a total of Euro 86.5 million, Euro 52.6 million of which as principal and Euro 33.9 million of which is interest accrued. Considering that the grounds stated by the Tax Authority are totally illegitimate and groundless, on 5 November 2014, the company submitted an appeal against said measures before the competent Tax Commission. The hearing to discuss the disputes before the Provincial Tax Commission was held on 7 April 2015. The Provincial Tax Commission accepted both combined appeals, also ordering the Tax Authority to pay legal fees. For further

updates which occurred in 2015, please see the section “*Tax credits of the former Banca Popolare di Novara s.c.a r.l.*” below.

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 courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external firms, the potential liabilities classified as possible but unlikely amount to a total of Euro 369.4 million.

The potential liabilities classified as probable amount in total to Euro 37.6 million and were fully debited from the income statement when the tax demands received were paid or are entirely covered by provisions allocated to the item "other provisions for risks and charges - other.

Lastly, with regard to all of the disputes illustrated above, we would like to state that as at 31 March 2015, tax credit amounting to Euro 58.9 million was due from the Tax Authority, following payments made provisionally for the assessment notices served. In this regard, we must emphasise that said payments are not retained such as to impact the risk of losing the disputes, which have been valued on the basis of the provisions of IAS 37: in fact, these amounts are paid as part of an automatic mechanism, which is unrelated to the groundlessness or otherwise of the related tax claims.

Inspections underway as at 31 March 2015

As at 31 March 2015, no inspections were in progress against Banco Popolare or its subsidiaries.

Related risks and inspections

Following an inspection, with note dated 6 November 2014, Consob informed the Issuer that it had detected possible irregularities in relation to the provision of investment services, with specific regard to the management of conflicts of interest and the adequacy assessment. In January 2015, the Issuer submitted to Consob its counter arguments for each of the presumed irregularities.

During the first quarter of 2015, the Supervisory Authorities concluded and/or launched several inspections of the Issuer. One inspection concerning the remuneration and incentive systems was concluded. On conclusion thereof, the Bank of Italy formulated several findings and observations, for which the Issuer provided its own considerations in April 2015. On 31 January 2015 the ECB initiated an inspection on risk management and the risk monitoring system, understood as relating to interest rate risk on the banking book and liquidity risk of the Issuer. This inspection is still underway. On 29 January 2015, the Bank of Italy launched a different inspection concerning aspects of compliance in relation to transparency of the Issuer, which is currently underway.

Development of disputes underway with the Government Tax Authorities

In the first few days of May 2015, all the rulings concerning the disputes heard before the Supreme Court on 17 March 2015 and relating to the following disputes were filed:

- (i) *Banco Popolare (formerly Banca Popolare di Verona e Novara) - tax demands regarding IRAP tax paid to the Regional headquarters for Veneto in tax years 2003, 2004 and 2005.* The Supreme Court fully confirmed the decision of the Regional Tax Commission, declaring the legal fees compensated. The liability arising from the Court's decision amounts to approximately Euro 10 million and has already been charged to the income statement in previous years. Therefore, there was no impact on the income statement for the current year;
- (ii) *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 Supreme Court fully confirmed the ruling of the Regional Tax Commission that was unfavourable to the Bank, and ordered the Company to pay the legal fees. The related potential liability of Euro 7.4 million, as it was classified as probable, has already been charged to the income statement in previous years. Therefore, there was no impact on the income statement for the current year.
- (iii) *Bipielle Real Estate S.p.A. - Settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding as counterparty (later incorporated into Banca Popolare Italiana Soc. Coop.).* Overturning the outcome of the previous instances, the Supreme Court accepted the appeal submitted by the Tax Authority, endorsing the approach according to which Article 20 of the Consolidated Law on registration tax allows for an investigation of the "real reason" for the operation in light of the interests pursued by the parties, as this shall prevail over that shown in the files/formally in the deeds filed by the parties. On this basis, the Supreme Court quashed the ruling of the Regional Tax Commission, assigning the examination of the reasons for the appeal, which had not been discussed at the time (as they were absorbed in the quashed decision) and the determination of legal fees to another section of said Commission.

In consideration of the favourable outcomes in the previous instances, no provisions had been allocated for this dispute. Following the decision of the Supreme Court illustrated above, a specific allocation of Euro 17.7 million was made to provisions for risks and charges, charging them to the income statement of the first quarter of 2015. The provision covers the amount of taxes due and the estimate of the related interest accrued. No fines were imposed.

With regard to the notices of assessment relating to tax year 2005 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 (regarding the offences of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banco Popolare, formerly Banca Popolare Italiana, with relation to the attempted takeover of Banca Antonveneta), As stated in the press release issued by Banco Popolare on 29 May 2015, the second section of the Milan Regional Tax Commission in the last days of May 2015, filed its ruling rejecting the appeal and upholding the tax claim. After gaining access to the full text of the ruling, Banco Popolare closely analyzed the instrument and the content of the ruling and observed that the decision by the Tax Commission on the merit does not put forward any specific

reason and merely refers back to the assumptions posited by the IRS, with no explicit indication as to the reasons why the accurate case and reasoning backing the appeal failed to be accepted. Banco Popolare, supported by its advisors, confirmed its conviction as to the illegitimacy of the interpretation put forward by the IRS and upheld by the Commissions, which, with no consideration to the provisions and the aims of the law, justified the non-deductibility based on a generic link between the expenses and the Antonveneta transaction, in the absence of a specific and qualified direct causality between said expenses and the crimes perpetrated in the take-over attempt of Banca Antonveneta, as it would instead be required by the relevant law. Banco Popolare also confirmed that, in this specific case, the IRS made a specious usage of the law on the extension of prescriptive time limits, by assuming the existence of an alleged fraudulent tax return offence in order to find a reason to lay an ungrounded charge when the regular time limits under the statute of limitations had already expired. As a further confirmation of its conviction, it should be underscored that the criminal proceedings covering the alleged fraudulent tax return offence have already been closed with the full acquittal of the defendant as “the facts did not occur” – as the Italian wording goes. For this reason, Banco Popolare commissioned its lawyers to file an appeal with the Supreme Court.

Tax credits of the former Banca Popolare di Novara s.c.a r.l.

With regard to the dispute initiated by Banco Popolare against the refund rejection notice for the IRPEG and ILOR credit for 1995, notified on 22 July 2014 by the Tax Authority - Provincial Headquarters of Novara in relation to the requests submitted at the time by Banca Popolare di Novara s.c.a r.l., on 7 April 2015 a hearing was held before the Provincial Tax Commission of Novara to discuss the appeals submitted by Banco Popolare. With ruling filed on 30 April 2015, the Commission accepted both appeals, also ordering the Tax Authority to pay legal fees.

The credit subject to the dispute is recognised in the financial statements as at 31 March 2015 for a total of Euro 86.5 million, Euro 52.6 million of which as principal and Euro 33.9 million of which is interest accrued.

Agreements relating to employees

Following the Agreement on the Renewal of the National Labour Agreement of 31 March 2015 between the Banking Association and the national trade unions, negotiations were immediately started up again in the Group, and an agreement was already entered into on 3 April 2015, concerning the Solidarity Fund for managing redundant staff.

This agreement specifically resulted in the acceptance of 74 voluntary requests for access to extraordinary benefits, in addition to the maximum number of 200 participants established with the previous agreement of 26 November 2014. With regard to the total exits planned primarily during 2015, in confirming the plan for hiring/stabilising 100 young resources, previously defined with the agreement of 26 November 2014, the agreement of 3 April 2015 also set out, for the portion exceeding 200 terminations, the inclusion in the company workforce of additional young people, which can be quantified as a termination/hiring ratio of 3 to 1. This aims at ensuring the necessary generational turnover, also in relation to production areas lacking resources, to favour homogenous distribution of employees in the local areas where the company is located.

Securitisation transactions

In April 2015, following several changes to the rating method applied as illustrated above, Moody's upgraded both Class A2 and Class B Notes of the securitisation transaction "Bipitalia Residential", from "A2" to "A1" and increased the rating of Class C Notes from "Baa1" to "A3".

On 10 April 2015 several amendments were made to the contractual documentation for the "BP Mortgages 1" and "BP Mortgages 2" transactions, to keep the counterparty Bank of New York (Luxembourg) S.A., Italian Branch in the role of custodian bank, among others, following the downgrading by S&P in December 2014. Specifically, S&P decreased the minimum rating required by the documentation to act as custodian bank from "A1+" to "A1". Following this amendment, S&P confirmed the rating of the securities issued.

Reform of the Italian banking system

Law No. 33 of 24 March 2015 (the "**Law 33/2015**") has converted into law the decree No. 3 of January 24 2015 aimed, *inter alia*, at reforming and modifying the legal framework applicable to the Italian mutual banks (*banche popolari*), providing amendments to the Italian Banking Act. In particular, Section 1 of Article 1 of the Law 33/2015 establishes that in cases where the assets of the *banche popolari* exceed the threshold of Euro 8 billion (the "**Threshold**") the relevant *banca popolare* shall, within one year from the occurrence of such event, resolve to: (a) reduce of its assets; (b) transform into a joint stock company; or (c) wind-up. Currently Banco Popolare's assets exceed the Threshold, meaning that Section 2 of Article 1 of the Law 33/2015 applies, which provides that the *banche popolari* that exceed the Threshold at the date of the entering into force of the Law 33/2015, must comply with its provisions within 18 months starting from the entering into force of the measures to be issued by the Bank of Italy implementing the Law 33/2015.

The Bank of Italy has issued the measures to implement the Law 33/2015 on 9 June 2015 with effect from 27 June 2015.

Banco Popolare to sell approximately Euro 210 million of bad loans to Hoist Finance without recourse

On 18 June 2015, Banco Popolare has finalized the sale without recourse of a portfolio of unsecured bad loans. The portfolio in question consists of roughly 17,000 positions, for a total nominal value of about Euro 210 million, without any negative impact on profits and losses. The sale was finalized as a block transaction pursuant to Law n. 130 of 1999 and, for Banco Popolare, entails the real and definitive transfer of the credit risks related to the positions sold. The portfolio was purchased by Marte SPV, the vehicle owned by Hoist Finance, an important pan-European operator in the Non Performing Loans market, listed on the NASDAQ in Stockholm.

Preliminary agreement signed for the sale of part of the stake held by Banco Popolare in Istituto Centrale delle Banche Popolari

On 19 June 2015, Istituto Centrale delle Banche Popolari Italiane S.p.A. ("**ICBPI**") has published a press release in relation to the execution of a preliminary share purchase agreement among Mercury Italy S.r.l. (an investment vehicle owned indirectly by funds advised by Bain Capital, Advent International and Clessidra SGR), as purchaser, and Banco Popolare, Credito Valtellinese S.c., Banca Popolare di Vicenza S.c.p.A., Veneto Banca S.c.p.A., Banca Popolare dell'Emilia Romagna S.c., Iccrea Holding S.p.A., Banca Popolare di Cividale S.c.p.A., UBI Banca S.c.p.A., Banca Popolare di Milano S.C.r.l., Banca Sella Holding S.p.A. and Banca Carige S.p.A., as sellers, for the sale of 85.79% of the share capital held by the sellers in ICBPI. In particular, Banco Popolare has agreed to sell a stake of 13.876% in the share capital of ICBPI, hence retaining a stake of 1.5%.

The consideration will be based on a valuation of 100% of the share capital of ICBPI of Euro 2,150 million or Euro 2,000 million depending on the structure of the transaction between two alternatives already identified. Assuming that the sale shall be finalized at a price proportional to a valuation of Euro 2,000 million for ICBPI, Banco Popolare stands to register a capital gain, net of tax effect, of approximately Euro 140 million, with a benefit at pro-forma fully loaded Common Equity Tier 1 ratio level of about 65 bps as at 31 March 2015 (it stood at 11.79%). In case of a valuation of Euro 2,150 million for ICBPI, Banco Popolare stands to register a capital gain, net of tax effect, of approximately Euro 160 million, with a benefit at pro-forma fully loaded Common Equity Tier 1 ratio level of about 70 basis points as at 31 March 2015. Completion of the sale is subject to the approval of the competent authorities.

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.

*Law Decree No. 66 of 24 April 2014, converted into law with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014, ("**Decree No. 66**"), has introduced new tax provisions amending certain aspects of the tax regime of the Notes as summarised below. In particular the Decree No. 66 has increased from 20 per cent. to 26 per cent the rate of withholding and substitute taxes of interest accrued, and capital gains realised, as of 1 July 2014 on financial instruments (including the Notes) other than government bonds.*

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

Where an Italian resident Noteholder is:

- (c) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *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**"));
- (d) a non-commercial partnership;

- (e) a non-commercial private or public institution; or
- (f) an investor exempt from Italian corporate income taxation.

Interest relating to the Notes, accrued during the relevant holding period, is subject to a substitute tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent (20 per cent. with reference to any Interest accrued up to 30 June 2014). If the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in the Republic of Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "*status*" of the Noteholder, also to IRAP (the regional tax on productive activities)).

Italian real estate funds (complying with the definition as amended pursuant to Law Decree n. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010) or a SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, are subject neither to substitute tax nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in the Republic of Italy and is an open-ended or closed-ended investment fund (the "**Fund**") or a SICAV, and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund or SICAV accrued at the end of each tax period; a withholding tax of 26 per cent. may apply on income of the Fund or SICAV derived by unitholders or shareholders through distribution (the withholding tax applies at 20 per cent. rate with reference to any distribution made up to 30 June 2014) and/or redemption or disposal of the units and shares (the withholding tax applies at 20 per cent. rate with reference to any proceeds accrued up to 30 June 2014).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. The 20 per cent. substitute tax shall apply on the portfolio's results accrued at the end of the tax year from 2015 onwards, but would also apply on a retroactive basis with reference to the portfolio's results accrued at the end of tax year 2014, on a reduced taxable amount. As of 1 January 2015, Italian pension funds may benefit from a tax credit equal to 9 per cent. of the result of the portfolio accrued at the end of the tax period, with respect to the profits invested in certain financial assets to be identified with a Ministerial Decree.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in the Republic of Italy or be a permanent establishment in the Republic of Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Noteholder or, absent that, by the issuer.

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 26 per cent. (20 per cent. with reference to any Interest accrued up to 30 June 2014), **provided that**:

- (g) such Noteholders are the beneficial owners of the Interest payments received under the Notes;
- (h) 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
- (i) 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 the *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (j) 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
- (k) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that the Noteholder is a resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information as listed in Ministerial Decree 4 September 1996, as amended and supplemented and replaced by a Ministerial Decree to be enacted according to the provision set forth by article 168-bis of Decree No. 917. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the Economy and Finance of 12 January 2001, as amended and supplemented, is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and central banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments made to a non-resident Noteholder.

Should the above exemptions not be applicable, non-Italian resident Noteholders may be entitled to claim, if certain relevant conditions are met, a reduction of the *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 26 per cent. (20 per cent. with reference to any Interest due and payable up to 30 June 2014) - 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 26 per cent. (20 per cent. with reference to any Interest due and payable up to 30 June 2014) withholding tax under the double taxation treaty (generally, to 10 per cent. or to the other applicable rates, if more favourable), 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 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 26 per cent. Capital Gain Tax (20 per cent. with reference to any capital gain realised up to 30 June 2014) 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. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. 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 26 per cent. Capital Gain Tax (20 per cent. with reference to any capital gain realised up to 30 June 2014) 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. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. 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 Capital Gain 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 26 per cent. substitute tax (20 per cent. with reference to any increase in value of the managed assets accrued up to 30 June 2014) 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. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. 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 and Italian resident real estate investment funds or SICAF. 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 26 per cent. (the withholding tax applies at 20 per cent. rate with reference to any distribution made up to 30 June 2014) may apply on income of the fund and SICAV derived by unitholders through distribution and/or redemption or disposal of the units (the withholding tax applies at 20 per cent. rate with reference to any proceeds accrued up to 30 June 2014);

- (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 accrued at the end of the tax period, and will be subject to a 20 per cent. substitute tax. The 20 per cent. substitute tax shall apply on the portfolio's results accrued at the end of the tax year from 2015 onwards, but would also apply on a retroactive basis with reference to the portfolio's results accrued at the end of tax year 2014, on a reduced taxable amount. As of 1 January 2015, Italian pension funds may benefit from a tax credit equal to 9 per cent. of the result of the portfolio accrued at the end of the tax period, with respect to the profits invested in certain financial assets to be identified with a Ministerial Decree; and
- (c) where the Noteholder is an Italian Real Estate Investment Fund or SICAF 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 or SICAF.

Taxation of capital gains arising in the hands of Non-Italian resident Noteholders

The 26 per cent. Capital Gains Tax (20 per cent. with reference to any capital gain realised up to 30 June 2014) 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:

- (d) 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
- (e) 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:

- (f) 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;
- (g) 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
- (h) 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.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding Euro 1,500,000.

Moreover, an anti-avoidance rule is provided for by Law No. 383/2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains to the "*imposta sostitutiva*" provided for by Italian Decree No. 461/1997. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant "*imposta sostitutiva*" on capital gains as if the gift was not made.

Transfer Tax

The transfer deed may be subject to registration tax at the fixed amount of Euro 200,00. 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

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed Euro 14,000 for taxpayers which are not individuals. This stamp duty is determined 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 newly introduced proportional stamp duty will apply on the Notes to the extent that the Notes are held with an Italian based financial intermediary.

Such communications are deemed to be sent at least once a year, even for instruments for which it is not mandatory nor the deposit nor the release or the drafting of the

statement. In the case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.20 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, or in the case the face or redemption values cannot be determined, on the purchase value of any 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 summary is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Luxembourg Paying Agent under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005, as amended, implementing the EU Savings Directive (Council Directive 2003/48/EC) (see, paragraph "EU Savings Directive" below) and agreements concluded with certain dependant or associated territories (the "**Territories**"), which provide that payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, in the meaning of article 4.2 of the EU Savings Directive, which are resident of, or established in, an EU member state (other than Luxembourg) or one of the Territories (that request reciprocity) will be subject to a withholding tax unless the relevant recipient has adequately

instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax exemption certificate issued by the fiscal authorities of his/her country of residence in the required format for EU Savings Directive purposes to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 35 per cent. as from 1 July 2011. As from 1 January 2015 Luxembourg has implemented the automatic exchange of information, accordingly starting from that date Luxembourg does not apply the withholding system.; and

- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on savings income paid by a Luxembourg paying agent (within the meaning of the EU Savings Tax Directive) (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005, as amended, implementing the EU Savings Directive). Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

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

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (**EU Savings Tax Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State.

However, for a transitional period, Austria may apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

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

established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 27 May 2015, EU and Switzerland signed a protocol amending the taxation of savings income (the "**Amending Protocol**"), transforming substantially the current measures adopted into a new automatic exchange of information regime. The Amending Protocol should be effective from 1 January 2017.

On 24 March 2014, the Council of the European Union formally adopted the Amending Directive thus broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

However, the European Commission has proposed the repeal of the EU Savings Tax Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive.

Implementation in Italy

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State 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, Aruba). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest (including the case of interest accrued on the Notes at the time of their disposal) paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member

State (or the territories referred to above), 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, namely: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid.

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 certain entities established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 2009/65/EC.

Either payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute "payments of interest" under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of the Decree No. 84. Accordingly, such payment of interest arising out of the Notes falls within the scope of the Directive being the Notes issued after 1 March 2001 (see articles 15 of the Directive and article 2(5) of the Decree No. 84).

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 should not be due in respect of withholding tax imposed under or pursuant to the Directive, or any law implementing or complying with, or introduced in order to conform to the Directive.

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's 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 Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal 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.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. 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.

Foreign Account Tax Compliance Act ("FATCA")

Whilst the Notes are in global form and held within the ICSDs, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see Taxation – Foreign Account Tax Compliance Act). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for them to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how it may affect them. The Issuer's obligations under the Notes are discharged once it has paid the ICSDs and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the ICSDs. Further, foreign financial institutions in a jurisdiction which has entered into an IGA with the United States are generally not expected to be required to make a withholding under FATCA or an IGA (or any law implementing an IGA) from payments they make.

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 9 July 2015 (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 150 offerees*: at any time to fewer than 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 (the "**FIEA**"). 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 to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations 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 12 May 2015. 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.
5. 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.
6. 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.
7. Except as disclosed on pages 113 to 129 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.

8. Except as disclosed on pages 113 to 160 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 2014, 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 2015.
9. Each of DBRS Rating Limited, Fitch Italia - Società Italiana per il Rating S.p.A. and Moody's Investors Service Ltd is established in the EEA and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.
10. 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 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 2014 and 2013;
 - (e) 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
 - (f) the constitutional documents of the Issuer.
11. 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.
12. It is confirmed that this Base Prospectus, any information incorporated by reference herein and any Final Terms will be published on the website of the

Luxembourg Stock Exchange (www.bourse.lu) in accordance with article 16 e) 4. of the Luxembourg Prospectus Law.

13. The Issuer does not intend to produce any Post-Issuance Information in relation to any assets underlying issues of Notes constituting derivative securities.
14. Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in financing, 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. Certain of the Dealers may have positions, deal or make markets in Notes issued under the Programme, related to derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. 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. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. 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. For the purpose of this paragraph the term "affiliates" includes also parent company.

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