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## IMPORTANT NOTICE

The information contained herein relates to the rights offering (the “**Offering**”) of 1,122,980,404 newly issued ordinary shares (the “**Shares**”) by Banco Popolare – Società Cooperativa (the “**Issuer**”). Mediobanca – Banca di Credito Finanziario S.p.A, Merrill Lynch International, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG (London Branch), Goldman Sachs International, Banco Santander S.A., Crédit Agricole CIB, Equita SIM S.p.A., ING Bank N.V., Keefe, Bruyette & Woods Limited, MPS Capital Services S.p.A., Royal Bank of Canada Europe Limited, Société Générale and The Royal Bank of Scotland N.V. (London Branch) are acting as guarantors of the Offering (the “**Guarantors**”, as defined in Section Two, Chapter V, Paragraph 5.4.3, of the Translation).

This document constitutes nothing more than an English translation (the “**Translation**”) of the Prospectus and does not constitute an offer to sell, or a solicitation or an offer to buy, any Shares or related subscription rights. The securities described herein are not being offered by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. The distribution of this Translation and the offering of Shares and/or related subscription rights (which is being made solely on the basis of the Prospectus) are restricted by law. Persons receiving this Translation are required by the Issuer and the Guarantors to inform themselves about and to comply with any such restrictions and to read the Prospectus.

**In making an investment decision, investors must rely exclusively on their own examination of the Issuer’s group and the terms of the Offering as described in the Prospectus, including the merits and risks involved.**

**BY ACCESSING THIS DOCUMENT, INVESTORS ACKNOWLEDGE, ACCEPT AND AGREE THAT (1) ANY INVESTMENT DECISION IN RELATION TO THE OFFERING WILL BE MADE SOLELY ON THE BASIS OF THE PROSPECTUS AND NOT ON THE BASIS OF THIS TRANSLATION; AND (2) THE PROSPECTUS HAS BEEN PREPARED IN LINE SOLELY WITH APPLICABLE ITALIAN STANDARDS, RULES AND REGULATIONS RELATING TO DOMESTIC RIGHTS OFFERINGS OF ITALIAN REGISTERED COMPANIES.**

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### **FORWARD-LOOKING STATEMENTS**

The Italian Prospectus and this Translation contain forward-looking statements. These forward-looking statements reflect the Issuer’s current views, beliefs, intentions or expectations of future events, are based on the Issuer’s assumptions and involve known and unknown risks, uncertainties and other factors that may cause the Issuer’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Forward-looking statements include statements about, among other things:

- general economic and business conditions including the impact of external factors such as changes in interest rates, inflation and consumer confidence, liquidity levels in the financial sector, competition and currency fluctuations;
- market trends and developments in the banking industry activities;
- the Issuer’s ability to distribute dividends;
- the Issuer’s ability to implement its business strategy;
- the outcome of ongoing litigation;
- the Issuer’s ability to maintain relationships with key personnel and its ability to attract and retain talented new personnel; and

- the Issuer's ability to remain competitive in the marketplace.

The Issuer discusses many of these risks, uncertainties and other factors in greater detail in the Italian Prospectus and in this Translation. Given these risks, uncertainties and other factors, the future developments and events described in the Italian Prospectus and in this Translation may not materialise as expected, or at all.

In some cases, forward-looking statements contain terms such as "anticipates", "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should," "will," "would" and similar expressions, which are intended to identify a statement as forward-looking. Forward-looking statements represent the Issuer's estimates and assumptions only as at the date of the Italian Prospectus. You should read the Italian Prospectus and this Translation completely with the understanding that the Issuer's actual future results, performance or achievements may be materially different from the Issuer's expectations. The information contained in the Italian Prospectus and in this Translation speaks as at the date of the Italian Prospectus and no one assumes any obligation to update this Translation or any of its forward-looking statements or to conform these forward-looking statements to the Issuer's actual results.

## **TRANSLATION OF THE PROSPECTUS**

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**RELATING TO THE OFFER IN OPTION**

**TO SHAREHOLDERS AND HOLDERS OF THE CONVERTIBLE BONDS**

**“BANCO POPOLARE 2010/2014 4,75% CONVERTIBILE  
CON FACOLTÀ DI RIMBORSO IN AZIONI”**

**OF**

**UP TO 1,122,980,404 BANCO POPOLARE SOCIETÀ COOPERATIVA SHARES**

**AND**

**ADMISSION TO LISTING ON THE AUTOMATED SCREEN-BASED STOCK EXCHANGE  
ORGANISED AND MANAGED BY BORSA ITALIANA S.P.A.**

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This Prospectus was filed with Consob on 14 January 2011, following notification that the Consob *nulla osta* was issued, with a note on 12 January 2011, protocol no. 11001922.

The fulfilment of the publication of the Prospectus does not involve any judgement the part of Consob concerning the proposed investment opportunity or on the merits of the related information and news.

The Prospectus is available at the registered offices of Banco Popolare – Società Cooperativa in Verona, Piazza Nogara 2, and on the website [www.bancopopolare.it](http://www.bancopopolare.it), as well as on the Italian Stock Exchange (Borsa Italiana S.p.A) website [www.borsaitaliana.it](http://www.borsaitaliana.it).



**WARNING**

In order to evaluate the investment properly, investors are invited to assess the specific risk factors relating to the Issuer and to the Group companies, the activity sector in which it operates and also the financial instruments offered.

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## DEFINITIONS

Below is a list of the definitions and terms used in the Prospectus. Unless stated otherwise, the meaning of these definitions and terms is that given below.

<b>2000/2010 Bonds</b>	The convertible bonds for the bond known as “Banco Popolare Prestito Obbligazionario Convertibile Subordinato (“TDF”) 4,75% 2000/2010 – ISIN IT 0001444360”.
<b>2007 Financial Statements</b>	Banco Popolare’s audited consolidated financial statements, together with the management report, for the financial year ended on 31 December 2007.
<b>2008 Annual Financial Report</b>	Banco Popolare’s audited, stand-alone and consolidated financial statements, together with the management report, for the financial year ended on 31 December 2008.
<b>2009 Annual Financial Report</b>	Banco Popolare’s audited, stand-alone and consolidated financial statements, together with the management report, for the financial year ended on 31 December 2009.
<b>2010 Half-Year Report</b>	The half-year stand-alone and consolidated financial report for the Banco Popolare Group, subject to a limited review, for the half-year ended on 30 June 2010.
<b>Agos Ducato</b>	Agos Ducato S.p.A., with registered offices in Milan, Via Bernina 7.
<b>Alba Leasing</b>	Alba Leasing S.p.A., with registered offices in Milan, Via Sile 18.
<b>Aletti Gestielle</b>	Aletti Gestielle SGR S.p.A., with registered offices in Milan, Via Roncaglia 12.
<b>Aletti Gestielle Alternative</b>	Aletti Gestielle Alternative SGR S.p.A., with registered offices in Milan, Via Roncaglia 12. <sup>(1)</sup>
<b>Arena Broker</b>	Arena Broker S.r.l., with registered offices in Verona, Via Pancaldo 70.
<b>Articles of Association</b>	The corporate Articles of Association ( <i>statuto</i> ) of Banco Popolare in force on the Prospectus Date.
<b>AT Leasing</b>	Auto Trading Leasing IFN SA, with registered offices in Bucharest (Romania), Promoroaca Street. 8-10.
<b>Avipop Assicurazioni</b>	Avipop Assicurazioni S.p.A., with registered offices in Milan, Viale Abruzzi 94.

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<sup>(1)</sup> On 3 December 2010, Aletti Gestielle Alternative was merged by absorption into Aletti Gestielle, with legal and fiscal effect from 1 January 2010.

<b>Banca Aletti</b>	Aletti & C. Banca di Investimento Mobiliare S.p.A., with registered offices in Milan, Via Santo Spirito 14.
<b>Banca Aletti Suisse</b>	Banca Aletti & C. (Suisse) S.A., with registered offices in Lugano (Switzerland), Via d'Alberti 1.
<b>Banca Caripe</b>	Banca Caripe S.p.A., with registered offices in Pescara, C.so Vittorio Emanuele 102. <sup>(2)</sup>
<b>Banca Italease Group</b>	Banca Italease and the companies directly or indirectly controlled by it until 8 July 2009, the date Banca Italease and the companies it controls became part of the BP Group.
<b>Banca Italease Group Reorganisation</b>	The concentration of some of Banca Italease's assets and liabilities and those of its subsidiaries in Release (as defined hereafter) and Alba Leasing, in line with the provisions of the Framework Agreement.
<b>Banca Italease or Italease</b>	Banca Italease S.p.A., with registered offices in Milan, Via Sile 18.
<b>Banca Popolare di Crema</b>	Banca Popolare di Crema S.p.A., with registered offices in Crema, Via XX Settembre 18.
<b>Banca Popolare di Cremona</b>	Banca Popolare di Cremona S.p.A., with registered offices in Cremona, Via Cesare Battisti 14.
<b>Banca Popolare di Lodi or BPL</b>	Banca Popolare di Lodi S.p.A., with registered offices in Lodi, Via Polenghi Lombardo 13.
<b>Banca Popolare di Novara or BPN</b>	Banca Popolare di Novara S.p.A., with registered offices in Novara, Via Negroni 12.
<b>Banca Popolare di Verona S. Geminiano e S. Prospero or Banca Popolare di Verona – SGSP</b>	Banca Popolare di Verona S. Geminiano e S. Prospero S.p.A., with registered offices in Verona, Piazza Nogara 2.
<b>Banco Popolare or Issuer or Company or Bank or Parent Company</b>	Banco Popolare – Società Cooperativa, with registered offices in Verona, Piazza Nogara 2.
<b>Banco Santander</b>	Banco Santander S.A., with registered offices in Paseo de Pereda, 9-12, 39004, Santander, Spain.
<b>Bankruptcy Law</b>	Royal Decree no. 267 of 16 March 1942 as amended.

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<sup>(2)</sup> On 31 December 2010, Banco Popolare sold to Cassa di Risparmio della Provincia di Teramo S.p.A (Banca Tercas) the stake (95%) held in Banca Caripe. For further information, see Section One, Chapter V, Paragraph 5.1.5 of the Prospectus.

<b>Bipielle Bank (Suisse)</b>	Bipielle Bank (Suisse) in liquidation S.A., with registered offices in Lugano (Switzerland), Via Nassa 11.
<b>Bondholders</b>	The holders of the Convertible Bonds.
<b>Bonds or Convertible Bonds</b>	The 162,014,061 bonds with a par value of EUR 6.15 each, convertible into new issue Banco Popolare ordinary shares, with no par value, that make up the bond issue, known as “Banco Popolare 2010/2014 4,75% convertibile con facoltà di rimborso in azioni” for EUR 996,386,475.15 issued on 24 March 2010.
<b>BP Ceska Republika</b>	Banco Popolare Ceska Republica, with registered offices in Prague (Czech Republic), Palackého, 740/1. <sup>(3)</sup>
<b>BP Croatia</b>	Banco Popolare Croatia d.d., with registered offices in Zagreb (Croatia), Petrovaradinska 1.
<b>BP Hungary</b>	Banco Popolare Hungary Bank Zrt, with registered offices in Budapest (Hungary), Rákóczi út 1-3, East – West Business Center.
<b>BP Luxembourg</b>	Banco Popolare Luxembourg S.A., with registered offices in Luxembourg (L-2449), Boulevard Royal 26.
<b>BP Property</b>	BP Property Management Società Consortile a r.l., with registered offices in Verona, Via Meucci 5.
<b>Bp RE</b>	Bipielle Real Estate S.p.A., with registered offices in Lodi, via Polenghi Lombardo 13.
<b>BP Shares</b>	The maximum number 1,122,980,404 of Banco Popolare (as defined hereafter) new issue ordinary shares, without a par value, which are the object of the Offer (as defined hereafter).
<b>BPI</b>	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop., a company merged with the Banco Popolare di Verona and Novara S.c.a r.l. on 1 July 2007 through the constitution of Banco Popolare – Società Cooperativa.
<b>BPI Group</b>	Banca Popolare Italiana Group, composed of BPI and the companies that it controls either directly or indirectly.
<b>BPVN</b>	Banco Popolare di Verona and Novara S.c.a r.l., a company merged with the Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop. on 1 July 2007 through the constitution of the Banco Popolare – Società Cooperativa.
<b>BPVN Group</b>	Banco Popolare di Verona e Novara Group composed of BPVN and the companies that it controls either directly or indirectly.

<sup>(3)</sup> Stake being disposed of (see Section One, Chapter V, Paragraph 5.1.5, of the Prospectus).

<b>Capital Increase</b>	The divisible increase in capital for consideration, for a total amount of EUR 1.77, through the issue of BP Shares to be offered in option to shareholders and Bondholders (as defined hereafter), pursuant to Article 2441, paragraph 1 of the Civil Code, approved by the Issuer's Board of Management (as defined hereafter), at 14 December 2010 and at 12 January 2011, following the favourable opinion of the Banco Popolare Supervisory Board (as defined hereafter), exercising the power conferred by the Issuer's Extraordinary Shareholders' Meeting on 11 December 2010.
<b>Cassa di Risparmio di Lucca Pisa Livorno</b>	Cassa di Risparmio di Lucca Pisa Livorno S.p.A., with registered offices in Lucca, Piazza San Giusto 10.
<b>Code of Self-governance</b>	The code of self-governance for listed companies prepared and approved by the Committee for the Corporate Governance of Borsa Italiana.
<b>Co-Lead Managers</b>	Banco Santander, Crédit Agricole CIB, Equita SIM, ING, Keefe, Bruyette & Woods, MPS Capital Services, RBC Capital Markets, The Royal Bank of Scotland, and Société Générale Corporate & Investment Banking.
<b>Consob</b>	Commissione Nazionale per le Società e la Borsa (National Commission for Companies and the Stock Exchange) with offices in Rome, Via G.B. Martini 3.
<b>Consolidated Banking Act or TUB</b>	Legislative Decree no. 385 of 1 September 1993 (Act of the laws on the subject of banking and credit) as amended.
<b>Consolidated Finance Act or TUF</b>	Legislative Decree no. 58 of 24 February 1998 (Act of the laws on the subject of stock brokers) as amended.
<b>Convertible Bond or Loan or POC</b>	The convertible bond loan known as "Banco Popolare 2010/2014 4,75% convertibile con facoltà di rimborso in azioni" of EUR 996,386,475.15, made up of 162,014,061 Convertible Bonds.
<b>Crédit Agricole CIB</b>	Crédit Agricole CIB, with registered offices at 9 Quai Paul Doumer, 92920 Paris La Défense Cedex, France.
<b>Credit Suisse</b>	Credit Suisse Securities (Europe) Limited, with offices in One Cabot Square, E1A 4QJ, London, United Kingdom.
<b>Credito Bergamasco</b>	Credito Bergamasco S.p.A., with registered offices in Bergamo, Largo Porta Nuova 2.
<b>Deutsche Bank</b>	Deutsche Bank AG, (London Branch), with offices in 1 Great Winchester Street, EC2N 2DB, London, United Kingdom.

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<b>Duty to Buy</b>	The obligation to buy, pursuant to Article 108 of the Finance Act, Banca Italease's shares, representing the total subscribed and paid up share capital of Banca Italease, excluding the Banca Italease ordinary shares already owned by Banco Popolare.
<b>Efibanca</b>	Efibanca S.p.A., with registered offices in Lodi, Via Polenghi Lombardo 13.
<b>Equita SIM</b>	EQUITA SIM S.p.A., with registered offices at Via Principe Amedeo 2, 20121 Milan.
<b>Factorit</b>	Factorit S.p.A., with registered offices in Milan, Via Sile 18.
<b>Fondazione</b>	Fondazione Cassa di Risparmio di Lucca.
<b>FonSAI</b>	Fondiaria-Sai S.p.A.
<b>Framework Agreement</b>	The framework agreement signed on 15 March 2009 between Banco Popolare (as defined hereafter), Banca popolare dell'Emilia Romagna Società Cooperativa, Banca Popolare di Sondrio Società Cooperativa per azioni and Banca Popolare di Milano – Società Cooperativa a responsabilità limitata – with the object of the reorganisation for Banca Italease (as defined hereafter) and its subsidiary companies, controlled directly or indirectly by Banca Italease (as defined hereafter) described in Section One, Chapter V, Paragraph 5.1.5, of the Prospectus.
<b>Goldman Sachs</b>	Goldman Sachs International, with offices in Peterborough Court 133 Fleet Street, EC4A 2BB, London, Great Britain.
<b>Group or BP Group or Banco Popolare Group</b>	Collectively, the Issuer and the companies directly or indirectly controlled by it.
<b>HPFBP</b>	Holding di Partecipazioni Finanziarie Banco Popolare S.p.A., with registered offices in Verona, Via Meucci 5.
<b>IFRS or International Financial Reporting Standards</b>	The International Financial Reporting Standards, the International Accounting Standards (IAS), the interpretation of the International Reporting Interpretations Committee (IRFIC), previously called the Standing Interpretations Committee (SIC).
<b>Independent Auditors</b>	Reconta Ernst & Young S.p.A., with registered offices in Rome, Via Po 32.
<b>ING</b>	ING Bank N.V., with registered offices at Bijlmerplein 888, 1102 MG Amsterdam, Netherlands.
<b>Interim Report at 30 September 2010</b>	The interim management report of the Banco Popolare Group, subject to a limited review, for the nine months ended at 30 September 2010.

<b>Italease Capital Increase</b>	The increase in capital approved by the Board of Directors of Banca Italease (as defined hereafter) on 28 October 2009, and definitively on 23 November 2009, exercising the power conferred by the Extraordinary Shareholders' Meeting of Banca Italease (as defined hereafter) on 12 October 2009.
<b>Italease Network</b>	Italease Network S.p.A. with registered offices in Milan, Via Sile 18, incorporated by Banca Italease by merger on 3 December 2010 (with legal and fiscal effect from 31 December 2010).
<b>Italian Accounting Standards</b>	The laws in force on the reference date of each financial statements of the Issuer that govern the criteria for drafting the financial statements as interpreted and integrated with the accounting principles from the National Board of Tax Advisors and Accountants ( <i>Consiglio Nazionale dei Dottori Commercialisti e Ragionieri</i> ).
<b>Italian Stock Exchange (Borsa Italiana)</b>	Borsa Italiana S.p.A., with registered offices in Milan, Piazza degli Affari 6.
<b>Joint Bookrunners</b>	Mediobanca, Merrill Lynch International, Credit Suisse, Deutsche Bank and Goldman Sachs.
<b>Joint Global Coordinators</b>	Mediobanca and Merrill Lynch International.
<b>Keefe, Bruyette &amp; Woods</b>	Keefe, Bruyette & Woods Limited, with registered offices at 6-8 Underwood St, London N1 7JQ, United Kingdom.
<b>Legislative Decree 231/2001</b>	Legislative Decree no. 231 of 8 June 2001 (Governing the administrative responsibility of legal persons) as amended.
<b>Mediobanca</b>	Mediobanca – Banca di Credito Finanziario S.p.A., with registered offices in Milano, Piazzetta Enrico Cuccia 1.
<b>Mercantile Leasing</b>	Mercantile Leasing S.p.A., with registered offices in Florence, Piazza della Libertà 13.
<b>Merger</b>	The merger between BVPN and BPI approved on 10 March 2007 by the respective Extraordinary Shareholders' Meetings. On 27 June 2007, the deed of merger was entered into, with legal and fiscal effect from 1 July 2007.
<b>Merrill Lynch International</b>	Merrill Lynch International, with registered offices in 2 King Edward Street, London, United Kingdom.
<b>Monte Titoli</b>	Monte Titoli S.p.A., with registered offices in Milan, Via Mantegna 6.
<b>MPS Capital Services</b>	MPS Capital Service S.p.A., with registered offices at Via Piemonte 127, 00187 Rome.

<b>MTA</b>	The automated screen-based stock exchange organised and managed by Borsa Italiana.
<b>Network Banks</b>	The following banks belonging to the BP Group (as defined hereafter): Banca Popolare di Verona S. Geminiano e S. Prospero, Banca Popolare di Lodi, Banca Popolare di Novara, Credito Bergamasco, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Crema, Banca Popolare di Cremona and Banca Caripe. <sup>(4)</sup>
<b>Offer on the Stock Exchange</b>	Offer on the MTA of Option Rights not exercised during the Option Period, pursuant to Article 2441, paragraph 3 of the Civil Code.
<b>Offer or Offer in Option</b>	The offer in option of a maximum of 1,122,980,404 BP shares to shareholders of the Issuer and owners of the Convertible Bonds, at the Offer Price and in a ratio of 7 BP shares for every 5 Banco Popolare ordinary shares and/or Convertible Bonds held, pursuant to Article 2441, paragraph 1, of the Civil Code.
<b>Offer Price</b>	EUR 1.77, price for the subscription of each BP Share object of the offer.
<b>Option Period</b>	The period of validity of the Offer, starting from 17 January 2011 until 11 February 2011 (both inclusive) except in the case of an extension or early termination.
<b>Other Countries</b>	United States of America, Canada, Japan and Australia or any other country in which the Offer is not permitted without authorisation from the competent authorities.
<b>Popolare Vita</b>	Popolare Vita S.p.A., with registered offices in Verona, Piazza Nogara 2.
<b>Product Companies</b>	The following companies of the BP Group: Aletti Gestielle, Aletti Gestielle Alternative <sup>(5)</sup> (asset management sector), Banca Italease, Mercantile Leasing and Italease Network <sup>(6)</sup> , Alba Leasing (leasing sector), Popolare Vita and Avipop Assicurazioni (insurance banking sector), Agos Ducato (in the consumer credit sector).
<b>Prospectus</b>	This Prospectus for the public offer and listing.
<b>Prospectus Date</b>	14 January 2011, date of the filing of the Prospectus (as defined hereafter) with the Consob, following a <i>nulla osta</i> notification for the publication.
<b>RBC Capital Markets</b>	Royal Bank of Canada Europe Limited, with registered offices at 71 Queen Victoria Street, London EC4V 4DE United Kingdom.

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<sup>(4)</sup> See footnote no. 2.

<sup>(5)</sup> See footnote no. 1.

<sup>(6)</sup> Italease Network was incorporated by Banca Italease through a merger on 3 December 2010 (with legal and fiscal effect from 31 December 2010).

<b>Regulation 809/2004/EC</b>	Regulation no. 809/2004 of the Commission of 29 April 2004 containing the methods for executing directive 2003/71/EC of the European Parliament and the Council as far as the information contained in prospectuses is concerned, the model for prospectuses, the inclusion of information through reference, the publication of prospectuses and the circulation of advertising messages.
<b>Regulation for Issuers</b>	The regulation approved by the Consob through resolution no. 11971 on 14 May 1999 as amended.
<b>Related Parties</b>	The persons included under the definition of the IAS 24 international accounting standard.
<b>Release</b>	Release S.p.A., with registered offices in Milan, Via Sile 18.
<b>Right of Option</b>	The right of shareholders of the Issuer and Bondholders to subscribe to 7 BP Shares for every 5 Banca Popolare ordinary shares held and/or Convertible Bonds held.
<b>Right to Buy</b>	The right to buy, pursuant to Article 111 of the Finance Act, Banca Italease shares not owned by Banco Popolare.
<b>Shareholder</b>	The Banco Popolare shareholder who has acquired co-operative membership pursuant to Articles 7 to 11 of the Issuer's Articles of Association.
<b>Società Gestione Crediti</b>	Società Gestione Crediti BP Soc. Consortile p.A., with registered offices in Lodi, Via Cavour 40/42.
<b>Società Gestione Servizi</b>	Società Gestione Servizi BP Società Consortile p.A., with registered offices in Verona, Via Meucci 5.
<b>Société Générale Corporate &amp; Investment Banking</b>	Société Générale with registered offices at 29 Boulevard Haussmann, 75009 Paris, France.
<b>Stock Exchange Instructions</b>	Instructions to the Stock Exchange Regulation (as defined hereafter) approved by the Italian Stock Exchange.
<b>Stock Exchange Regulation</b>	Regulation of the markets organised and managed by Borsa Italiana, approved by the Borsa Italiana shareholders' meeting on 16 July 2010 and approved by the Consob through resolution no. 17.467 of 7 September 2010.
<b>Tender Offer or OPA</b>	The voluntary tender offer by Banco Popolare pursuant to Articles 102 and 106, paragraph 4, of the Finance Act, over all Banca Italease shares, excluding shares held directly or indirectly by Banco Popolare.
<b>The Royal Bank of Scotland</b>	The Royal Bank of Scotland N.V. (London Branch) with registered offices at 250 Bishopsgate, EC2M 4AA London, United Kingdom.



**Theoretical ex Right Price or TERP**      Theoretical price for a share post capital increase. From an algebraic point of view, the TERP can be expressed as follows:

$$\text{TERP} = [(P \text{ cum effective} * \text{AZ old}) + (P \text{ issue} * \text{AZ new})] : (\text{AZ old} + \text{AZ new})$$

where (with reference to the terms defined here):

P *cum* effective: price of the share before trading of the rights;

AZ old: number of shares before the increase;

P issue: issue price of the new shares;

AZ new: number of new issue shares.

**TUIR**      Decree no. 917 of the President of the Republic on 22 December 1986 (Consolidated Income Tax) as amended.

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**GLOSSARY**

Below is a list of the terms used in the Prospectus. Unless stated otherwise, the meaning of these terms is that given below.

<b>Appraisal Value</b>	<p>The appraisal value is a method, widely-used by insurance companies, where the sum of the adjusted equity, including the implicit value in existing policies at the reference date (value of in force business), and a goodwill value, connected to the commercial prospects and profitability, is usually defined.</p> <p>The value produced using this method already represents the integral leveraging of the company and therefore constitutes the maximum limit that can be acknowledged net of any premiums.</p>
<b>ATM</b>	<p>Acronym of Automated Teller Machine. Automatic equipment for transactions such as dispensing cash, deposits in cash or cheques, requesting account information, transfers, payments of bills/utilities, mobile phone top-ups. The terminal is activated when you insert a credit or debit card and key in the proper personal identification number.</p>
<b>Basel II</b>	<p>International agreement, in January 2001, on the capital requirements for banks, drawn up by the Basel Committee, set up by the governors of the Central Banks of the ten most industrialised countries (G10) at the end of 1974. This agreement states, amongst other things, that the banks of member countries set aside capital reserves proportional to the typical banking risks undertaken.</p>
<b>Basel III</b>	<p>International agreement, set up in 2009, and still in the process of being finally defined, modifying Basel II. It contains amendments to the prudential regulations on the subject of bank capital and liquidity, with a gradual introduction of the new prudential requirements planned to be phased in between 1 January 2013 and 31 December 2019.</p>
<b>Business Combinations</b>	<p>Union of businesses coming together to form a single economic entity.</p>
<b>Core Tier 1 Capital</b>	<p>The main component in a bank's regulatory capital, represented by the Tier 1 Capital net of innovative capital instruments.</p>
<b>Core Tier 1 Ratio</b>	<p>This is an indicator of a bank's capital adequacy and is the ratio of Core Tier 1 Capital and the Risk Weighted Assets.</p>
<b>Corporate Banking</b>	<p>Banking service aimed at businesses.</p>
<b>EMTN Programme</b>	<p>Euro Medium Term Note Programme, programme for issuing notes (bonds).</p>

<b>Factoring</b>	Contract through which a subject (called the transferring party) is obliged to transfer all present and future credits originating from its entrepreneurial activities to another subject (the factor). The factor in turn, undertakes for compensation, to provide a series of services, including the accounting, management and collection of credits transferred, as well as, if any, the guarantee of any non-fulfilment by creditors, or the financing of the transferring entrepreneur both through the granting of loans and through the advance payment of transferred credits.
<b>Fair Value Option</b>	Option provided for by IFRS and exercised by the Banco Popolare Group for fair value valuation of the securities issued by it for which it carries out hedging transactions, in order to reduce accounting asymmetries and as an alternative to the methodology of hedge accounting.
<b>Home Banking</b>	Banking service that allows banking operations to be carried out directly in customers' homes by means of electronic connections.
<b>Impairment</b>	Within IFRS, this refers to the loss in value of a balance sheet asset, determined as the difference between the balance sheet value and the value that can be recovered, in other words the greater amount that can be raised through the sale or the use of the asset.
<b>Insurance banking</b>	Term used for referring to the collection of arrangements that take place between banks and insurance companies both from the point of view of corporate structure and relating to the creation of integrated distribution systems. For the latter, the sale of insurance products through bank branches is important.
<b>Leasing</b>	Agreement through which one party (lessor) gives the other party (lessee) the enjoyment, for a given period, of an asset purchased or manufactured by the lessor, chosen by the lessee, through the payment of a regular rental fee, with the right for the lessee to acquire the ownership of the asset at pre-defined conditions, at the end of the leasing agreement.
<b>Purchase price allocation or PPA</b>	Accounting treatment defined by IFRS 3 (purchase method) for the business combinations, which sets the purchase price for assets and liabilities identifiable by the business being acquired and the positive or negative accounting of the company's goodwill.
<b>Rating</b>	This expresses the valuation by specialist companies of the credit rating of a company or its issues of debt securities on the basis of the financial soundness of the company and its prospects.

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<b>Regulatory Capital or Total Capital</b>	The bank's capital which may be considered regulatory capital, consisting in the sum of the Tier 1 Capital (included in the calculation without restriction) and Tier 2 capital, which is included in the calculation up to a maximum of the Tier 1 capital after deduction, in accordance with specific procedures, of equity holdings in other credit and/or financial institutions. Restrictions and methods for calculation of supervisory capital are set out in detail in the Banca d'Italia's Instructions for reporting on regulatory capital and capital standards ( <i>"Istruzioni per la compilazione delle segnalazioni sul patrimonio di vigilanza e sui coefficienti prudenziali"</i> ), which contain details of the limits and methods for calculating the regulatory capital.
<b>ROE or Return on Equity</b>	Ratio of the net income in a period and the shareholders' equity at the end of the financial year, net of profits destined to shareholders. The ROE is one of the main performance indicators of invested capital profitability.
<b>RWA or Risk-Weighted Assets</b>	Banking assets (within or outside of the balance sheet) are weighted through factors that represent their level of risk and their default potential in order to calculate a suitable capital indicator (the minimum amount of capital required by banks and other institutions subject to international agreements).
<b>Securitisation</b>	<p>Transaction to transfer the risk related to financial or real assets to a special purpose vehicle, through the transfer of underlying assets or through the use of derivatives. The special purpose vehicle has the exclusive purpose of carrying out one or more securitisation transactions and, in this context, it issues negotiable financial instruments.</p> <p>In Italy, the subject is mainly regulated by Law no. 130 of 30 April 1999.</p>
<b>Tier 1 Capital</b>	Paid-in capital, reserves, innovative capital instruments and net profits for the period constitute Tier 1 Capital. Positive prudential filters for Tier 1 capital are then added. The sum of the above items, net of treasury shares or quotas, intangible assets, losses for the period and losses for past periods, and negative prudential filters constitute Tier 1 Capital. The Banca d'Italia may request the deduction of any additional items that, because of their characteristics, may "water down" the Tier 1 Capital. For more information see the <i>"Istruzioni per la compilazione delle segnalazioni sul patrimonio di vigilanza e sui coefficienti prudenziali"</i> issued by the Banca d'Italia.
<b>Tier 1 Ratio</b>	The ratio between Tier 1 Capital and Risk-Weighted Assets.

**Tier 2 Capital**

Valuation reserves, innovative capital instruments not included in Tier 1 capital, hybrid equity instruments, subordinated liabilities, implicit net capital gains on shareholdings, and other income items constitute the Tier 2 capital. Positive prudential filters for Tier 2 capital are then added. The sum of the above items, less implicit net losses on shareholdings, other loss items, and negative prudential filters for constitute Tier 2 capital. For more information see the “*Istruzioni per la compilazione delle segnalazioni sul patrimonio di vigilanza e sui coefficienti prudenziali*” issued by the Banca d’Italia.

**Total Capital Ratio**

This is the solvency ratio expressed by the ratio between the Total Capital and the Risk-Weighted Assets.

**Tremonti Bonds**

The financial instruments pursuant to Article 12 of Law Decree no. 185 of 29 November 2008 (including urgent measures for supporting families, employment, occupation and business for redesigning the national strategic framework with crisis-prevention provisions) which became law with amendments (Law no. 2 of 28 January 2009).

## SUMMARY NOTE

### WARNINGS

This Summary Note, drafted pursuant to Regulation 809/2004/EC, contains a summary of the main risks and information relating to the Issuer and the Group as well as the essential features connected to the BP Shares that are the subject of the Offer.

For a proper evaluation of the investment, investors are invited to review the information contained in this Summary Note together with the Risk Factors and the other information contained in the Prospectus.

The Summary Note will not be published or circulated to the public separately from the other Sections of the Prospectus.

The following is expressly pointed out:

- (a) the Summary Note should be read as an introduction to the Prospectus;
- (b) any decision to invest in the Shares should be based on an examination of the entire Prospectus by the investor;
- (c) if recourse to judicial authorities is proposed regarding the information contained in the Prospectus, the claimant investor could, in compliance with the applicable national legislation, be bound to pay the translation expenses of the Prospectus before the start of the proceedings; and
- (d) the civil responsibility is incumbent upon the Issuer, the person who drafted the Summary Note, and, possibly, translated it, only if the Summary Note was misleading, inaccurate or inconsistent if read jointly to the other parties of the Prospectus.

Terms with capital letters are defined in the “Definitions” Section of the Prospectus. References to Sections, Chapters and Paragraphs see the Sections, Chapters and Paragraphs of the Prospectus.

\* \* \*

### A. RISK FACTORS

Below is a list of the risk factors relating to the Issuer and to the Group, to the sector in which they operate, and to the BP Shares that are the subject of the Offer and the listing application. To read the contents of the risk factors, see Section One, Chapter IV of the Prospectus.

#### RISK FACTORS RELATED TO THE BUSINESS OF THE ISSUER AND THE GROUP

- 4.1.1 Risks related to the impact of the macroeconomic situation on the performance of the Banco Popolare Group**
- 4.1.2 Risks related to capital adequacy**
- 4.1.3 Risks related to the impact that the Tremonti Bonds could have on the profitability of an investment in BP Shares and on the assets of the Banco Popolare and the dilutive effects stemming from the exercising of the right to convert Tremonti Bonds into Banco Popolare ordinary shares**

**4.1.4 Risks related to the worsening of credit quality**

**4.1.5 Risks related to the exposure to the performance of the real property sector**

**4.1.6 Risks related to the performance of the financial results of the Banco Popolare Group**

**4.1.7 Liquidity risk**

**4.1.8 Risks related to the capitalisation of goodwill (so-called impairment test)**

**4.1.9 Market risk**

*(a) Risks related to the fluctuation of interest rates*

*(b) Risks related to the performance of financial markets*

**4.1.10 Operating risk**

**4.1.11 Counterparty risk**

**4.1.12 Risk management**

**4.1.13 Risks related to the acquisition and reorganisation of Banca Italease**

*(a) Risks related to the capitalisation of Banca Italease*

*(b) Risks related to Banca Italease's prospects after the reorganisation operations and absence of an industrial plan*

*(c) Risks related to the system of assets conferred on Alba Leasing*

*(d) Risks related to the securitisation operations in existence*

*(e) Risks related to the nature of the reorganisation operations such as transactions with related parties*

*(f) Risks related to legal proceedings*

*(g) Risks that have emerged from inspection controls*

*(h) Risks relating to criminal proceedings*

**4.1.14 Risks related to the rating**

**4.1.15 Risks related to legal and arbitration proceedings in progress**

**4.1.16 Risks related to disputes with the Tax Authorities**

**4.1.17 Risks related to the geographical reference area of the Banco Popolare Group**

**4.1.18 Risks related to important information**

**4.1.19 Risks related to structured products issued by third parties and held by the Group and exposure to special purpose entities**



#### **4.1.20 ROE dilution risks**

#### **4.1.21 Risks related to the limitation of ownership of shares and exercising of the right to vote**

#### **RISK FACTORS CONNECTED TO THE SECTOR IN WHICH THE ISSUER AND THE GROUP OPERATE**

#### **4.2.1 Risks related to competition in the banking and finance sector**

#### **4.2.2 Risks related changes in the banking and finance sector regulations**

#### **4.2.3 Risks related to the reduction of liquidity support for the system**

#### **RISK FACTORS RELATING TO THE OFFER AND TO THE FINANCIAL INSTRUMENTS OFFERED**

#### **4.3.1 Risks related to liquidity and volatility of financial instruments**

#### **4.3.2 Risks associated with underwriting commitments and guarantees and partial implementation of the Capital Increase**

#### **4.3.3 Risks related to the dilutive effects of the Capital Increase**

#### **4.3.4 Risks related to the markets in which the Offer is not permitted without the authorisation of the competent authorities**

### **B. THE ISSUER AND THE GROUP, ASSETS AND PRODUCTS**

#### *I. Information about the Issuer and the Group*

##### Issuer

Banco Popolare is an Italian corporation, in the form of *società cooperativa*, with registered offices in Verona, Piazza Nogara 2 (telephone number +39 045 8675111, website [www.bancopopolare.it](http://www.bancopopolare.it)), administrative offices in Verona and in Lodi, with permanent organisational departments in Novara.

##### History of the Issuer

Banco Popolare was created by the merger between BPVN and BPI, through a deed of merger dated 27 June 2007 notarial document of Ruggero Piatelli of Verona Index no. 98.543, with effect from 1 July 2007.

The BPVN Group, in turn, was the result of the merger, with effect from 1 June 2002, between the Banca Popolare di Verona – Banco S. Geminiano e S. Prospero S.c.a r.l. and the Banca Popolare di Novara S.c.a r.l. The BPI Group consolidated its growth, starting from the end of the nineties, courtesy of the acquisition of banks from the same social matrix, preserving and leveraging the special features with strong roots in the respective reference areas (the acquisition of the following, amongst others, should be remembered: Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Crema, Banco di Chiavari e della Riviera Ligure, Banca Popolare di Cremona and Banca Caripe<sup>(7)</sup>).

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<sup>(7)</sup> See footnote no. 2.

Overview of company activities

Banco Popolare is the Parent Company of the Banco Popolare Group. It draws its inspiration from the principles of popular credit, carrying out activities, through its subsidiaries and Shareholders as well, of collecting savings and exercising credit, in its various forms, asset & wealth management, private and investment banking, merchant banking, insurance banking and consumer credit, to its own members and to non-members, paying special attention to the area in which its subsidiary banks operate and where the Group's distribution network has a presence, with particular regard to small and medium businesses and cooperatives.

The Banco Popolare Group is organised on a model where the Issuer, such as the Parent Company, centralises the governing, control and coordination functions for the following:

- the Network Banks, which develop their activities in the respective reference areas;
- Banca Aletti, Efibanca and a wide range of Product Companies.

In particular, the Group carries out credit activities and the distribution of financial products through the Network Banks which all have strong network roots: Banca Popolare di Verona – S. Geminiano e S. Prospero, Banca Popolare di Lodi, Banca Popolare di Novara, Credito Bergamasco, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Crema, Banca Popolare di Cremona and, until 31 December 2010, Banca Caripe<sup>(8)</sup>.

The management of savings through joint investment funds is performed by Aletti Gestielle, a production hub specialised in the management of open, harmonised and non-harmonised open-end real estate mutual investment funds and hedge funds.

The Group's private banking and investment banking activities are carried out through Banca Aletti, both for serving Group customers and in the non-captive segment too.

The Group offers products and financial services in the merchant and corporate banking sector with a high added-value in the following macro areas: corporate lending, structured finance and services connecting to lending activities (such as project financing, acquisition financing, risk management, etc.), corporate finance (consulting for extraordinary finance transactions such as M&A, corporate restructuring, debt restructuring), capital markets (limited to origination and advisory commercial proposal activities for Equity Debt Capital market operations and activities in the primary market for debt instructions, in conjunction with Banca Aletti), merchant banking, private equity.

Following the acquisition on 8 July 2009 of the Banca Italease Group and its organisational restructuring, the Banco Popolare Group works in the leasing sector through Banca Italease, Mercantile Leasing, and through the part-owned Alba Leasing, in the factoring sector through Factorit, until 29 July 2010, and through factoring product distribution agreements with Factorit.

In the sphere of insurance banking, Banco Popolare operates in the “life and medical insurance” sector through the Popolare Vita company (in which, it directly and indirectly holds 50% of the share capital), a

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<sup>(8)</sup> See footnote no. 2.

joint venture with the FonSAI group, in the “protection” sector through Aviprop Assicurazioni (in which it holds 49.9% of the share capital through HPFBP), a joint venture with the Aviva Group <sup>(9)</sup>.

As far as consumer credit is concerned, Banco Popolare holds a stake of 39% of the share capital of Agos Ducato (in the joint venture signed with the Crédit Agricole banking group aimed at the integration, in Italy, of the activities of Ducato S.p.A. and Agos S.p.A.) a primary operator in the sector of loans and revolving credit cards, also active in the personal loan sector.

At the Prospectus Date, the Group is directing its services at more than 3 million customers divided into retail (customers, in turn, divided into three very distinct main reference segments: personal (mass market) customers with assets of less than EUR 100,000, personal (high net worth) customers with assets of between EUR 100,000 and EUR 1 million, Small and Medium Businesses, with a turnover of up to EUR 2.5 million), corporate (including, in the main, Medium Businesses with a turnover of more than EUR 2.5 million and less than EUR 250 million, and Large Businesses with a turnover of more than EUR 250 million) and private (customers with assets of more than EUR 1 million for whom there is a specific offer model and coordinated service between the Network Banks and Banca Aletti).

According to the banking system half-yearly information at 30 June 2010, the BP Group is the fourth Italian banking group in terms of total assets and the number of branches <sup>(10)</sup>.

For more information, see Section One, Chapter VI, Paragraph 6.1 of the Prospectus.

#### The organisational structure of the Group and employees

The organisational structure of the Group is divided into:

- (i) the Issuer, Parent Company with direction, governing and control functions for the Group, which exercises the following management and coordination activities:
  - it issues the necessary instructions for the Group components to implement the Group strategies uniformly and consistently and in compliance with specific businesses;
  - it guarantees the stability of the Group, checking that the targets allocated are effectively pursued and overseeing the suitability of the internal control system within the Group and subsidiaries;
  - it carries out the Group coordination activities, through the centralisation of direction and control powers;
  - it identifies and informs the subsidiaries of the decisions that must be notified to the Parent Company in advance as well as of other information that the Parent Company acquires in relation to exercising its coordination tasks.
- (ii) The Network Banks, Banca Aletti, Efibanca and the Product Companies, directly controlled by the Parent Company, operate in the sectors of intermediary credit, consumer credit, business finance, asset

<sup>(9)</sup> The joint ventures are consolidated through the shareholders' equity method.

<sup>(10)</sup> Source: Elaboration by the Issuer on the basis of the Banca d'Italia information as at 30 June 2010.

management, financial products for retail, private and corporate customers, leasing and factoring and credit recovery management.

At the Prospectus Date, the Group is composed as follows in Italy:

- the **Parent Company**: Banco Popolare;
- the **Network Banks**: (i) Banca Popolare di Verona S. Geminiano e S. Prospero, (ii) Banca Popolare di Lodi, (iii) Banca Popolare di Novara, (iv) Credito Bergamasco, (v) Cassa di Risparmio di Lucca Pisa Livorno, (vi) Banca Popolare di Cremona and (vii) Banca Popolare di Crema.
- a **merchant bank**: Efibanca;
- a **private and investment bank**: Banca Aletti;
- the **Product Companies**: (i) Aletti Gestielle in the asset management sector, (ii) Banca Italease, Mercantile Leasing, Italease Network <sup>(11)</sup> and the part-owned Alba Leasing in the leasing sector, (iii) Popolare Vita and Avipop Assicurazioni active in the insurance banking sectors, “life” and “medical” and “protection”, respectively, (iv) Agos Ducato, in the joint venture signed with the Crédit Agricole group in the consumer credit sector, (v) distribution agreements with Factorit, in the factoring sector.
- the **Instrumental Companies**: (i) BP Property, a company which, in the role of property manager, operates in the property sector and provides the main property services for the Group and Bp RE, a company that holds part of the Group’s non instrumental assets; (ii) Società Gestione Crediti, a company active in the management of unpaid loans and credit recovery, (iii) Società Gestione Servizi, a company active in the information technology sector and in the provision of back and middle office services.

The Group also has a presence **abroad** through:

- 5 foreign banks: BP Ceska Republika <sup>(12)</sup>, BP Croatia, BP Luxembourg, BP Hungary, Banca Aletti Suisse;
- 1 foreign branch of the Banco Popolare in Great Britain (London);
- representative offices in India (Mumbai), China (Peking, Shanghai and Hong Kong) and Russia (Moscow);
- the AT Leasing company, active in the leasing sector, with a presence in Romania with 6 local units;
- controlling stakes in 2 foreign companies operating in the finance sector: B.P.I. International (United Kingdom) Ltd. (manager of 1 hedge fund) and Italfortune International Advisors S.A. (Luxembourg) (active in consulting services).

The Group also carries out securitisation transactions through the following special purpose vehicles: Banca Popolare di Lodi Capital Company LLC, Banca Popolare di Lodi Capital Company LLC II, Banca Popolare di Lodi Capital Company LLC III.

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<sup>(11)</sup> See footnote no. 5.

<sup>(12)</sup> Stake being disposed of (see Section One, Chapter V, Paragraph 5.1.5, of the Prospectus).

At 30 September 2010, the Group employed a total of 20,500 persons, of whom 19,947 in Italy and 553 abroad; at 31 December 2009, Group employees totalled 20,575, of whom 20,003 in Italy and 572 abroad.

For more information about the organisational structure of the Group and the Issuer's employees, see Section One, Chapters VII and XVII of the Prospectus.

## *II. Corporate bodies, shareholders and transactions entered into with related parties*

### Board of Management

The Board of Management is made up of 12 directors appointed by the Supervisory Board.

The members of the Board of Management remain in office, depending on the decisions of the Supervisory Board, for a period of no more than three financial years with the term ending on the date of the meeting of the Supervisory Board called for the approval of the financial statements for the last financial year of their term or, in cases where the Supervisory Board does not approve the financial statements for the financial year, or when requested by at least one third of the members of the Board of Management or the Supervisory Board, on the date of the Shareholders' Meeting called for the approval of the financial statements for the last financial year of their term. The directors can be re-elected.

The members of the current Board of Management will remain in office until the approval of the financial statements at 31 December 2012.

At the Prospectus Date, the Board of Management is composed as follows:

<b>Position</b>	<b>Name</b>	<b>Place and date of birth</b>	<b>Position expiry date</b>
Chairman of the Board of Management	Vittorio Coda	Biella, 5 July 1935	2012 Financial Statements Approval
Council Member and Vice Chairman	Pier Francesco Saviotti	Alessandria, 16 June 1942	2012 Financial Statements Approval
Executive director	Alfredo Cariello	Sapri (Sa), 10 September 1945	2012 Financial Statements Approval
Non executive director	Aldo Civaschi (*) (**)	Milan, 27 April 1941	2012 Financial Statements Approval
Non executive director	Luigi Corsi (*) (**)	Sant' Angelo Lodigiano (Lo), 27 March 1959	2012 Financial Statements Approval
Executive director	Domenico De Angelis	Pompei (Na), 3 March 1964	2012 Financial Statements Approval
Executive director	Maurizio Di Maio	Rome, 21 November 1960	2012 Financial Statements Approval
Executive director	Maurizio Faroni	Brescia, 20 January 1958	2012 Financial Statements Approval
Executive director	Leonello Guidetti	Reggio Emilia, 10 March 1960	2012 Financial Statements Approval
Executive director	Bruno Pezzoni	Bergamo, 25 February 1951	2012 Financial Statements Approval
Non executive director	Roberto Romanin Jacur (*) (**)	Padua, 3 October 1952	2012 Financial Statements Approval
Non executive director	Sironi Andrea (*)	Milan, 13 May 1964	2012 Financial Statements Approval

(\*) Independent Director pursuant to Article 6 of the code of self-governance adopted by Banco Popolare

(\*\*) Independent Director pursuant to Article 147-*quater* – TUF.

All the members of the Board of Management are domiciled for their position at the Company's registered offices.

For more information about the Issuer's Board of Management, see the description in the Section One, Chapter XIV, Paragraph 14.1.1 of the Prospectus.

Supervisory Board

The Supervisory Board is made up of 20 directors appointed by the Shareholders' Meeting from the members who have the suitable requirements in terms of integrity, professionalism and independence as set out in the laws in force.

The members of the Supervisory Board remain in office for three financial years and their term expires on the date of the first following Shareholders' Meeting pursuant to Article 2364-*bis*, paragraph 2, of the Civil Code and they can be re-elected.

At the Prospectus Date, the Supervisory Board is composed as follows:

<b>Position</b>	<b>Name</b>	<b>Place and date of birth</b>	<b>Position expiry date</b>
Chairman of the Supervisory Board	Carlo Fratta Pasini (**)	Verona, 30 July 1956	2012 Financial Statements Approval
Acting Vice Chairman	Guido Castellotti (**)	Livraga (Lo), 25 March 1947	2012 Financial Statements Approval
Vice Chairman	Maurizio Comoli (*)(**)	Novara, 9 November 1958	2012 Financial Statements Approval
Director	Giuliano Buffelli (*)(**)	Gera Lario (Co), 19 May 1943	2012 Financial Statements Approval
Director	Pietro Buzzi (*)(**)	Casale Monferrato, 22 January 1961	2012 Financial Statements Approval
Director	Costantino Coccoli (*)(**)	Lodi, 21 July 1946	2010 Financial Statements Approval
Director	Gabriele Camillo Erba (*)(**)	Sant' Angelo Lodigiano (Lo), 23. September 1963	2011 Financial Statements Approval
Director	Gianni Filippa (*)(**)	Borgosesia (Vc), 10 November 1951	2011 Financial Statements Approval
Director	Dino Piero Giarda (**)	Milan, 9 December 1936	2012 Financial Statements Approval
Director	Andrea Guidi (*)(**)	Pisa, 28 November 1957	2011 Financial Statements Approval
Director	Pietro Manzonetto (*)(**)	Castelfranco Veneto (Tv), 24 November 1944	2012 Financial Statements Approval
Director	Maurizio Marino (*)(**)	Verona, 9 September 1944	2012 Financial Statements Approval
Director	Enrico Perotti (**)	Guardamiglio (Lo), 8 April 1948	2012 Financial Statements Approval
Director	Gian Luca Rana (*)(**)	Verona, 20 December 1965	2010 Financial Statements Approval
Director	Claudio Rangoni Machiavelli (*)(**)	Modena, 21 January 1953	2012 Financial Statements Approval
Director	Fabio Ravanelli (*)(**)	Novara, 8 January 1970	2010 Financial Statements Approval
Director	Alfonso Sonato (*)(**)	Verona, 11 August 1951	2010 Financial Statements Approval
Director	Angelo Squintani (*)(**)	Lodi, 1 August 1950	2010 Financial Statements Approval
Director	Sandro Veronesi (*)(**)	Ala (Tn), 18 October 1959	2011 Financial Statements Approval
Director	Tommaso Zanini (*)(**)	Verona, 4 March 1974	2011 Financial Statements Approval

(\*) Independent Director pursuant to Article 6 of the code of self-governance adopted by Banco Popolare

(\*\*) Independent Director pursuant to Article 148 – paragraph 3 of the TUF.

All the members of the Supervisory Board are domiciled for their position at the Company's registered offices.

For more information about the Issuer's Supervisory Board, see the description in Section One, Chapter XIV, Paragraph 14.1.2 of the Prospectus.

General management and top managers

On 15 September 2009 the Board of Management, with the authorisation of the Supervisory Board, decided not to appoint a managing director and to organise the structure of the top management in the following

seven areas that report directly to the Chief Executive Officer: Corporate, Retail, Credit, Finance, Legal and Compliance, Operations, Human Resources.

The table below presents the information regarding the managers with strategic responsibility at the Prospectus Date.

<b>Name and Surname</b>	<b>Function</b>	<b>Seniority of service with the Group</b>	<b>Place and date of birth</b>
Marco Berlanda	Risk Management Service Manager	18 August 1997	Alzano Lombardo (Bg), 22 June 1957
Carlo Bianchi	Credit Manager	10 May 2010	Magenta (Mi), 25 January 1962
Maurizio Faroni	Manager of Finance, Corporate Centre and Affiliates	14 September 1989	Brescia, 20 January 1958
Pietro Gaspardo	Retail Manager	19 May 2008	Liestal (Switzerland), 7 February 1966
Fabrizio Marchetti	Corporate Manager	1 February 2004	Ravenna, 26 August 1960
Lucio Menestrina	Legal and Compliance Manager	10 April 2006	Florence, 20 September 1964
Carlo Palego	Group Audit Service Manager	1 January 2010	Perugia, 1 August 1959
Ottavio Rigodanza	Operations Manager	12 March 2001	Vicenza, 17 February 1953
Roberto Speziotto	Human Resources Manager	20 November 2006	Casella (Ge), 21 September 1962
Gianpietro Val	Administration Service and Budget Manager	11 April 1994	Conegliano (Tv), 27 December 1960

For more information about the managers with strategic responsibility, see the description in Section One, Chapter XIV, Paragraph 14.1.3 of the Prospectus.

#### Independent Auditors

The extraordinary Shareholders' Meetings of the members of BPVN and BPI, held on 10 March 2007, in the context of the Merger, approved the role of the financial audit of the Banco Popolare pursuant to Articles 155 *et seq.* of the Consolidated Finance Act until the approval of the financial statements at 31 December 2015 to the independent auditors Reconta Ernst & Young S.p.A.

#### Shareholders

At 31 December 2010, the shareholders who, according to the Shareholders' Register and other information available to the Issuer, own a number of the Issuer's ordinary shares representing more than 2% of the share capital, are Blackrock Inc., with a stake of 3.533%, Norges Bank, with a stake of 2.082%, and UBS AG with a stake of 3.328% (of which 2.430% without voting rights), divided into 0.900% as a borrower, 1.774% as a lender and 0.654% as owner (see Section One, Chapter XVIII, Paragraph 18.1 of the Prospectus).

#### Transactions with related parties

*Financial and commercial relations between subsidiaries and companies subject to considerable influence and joint control.*

Financial and commercial relations between subsidiaries and companies subject to considerable influence and joint control come under the sphere of normal management. With respect to this the Issuer believes that these relations have been concluded in conditions that are substantially in line with the market. The Issuer has a special procedure for monitoring information and decisions with related parties.

The table below shows the financial relations as at 30 September 2010, 30 June 2010 as well as at 31 December 2009, 31 December 2008 and 31 December 2007 with the companies subject to considerable influence, jointly controlled, as well as the management with strategic responsibility and control bodies and other related parties.

<b>(thousands of euros)</b>	<b>30/09/2010</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
Due from banks	259,035	169,174	885,617	2,950,914	2,765,604
Loans to customers	1,998,622	2,107,530	2,366,101	5,751,142	3,025,712
Other financial assets	31,284	28,233	147,395	4,566	45,099
Other assets	24,843	102,259	29,445	92,589	30,503
<b>Total asset items</b>	<b>2,313,784</b>	<b>2,407,196</b>	<b>3,428,558</b>	<b>8,799,211</b>	<b>5,866,918</b>
Due to banks	191,058	95,237	64,345	445,942	493,601
Due to customers	746,596	725,858	666,903	203,588	394,037
Other financial liabilities	175,143	374,176	1,062,173	330,902	429,562
Other liabilities	8,128	119,939	13,425	1,994	21,969
<b>Other liability items</b>	<b>1,120,925</b>	<b>1,315,210</b>	<b>1,806,846</b>	<b>982,426</b>	<b>1,339,169</b>
<b>Guarantees and commitments</b>	<b>108,491</b>	<b>177,821</b>	<b>215,024</b>	<b>643,733</b>	<b>221,542</b>

The table below contains the variations in the financial relations presented above.

<b>(thousands of euros)</b>	<b>Var. 09-2010/06-2010</b>	<b>Var. 06-2010/2009</b>	<b>Var. 2009/2008</b>	<b>Var. 2008/2007</b>
Due from banks	53.12%	-80.90%	-69.99%	<b>6.70%</b>
Loans to customers	-5.17%	-10.93%	-58.86%	<b>90.08%</b>
Other financial assets	10.81%	-80.85%	3,128.10%	<b>-89.88%</b>
Other assets	-75.71%	247.29%	-68.20%	<b>203.54%</b>
<b>Total assets items</b>	<b>-3.88%</b>	<b>-29.79%</b>	<b>-61.04%</b>	<b>49.98%</b>
Due to banks	100.61%	48.01%	-85.57%	<b>-9.66%</b>
Due to customers	2.86%	8.84%	227.57%	<b>-48.33%</b>
Other financial liabilities	-53.19%	-64.77%	220.99%	<b>-22.97%</b>
Other liabilities	-93.22%	793.40%	573.27%	<b>-90.90%</b>
<b>Other liability items</b>	<b>-14.77%</b>	<b>-27.21%</b>	<b>83.92%</b>	<b>-26.64%</b>
<b>Guarantees and commitments</b>	<b>-38.99%</b>	<b>-17.30%</b>	<b>-66.60%</b>	<b>190.57%</b>

For further information on the subject, see Section One, Chapter XIX, of the Prospectus.

### **C. IMPORTANT ACCOUNTING AND FINANCE INFORMATION**

Below is some selected financial information relating to the financial years ended at 31 December 2009, 2008 and 2007, the first nine months of 2010 and the half year ended at 30 June 2010.

The figures relating to the financial years 2009 and 2008 are extracted, respectively, from the Group Annual Financial Report for the financial years ended at 31 December 2009 and 2008. The figures relating to the financial year ended at 31 December 2007 are extracted from the Group's financial statements for the financial year ended at 31 December 2007. The figures related to the nine months ended at 30 September 2010 and the half-year ended at 30 June 2010 are extracted, respectively, from the Interim Report on operations as at 30 September 2010 and the 2010 Half-Year Report.



The presentation of the information is influenced by the changes occurred within the perimeter of Banco Popolare Group during the period 2007 – 2010, described in Section One, Chapter III of the Prospectus (including, in particular, the Merger on 1 July 2007 and the acquisition of control of Banca Italease – consolidated from 1 July 2009 – and the consequent Banca Italease Group Reorganisation). In the light of these changes, the possibility of comparing the data for the period 2007 – 2010 may be somewhat limited. In addition, the data in the “without Italease” columns shown in the Prospectus were obtained based on information prepared by Banco Popolare for purposes of being able to make comparisons between different periods on a consistent basis.

The table below presents the reclassified economic data for the financial years ended at 31 December 2009, 2008 and 2007.

(millions of euros)	31/12/2009	31/12/2009	31/12/2008	31/12/2008	31/12/2007	Variation	Variation
	9 with Italease	without Italease	(*)	standard with 2007 (**)	standard with 2008 (***)	without Italease 2009/2008	2008/2007 standard data
<b>Income statement figures</b>							
Financial Margin	2,095.0	2,056.4	2,226.6	2,429.2	2,039.0	-7.6%	19.1%
Net fee and commission income	1,228.1	1,215.0	1,261.5	1,061.5	1,210.5	-3.7%	-12.3%
Operating income	3,690.7	3,525.3	3,740.5	4,026.4	4,067.0	-5.8%	-1.0%
Operating expenses	2,458.4	2,391.7	2,328.7	2,326.3	2,340.5	2.7%	-0.6%
Income/loss from operations	1,232.3	1,133.6	1,411.8	1,700.1	1,726.4	-19.7%	-1.5%
Income/loss before tax from continuing operations	502.0	482.6	-531.3	247.7	1,608.3	N.S.	-84.6%
Net income/loss for the period	267.0	202.4	-333.4	351.7	731.9	N.S.	-51.9%

(\*) The figures have been adjusted in compliance with IFRS 5 and the update of Circular no. 262/2005 (Bank Financial Statements).

(\*\*) Figures net of the effects of the purchase price allocation (PPA) following the Merger for the purpose of comparison with the previous year.

(\*\*\*) Figures net of the purchase price allocation (PPA) following the Merger and including the contribution of the BPI Group in the first half of 2007, in order to take into account the changes in the consolidation area and the assets held for sale pursuant to IFRS 5.

The table below presents the reclassified economic data relating to the nine months ended at 30 September 2010 and at 30 September 2009.

(millions of euros)	30/09/10	30/09/10	30/09/09	30/09/09	Variation
	with Italease	without Italease	with Italease (*)	without Italease (**)	2010/2009 without Italease
<b>Income statement figures</b>					
Financial margin	1,398.5	1,404.8	1,539.0	1,524.1	-7.8%
Net fee and commission income	956.8	947.5	877.5	873.4	8.5%
Operating income	2,800.1	2,775.6	2,789.1	2,638.4	5.2%
Operating expenses	1,798.4	1,733.8	1,793.0	1,768.9	-2.0%
Income/loss from operations	1,001.7	1,041.8	996.1	869.6	19.8%
Income/loss before tax from continuing operations	357.0	490.1	569.5	491.7	-0.3%
Net income/loss for the period	467.1	274.7	316.4	192.3	42.9%

(\*) The figures have been adjusted in compliance with IFRS 5 and the update of Circular no. 262/2005 (Bank Financial Statements). The result includes the contribution of the Banca Italease Group and the effects of the related PPA starting from the third quarter of 2009.

(\*\*) The figures have been adjusted in compliance with IFRS 5 and the update of Circular no. 262/2005 (Bank Financial Statements).

The table below presents the reclassified economic data relating to the half year ended at 30 June 2010 and 30 June 2009.

(millions of euros)	30/06/10 with Italease	30/06/10 without Italease	30/06/09 without Italease	2010/2009 variation without Italease
<b>Income statement figures</b>				
Financial margin	965.8	966.5	1,060.2	-8.8%
Net fee and commission income	653.5	646.9	590.4	9.6%
Operating income	1,921.2	1,905.9	1,913.5	-0.4%
Operating expenses	1,217.2	1,173.6	1,198.3	-2.1%
Operating profit/loss	704.1	732.2	715.1	2.4%
Income/loss before tax from continuing operations	278.5	366.8	482.8	-24.0%
Net income/loss for the period	436.9	209.0	204.2	2.3%

The table below presents the main balance sheet data reclassified as at 30 September 2010, 30 June 2010 and 31 December 2009, 2008 and 2007.

(millions of euros)	30/09/10 with Italease	30/06/10 with Italease	31/12/09 with Italease	31/12/2009 without Italease	31/12/2008	31/12/2007	30/09/2010 vs. 31/12/2009	30/06/10 vs. 31/12/2009	2009 vs. without Italease /2008	2008/2007
<b>Balance sheet figures</b>										
Total assets	136,354.9	137,705.5	135,709.1	125,490.5	121,327.2	128,392.7	0.5%	1.5%	3.4%	-5.5%
Loans to customers (gross)	100,233.5	100,199.7	99,485.7	88,871.9	83,768.0	86,871.6	0.8%	0.7%	6.1%	-3.6%
Financial assets and hedging derivatives	15,145.2	15,790.5	14,607.6	14,797.5	12,593.1	13,497.2	3.7%	8.1%	17.5%	-6.7%
Shareholders' equity	11,689.2	11,610.3	11,532.8	11,460.2	9,784.0	10,672.0	1.4%	0.7%	17.1%	-8.3%
<b>Customer financial assets</b>										
Direct deposits	102,080.4	103,510.2	105,183.1	97,880.1	93,131.0	93,229.1	-2.9%	-1.6%	5.1%	-0.1%
Indirect deposits	77,875.2	76,713.4	77,212.6	77,212.6	75,090.7	96,817.6	0.9%	-0.6%	2.8%	-22.4%
- Asset management	32,083.0	32,100.1	30,974.7	30,974.7	31,301.2	45,090.4	3.6%	3.6%	-1.0%	-30.6%
- Mutual funds and sicavs	9,374.1	9,604.1	9,996.0	9,996.0	11,867.2	19,516.5	-6.2%	-3.9%	-15.8%	-39.2%
- Securities and fund management	9,685.7	9,646.5	9,908.7	9,908.7	10,959.6	17,479.8	-2.3%	-2.6%	-9.6%	-37.3%
- Insurance policies	13,023.2	12,849.4	11,070.0	11,070.0	8,474.5	8,094.1	17.6%	16.1%	30.1%	4.7%
- Administered assets	45,792.2	44,613.3	46,237.9	46,237.9	43,789.5	51,727.3	-1.0%	3.5%	5.6%	-15.3%

The table below presents the main data of the cash flow statement for the nine months ended at 30 September 2010, for the half year ended at 30 June 2010 and for the financial years ended at 31 December 2009, 2008 and 2007. The data relating to 30 September 2010 and to 30 June 2010 refers to the Banco Popolare Group, the data relating to the financial year ended at 31 December 2009 refers to the Banco Popolare Group and, from 1 July 2009, also includes the contribution of the Banca Italease Group. With reference to the financial years ended at 31 December 2008 and 2007, the data refer exclusively to the Banco Popolare Group, excluding the Banca Italease Group.

PRINCIPAL CASH FLOW STATEMENT FIGURES								
(millions of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	30/09/2010 vs. 31/12/2009	% difference 2009/2008	2008/2007
Net cash flow from/used in operating activities	-60.4	235.7	-1,526.2	968.6	1,490.9	-96.04%	n.s.	-35.03%
Net cash flow from/used in investment activities	-21.9	20.4	-84.8	-396.0	40.3	-74.21%	-78.58%	n.s.
Net cash flow from/used in financing activities	-33.6	-359.5	1,481.8	-554.6	-1,199.7	n.s.	n.s.	-53.77%
<b>Net increase/decrease in cash and cash equivalents for the period</b>	<b>-115.9</b>	<b>-103.3</b>	<b>-129.2</b>	<b>18.0</b>	<b>331.5</b>	<b>-10.30%</b>	<b>n.s.</b>	<b>-94.57%</b>

For further information about the Group's economic and financial situation, see Section One, Chapters III and XX of the Prospectus.

For information about the summary of the management and financial situation and the Group's financial resources, see Section One, Chapters IX and X, of the Prospectus and Section Two, Chapter III of the Prospectus.

#### D. CHARACTERISTICS OF THE OFFER

The Offer for a total maximum value of EUR 1,987,675,315.08 is for up to 1,122,980,404 BP Shares deriving from the Capital Increase.

The BP Shares will be offered in option to the shareholders of the Issuer and to Bondholders at the Offer Price of EUR 1.77 per BP Share according to an option ratio of 7 BP Shares for every 5 Banco Popolare ordinary shares and/or Bonds held.

For further information, see Section Two, Chapters IV, V and VI of the Prospectus.

##### Information relating to BP Shares

The BP Shares will be issued according to Italian law.

The BP Shares will be registered, freely transferable, with regular enjoyment at their issue date and subject to dematerialisation according to Articles 83-*bis* and 83-*sexies* of the TUF and related rulings in force and they will be included in the centralised management system operated by Monte Titoli.

The BP Shares will have the same specifications and confer the same rights, respectively, as the Banco Popolare shares in circulation at their issue date.

The Banco Popolare shares are admitted to listing at the MTA.

The BP Shares will be traded electronically, pursuant to Article 2.4.1 of the Stock Exchange Regulation, on the same market in which the Banco Popolare ordinary shares are negotiated at the time of issue. For further information, see Section Two, Chapters IV, V and VI of the Prospectus.

Principal Offer information

The table below summarises the principal Offer information.

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<b>PRINCIPAL INFORMATION</b>	
Number of BP Shares offered in option	maximum number 1,122,980,404
Option ratio	7 BP shares for every 5 shares and/or Convertible Bonds
Offer Price	EUR 1.77
Total value of the increase in capital	EUR 1,987,675,315.08
Number of Issuer shares in circulation at the Prospectus date	640,484,006
Number of Issuer shares in case of full subscription of the capital increase	1,763,464,410
Post offer share capital in case of full subscription of the capital increase	EUR 4,293,417,736.68
Percentage of BP Shares of the total of Issuer ordinary shares in case of full subscription	63.68%

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For further information, see Section Two, Chapter V of the Prospectus.

Offer Timetable and recipients

The Offer Period runs from 17 January 2011 until 11 February 2011, both inclusive (the “**Option Period**”). The Option Rights, which provide the right to subscribe for BP Shares, must be exercised, subject to forfeiture, during the Option Period through depository intermediaries belonging to the centralised management system that are required to give instructions to Monte Titoli by 3:30 p.m. on the last day of the Option Period. Therefore, subscribers must submit an appropriate subscription request under the terms and conditions that their intermediary has informed them of to ensure observance of the abovementioned deadline.

The Option Rights can be traded on the Stock Exchange from 17 January 2011 to 4 February 2011, both inclusive.

The table below presents the approximate timetable for the Offer:

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<b>APPROXIMATE TIMETABLE FOR THE OFFER</b>	
Start of the Option Period and trading period for Option Rights	17 January 2011
Last day for trading of Option Rights	4 February 2011
End of Option Period and end of BP Shares subscription	11 February 2011
Notification of Offer results	Within five working days from the end of the Option Period

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The timetable for the Offer is approximate and could be subject to changes if events and circumstances beyond the control of the Issuer occur, including volatile conditions in the financial markets, which could

adversely affect the successful outcome of the Offer. The public will be notified of any changes during the Option Period through a special announcement to be published through the same methods as the Prospectus.

Participation in the Offer cannot be subject to any conditions and is irrevocable, except as provided by the law.

Option Rights not exercised within the Option Period will be offered by the Company on the MTA within the month after the end of the Option Period, for at least five days on the open market, pursuant to Article 2441, paragraph 3, of the Civil Code (“**Offer on the Stock Exchange**”). The public will be notified of the opening and closing dates of the period of the Offer on the Stock Exchange through suitable notices.

The Shares will be offered as an option to the shareholders of the Issuer and to bondholders, with no limits or exclusions of the option right. Taking the nature of the Offer into consideration, there is no need for any Share distribution and allocation plan.

The Offer is promoted exclusively in Italy on the basis of the Prospectus. The Prospectus does not constitute an offer of financial instruments in the United States of America, Canada, Japan and Australia or in other foreign countries (“**Other Countries**”) in which the Offer is not permitted in the absence of specific authorisation in compliance with the applicable laws or an exemption under the applicable laws.

The BP Shares and Option Rights have not been registered, nor will they be registered pursuant to the United States Securities Act of 1933 as amended, nor pursuant to the regulations in force in Canada, Japan and Australia or in Other Countries and, as a result, they cannot be offered or delivered either directly or indirectly in the United States of America, Canada, Japan, Australia or in the Other Countries.

For further information, see Section Two, Chapter V of the Prospectus.

#### Subscription commitments

On 24 October 2010 Mediobanca and Merrill Lynch International signed a pre-guarantee contract, as Joint Global Coordinators and Joint Bookrunners, to guarantee the subscription of BP shares under the usual terms and conditions for this type of transaction and up to a maximum amount of EUR 2 billion. The number of these shares will correspond to any Option Rights that are not exercised at the end of the Offer on the Stock Exchange. Within the guarantee consortium, coordinated and directed by Mediobanca and Merrill Lynch International, Credit Suisse, Deutsche Bank and Goldman Sachs will take the role of Joint Bookrunners, while Banco Santander, Crédit Agricole CIB, Equita SIM, ING, Keefe, Bruyette & Woods, MPS Capital Services, RBC Capital Markets, The Royal Bank of Scotland and Société Générale Corporate & Investment Banking will take the role of Co-Lead Managers.

The guarantee agreement, which will be entered into before the publication of the Prospectus, will be in line with market practice and will include the commitment of the financial institutions taking part in the guarantee consortium (the “**Guarantors**”) to underwrite the BP shares corresponding to any Option Rights that are not exercised at the end of the Offer on the Stock Exchange up to a maximum sum of EUR 2 billion. It will also include the customary clauses governing the effectiveness of the guarantee commitment, and it will give the Joint Bookrunners the right to revoke the guarantee commitment of the Guarantors upon the occurrence of, inter alia, events that could prejudice the successful outcome of the Offering (material adverse change or force majeure), or if there is serious violation by the Company of the commitments undertaken or the representations given in the guarantee agreement.

*Dilutive effects of the increase in capital*

The BP Shares are offered in option to all the shareholders of the Issuer and to all the Bondholders and therefore there are no dilutive effects in terms of percentage stake in the fully diluted share capital (calculated assuming full conversion of the Bonds and full subscription of the Capital Increase) for the Issuer's shareholders and the Bondholders who decide to subscribe to the Offer to the extent entitled. On the other hand, with reference to the percentage in the actually-issued share capital held, the shareholders who decide to subscribe to the Offer for their entire entitlement will suffer a maximum dilution of approximately 12.86% if the Bondholders decide to subscribe in full the Option Rights assigned to them.

The Issuer's shareholders who decide not to subscribe to the Offer could see their investment in the actually-issued capital diluted by a maximum percentage of approximately 63.68%.

On the other hand, taking into consideration the fully-diluted capital percentage holding (calculated with reference to the situation before the Offer, assuming full conversion of the Bonds on the basis of the current conversion ratio and, with reference to the post-Offer situation, assuming full subscription of the Capital Increase), the shareholders and the Bondholders who decide not to subscribe to the Offer for the portion of their entitlement could see their stake in the fully diluted capital by a maximum percentage of approximately 58.32%.

*Total net proceeds and estimate of total expenses linked to the Offer*

The net proceeds from the Capital Increase, if it is completely subscribed, net of expenses, are estimated at approximately EUR 1.939 million. The total amount of expenses, including guarantee commissions of the consortium, is estimated at a maximum of approximately EUR 49 million.

*Reasons for the Offer and use of the proceeds*

The Capital Increase is aimed at strengthening the Banco Popolare Group's economic condition, at the same time guaranteeing the Group the possibility of placing itself in a favourable position in the market and taking advantage of the opportunities arising from future economic growth.

The proposed Capital Increase would, in effect, allow the Group to strengthen its core capital ratios which, at 30 June 2010 were at 6.1% in relation to the Core Tier 1 Ratio, at 7.6% in relation to the Tier 1 Ratio and 10.3% in relation to the Total Capital Ratio.

The proposal to strengthen the capital will contribute to placing the Group in a situation where it can meet the requirements resulting from the repayment of Tremonti Bonds subscribed for on 31 July 2009 by the Ministry of Economics and Finance for an amount equal to EUR 1.45 billion. The Issuer expects to be able to make this repayment, if the outcome of the Offer is successful, during the first half of 2011.

In addition, the increase in core capital ratios resulting from the increase in capital will allow the Group to align sooner with the more stringent capital requirements for banks being introduced (Basel III).

In addition, through the consolidation of the capital profile, Banco Popolare will also strengthen its competitive position within the national financial market. The availability of adequate capital resources will be a condition for being able to further increase the penetration of Banco Popolare in the areas covered by its own Network Banks. A higher capital profile will, in effect, allow the Group's competitiveness to be heightened, improving the position in the market.

The proposed capital strengthening will make it possible have more flexibility in deciding whether to convert the POC, which will, to all intents and purposes, constitute an additional capital buffer that can be used in a macroeconomic context that is not entirely favourable or with new, more rigid restrictions of a regulatory nature. This also takes into account the outcome of shares concerning the possible divestment of non-core assets.

## **E. COMPLEMENTARY INFORMATION**

### Share capital and rating

At 31 December 2010, the share capital of the Issuer, fully subscribed and paid up, was EUR 2,305,742,421.60, divided into 640,484,006 ordinary shares with no par value.

For more information about the Issuer's share capital, see Section One, Chapter XXI, Paragraph 21.1 of the Prospectus.

The Issuer has been awarded ratings by the international agencies: Fitch Rating, Moody's Investors Service and Standard & Poor's.

On 7 May 2010, Fitch Rating removed the negative rating watch assigned to the Banco Popolare (placed under observation on 2 November 2009) confirming it at (A-) (which denotes the expectation of a low credit risk) with a "negative outlook", and also confirmed the short term rating at F2 (which indicates the capacity of the Issuer to pay its financial commitments in the short term on time).

On 10 March 2010, Standard & Poor's, the credit rating firm, confirmed the long term rating of the Banco Popolare Group, which it placed under observation on 17 December 2009, confirming it at (A-) with a negative outlook, and also, confirmed the short term rating at (A-2) (which indicates a satisfactory capacity of the Issuer to meet its financial commitments, although the Issuer is susceptible to adverse economic conditions).

On 1 July 2009 and 28 September 2010, Moody's Investors Service confirmed the A2 rating with a "stable outlook" in relation to the Issuer's long term debt, as well as the improved payment capacity of the Issuer for bonds in the short term. On 28 September 2010, Moody's Investors Service changed the deposit ratings outlook from "stable" to "negative" and the Bank Financial Strengths Rating (BFSR) was reduced from (C-) to (D+).

For further information about the Issuer's ratings, see Section One, Chapter IV, Paragraph 4.1.12 and Section Two, Chapter X, Paragraph 10.5 of the Prospectus.

### Memorandum of Association and Articles of Association

Banco Popolare was established, pursuant to Article 2501 of the Civil Code, on 1 July 2007, through the merger of BPVN and BPI. The deed of merger was executed on 27 June 2007, through the notarial deed of Dr Ruggero Piatelli No. 98,543 and was registered at the Verona Business Register, after registration at the Lodi Business Register, on 1 July 2007.

For more information, see Section One, Chapter V, Paragraph 5.1.3 of the Prospectus.

**F. DOCUMENTS AVAILABLE TO THE PUBLIC**

As long as the Prospectus is valid, copies of the following documents can be consulted at the registered offices of the Issuer and on the website of the Issuer ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as the website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)):

- Memorandum of Association of the Issuer;
- Articles of Association of the Issuer;
- 2009 Annual Financial Report, accompanied by the Independent Auditors' report;
- 2008 Annual Financial Report, accompanied by the Independent Auditors' report;
- 2007 Balance Sheet, accompanied by the Independent Auditors' report;
- Interim report operations as at 30 September 2010. The Independent Auditors' report is enclosed with the Prospectus;
- 2010 Half-year Report, accompanied by the Independent Auditors' report.



**SECTION ONE**

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## **CHAPTER I – PARTIES RESPONSIBLE**

### **1.1 Parties responsible for the Prospectus**

Banco Popolare, with registered offices in Verona, Piazza Nogara 2, as the Issuer, assumes responsibility for the information and data contained in this Prospectus.

### **1.2 Declaration of responsibility**

Banco Popolare, responsible for the drafting of this Prospectus, declares that, having observed all due diligence in this regard, the information it contains, to the best of its knowledge, is consistent with the facts and that there are no omissions that would alter its meaning.

## **CHAPTER II – INDEPENDENT AUDITORS**

### **2.1 The Issuer's independent auditors**

The shareholders' meetings of BPVN and BPI which, on 10 March 2007 approved the merger between BPVN and BPI through the establishment of the Issuer, also resolved to appoint, until the approval of the financial statements as at and for the year ended on 31 December 2015, for auditing the individual and the consolidated financial statements of Banco Popolare Group, reviewing the half-year report, individual and consolidated, as well as the regular bookkeeping of the general ledger and the correct accounting entries, the independent accounting firm Reconta Ernst & Young S.p.A., a company registered in the Consob registry of audit firms pursuant to Article 161 of the Consolidated Finance Act and the Register of Auditors, having its registered office in via Po no. 32, Rome (the “**Independent Auditors**”).

The 2009 Annual Financial Report, the 2008 Annual Financial Report and the 2007 Financial Statements have been audited by the Independent Auditors. The Interim Report on operations as at 30 September 2010 and the 2010 Half-Year Report have been subjected to a review by the Independent Auditors.

### **2.2 Information regarding the duration of the appointment**

During the period to which the financial information relating to previous financial years included in the Prospectus refers, there have been no refusals of certification by the independent auditors, nor have they resigned or been removed from their office, nor has the appointment to the office been revoked.

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**CHAPTER III – SELECTED FINANCIAL INFORMATION ON THE ISSUER****Foreword**

The tables that follow in this Chapter III summarise:

- the main reclassified consolidated economic and financial data of the Banco Popolare Group as at 31 December 2009, 31 December 2008 and 31 December 2007, as well as at 30 June 2010 and 30 September 2010;
- the reclassified consolidated economic data for the years ended at 31 December 2009, 31 December 2008 and 31 December 2007, as well as the reclassified financial data for the half-year period ended at 30 June 2010 and for the nine-month period ended at 30 September 2010.

The reclassified consolidated economic and financial data of the Banco Popolare Group as at and for the years ended at 31 December 2009, 31 December 2008 and 31 December 2007 have been prepared on the basis of the data derived from the annual financial statements at 31 December 2009, 31 December 2008 and 31 December 2007, subjected to audit by the Independent Auditors.

The reclassified capital, economic and financial data as at and for the nine-month period ended on 30 September 2010 and as at and for the half-year period ended on 30 June 2010 have been derived from the Interim Report on operations as at 30 September 2010 and from the 2010 Half-Yearly Report, respectively. Both the Interim Report on operations as at 30 September 2010 and the 2010 Half-Yearly Report have been subjected to review by the Independent Auditors.

The Issuer avails itself of the inclusion by reference of the documents indicated above, pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation (EC) 809/2004. These documents have been published and filed with Consob and are available to the public on the Issuer's website ([www.bancopopolare.it](http://www.bancopopolare.it)) as well as at the offices of the Issuer and of Borsa Italiana.

During the period 2007 - 2010, the structure of the Banco Popolare Group changed mainly due to the following:

– 2007

Merger between the BPVN Group and the BPI Group, effective from 1 July 2007;

Acquisition of equity interests in two foreign companies in Hungary and the Czech Republic;

Sale of Linea S.p.A. to Mediobanca Group

– 2008

Sale of instrumental real estate properties to the Eracle closed-end real estate fund;

Creation of the consumer credit joint venture with Crédit Agricole Group, which involved the sale of Ducato S.p.A. to Agos S.p.A.;

Sale of 33 branches of Banca Popolare di Verona S.p.A. to Credito Emiliano;

Sale of Banca Popolare di Mantova to Banca Popolare di Milano

– 2009

Acquisition of control of Banca Italease by public tender offer;

Reorganisation of the activities of the former Banca Italease Group;

Sale of Delta S.p.A. and other minor companies of the Group

– 2010

Delisting of Banca Italease;

Acquisition of an additional investment in Cassa di Risparmio di Lucca Pisa Livorno, following the exercising of the put option by the Foundation;

Sale of Factorit, Polo Finanziario S.p.A., Centrosim S.p.A. and several investment in related companies, and deconsolidation of Efibanca Palladio Finanziaria SGR S.p.A. <sup>(13)</sup>

In the light of the changes outlined above, it should be noted that the comparability of the data presented below might be limited, since it is influenced by the economic and financial effects of the operations described above, and particularly by the merger between the BPVN Group and the BPI Group, the acquisition of control of Banca Italease, and the Banca Italease Group reorganisation.

In this regard it should be noted that following the merger, the consolidated financial statements of Banco Popolare Group include the contribution of the companies of the BPI Group only from 1 July 2007 onwards, thus rendering the 2008 income statement figures not immediately comparable with those of the 2007 income statement. Consequently, for a representation of the financial situation in comparative terms, the following tables show the financial data for “31/12/2008 homogeneous with 2007” and “31/12/2007 homogeneous with 2008”, where the data for the 2008 financial year are restated net of the effect of the purchase price allocation and those for the 2007 financial year are obtained through the aggregation of the data of the BPVN Group and the BPI Group and excluding the changes that have occurred in the consolidation area and in assets held for sale pursuant to IFRS 5.

Lastly, it should be noted that from 1 July 2009, following the expiry of the period of the Public Tender Offer for Banca Italease, Banco Popolare acquired the majority of the shares of Banca Italease and consequently control of the company, which therefore, from the start of the second half-year, has been fully consolidated in Banco Popolare along with its own subsidiaries.

The consolidated balance sheet of the Banco Popolare Group as at 31 December 2009 includes the assets and the liabilities pertaining to Banca Italease Group at that date, while the income statement at the same date includes the contribution of the Banca Italease Group only for the operating results generated after 1 July 2009. Consequently, the consolidated balance sheet and income statement of the Banco Popolare Group at 31 December 2009 are not immediately comparable with the corresponding statements relating to 31 December 2008.

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<sup>(13)</sup> In addition to the disposal of these holdings, on 31 December 2010 Banco Popolare gave Cassa di Risparmio della Provincia di Teramo S.p.A (Banca Tercas) the stake (95%) held by Banca Caripe. For further information, see Section 1, Chapter V, Paragraph 5.1.5 of the Prospectus.

In order to allow comparability with the data for the 2008 financial year, in the following tables the economic and financial data as at and for the year ended on 31 December 2009 is shown “with” and “without” the contribution of the Banca Italease Group.

### 3.1 Principal accounting data

The table below presents the reclassified economic data for the years ended 31 December 2009, 2008 and 2007.

<i>(millions of euros)</i>	31/12/2009 with Italease	31/12/2009 without Italease	31/12/2008 (* )	31/12/2008 homogeneous with 2007 (**)	31/12/2007 homogeneous with 2008 (***)	31/12/2009 without Italease/2008	2008/2007 on homogeneous data
<b>Income statement figures</b>							
Financial Margin	2,095.0	2,056.4	2,226.6	2,429.2	2,039.0	-7.6%	19.1%
Net fee and commission income	1,228.1	1,215.0	1,261.5	1,061.5	1,210.5	-3.7%	-12.3%
Operating income	3,690.7	3,525.3	3,740.5	4,026.4	4,067.0	-5.8%	-1.0%
Operating expenses	2,458.4	2,391.7	2,328.7	2,326.3	2,340.5	2.7%	-0.6%
Income/loss from operations	1,232.3	1,133.6	1,411.8	1,700.1	1,726.4	-19.7%	-1.5%
Income/loss before tax from continuing operations	502.0	482.6	-531.3	247.7	1,608.3	n.s.	-84.6%
Net income/loss for the period	267.0	202.4	-333.4	351.7	731.9	n.s.	-51.9%

(\*) The figures have been adjusted in compliance with IFRS 5 and the update of Circular 262/2005 (Bank Financial Statements).

(\*\*) Figures net of effects arising from the purchase price allocation (PPA) following the merger, for the purpose of comparison with the previous year.

(\*\*\*) Figures net of effects arising from the purchase price allocation (PPA) following the merger, and including the contribution of the BPI Group for the first half of 2007, standardised to take into account the changes occurred in the consolidation area and in the assets held for sale pursuant to IFRS 5.

For the 2009 financial year, the Banco Popolare Group shows a net income of EUR 267 million compared with the loss of EUR 333 million recorded for 2008. This result includes both the positive contribution of the Banca Italease Group (EUR 64.7 million, given by a loss from operations of EUR 112.1 million and a positive PPA impact of EUR 176.7 million) and the negative impact arising from the fair value valuation of securities issued, the result of the improvement in the Group’s creditworthiness (less EUR 350 million gross of tax effects). During the 2008 financial year, the impact of the change in creditworthiness on the securities issued was positive at EUR 215.7 million (gross of tax effects). Excluding the contribution of Italease and the impact of the non-recurring items indicated previously, the Banco Popolare Group would have generated a net income of EUR 376.8 million for the year.

The income statement figures for the 2008 financial year, shown in the third column of the table above, are not immediately comparable with those for the 2007 financial year, since the aggregation of BPI by merger with BPVN was completed on 1 July 2007, and therefore the income statement for the 2007 financial year does not include either the income made by BPI in the first half of 2007 or the economic effects arising from the purchase price allocation (PPA). Consequently, the column “31/12/2008 homogeneous with 2007” shows the 2008 financial year with the PPA impacts in a single item, while the column “31/12/2007 homogeneous with 2008” includes the components of the 2007 income realised by the BPI Group in the first half of 2007.

The net income for the 2008 financial year suffers from the effect of the PPA, which has a negative impact of approximately EUR 685 million, compared with EUR 96.8 million for the homogeneous 2007 financial year.

The Group's net loss of EUR 333.4 million for the 2008 financial year shows the effects of provisions for future risks and charges amounting to more than EUR 2,400 million compared with EUR 840 million in the previous year. The positive results of the Network Banks, together with the capital gains arising from the disposal of non-strategic assets and the positive economic impact produced by the decision to align the fiscal values of the goodwill in the balance sheet as at 31 December 2008 to their book values, allowed the Group to limit the negative impacts produced by the financial and economic crisis, as well as by the consequent stringent policy for the valuation of balance sheet assets. These impacts were recognized in the goodwill impairment for EUR 508 million, the writedown of equity investments and other securities available for sale for EUR 366 million and EUR 199 million respectively, and the provisions for default risks for Euro 1,170 million.

The table below shows the reclassified income statement figures for the half-year periods ended 30 June 2010 and 30 June 2009.

<i>(millions of euros)</i>	<b>30/06/2010 with Italease</b>	<b>30/06/2010 without Italease</b>	<b>30/06/2009 without Italease</b>	<b>Change without Italease</b>
<b>Income statement figures</b>				
Financial Margin	965.8	966.5	1,060.2	-8.8%
Net fee and commission income	653.5	646.9	590.4	9.6%
Operating income	1,921.2	1,905.9	1,913.5	-0.4%
Operating expenses	1,217.2	1,173.6	1,198.3	-2.1%
Income/loss from operations	704.1	732.2	715.1	2.4%
Income/loss before tax from continuing operations	278.5	366.8	482.8	-24.0%
Net income/loss for the period	436.9	209.0	204.2	2.3%

In the first half of 2010, the Group's results have been impacted by significant and extraordinary components, in particular the recognition of deferred tax assets relating to Banca Italease for a total of EUR 285.8 million, the recoverability of which was made possible by the extension of the area of the so-called "tax consolidation" (as detailed in Articles 117 *et seq.* of the TUIR) of Banco Popolare to Banca Italease and its subsidiaries. Another positive effect on net income was that associated with the fair value valuation of securities issued as a consequence of the change in the Group's creditworthiness, at EUR 175.2 million. On the other hand, the negative impacts on government bond prices as a result of the tensions seen on the European markets entailed the recognition of losses with an overall negative impact of EUR 79.2 million on net income for the half-year. The income of Banco Popolare "without Italease", however, shows a growth.



The table below shows the reclassified income statement figures for the nine-month periods ended 30 September 2010 and 30 September 2009.

<i>(millions of euros)</i>	<b>30/09/2010 with Italease</b>	<b>30/09/2010 without Italease</b>	<b>30/09/2009 with Italease (*)</b>	<b>30/09/2009 without Italease (**)</b>	<b>Change 2010/2009 without Italease</b>
<b>Income statement figures</b>					
Financial Margin	1,398.5	1,404.8	1,539.0	1,524.1	-7.8%
Net fee and commission income	956.8	947.5	877.5	873.4	8.5%
Operating income	2,800.1	2,775.6	2,789.1	2,638.4	5.2%
Operating expenses	1,798.4	1,733.8	1,793.0	1,768.9	-2.0%
Income/loss from operations	1,001.7	1,041.8	996.1	869.6	19.8%
Income/loss before tax from continuing operations	357.0	490.1	569.5	491.7	-0.3%
Net income/loss for the period	467.1	274.7	316.4	192.3	42.9%

(\*) The figures have been adjusted in compliance with IFRS 5 and the update of Circular 262/2005 (Bank Financial Statements). The income includes the contribution of the Banca Italease Group and the effects of the related PPA as of Q3 2009.

(\*\*) The figures have been adjusted in compliance with IFRS 5 and the update of Circular 262/2005 (Bank Financial Statements).

In the first nine months of the 2010 financial year, Banco Popolare shows a consolidated net income of EUR 467.1 million. This result is not immediately comparable with the corresponding period of the previous year, partly because of the effect of the change in the consolidation area following the acquisition of control of Banca Italease as of 1 July 2009, partly because of the presence of significant extraordinary components, and finally because of the different context in which the Group found itself operating in the two periods being compared. As already shown above for the income statement figures at 30 June 2010, the Group benefited in the second quarter from the recognition of deferred tax assets relating to Banca Italease for a total of EUR 285.8 million, the recoverability of which was made possible by the extension of the scope of the so-called “tax consolidation” (as detailed in Articles 117 *et seq.* of the TUIR) of Banco Popolare to Banca Italease and its subsidiaries. The Group also benefited from the positive effect on net income arising from the fair value valuation of securities issued, the result of the improvement in the Group’s creditworthiness, totalling EUR 176.7 million, of which EUR 175.2 million relates to the first six months of the year. On the other hand, the negative impacts on government bond prices as a result of the tensions seen on the European markets entailed the recognition of losses with an overall negative impact of EUR 69.9 million on net income for the first nine months (compared with EUR 79.2 million at the end of the first half of 2010).

The table below shows the reclassified balance sheet data for the quarter ended 30 September 2010, for the half-year ended 30 June 2010 and for the financial years ended 31 December 2009, 2008 and 2007.

(millions of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2009 without Italease	31/12/2008	31/12/2007	30/09/2010 vs. 31/12/2009	30/06/2010 vs. 31/12/2009	2009 vs. without Italease /2008	2008/2007
<b>Balance sheet figures</b>										
Total assets	136,354.9	137,705.5	135,709.1	125,490.5	121,327.2	128,392.7	0.5%	1.5%	3.4%	-5.5%
Loans to customers (gross)	100,233.5	100,199.7	99,485.7	88,871.9	83,768.0	86,871.6	0.8%	0.7%	6.1%	-3.6%
Financial assets and hedging derivatives	15,145.2	15,790.5	14,607.6	14,797.5	12,593.1	13,497.2	3.7%	8.1%	17.5%	-6.7%
Shareholders' equity	11,689.2	11,610.3	11,532.8	11,460.2	9,784.0	10,672.0	1.4%	0.7%	17.1%	-8.3%
<b>Customers financial assets</b>										
Direct deposits	102,080.4	103,510.2	105,183.1	97,880.1	93,131.0	93,229.1	-2.9%	-1.6%	5.1%	-0.1%
Indirect deposits	77,875.2	76,713.4	77,212.6	77,212.6	75,090.7	96,817.6	0.9%	-0.6%	2.8%	-22.4%
- Asset management	32,083.0	32,100.1	30,974.7	30,974.7	31,301.2	45,090.4	3.6%	3.6%	-1.0%	-30.6%
- Mutual funds and sicav	9,374.1	9,604.1	9,996.0	9,996.0	11,867.2	19,516.5	-6.2%	-3.9%	-15.8%	-39.2%
- Securities and fund management	9,685.7	9,646.5	9,908.7	9,908.7	10,959.6	17,479.8	-2.3%	-2.6%	-9.6%	-37.3%
- Insurance policies	13,023.2	12,849.4	11,070.0	11,070.0	8,474.5	8,094.1	17.6%	16.1%	30.6%	4.7%
- Administered assets	45,792.2	44,613.3	46,237.9	46,237.9	43,789.5	51,727.3	-1.0%	-3.5%	5.6%	-15.3%

The balance sheet data at 30 September 2010 does not include the contribution of Banca Caripe, since its balance sheet data have been reclassified under assets and liabilities held for sale, as a result of the sale contract signed on 1 October 2010 <sup>(14)</sup>, and is therefore not immediately comparable with the data of the previous periods after 30 June 2010. Consequently, the figures for deposits and loans for the previous periods have been elaborated by excluding the contribution of Banca Caripe. The following comments relate to the homogeneous figures.

Direct deposits at 30 September 2010 stand at EUR 102.1 billion and show a fall of 2.1% compared with the homogeneous figure of EUR 104.3 billion at 31 December 2009. Excluding the component relating to Banca Italease, deposits show a fall of 0.2% compared with the start of the year. Deposits from families and small businesses show an increase of 2.2% compared with the end of 2009. Indirect deposits stand at EUR 77.9 billion and show an increase of 1.3% compared with the end of 2009. In particular, although administered assets at the end of September 2010 stand at EUR 45.8 billion, representing a fall compared with the end of 2009, asset management is up at EUR 32.1 billion, thanks especially to the growth of the component relating to insurance policies. Gross loans to customers amount to EUR 100.2 billion, up by 2.0% compared with the standardised figure for the start of the year. Net of Banca Italease loans to customers, down by EUR 2.0 billion compared with the start of the year (-18.5%), the growth over the last twelve months is equal to 4.5% since the start of the year. In the first nine months of 2010, the increase in loans to customers was particularly focused on the core segments (families and small businesses), which show an increase of 7.2% and 7.1% respectively compared with the end of 2009.

The balance sheet figures at 31 December 2009 without Italease all show an increase. Shareholding equity as at 31 December 2009 shows a sharp rise compared with the corresponding figure as at 31 December 2008, as does net income for the year at EUR 267 million, partly due to the effect of the issuing of the Tremonti Bonds for a total of EUR 1,450 million. The fall seen in the same item in 2008 compared with

<sup>(14)</sup> See footnote no. 2, Section One, Chapter V, Paragraph 5.1.5 of the Prospectus.

2007, on the other hand, is associated not only with the loss of EUR 333.4 million for the year, but also with the distribution of dividends for the 2007 financial year (EUR 617.2 million). The reduction in the balance sheet figures for 2008 compared with 2007 is chiefly due to the fact that the controlling investment in Ducato S.p.A. was sold during the course of 2008. In addition, the year saw the implementation of a policy of reallocation of the Group's loan portfolio, reducing exposure to large corporates in favour of loans to families and small and medium-sized businesses, which nevertheless fell slightly on a homogeneous year-on-year basis. During the course of 2009 financial assets began rising again, still favouring the families and small businesses component.

The table below shows the performance ratios of the Banco Popolare Group for the nine-month period ended 30 September 2009, the half-year ended 30 June 2010, and the financial years ended 31 December 2009, 2008 and 2007.

	30/09/2010 annualised	30/06/2010 annualised	31/12/2009	31/12/2009 without Italease	31/12/2008	31/12/2007
<b>Performance ratios (%)</b>						
ROE	5.5%	7.8%	2.4%	1.8%	-3.3%	7.4%
Financial margin / Operating income	49.9%	50.3%	56.8%	58.3%	59.5%	50.1%
Net fee and commission income / Operating income	34.2%	34.0%	33.3%	34.5%	33.7%	29.8%
Operating expenses / Operating income	64.2%	63.4%	66.6%	67.8%	62.3%	57.6%

The table below shows the consolidated earnings per share of the Banco Popolare Group for the nine-month period ended 30 September 2010 (annualised figures), for the half-year ended 30 June 2010 (annualised figures), and for the financial years ended 31 December 2009 and 2008.

(millions of euros)	30/09/2010 annualised	30/06/2010 annualised	31/12/2009	31/12/2008	30/09/2010 vs. 31/12/2009	30/06/2010 vs. 31/12/2009	2009/2008
<b>Earnings per share (EPS)</b>							
Basic EPS	0.980	1.172	0.336	- 0.521	110.7%	248.8%	n.s.
Diluted EPS	0.464	0.661	0.319	- 0.479	35.1%	107.2%	n.s.

The Basic EPS, calculated by dividing the net income attributable to the ordinary shareholders by the average of the ordinary shares in circulation, takes into account, as elements for the reduction of the numerator, the portion of income to be assigned by way of remuneration of the Tremonti Bonds issued on 31 July 2009.

The diluting effects on the number of ordinary shares in circulation are the consequence of the conversion option implicit in the convertible bond, the issue of the warrants assigned to the subscribers of the share capital increase carried out by the BPI during 2006, and the issue of shares following the hypothetical conversion of the Tremonti Bonds.

The table below shows the structure ratios of the Banco Popolare Group for the nine-month period ended 30 September 2010, for the half-year ended 30 June 2010, and for the financial years ended 31 December 2009, 2008 and 2007.

	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	30/09/2010 vs. 31/12/2009	30/06/2010 vs. 31/12/2009	2008/2007
<b>Structural ratios</b>								
Average number of employees	19,921	20,313	20,375	20,410	21,813	-2.2%	-0.3%	-6.0%
Number of bank branches	2,178	2,187	2,292	2,265	2,254	-5.0%	-4.6%	0.5%

The table below shows the principal cash flow statement figures of the Banco Popolare Group for the quarter ended 30 September 2010, the half-year ended 30 June 2010, and the financial years ended 31 December 2009, 2008 and 2007.

<i>(thousands of euros)</i>	PRINCIPAL CASH FLOW STATEMENT FIGURES					Delta %		
	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	30/09/2010 vs. 31/12/2009	2009/2008	2008/2007
Net cash flow from/used in operating activities	-60,439	235,705	-1,526,128	968,594	1,490,874	-96.04%	n.s.	-35.03%
Net cash flow from/used in investment activities	-21,869	20,420	-84,810	-395,645	40,290	-74.21%	-78.58%	n.s.
Net cash flow from/used in financing activities	-33,573	-359,474	1,481,786	-554,645	-1,199,681	n.s.	n.s.	-53.77%
<b>Net increase/decrease in cash and cash equivalents in the period</b>	<b>-115,881</b>	<b>-103,349</b>	<b>-129,206</b>	<b>17,975</b>	<b>331,483</b>	<b>-10.30%</b>	<b>n.s.</b>	<b>-94.57%</b>

### Loans to customers – credit quality

The tables below show summarised information on the cash exposure to customers of the Banco Popolare Group as at 30 September 2010, 30 June 2010, and 31 December 2009, 2008 and 2007.

<i>(thousands of euros and %)</i>	LOANS TO CUSTOMERS AT 30 SEPTEMBER 2010 (WITH ITALEASE)					
	Gross amount		Provisions	Balance sheet value		Percentage of cover
<b>Non-performing loans</b>	<b>12.95%</b>	<b>12,984,475</b>	<b>3,521,118</b>	<b>9.84%</b>	<b>9,463,357</b>	<b>27.12%</b>
- Doubtful	4.99%	5,000,797	2,206,965	2.91%	2,793,832	44.13%
- Watch-list	5.44%	5,456,967	946,086	4.69%	4,510,881	17.34%
- Restructured	1.75%	1,749,207	311,283	1.50%	1,437,924	17.80%
- Past due	0.78%	777,504	56,784	0.75%	720,720	7.30%
<b>Performing loans</b>	<b>87.05%</b>	<b>87,249,000</b>	<b>570,702</b>	<b>90.16%</b>	<b>86,678,298</b>	<b>0.65%</b>
<b>Total</b>		<b>100,233,475</b>	<b>4,091,820</b>		<b>96,141,655</b>	

<b>LOANS TO CUSTOMERS AT 30 SEPTEMBER 2010 (WITHOUT ITALEASE)</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>9.86%</b>	<b>9,029,998</b>	<b>2,504,131</b>	<b>7.37%</b>	<b>6,525,867</b>	<b>27.73%</b>
- Doubtful	4.10%	3,759,368	1,700,694	2.32%	2,058,674	45.24%
- Watch-list	4.29%	3,925,005	640,164	3.71%	3,284,841	16.31%
- Restructured	0.89%	818,549	131,763	0.78%	686,786	16.10%
- Past due	0.58%	527,076	31,510	0.56%	495,566	5.98%
<b>Performing loans</b>	<b>90.14%</b>	<b>82,557,379</b>	<b>489,082</b>	<b>92.63%</b>	<b>82,068,297</b>	<b>0.59%</b>
<b>Total</b>		<b>91,587,377</b>	<b>2,993,213</b>		<b>88,594,164</b>	

<b>LOANS TO CUSTOMERS AT 30 JUNE 2010 (WITH ITALEASE)</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>12.67%</b>	<b>12,698,923</b>	<b>3,469,129</b>	<b>9.60%</b>	<b>9,229,794</b>	<b>27.32%</b>
- Doubtful	4.60%	4,607,719	2,139,689	2.57%	2,468,030	46.44%
- Watch-list	5.74%	5,749,053	1,034,052	4.90%	4,715,001	17.99%
- Restructured	1.69%	1,696,710	247,169	1.51%	1,449,541	14.57%
- Past due	0.64%	645,441	48,219	0.62%	597,222	7.47%
<b>Performing loans</b>	<b>87.33%</b>	<b>87,500,790</b>	<b>574,009</b>	<b>90.40%</b>	<b>86,926,781</b>	<b>0.66%</b>
<b>Total</b>		<b>100,199,713</b>	<b>4,043,138</b>		<b>96,156,575</b>	

<b>LOANS TO CUSTOMERS AT 30 JUNE 2010 (WITHOUT ITALEASE)</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>9.60%</b>	<b>8,722,540</b>	<b>2,415,169</b>	<b>7.17%</b>	<b>6,307,371</b>	<b>27.69%</b>
- Doubtful	3.76%	3,419,006	1,615,779	2.05%	1,803,227	47.26%
- Watch-list	4.60%	4,176,636	704,793	3.95%	3,471,843	16.87%
- Restructured	0.80%	722,986	69,434	0.74%	653,552	9.60%
- Past due	0.44%	403,912	25,163	0.43%	378,749	6.23%
<b>Performing loans</b>	<b>90.40%</b>	<b>82,137,245</b>	<b>491,595</b>	<b>92.83%</b>	<b>81,645,650</b>	<b>0.60%</b>
<b>Total</b>		<b>90,859,785</b>	<b>2,906,764</b>		<b>87,953,021</b>	

<b>LOANS TO CUSTOMERS AT 31 DECEMBER 2009 (WITH ITALEASE)</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>13.38%</b>	<b>13,306,786</b>	<b>3,562,346</b>	<b>10.22%</b>	<b>9,744,440</b>	<b>26.77%</b>
- Doubtful	4.88%	4,856,731	2,198,437	2.79%	2,658,294	45.27%
- Watch-list	6.69%	6,651,290	1,212,062	5.70%	5,439,228	18.22%
- Restructured	0.86%	860,323	106,155	0.79%	754,168	12.34%
- Past due	0.94%	938,442	45,692	0.94%	892,750	4.87%
<b>Performing loans</b>	<b>86.62%</b>	<b>86,178,879</b>	<b>573,094</b>	<b>89.78%</b>	<b>85,605,785</b>	<b>0.67%</b>
<b>Total</b>		<b>- 99,485,665</b>	<b>4,135,440</b>		<b>- 95,350,225</b>	<b>-</b>

<b>LOANS TO CUSTOMERS AT 31 DECEMBER 2009 (WITHOUT ITALEASE)</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>9.51%</b>	<b>8,455,387</b>	<b>2,423,408</b>	<b>7.02%</b>	<b>6,031,979</b>	<b>28.66%</b>
- Doubtful	3.44%	3,056,138	1,572,359	1.73%	1,483,779	51.45%
- Watch-list	4.47%	3,968,416	730,194	3.77%	3,238,222	18.40%
- Restructured	0.76%	674,685	82,943	0.69%	591,742	12.29%
- Past due	0.85%	756,148	37,912	0.84%	718,236	5.01%
<b>Performing loans</b>	<b>90.49%</b>	<b>80,416,505</b>	<b>497,222</b>	<b>92.98%</b>	<b>79,919,283</b>	<b>0.62%</b>
<b>Total</b>	-	<b>88,871,892</b>	<b>2,920,630</b>	-	<b>85,951,262</b>	-

<b>LOANS TO CUSTOMERS AT 31 DECEMBER 2008</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>6.56%</b>	<b>5,492,216</b>	<b>1,937,401</b>	<b>4.39%</b>	<b>3,554,815</b>	<b>35.28%</b>
- Doubtful	2.52%	2,105,564	1,118,529	1.22%	987,035	53.12%
- Watch-list	3.30%	2,758,548	729,678	2.50%	2,028,870	26.45%
- Restructured	0.18%	150,520	32,058	0.15%	118,462	21.30%
- Past due	0.57%	477,584	57,136	0.52%	420,448	11.96%
<b>Performing loans</b>	<b>93.44%</b>	<b>78,205,321</b>	<b>733,942</b>	<b>95.61%</b>	<b>77,471,379</b>	<b>0.94%</b>
<b>Total</b>	-	<b>83,697,537</b>	<b>2,671,343</b>	-	<b>81,026,194</b>	-

<b>LOANS TO CUSTOMERS AT 31 DECEMBER 2007</b>						
<i>(thousands of euros and %)</i>	<b>Gross amount</b>		<b>Provisions</b>	<b>Balance sheet value</b>		<b>Percentage of cover</b>
<b>Non-performing loans</b>	<b>4.87%</b>	<b>4,233,176</b>	<b>1,568,133</b>	<b>3.15%</b>	<b>2,665,043</b>	<b>37.04%</b>
- Doubtful	2.32%	2,012,492	1,131,111	1.04%	881,381	56.20%
- Watch-list	1.94%	1,686,503	405,118	1.52%	1,281,385	24.02%
- Restructured	0.17%	145,348	20,359	0.15%	124,989	14.01%
- Past due	0.45%	388,833	11,545	0.45%	377,288	2.97%
<b>Performing loans</b>	<b>95.13%</b>	<b>82,638,464</b>	<b>752,473</b>	<b>96.85%</b>	<b>81,885,991</b>	<b>0.91%</b>
<b>Total</b>	-	<b>86,871,640</b>	<b>2,320,606</b>	-	<b>84,551,034</b>	-

The gross amount to non-performing loans (doubtful loans, watch-list, restructured and past due) at 30 September 2010 stands at EUR 13 billion and shows a decrease of 2.4% compared with the beginning of the year (-1.9% excluding the contribution of Banca Caripe at 31 December 2009). The total includes loans of approximately EUR 4 billion generated by Banca Italease, mainly represented by leasing agreements secured against properties (down by 18.5% compared with the beginning of the year), while the remaining part generated by the rest of the Group amounted to EUR 9 billion (up by 6.8% compared with the beginning of the year, and by 7.7% if we exclude from the initial figure the non-performing loans attributable to Banca Caripe).

In greater detail, doubtful loans stand at EUR 5,001 million (+3% compared with 31 December 2009) and watch-list loans at EUR 5,457 million (-18% compared with the beginning of the year), while restructured loans amount to EUR 1,749 million (+103.3%) and past due loans to EUR 777.5 million (-17.1%).

The ratio between non-performing loans and total loans to customers at 30 September 2010, gross of provisions, stands at 13%, down from the figure as at 31 December 2009. Net of provisions, this ratio is down from 10.2% at 31 December 2009 to 9.8% at the end of September 2010.

Considering doubtful loans only, the ratio between these and total loans to customers, gross of provisions, stands at 4.99%, compared with 4.88% for the year ended 31 December 2009. Net of provisions, the ratio stands at 2.9% compared with 2.8% at 31 December 2009. In the same period, the proportion of net watch-list loans is down from 5.7% to 4.7%.

Provisions on non-performing loans at 30 September 2010 represent 27.1% of the gross total, compared with 26.8% at 31 December 2009. In particular, provisions on doubtful loans at the end of September represent 44.1% of the gross total (45.3% at 31 December 2009). However, 92.7% of doubtful loans as a whole are downgraded, written off as losses or covered by guarantees.

At 30 September 2010 the total non-performing loans, gross of provisions and excluding the contribution of the Banca Italease Group, stands at EUR 9,030 million, up by 6.8% compared with EUR 8,455.4 million at 31 December 2009. Among the non-performing loans, gross doubtful loans (EUR 3,759.4 million) show an increase of 23% compared with 31 December 2009. Watch-list loans, on the other hand, show a reduction of EUR 43.4 million, falling from EUR 3,968.4 million at 31 December 2009 to EUR 3,925 million at 30 September 2010. During 2010 there is a general increase in non-performing loans, the incidence of which is in line with the banking system as a whole. For further information, see Section One, Chapter IV, Paragraph 4.1.4 of the Prospectus.

The situation with regard to loans to customers relating to the Banca Italease Group stands as follows at 30 September 2010 and 31 December 2009:

<i>(thousands of euros and %)</i>	Situation at 30 September 2010 (Italease only)					
	Gross amount		Provisions	Balance sheet value		Percentage of cover
<b>Non-performing loans</b>	<b>35.24%</b>	<b>3,954,574</b>	<b>1,016,987</b>	<b>29.02%</b>	<b>2,937,587</b>	<b>25.72%</b>
- Doubtful	11.06%	1,241,430	506,271	7.26%	735,159	40.78%
- Watch-list	13.65%	1,531,962	305,921	12.11%	1,226,041	19.97%
- Restructured	8.29%	930,658	179,520	7.42%	751,138	19.29%
- Past due	2.23%	250,524	25,275	2.23%	225,249	10.09%
<b>Performing loans</b>	<b>64.76%</b>	<b>7,266,265</b>	<b>82,013</b>	<b>70.98%</b>	<b>7,184,252</b>	<b>1.13%</b>
<b>Total</b>		<b>11,220,839</b>	<b>1,099,000</b>		<b>10,121,839</b>	

<i>(thousands of euros and %)</i>	Situation at 31 December 2009 (Italease only)					
	Gross amount		Provisions	Balance sheet value		Percentage of cover
<b>Non-performing loans</b>	<b>35.01%</b>	<b>4,851,253</b>	<b>1,138,938</b>	<b>29.37%</b>	<b>3,712,315</b>	<b>23.48%</b>
- Doubtful	12.99%	1,800,497	626,078	9.29%	1,174,419	34.77%
- Watch-list	19.36%	2,682,824	481,868	17.41%	2,200,956	17.96%
- Restructured	1.34%	185,638	23,212	1.28%	162,426	12.50%
- Past due	1.32%	182,294	7,780	1.38%	174,514	4.27%
<b>Performing loans</b>	<b>64.99%</b>	<b>9,005,651</b>	<b>77,006</b>	<b>70.63%</b>	<b>8,928,645</b>	<b>0.86%</b>
<b>Total</b>		<b>13,856,904</b>	<b>1,215,944</b>		<b>12,640,960</b>	

With regard to the Banca Italease Group, consolidated gross non-performing loans decreased from EUR 4,851.3 million at 31 December 2009 to EUR 3,954.6 million at 30 September 2010.

In this regard, it should be noted that the trend for doubtful and watch-list loans (which respectively decreased by EUR 559.1 million, representing 31.1%, and by EUR 1,150.9 million, representing 42.9%)

benefits from the negotiations with large customers which have reduced the portfolio of doubtful and watch-list loans of Banca Italease and the subsidiary Release. In particular, the following measures were taken in the first nine months of the year:

- contract terminations, with simultaneous repossession of the underlying properties, on a doubtful loan for EUR 111.5 million gross with a real estate operator, on three watch-list contracts with Risanamento for a total of EUR 116 million gross, on two watch-list contracts (with a single underlying property) for EUR 198.1 million gross with the Colli Aminei Group, on a watch-list contract for EUR 79.8 million gross with the Aedes Group, and on a previously restructured contract with another real estate operator for EUR 58.5 million gross;
- the transaction with the group owned by the real estate operator Giuseppe Statuto, which resulted in the consensual early termination of financial leasing agreements for a total of EUR 308 million gross (EUR 49 million doubtful and EUR 259 million watch-list) with simultaneous repossession of the three underlying properties, the early surrender of two watch-list leasing agreements carrying a gross risk of EUR 19 million, the payment of EUR 26 million in arrears and the granting of new financing of EUR 20 million secured against shares in a closed real estate fund. The resulting exposure to the group in question, at EUR 697 million gross, is classified under restructured loans;
- reclassification under performing loans, following the takeover of the contracts by new counterparties, of four watch-list contracts: the first for EUR 34 million gross, previously relating to the group owned by Danilo Coppola; the second and third, respectively for EUR 81 million gross and EUR 24.5 million gross, previously relating to companies belonging to the Risanamento Group; and the fourth for EUR 60.5 million relating to the company Mariner S.r.l.;
- reduction of gross watch-list loans due to:
  - agreements entered into with Aedes Group, which resulted in the restructuring of financing of EUR 40.9 million (amount at the time of the agreement);
  - agreement reached in the second quarter of 2010 for the restructuring of a position pertaining to a customer with an exposure – at the time of the agreement – of EUR 176 million gross;
  - early discharge of a watch-list mortgage loan carrying a gross risk of EUR 37.2 million to another real estate operator.

The non-performing loans were also impacted by the loan swap operation carried out with the company Alba Leasing in September 2010, which resulted in an increase in non-performing loans of approximately EUR 212.7 million gross and a decrease in performing loans of approximately EUR 213.5 million gross, as well as the assignment to a specialist operator of non-performing non-real estate loans of less than EUR 250,000, for a total gross loan of EUR 75.5 million.

The transactions mentioned above reduced the level of concentration of doubtful loans: at 30 September 2010 approximately 49% of gross doubtful loans are represented by 30 economic groups with contracts pertaining mainly to the real estate sector (72% at 31 December 2009) and approximately 68% of gross watch-list loans are represented by 30 economic groups with contracts pertaining mainly to the real estate sector (80% at the end of 2009). The portfolio of restructured positions shows the inclusion of some of the



positions forming the subject of the agreements signed during the period concerned, with a consequent increase in the level of concentrations (the first 10 economic groups represent almost the entire class of restructured positions).

At 30 September 2010 the ratio of gross doubtful loans to gross loans to customers stands at 11.1%, down from 13% at 31 December 2009. Following write-downs for EUR 506.3 million, at 30 September 2010 net doubtful loans stand at EUR 735.2 million, representing 7.3% of total net loans to customers (9.3% at the end of December 2009). The ratio of gross watch-list loans to total gross loans to customers represents 13.7% at 30 September 2010, down from 19.4% at 31 December 2009. Following the write-downs, net watch-list positions stand at EUR 1,226 million, representing 12.1% of total net loans to customers (17.4% at the end of December 2009).

The percentage of coverage of doubtful loans, which rises from 34.8% at the end of December 2009 to 40.8% at the end of September 2010, and that relating to watch-list loans, at 20% (18% at 31 December 2009), benefit from the presence of increased real guarantees underlying the real estate sector contracts. The percentage of coverage of restructured loans is up from 12.5% to 19.3%, while that for past-due loans is up from 4.3% to 10.1%. Overall, provisions on non-performing loans at 30 September 2010 represent 25.7% of their total gross amount (23.5% at 31 December 2009).

With regard to loan quality, the following positions are pointed out in particular.

#### Fingruppo Holding S.p.A.

Banca Popolare di Lodi subscribed to the agreement for the restructuring of the debts of Fingruppo Holding S.p.A. (“**Fingruppo**”), pursuant to Article 182-*bis* of the Italian Bankruptcy Law, of October 2008. The exposure of Banca Popolare di Lodi was EUR 158 million. The agreement stipulates that the sums owed by Fingruppo to the parties subscribing to the agreement will not accrue any interest as from 1 July 2008. With regard to the principal, the agreement also stipulates that the sum owed to Banca Popolare di Lodi will be repaid in the first instance by means of the proceeds of the sale on the market of Hopa S.p.A. (“**Hopa**”) shares and Banca Popolare di Lodi 2002-2012 bonds belonging to Fingruppo, constituted as deposit and/or collateral in favour of Banca Popolare di Lodi. The amounts relating to the sale of the said Hopa shares and Banca Popolare di Lodi bonds were credited to Banca Popolare di Lodi with value dates of 30 December 2008 and 10 June 2009 for the respective balances of EUR 10.3 million and EUR 25.4 million. Furthermore, on 26 February 2009, Banca Popolare di Lodi was credited with the sum of EUR 23 million as initial payment on account and by way of repayment of the receivable. Considering also the coupons collected by Banca Popolare di Lodi, following approval of the restructuring agreement, in relation to the aforementioned bonds, the gross receivables of the Banco Popolare Group were reduced to EUR 98 million. Following subscription to the agreement, the Group companies reviewed their valuations of the receivables due from Fingruppo and Hopa. The Interim Report on operations as at 30 September 2010 includes net provisions on these receivables of EUR 60 million. Following further write-downs made in the period, the watch-list receivable due from Fingruppo is entered in the balance sheet of Banca Popolare di Lodi and consequently in the Interim Report on operations as at 30 September 2010 for an amount of EUR 33.8 million (with a provision of approximately EUR 3 million). Finalisation of the agreement for restructuring the debts of Fingruppo represented one of the main conditions for the implementation of the letter of intent signed on 23 July 2008 between Mittel S.p.A. (“**Mittel**”) and Equinox Two S.c.p.a. (“**Equinox**”), on the one hand, and Banco Popolare and Banca Monte dei Paschi di Siena S.p.A. (“**MPS**”), on the other, which provided for the establishment of a new company in which Mittel and Equinox would hold 66.6% of the capital, while Banco

Popolare and MPS would hold the remaining 33.3% subdivided into equal portions. The acquisition of the shareholding in the new company, Tethys S.p.A. (“**Tethys**”), involved an investment for Banco Popolare of EUR 5 million. Tethys acquired all the equity investments held by Fingruppo and the Hopa shares acquired by the aforesaid banks. Tethys has the right to acquire the additional Hopa shares held by Banco Popolare and MPS within five years at a price of EUR 0.10 per share (call option). The equity interest held by Banco Popolare in Hopa is represented by 101,019,756 shares (equal to 7.3% of the share capital) forming part of the portfolio of financial assets available for sale. The agreement stipulates that the management and leveraging of the equity interests acquired is the responsibility of the business shareholders of Mittel and Equinox who have the right to acquire the Tethys investment held by Banco Popolare and MPS at a total price of EUR 10 million. Following the signature of the agreement in question, Banco Popolare reviewed the valuation of the Hopa shares, bringing it into line with the strike price of the call option held by Tethys. The Interim Report on operations as at 30 September 2010 does not include net provisions in respect of the Issuer’s equity interest in Hopa. The described agreement, together with the supplementary agreements signed in August 2009, provides for the granting by Banco Popolare and MPS of certain guarantees in favour of Tethys against any extraordinary liabilities and non-existence of assets and liabilities not recorded in the balance sheet of Hopa taken as reference for the purpose of entering into the aforesaid agreements. Against the liabilities considered likely to derive from compensation demands, Banco Popolare set aside specific provisions. The Interim Report on operations as at 30 September 2010 includes provisions for risks and charges, made in previous years, against potential liabilities regarded as probable for an amount of EUR 11.8 million.

#### Exposure towards the Delta Group

During May 2009 Delta S.p.A., the parent holding company of the Delta Group, involved in consumer credit, and Sedici Banca S.p.A. (a bank belonging to the Delta Group) were made subject by Banca d’Italia to temporary management owing to the serious irregularities that had emerged in its operations. The two banks were subsequently placed in extraordinary administration.

The advisors of Cassa di Risparmio della Repubblica di San Marino S.p.A., parent company of Delta S.p.A., had drawn up a restructuring plan that envisaged the sale of Sedici Banca S.p.A. and part of the assets of the Delta Group (sales network, insurance network, etc.) to Intesa Sanpaolo S.p.A. The assets of the operating companies (Carifin Italia S.p.A., Plusvalore S.p.A. and Detto Factor S.p.A.) were to have been used for the payment of debts to the creditors, mainly represented by banks. Following the due diligence activities, Intesa Sanpaolo S.p.A. showed itself unwilling to complete the purchase. This withdrawal resulted in a failure to close the restructuring agreement.

Following the failure to close the agreement, the extraordinary administrators proposed a new plan to the banks which envisaged recourse to Article 182-*bis* of the Italian Bankruptcy Law and was presented to Banca d’Italia on 23 March 2010. At the Prospectus Date, following the negotiations conducted, the commissioners are preparing, for proposal to the banks, an update of the restructuring agreement proposed by Cassa di Risparmio della Repubblica di San Marino S.p.A. and a restructuring agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law, which principally envisages (i) full payment of all non-subscribing creditors, (ii) satisfaction of subscribing creditors (the banks) with the net receipts of the receivables of the financial companies (Carifin Italia S.p.A., Plusvalore S.p.A. and Detto Factor S.p.A.), (iii) transfer to Intesa Sanpaolo S.p.A. of the relationships controlled by Sedici Banca S.p.A. (after the splitting of Sedici Banca S.p.A. and cancellation of its debt exposure to Cassa di Risparmio della Repubblica di San Marino S.p.A.) and Bentos Assicurazioni S.p.A., (iv) constitution of a so-called Newco

(new company) in which investment is requested of the main banks, including Banco Popolare, in order to create a hub for the management of debt collection activities, which the Newco will carry out on behalf of Carifin Italia S.p.A., Plusvalore S.p.A. and Detto Factor S.p.A., entrusting, in its turn, the task of recovering non-performing loans to Tarida S.p.A. (Delta Group company dedicated to these activities).

The administration activities having recently concluded the agreements with staff and with Intesa Sanpaolo S.p.A. (for the purchase of Sedici Banca S.p.A.), the Issuer believes that it will shortly be possible to present the banks with the restructuring plan and to conclude the agreement pursuant to Article 182-*bis* of the Italian Bankruptcy Law.

At 30 September 2010, the Banco Popolare Group has exposure to the Delta Group consisting of credit lines of EUR 228.4 million and uses of EUR 208.5 million. Within the context of these uses, there is:

- an operation with allocated assets pursuant to Article 2447-*bis* of the Civil Code, for EUR 100 million;
- a credit line in favour of the Delta parent company for EUR 40 million.

The position is classified under loans in the course of restructuring.

#### Lombardi Stronati Group

In December 2008, at the request of the Public Prosecutor's Office, the Rome Preliminary Investigations Judge ordered a wide-ranging precautionary distraint on the assets belonging to and/or referable to the businessman Giovanni Lombardi Stronati. Insofar as it affected Banca Italease and its subsidiaries, this distraint concerned the assets underlying two real estate leasing agreements and a nautical leasing contract (for a gross receivable amount of EUR 97 million). The total exposure of Italease and its subsidiaries to the Lombardi Stronati Group was classified within doubtful loans as at 31 December 2008.

In July 2009, following contact with the Rome Public Prosecutor, the seized assets were replaced with a liquid sum, tied for judicial purposes, of EUR 17.25 million (i.e. equal to the first instalments relating to the real estate contracts involved in the distraint and the amount relating to the advance paid to the supplier of the vessel with regard to the nautical leasing agreement). Following the termination of the leasing agreements, in 2009 the Lombardi Stronati Group made claims against Banca Italease and its subsidiaries for Euro 62.8 million, plus interest, inflation adjustment and additional damages. Banca Italease instructed its lawyers to reject these claims, which on the basis of the verifications carried out to date, continue to appear unfounded and unsupported by reason. In June 2009, the Lombardi Stronati Group appointed a legal advisor and a financial advisor, with whom it launched a series of contacts with the main creditors, including Banca Italease and its subsidiaries. The objective pursued was to reach a conciliatory settlement of the exposure, to form part of a more comprehensive recovery plan pursuant to Article 67, para. 3, point d) of the Italian Bankruptcy Law. The negotiations aimed at reaching an agreement are still in progress, due to the necessity for the businessman to finalise a settlement agreement first with the Revenue Agency. In September 2010, the Lombardi Stronati Group returned the vessel forming the subject of the nautical leasing agreement. At 30 September 2010 the total exposure of the Banco Popolare Group to the Lombardi Stronati Group stands at EUR 157.6 million, of which EUR 155 million was allocated to Release and EUR 2.6 million to Banca Italease.

IT Holding S.p.A.

In the period February-April 2009, IT Holding S.p.A. (a member of the group of the same name, one of the leading players in Italian fashion) and subsidiaries of IT Holding S.p.A. were admitted to the extraordinary administration procedure (Legislative Decree no. 347 of 23 December 2003, the so-called Marzano Law) and/or declared insolvent. At the Prospectus Date, the insolvency proceedings are verifying the amount of the liabilities. The Banco Popolare Group is owed approximately EUR 170 million (for loans and lines of credit) by the IT Holding Group, and in view of the provisions made, the Issuer does not believe that the outcome of the insolvency proceedings can have a significantly negative impact on the affairs of the Banco Popolare Group.

Risanamento S.p.A.

In July 2009 the Milan Public Prosecutor forwarded the request for a bankruptcy order against the group owned by Luigi Zunino, active in the real estate market through Risanamento S.p.A. (“**Risanamento**”). Risanamento and its subsidiaries (the “**Risanamento Group**”), overwhelmed by the crisis in the sector and by high levels of debt, presented the courts with a plan for restructuring its debt, on the basis of Article 182-*bis* of the Italian Bankruptcy Law, supported also by the main credit institutions to which the Risanamento Group is significantly exposed, which undertook to finance the implementation of the real estate projects underway. The Milan Bankruptcy Court, in a judgement issued on 10 November 2009, rejected the bankruptcy request submitted by the Milan Public Prosecutor and approved the debt restructuring agreements signed between Risanamento S.p.A. and its subsidiaries and various banks, including the Banco Popolare Group. At 30 September 2010, the Banco Popolare Group (excluding the Banca Italease Group) has a total exposure of around EUR 302.3 million, recognised under watch-list loans. On 1 March 2010 the framework agreement was signed between Risanamento and Bp RE, which at 31 December 2009 had an exposure of around EUR 100 million in deposits and advances relating to the Milano Santa Giulia project. Under this agreement, Risanamento assigns to Bp RE its shares in the companies Sviluppo Comparto 6 S.r.l. (100%), Sviluppo Comparto 8 S.r.l. (100%) and Mariner S.r.l. (50%), as well as the income deriving from the sale of a number of properties. On the other hand, as mentioned earlier, with regard to the exposure of the Banca Italease Group, allocated entirely to the subsidiary Release, on 29 January 2010 three leasing agreements with an overall gross value of around EUR 116 million were terminated by mutual agreement, with the return to Release of the underlying properties, while another real estate contract with a value of around EUR 81 million was assigned by Risanamento to one of the special purpose vehicles acquired by Bp RE within the context of the above-mentioned framework agreement. As a result of these operations, the residual exposure of the Banca Italease Group consists of a gross receivable of EUR 26 million relating to Risanamento and doubtful positions relating to two real estate companies directly owned by Luigi Zunino for a total gross sum of around EUR 19 million. These exposures were the subject of provisions in the balance sheets for 2009 and previous financial years. The wider project of the restructuring of the loans of the Risanamento Group, on the other hand, included the transaction whereby Bp RE bought back from Tradital S.p.A. (Risanamento Group) 55 properties used as bank branches, by taking over the respective financial leasing agreements in existence with Release for a value of EUR 24.4 million.

The restructuring agreement signed between the banks and the companies in the Risanamento Group provided, among other things, for the subscription by the banks of a conditional capital increase by payment, to be implemented by 30 September 2010, for an overall amount of EUR 150 million, for which Banco Popolare had assumed a maximum commitment of EUR 31 million. With regard to that increase, the banks made contributions on account of the future capital increase in the overall amount of EUR 94.9 million, of

which EUR 22.6 million was contributed by Banco Popolare. In 2010, during the delays in the implementation of the debt restructuring agreement, some events took place that had a material effect on the financial standing of the Risanamento Group, which entailed recourse for it to the case referred to under Article 2446 of the Civil Code. On 30 October 2010, the Extraordinary Shareholders' Meeting of Risanamento resolved, among other things, to (i) revoke the capital increase resolution of 29 January 2010, (ii) extinguish the losses appearing in the company's interim report at 30 June 2010 by full use of the available reserves indicated in the aforesaid interim report, including the reserve of EUR 94.9 million entered under shareholders' equity as a result of the contributions made by the banks in the capital increase account (iii) increase the share capital by payment conditionally by the issuance of 536,714,338 ordinary shares with the same characteristics as those in circulation, to be offered as an option to beneficiaries at the overall unit price of EUR 0.28 (for an overall amount of EUR 150,280,014.64), conferring a mandate on the Board of Directors to implement the capital increase by 30 September 2011. On 30 October 2010, the banks and the companies in the Risanamento Group signed an agreement in greater detail on the understandings relative to the re-capitalisation of Risanamento, in order to adjust them in light of the events occurring during 2010. This agreement provides for a restructuring of the subscription commitments assumed by the banks. Banco Popolare will be required to participate in the capital increase by payment of Risanamento as resolved on 30 October 2010 with a share of 5.57%, corresponding to a maximum disbursement of approximately EUR 8.4 million. As provided for by the restructuring agreement, outside of that involvement, there will be no further commitments for Banco Popolare relative to any future capital increases of Risanamento.

### Statuto

On 14 May 2010, Banco Popolare, Banca Italease and Release signed an agreement with the group owned by the entrepreneur Giuseppe Statuto, aimed at the complete restructuring of the debt of the Statuto real estate group, subject to the satisfaction of a series of suspensive conditions. The operation concerns an overall exposure of around EUR 1.02 billion (including around EUR 877 million towards Release and around EUR 147 million towards Banca Italease). This exposure is represented by 21 leasing agreements, of which 20 are real estate contracts. The agreement provides, among other things, for (i) reduction of the overall exposure from EUR 1.02 billion to around EUR 700 million by (a) consensual termination of leasing agreements relating to 3 properties, and (b) early discharge by full repayment of 2 leasing agreements; (ii) a series of initiatives that allow the remaining positions to be brought back into conformity, including (a) payment of a portion of the unpaid sums due, for around EUR 26 million, (b) reformulation of the contracts, (c) channelling of the rents relating to the properties for which the leasing agreements remain in effect, (d) capital contribution by the entrepreneur to certain of the companies involved, for a total of EUR 35 million (of which EUR 10 million payable immediately and EUR 25 million in three years), and (e) cash credit facilities for around EUR 40 million secured against VAT receivables and against securities. The condition precedents having been satisfied, the closing of the restructuring took place on 14 June 2010; as a result of the implementation of the agreement, the following steps were taken: (i) the consensual early termination of leasing contracts for a total of EUR 308 million gross (EUR 49 million doubtful and EUR 259 million watch-list) with simultaneous repossession of the three underlying properties; (ii) the early surrender of two watch-list leasing agreements carrying a gross risk of EUR 19 million; (iii) the payment of EUR 26 million in arrears and the granting of new financing of EUR 20 million secured against shares in a closed real estate fund. The residual exposure to the group owned by Giuseppe Statuto, at EUR 697 million, was classified under restructured positions. The transaction is consistent with the strategy of reduction and normalisation of the major positions classified among the non-performing loans of Banca Italease and its subsidiaries, which

is the objective of the reorganisation of the Banca Italease Group and, in particular, the creation of the company Release.

### REGULATORY CAPITAL – SOLVENCY MARGINS

The table below gives the data for the regulatory capital and solvency margins of the Banco Popolare Group at 30 June 2010, 31 December 2009, 2008 and 2007.

<b>REGULATORY CAPITAL</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
<b>A. Tier 1 capital before application of prudential filters</b>	<b>6,615,813</b>	<b>6,555,670</b>	<b>5,808,496</b>	<b>5,356,558</b>
B. Tier 1 capital prudent filters:				
B.1 Positive IAS/IFRS prudent filters (+)	1,450,000	1,450,000	-	-
B.2 Negative IAS/IFRS prudent filters (-)	405,498	257,585	505,068	137,950
<b>C. Tier 1 capital gross of elements to be deducted (A + B)</b>	<b>7,660,315</b>	<b>7,748,085</b>	<b>5,303,428</b>	<b>5,218,608</b>
D. Elements to be deducted from Tier 1 capital	627,264	623,300	581,242	443,647
<b>E. Total Tier 1 capital (TIER 1) (C - D)</b>	<b>7,033,051</b>	<b>7,124,785</b>	<b>4,722,186</b>	<b>4,774,961</b>
<b>F. Tier 2 capital before application of prudential filters</b>	<b>3,196,461</b>	<b>3,563,584</b>	<b>3,515,705</b>	<b>3,685,193</b>
G. Tier 2 capital prudent filters:				
G.1 Positive IAS/IFRS prudent filters (+)	-	-	-	-
G.2 Negative IAS/IFRS prudent filters (-)	32,362	47,113	24,025	72,740
<b>H. Tier 2 capital gross of elements to be deducted (F + G)</b>	<b>3,164,099</b>	<b>3,516,471</b>	<b>3,491,680</b>	<b>3,612,453</b>
I. Elements to be deducted from Tier 2 capital	627,264	623,300	581,242	443,647
<b>L. Total Tier 2 capital (TIER 2) (H - I)</b>	<b>2,536,835</b>	<b>2,893,171</b>	<b>2,910,438</b>	<b>3,168,806</b>
M. Elements to be deducted from total Tier 1 and Tier 2 capital	60,000	60,000	60,000	120,975
<b>N. Regulatory capital (E + L - M)</b>	<b>9,509,886</b>	<b>9,957,956</b>	<b>7,572,624</b>	<b>7,822,792</b>
O. Tier 3 capital (TIER 3)	-	-	242,878	246,214
<b>P. Regulatory capital including TIER 3 (N + O)</b>	<b>9,509,886</b>	<b>9,957,956</b>	<b>7,815,502</b>	<b>8,069,006</b>
Risk assets and capital ratios				
Risk-weighted assets	92,653,700	92,623,263	73,907,425	92,537,708
Tier 1 capital / Risk-weighted assets (Tier 1 Capital Ratio)	7.59%	7.69%	6.39%	5.16%
Regulatory capital including TIER 3 / Risk-weighted assets (Total Capital Ratio)	10.26%	10.75%	10.57%	8.72%

At 30 June 2010, the Banco Popolare Group had a Tier 1 Ratio of 7.59% and a Total Capital Ratio of 10.26%. The Core Tier 1 Ratio was 6.1%. These figures take into account the negative impacts on regulatory capital arising from the exercising of the Call Option following the public tender offer on Banca Italease, the partial settlement in cash of the put option on the shares of Cassa di Risparmio di Lucca Pisa Livorno exercised by the Foundation, and the recognition of the foreseeable return on the Tremonti Bonds, but do not take account of the positive impact arising from the disposal of Factorit (which took place at the end of July 2009) or the positive impact from the disposal of Banca Caripe<sup>(15)</sup>.

The positive effects arising from the full subscription to the Capital Increase, net of the redemption of the Tremonti Bonds, would produce a strengthening of the Group's capital position. In particular, with specific reference to 30 June 2010, all things being equal (and considering also the disposal of Factorit and the estimated effects of the disposal of Banca Caripe), the Core Tier 1 Ratio would be 7.0%, the Tier 1 Ratio 8.5% and the Total Capital Ratio 11.2%. Any future conversion of the convertible bond would produce a further strengthening of the above ratios, which can be estimated at theoretical maximum values of 110 basis points for the Core Tier 1 Ratio, an expected theoretical conversion for the issuer, only if the market price of the Banco Popolare shares is equal to at least EUR 3.96.

<sup>(15)</sup> See footnote no. 2.

The estimated capital ratios of the Group at 30 September 2010 do not show any significant changes compared with those recorded at the end of the first half-year as indicated above.

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**CHAPTER IV – RISK FACTORS****4.1 RISK FACTORS RELATED TO THE BUSINESS OF THE ISSUER AND THE GROUP****4.1.1 Risks related to the impact of the macroeconomic situation on the performance of the Banco Popolare Group**

The Banco Popolare Group is subject to inherent risks originating from the banking and finance business; the latter is directly and greatly influenced by the situation in the finance markets and by the general macroeconomic environment. The global finance system has operated under difficult conditions since August 2007 and the finance markets have shown particularly negative trends after the insolvency declarations of some leading international financial institutions; these declarations took place commencing from September 2008. This situation has led to serious worldwide distortions of the finance markets of a severity that is without precedent in relation to the raising of liquidity particularly at the international banking level. As a whole, the Italian banking industry was less hard hit by the crisis than others, also thanks to an intermediation model primarily oriented towards loan and funding activities counterpoised by retail customers. Such circumstances have brought about (for the Banco Popolare Group as well) a slowing down of ordinary activity, an increase in the cost of financing, a decrease in the value of shares and the value of the business as well as further costs originating from devaluations and depreciation with a decrease in profitability. During the second half-year of 2009, and even in the continuing uncertainty of the global setting and future prospects, the macroeconomic picture and the finance system showed signs of improvement, profiting from an upturn in the real economy and an improvement in the conditions of the finance and credit markets. The upturn was supported by stabilisation events and sustained liquidity carried out by the main countries and the supervisory authorities of the finance and credit sectors. The improvement trend in the global financial picture was confirmed during the first half-year of 2010. Moreover, the positive development was dependent on the expansive anti-crisis policy and curbed by the unfavourable conditions of the employment market (notably in the United States and in Europe), the sovereign debt crises in European countries characterised by an unbalanced public finance situation (in particular, Greece, Portugal and Spain), the bank institutions resident in countries with a finance system that is more exposed to the international crisis (such as Ireland and Iceland) and the specific operators (such as an important economic-financial operator in Dubai) and by doubts in the fixing of interventions to confront such events. In the second half-year of 2010 and in the presence of such tensions in the market of government securities, the general reorganisation of the portfolios toward businesses considered less risky (so-called flight-to-quality) also brought about an increase in the spread between the return (in increase) of the Italian State shares and those decreasing of the German government securities. In the event that the upturn is not be consolidated or the crisis continues for a further period or a negative trend in the economy takes place, also as a consequence of the so-called exit strategies (including the effective coordination of the same amongst the various competent authorities) that will be carried out in the future to bring an end to stabilisation events to sustain the aforementioned liquidity, the Banco Popolare Group could suffer further negative consequences in its economic, financial and capital situation. As at 30 September 2010, the exposure of the Group to government bonds issued by Greece and Spain amounted to EUR 209 million nominal for Spain and EUR 83.6 million nominal for Greece. Government securities of Portugal and Ireland are not present in the Group portfolios.

In such a context, the Banco Popolare Group is exposed to the risk of loss where finance institutions or other counterparties are not able to meet their commitments. The direct exposure of Banco Popolare Group to Lehman Brothers securities at 30 September 2010 was EUR 21 million (on a nominal of EUR 72 million); in

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addition to the exposure to derivatives, subject of a contractual termination toward subsidiary companies of the Lehman Brothers group for approximately EUR 13 million. A reserve of approximately 70% of the same in the amount of approximately EUR 9 million is reserved to face such latter exposure. In addition to the direct exposure, it is noted that Popolare Vita (corporate vehicle of the Banco Popolare partnership with the FonSAI group) provided index linked policies to the clientele with subordinate securities issued by Lehman Brothers group companies. In such regard and even though the investment risk was upon the insured, Banco Popolare and FonSAI (which own 50% of the Popolare Vita share capital each) agreed to an investment in favour of the clients in question and aimed at the restitution of the nominal capital provided by the index linked policy. The investment cost is the liability of Popolare Vita and it was charged to the income statement for the 2008 financial year. Subsequently, 50% of this amount, EUR 47.9 million, was charged to the Banca Popolare Group consolidated income statement for the 2008 financial year.

The exposure of Banca Popolare Group toward the Icelandic banks was EUR 54.8 million as at 30 September 2010 and this was mainly represented by syndicated loans.

In addition to the direct exposure, some Group banks arranged policies for their clients with underlying issues from Icelandic banks for an amount of approximately EUR 138.7 million. With reference to such policies, Banco Popolare set out a public exchange offer for the purposes of protecting its clients from the risks related to such financial products (see Section One, Chapter XX, Paragraph 20.9 of the Prospectus for further information regarding the Tender Offer). The overall charge sustained by Banco Popolare Group for the exchange offers (represented by the difference between the estimated fair value of the Icelandic policies and the fair value of the instruments offered in exchange) amounts to Euro 56.4 million net of the related taxation. The charge entered in the Income statement as at 30 September 2010 for the surplus part of the provisions set aside in the previous financial years is reflected in the “Net Financial Result” in the amount of EUR 14.6 million (EUR 9.9 million net of the related tax effect).

With reference to the so-called Madoff scandal, the Banco Popolare Group holds exclusively an indirect exposure through the feeder funds in the hedge funds of the subsidiary Aletti Gestielle. In relation to the capital of Banco Popolare Group invested in the said funds; the loss was equal to EUR 8.1 million as at 30 September 2010 and this was already absorbed in the income statement of the previous financial years. The part of the aforesaid funds related to the “Madoff” exposure is valued at zero (0) as at 30 September 2010.

For all of the Group clients involved in the Lehman Brothers default, the Icelandic banks and the General Motors default as owners of bonds issued by such companies, the Banco Popolare Group has taken care of the fulfilments related to the aforesaid positions as evidence in the bankruptcy proceedings of the same companies with the methods set by the competent authorities from time to time; in any event, being liable for the consequent legal costs and carrying out the activities free of charge.

In conclusion, the Group trend could be influenced by the impossibility of recovering the value of its businesses in percentages consistent with its past recovery forecasts; in fact, these forecasts could no longer be correct in the context of the market that has been created during the recent turbulence.

### **4.1.2 Risks related to capital adequacy**

Banco Popolare issued Tremonti Bonds on 31 July 2009 for EUR 1.45 billion in order to increase Group equity and strengthen support to families and small and medium-sized businesses.

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The Tremonti bonds are entered in the financial statements as instruments representing the shareholding equity (“Equity Instruments”) with a consequent increase in the Group’s equity; consistent with their economic substance as illustrated by the overall consideration of the applicable clauses of these instruments: irredeemable nature, remuneration in relation to the performance of the issuer company, absorption of the losses in corporate continuity *pari passu* (on an equal footing) with the other shareholders and a conversion right in favour of the company in a fixed number of the issuer’s shares. A similar representation criterion is applied for the record of financial abilities (matured interest). The accounting representation of the Tremonti Bonds as “Equity Instruments” is in conformity with the provisions contained in the Banca d’Italia / Consob (The National Commission for Companies and the Stock Exchange) / Isvap (Supervisory Body for Private Insurance) joint document no. 3 dated 21 July 2009.

In a market context still having noticeable elements of uncertainty for businesses, Banco Popolare issued the Convertible Bonds on 24 March 2010 (for an amount of EUR 1 billion), with the aim of the overall capital strengthening of the Issuer, providing the BP Group with a flexible and efficient instrument for the purposes of the optimisation of the capital and financial structure, in consideration of the need to strengthen the consolidated capital ratios over time.

In the same context, the Capital Increase also strives for the further strengthening the capital capacity of the Banco Popolare Group and meeting early the alignment to the more stringent capital requirements being introduced for banks. Furthermore, the realisation of the Capital Increase creates favourable conditions for the payment of the Tremonti Bonds by 30 June 2013; once such term has lapsed, the price for the redemption of the said financial instruments becomes progressively more onerous. The realisation of the capital strengthening approach would also allow making any possible measurement in relation to the POC conversion more flexible; stricter obligations of regulatory nature would constitute, to all effects, an additional buffer of available capital in the presence of a macroeconomic context that is not entirely favourable or new. This is also in consideration of the shares result in progress relating to the possible divestment of non-core assets.

See Section One, Chapter III of the Prospectus for the forecasted effects of the Capital Increase on the capital ratio of Banco Popolare Group.

The Committee of European Banking Supervisors (CESBS) introduced a stress test exercise on a sample of 91 representative European banks (65% of the European banking sector in total) during the first half-year of 2010. The Banco Popolare Group was included amongst the five Italian banks comprising the sample. The aim of such an exercise had been that of evaluating the ability of the European banking system to absorb further possible shocks of a macroeconomic nature on loans and market risks including those originating from a deterioration of the credit score of the European states. The exercise was carried out adopting the scenarios, methods and assumptions stated by CEBS (The Committee of European Banking Advisors) and under the auspices of Banca d’Italia; the results were made public on 23 July 2010. The results illustrated that (also with the presumption of an unfavourable scenario and taking account of the absolute risk) the estimated Tier 1 Ratio of the Group would be equal to 7% at the end of 2011 (in comparison to the 7.7% recorded at the end of 2009); therefore, greater than both the prescribed minimum of 4% and the minimum threshold of 6% exclusively stated as the minimum threshold to overcome the stress for the purposes of such exercise. Therefore, the results of the unfavourable scenario must not be considered as representative of the current situation or as possible capital requirements. A stress test does not provide the expected results as the

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unfavourable scenarios are designated as “what-if” scenarios that include plausible but extreme events, therefore, with a low probability of realisation.

For more information, see Section One, Chapter IV, Paragraphs 4.1.9, 4.16 and 4.2.3, Chapter V, Paragraph 5.1.5, Chapter XII, Paragraph 12.2, Chapter XX, Paragraph 20.2 of the Prospectus.

### **4.1.3 Risks related to the impact that the Tremonti Bonds could have on the profitability of an investment in BP Shares and on the assets of Banco Popolare and the dilutive effects stemming from the exercise of the right to convert Tremonti Bonds into Banco Popolare ordinary shares**

The Offer aims, amongst other things, to place the Group in the condition to meet the requirements originating from the future repayment of the Tremonti Bonds that the Issuer expects to be able to make during the first half-year of 2011. The Tremonti Bonds are entered in the financial statements under “Equity Instruments” as stated in Paragraph 4.1.2 above.

Such financial instruments yield profit at the minimum fixed rate of 8.5% for the 2009 – 2012 financial years, which gradually grows in the subsequent financial periods: the interest is only paid when Banco Popolare has profits that are able to be distributed and within the limits of the same; this as illustrated by the Issuer’s financial statements.

The payment of interest is decided during the allocation of the financial year’s income and is entered in the books as a dividend distribution valued on the distributable income. Therefore and until payment of such financial instruments, the dividend destined for shareholders could amount to less than that which it would otherwise be in the absence of the Tremonti Bonds, with a consequent reduction in the profitability of the investment in BP Shares in a progressively increasing amount with the passing of time.

See Section One, Chapter X, Paragraph 10.4 of the Prospectus for information related to the undertakings assumed toward the Ministry of Economy and Finance in the context of Banco Popolare’s issue of the Tremonti Bonds; this with reference to the allocation of financial resources.

In the event that the Issuer does not repay the Tremonti Bonds in whole or in part, it will have the right to convert the Tremonti Bonds commencing from 1 July 2011. Such conversion is on the condition that the overall value of the shares issued in conversion calculated as the average of the reference price in the ten (10) consecutive Stock Exchange days prior to the date when the conversion right is exercised is equal to or greater than 110% of the initial par value of the Tremonti Bonds and subordinate to the prior approval of the Capital Increase needed to service the conversion.

### **4.1.4 Risks related to the worsening of credit quality**

The Banco Popolare Group is subject to credit risk or to the risk that a Group debtor does not fulfil its duties or that the related credit score deteriorates. The valuation of possible losses that the Group could incur in relation to individual credit exposure and the entire portfolio of undertakings depends on more than one factor including the trend of general economic conditions or specific manufacturing sectors, variation of the rating of the individual counterparties, the worsening of the competitive position of the counterparties, the possible bad financial management of businesses or the entrusted counterparties, the level of indebtedness of families and other external factors such as legal and regulatory requirements (see page 97 of the 2009 Annual Financial Report for further information in such regard; the Report is incorporated in the Prospectus by

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reference). The Group is exposed to the physiological risks related to loan activity; greater in times of financial difficulty.

Therefore, the Group was exposed to a worsening in the quality of its loans portfolio. The Group recorded an increase in non-performing loans and “watch list” loan positions commencing from the fourth quarter of 2008 due to the economic situation related to the international financial crisis as well as the effect of the consolidation of Banca Italease and of Release.

The continuation of the crisis situation in the loan markets, the worsening of capital market conditions and the slowing of the global economy could negatively affect the capacity of banking clients to honour their undertakings and consequently bring about a significant worsening of the credit score in the business sectors of the Issuer.

In particular, the Banco Popolare Group is exposed to such risk in the construction-real property market due to the disbursement of loans in favour of clients who operate in such sector and whose cash flows are mainly generated by the lease or sale of real property. The real property market recorded a decline in fees, margins and transaction volumes commencing from 2008 and, therefore, a greater burden of financial charges and difficulty in self-financing. Furthermore, the worsening of economic conditions lead to an increase in unemployment: the consequent reduction of the liquidity of private operators could increase the difficulty in the payment of mortgage instalments entered into for the acquisition or renovation of real property. The Group manages the risk of default of financed counterparties, evaluating the latter’s ability to pay in relation to the profitability of the businesses that generate the flows that are necessary to pay debt and not only the value of the properties and collateral guarantees. The aforementioned market conditions could also lead to a reduction in the value of properties and guarantees or a change in the parameters recorded in the monitoring of loans, linked to the difficulty of paying the loan.

Notwithstanding the bank operators periodically making provisions to cover possible losses, also on the basis of historical information at their disposal, an increase in these reserves could become necessary as a consequence of the increase in non-performing loans and a worsening of economic conditions. In turn, the latter could lead to an increase of insolvency situations. In such regard, any significant increase in provisions for non-performing loans, any change in the estimates of the loan risk, as is any matured loss that exceeds the level of provisions made could have negative effects on the results and the economic and financial situation of the Banco Popolare Group.

A worsening in the quality of loans exposes the Banco Popolare Group to the risk of a possible increase in the “Net adjustments of value on non-performing loans” and a possible increase in the cost of loans with a consequent reduction in the Issuer’s income. Furthermore, a decrease in profitability could lead to less self-financing with consequent possible effects on the capital status of the Group.

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The tables below contain information summarising the balance sheet exposure of the Banco Popolare Group clients for the quarter closed as at 30 September 2010 and for the financial year ended on 31 December 2009.

<b>LOANS TO CUSTOMERS AS AT 30 SEPTEMBER 2010 (INCLUDING ITALEASE)</b>						
<i>(thousands of euros)</i>	<b>Gross amount</b>		<b>Value adjustments</b>	<b>Book value</b>		<b>Coverage ratio</b>
<b>Non-performing loans</b>	<b>12.95%</b>	<b>12,984,475</b>	<b>3,521,118</b>	<b>9.84%</b>	<b>9,463,357</b>	<b>27.12%</b>
- Doubtful loans	4.99%	5,000,797	2,206,965	2.91%	2,793,832	44.13%
- Watch-list loans	5.44%	5,456,967	946,086	4.69%	4,510,881	17.34%
- Restructured loans	1.75%	1,749,207	311,283	1.50%	1,437,924	17.80%
- Past due loans	0.78%	777,504	56,784	0.75%	720,720	7.30%
<b>Performing loans</b>	<b>87.05%</b>	<b>87,249,000</b>	<b>570,702</b>	<b>90.16%</b>	<b>86,678,298</b>	<b>0.65%</b>
<b>Total</b>		<b>- 100,233,475</b>	<b>4,091,820</b>		<b>- 96,141,655</b>	<b>-</b>

<b>LOANS TO CUSTOMERS AS AT 31 DECEMBER 2009 (INCLUDING ITALEASE)</b>						
<i>(thousands of euros)</i>	<b>Gross amount</b>		<b>Value adjustments</b>	<b>Book value</b>		<b>Coverage ratio</b>
<b>Non-performing loans</b>	<b>13.38%</b>	<b>13,306,786</b>	<b>3,562,346</b>	<b>10.22%</b>	<b>9,744,440</b>	<b>26.77%</b>
- Doubtful loans	4.88%	4,856,731	2,198,437	2.79%	2,658,294	45.27%
- Watch-list loans	6.69%	6,651,290	1,212,062	5.70%	5,439,228	18.22%
- Restructured loans	0.86%	860,323	106,155	0.79%	754,168	12.34%
- Past due loans	0.94%	938,442	45,692	0.94%	892,750	4.87%
<b>Performing loans</b>	<b>86.62%</b>	<b>86,178,879</b>	<b>573,094</b>	<b>89.78%</b>	<b>85,605,785</b>	<b>0.67%</b>
<b>Total</b>		<b>- 99,458,665</b>	<b>4,135,440</b>		<b>- 95,323,225</b>	<b>-</b>

<b>LOANS TO CUSTOMERS AS AT 30 SEPTEMBER 2010 (WITHOUT ITALEASE)</b>						
<i>(thousands of euros)</i>	<b>Gross amount</b>		<b>Value adjustments</b>	<b>Book value</b>		<b>Coverage ratio</b>
<b>Non-performing loans</b>	<b>9.86%</b>	<b>9,029,998</b>	<b>2,504,131</b>	<b>7.37%</b>	<b>6,525,867</b>	<b>27.73%</b>
- Doubtful loans	4.10%	3,759,368	1,700,694	2.32%	2,058,674	45.24%
- Watch-list loans	4.29%	3,925,005	640,164	3.71%	3,284,841	16.31%
- Restructured loans	0.89%	818,549	131,763	0.78%	686,786	16.10%
- Past due loans	0.58%	527,076	31,510	0.56%	495,566	5.98%
<b>Performing loans</b>	<b>90.14%</b>	<b>82,557,379</b>	<b>489,082</b>	<b>92.63%</b>	<b>82,068,297</b>	<b>0.59%</b>
<b>Total</b>		<b>- 91,587,377</b>	<b>2,993,213</b>		<b>- 88,594,164</b>	<b>-</b>

<b>LOANS TO CUSTOMERS AS AT 31 DECEMBER 2009 (WITHOUT ITALEASE)</b>						
<i>(thousands of euros)</i>	<b>Gross amount</b>		<b>Value adjustments</b>	<b>Book value</b>		<b>Coverage ratio</b>
<b>Non-performing loans</b>	<b>9.51%</b>	<b>8,455,387</b>	<b>2,423,408</b>	<b>7.02%</b>	<b>6,031,979</b>	<b>28.66%</b>
- Doubtful loans	3.44%	3,056,138	1,572,359	1.73%	1,483,779	51.45%
- Watch-list loans	4.47%	3,968,416	730,194	3.77%	3,238,222	18.40%
- Restructured loans	0.76%	674,685	82,943	0.69%	591,742	12.29%
- Past dues loans	0.85%	756,148	37,912	0.84%	718,236	5.01%
<b>Performing loans</b>	<b>90.49%</b>	<b>80,416,505</b>	<b>497,222</b>	<b>92.98%</b>	<b>79,919,283</b>	<b>0.62%</b>
<b>Total</b>		<b>- 88,871,892</b>	<b>2,920,630</b>		<b>- 85,951,262</b>	<b>-</b>

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The dynamics of the credit risk ratios and coverage ratio of the non-performing loans related to the banking system are the following:

<b>Ratios expressed as a percentage</b>	<b>31 August 2010</b>	<b>31 December 2009</b>
Net doubtful loans on investments (1)	2.21%	2.03%
Gross non-performing loans on investments (2)	n/a	9.10%
Hedging level of doubtful loans (1)	42.30%	39.09%
Hedging level of non-performing loans (2)	n/a	40.10%

(1) Source: ABI Monthly Outlook. System indexes.

(2) Source: Banca d'Italia, Annual reports. Indexes related to banking Groups.

For purposes of understanding the examination that follows on the non-performing loans associated with doubtful loans, it is worth recalling that the Banco Popolare Group adopts the practice of lowering the gross carrying amount of loans subject to insolvency proceedings with partial write-offs, offset by the use of the provisions for non-performing loans already created with previous allocations, in order to benefit from immediate tax deductions on such losses. Thus, the gross amount of the doubtful loans and the degree of hedge accounting thereof prove in fact to be smaller than the gross amounts and the provisions for non-performing loans, including the advance partial write-offs made.

As at 31 December 2009, the Banco Popolare ratio between gross non-performing loans and gross total investments was equal to 13.38% and the ratio between doubtful loans, net of value adjustments, and net investments was 2.79%. The banking system average data are 9.10% and 2.03% respectively. Considering the advance write-offs made on the doubtful loans, at 31 December 2009 the ratio between gross non-performing loans and gross loans to customers was 14.7%, while the ratio between net doubtful loans and net loans remained unchanged. Such a variance in comparison to the banking system is calculated by the non-performing loan exposure of the Banca Italease Group: in fact, excluding the aforesaid exposure, the relationship between non-performing loans, gross of value adjustments, and gross investments of the Banco Popolare Group is 9.51% and that of the net doubtful loans on investments is 1.73%, in line with the system data.

The ratios in question have become 12.95% and 2.91% respectively as at 30 September 2010 with reference to the Banco Popolare Group in its entirety whilst these ratios have become 9.86% and 2.32% with the exclusion of the Banca Italease Group. Considering the advance write-offs made on doubtful loans, at 30 September 2010 the ratio between gross non-performing loan and gross loans was 14.6%. Only the data related to the net doubtful loans on investments as at August 2010 is available at a banking system level; it is equal to 2.21%. In particular, the Group has recorded a significant reduction in the non-performing loans of the Banca Italease Group and this is partly compensated by growth in the exposures related to the non-performing loans of Network Banks: a similar trend has also been recorded at the banking system level and it records a growth in the net doubtful loans on investments ratio until August 2010.

The hedging level of the doubtful loans and non-performing loans of the Group amounted to 45.27% and 26.77% respectively as at 31 December 2009 whilst the hedging level was 39.09% and 40.10% respectively at banking system level at the same date. If the effect of the abovementioned advance losses is also considered, the degree of hedging of doubtful loans and impaired loans of the Group goes to 58.2% and 34.2%, respectively. The same ratios are 51.45% and 28.66% with the exclusion of the contribution of Banca Italease Group. The lower degree of hedging in comparison to the banking system is linked to the watch

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listed and restructured positions that have an overall lower adjustments level than the system average as they are extensively hedged by collateral securities sufficient as a guarantee.

The Group coverage ratio for doubtful loans and non-performing loans have become 44.13% and 27.12% respectively as at 30 September 2010 (the levels are 45.24% and 27.73% excluding the Banca Italease Group contribution) whilst the banking system average recorded in August 2010 with reference to the doubtful loans was equal to 42.30%. If the effect of the abovementioned losses is also considered, the degree of hedging of doubtful loans and non-performing loans of the Group goes to 59.6% and 36.5%, respectively. In general, the Banco Popolare Group's protection from doubtful loans remains high compared to the banking system. At 30 September 2010, considering the advance losses and the collateral real estate, the Group's doubtful loans, without considering the Italease Group's contribution, is hedged at 92% of their gross amount. With regard only to the Banca Italease Group's non-performing exposures, at 30 September 2010, the doubtful loans were 40.8% covered by hedge accounting, a level that jumps to 106% when collateral real estate is also considered.

For other impaired loans as well, the coverage ratio, considering collateral real estate, is significant. In fact, at 30 September 2010, Group doubtful loans without Italease were hedged at 52% of their amount (16.3% for hedge accounting only), while those for Italease alone had an overall degree of coverage of 100% (20% for hedge accounting only). The restructured positions relative to Italease, equal to EUR 930.7 million, have an overall degree of coverage of over 100%, compared to 19.3% hedge accounting only.

See Section One, Chapter III, Paragraph 3.1 of the Prospectus for further details related to the non-performing loans.

Banca d'Italia carried out inspection assessments related to the techniques of corporate loans disbursement and the related financial management and organisational aspects from 18 March 2009 to 16 October 2009. Therefore, the inspections concerned the main exposures claimed by both Banco Popolare and subsidiary banks. The inspection findings were set out in January 2010 and they note an improvement even though in the context of an unfavourable cyclical framework; they recognise the work commenced in relation to a rigorous rationalisation of procedures where it is necessary to proceed with force in the technological-computerised support procedures and organisational facilities.

In particular, Banca d'Italia has set out the need to strengthen the central credit management facilities and especially the procedures and systems dedicated to the preliminary monitoring and financial management stages of the entrustments disbursed by the Network Banks. In such a scenario, particular emphasis has been attributed to the client financial management of the so-called "shared" clients (borrowers, that is, from two or more Network Banks).

Interviews with the managers of the operational structures and facility structures of the Parent Company have been carried out as well as the detailed analysis of the government systems and instruments and related procedures. The Group has already implemented or is implementing the adjustment and improvement investments reported in relation to the outcomes of the inspection. It is noted that the Group is committed to the continuous development and improvement of the risk management systems; this not only in view of conformity to legislative standards related to prudent supervision but also in the light of market best practices.



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For further information see Section One, Chapter III and Chapter VI, Paragraph 6.1.6 and to Section One Chapter XX, Paragraph 20.1 of the Prospectus.

**4.1.5 Risks related to the exposure to the performance of the real property sector**

The Banco Popolare Group is also exposed to the real property market by means of corporate financing activity, operating in this sector where the cash-flows are mainly or exclusively generated by the leasing or sale of real properties (commercial real estate). The real property market has recorded a decrease in market prices and transactions carried out in recent years; the consequence is that the persons operating in the sector have experienced a decrease in volumes and transactions margins, an increase in the investments originating from finance charges as well as greater difficulty in relation to refinancing. Increases in the unemployment rate in Italy and the regions where the Group is exposed, the decrease in the profitability of companies and the increase in insolvency rates, both on the part of companies, and private individuals in relation to the payment of leasing fees could increase the fund borrower's inability to repay the debts contracted and decrease the market value of the guarantees offered against loan contracts. The exposure of commercial real estate loans is EUR 7,344 million as at 30 September 2010 and it represents 8.86% of the total gross investments to the Group clients. The Group manages the risk of the counterparties' default mainly in relation to the ability of the business activities undertaken to create income in real properties leased or of being leased and not only in the value of the real properties and the guarantees offered. Despite these efforts the decrease in the value of properties and guarantees (or the worsening of other parameters used for the monitoring of the loan) could have a negative effect on the ability of the counterparties to create income in some specific cases. In particular, the difficulties and critical matters that the counterparties are subject to when operating in conditions where the market has deteriorated could have a negative effect on the ability of the Banco Popolare Group to ensure that financed sums are paid. The occurrence of any of the aforementioned scenarios could have negative effects on the results and the economic asset and financial positions of the Banco Popolare Group.

**4.1.6 Risks related to the performance of the financial results of the Banco Popolare Group**

This risk factor underlines the risks related to a capital investment in the Company in consideration of the trend of the Group's financial results in recent financial years as well as in consideration of the current market conditions.

The Banco Popolare Group has benefited from non-recurrent income elements during the first nine months of the financial year 2010; these elements are represented by the registration of loans for advance taxes referred to Banca Italease for the overall amount of EUR 285.8 million. The recoverability of the latter was made possible by the extension of the scope of the consolidated tax (pursuant to Articles 117 *et seq.* of the TUIR) of Banco Popolare to include Banca Italease and its subsidiary companies as well as by the positive effect on the net income originating from the fair value valuation of own bond issues consequent to the variation of its credit worthiness for an overall amount of equal to EUR 176.7 million.

The Group has a "homogeneous" profitability of EUR 260.3 million in the first nine months of 2010 net of the aforesaid elements and represented by the net income of the period net of the effects related to the aforementioned non-recurrent elements and the negative effects related to government securities listings subsequent to the tension recorded on European markets that have brought about the recording of losses with an overall negative effect of equal to EUR 69.9 million and to the negative effect of the purchase' price allocation equal to EUR 185.8 million.

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The profitability of the Group could also suffer non-recurrent effects in the future such as those stated and, in particular, the effects related to the fair value valuation of own bond issues.

### **4.1.7 Liquidity risk**

The liquidity risk is the risk that the Group is unable to meet its certain or expected payment obligations with reasonable certainty. The expressions of such risk are usually reflected in the funding liquidity risk or the risk of being unable to meet its payment commitments and its obligations in an efficient way due to inability to raise funds without compromising its core business and/or its financial status, and the market liquidity risk or the risk of being unable to pay for an asset, without placing the capital account in loss, due to the insufficient depth of the reference market and/or as a consequence of the time necessary to realise the transaction.

The available liquidity allocated for the development of various businesses, as well as the possibility of accessing long term loans, is essential for the achievement of the strategic targets of the Banco Popolare Group. In particular, liquidity and long-term loans are essential to allow the Issuer to meet its cash or delivery commitments, whether foreseen or unforeseen without compromising the current operations or the financial status of the Group. The available liquidity on the part of the Banco Popolare Group could be compromised by the inability of the Company to access the debt market, the inability to sell its goods or pay for its investments. These events could occur as a result of a worsening of market conditions, lack of confidence in the financial markets, doubts and speculation related to the solvency of market competitors, worsening of ratings or operational issues related to third parties. A limited capacity to find the necessary liquidity on the market under favourable conditions or the difficulty to access long-term loans under favourable conditions could have negative effects on results and the economic, asset and financial positions of the Group.

In particular, the business of the Banco Popolare Group could be negatively influenced by tensions in raising funds on the market, both institutional and retail, that could arise in the future in the event there is a scenario of extreme volatility and exceptional uncertainty such as that recorded in the second half of 2008 and during the first part of 2009.

The Group undertook actions during 2008 and 2009 aimed at the reduction of the mismatching of maturities. In particular, the growth in direct deposits that was mainly achieved through the placement of the Issuer's bonds and the repurchase agreements concerning the shares of the Group as purpose has allowed the reduction of short-term exposure and the extension of the liability maturity. The Group's liquidity status in the first nine months of 2010 has mainly been maintained above the established management targets.

The total liability of the Banco Popolare Group (including the shareholdings' equity and accrued income of the Group) amounts to EUR 136.355 billion as at 30 September 2010; 36.7% is represented by due to customers, 17.6% by debt securities issued and 7.4% by due to banks. Due to customers, debt securities issued and due to banks represent 38.6%, 14.5% and 7.2% respectively of the total liability of the Banco Popolare Group including the shareholdings' equity and the Group's accrued income at the same date if the savings contribution resulting from the consolidation of Banca Italease is not considered.

For further information, see Section One, Chapters VI and XX, Paragraphs 6.1, 6.3 and 20.1 of the Prospectus.

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For the purposes of strengthening its liquidity status in relation to its EMTN Programme, Banco Popolare placed a 2 year senior bond with institutional investors for an amount of EUR 500 million in January 2010 and a 3 year senior bond for an additional amount of EUR 500 million in September 2010. The Issuer placed a subordinate bond with duration of 10 years on 27 October 2010 (Lower Tier II for the purposes of supervision) for an amount of EUR 1 billion. Banco Popolare approved the long-term programme for the issuance of secured bank bonds (overall amount of the programme equal to EUR 5 billion) in January 2010 and aimed at institutional investors. The bonds were structured according to Italian legislation (Law no. 80 dated 14 May 2005, Decree of the Ministry of Economy and Finance dated 14 December 2006 and Supervisory Directions issued by Banca d'Italia; so-called covered bond) with the aim of deposit taking in the medium to long-term, diversifying the types of financing at the same time. The inaugural issue was carried out on 3 March 2010 with placement of the covered bond for a counter value of EUR 1 billion and duration of 7 years. The Issuer carried out a reopening of the first issue on 5 August 2010, placing a second *tranche* for an amount of EUR 400 million. The Issuer issued the first *tranche* of the second covered bond issue on 16 September 2010 for a counter value of EUR 800 million and 5 year duration; the second issue was reopened on 21 October 2010 with placement of an additional EUR 150 million. The overall amount of the second issue was EUR 950 million and the total amount of the entire covered bond programme was EUR 2,350 million.

For further information, see Section One, Chapter V, Paragraph 5.1.5 of the Prospectus.

**4.1.8 Risks related to the losses of value of goodwill (so-called impairment test)**

The intangible assets of Banco Popolare Group are EUR 5.174 billion as at 30 September 2010 (of which EUR 4.408 billion is related to goodwill) and they represent 44.3% of the Group's consolidated shareholdings' equity.

Intangible assets other than goodwill with a finite useful life are amortised using the (straight-line) method based on the relevant useful life. If the asset has an indefinite useful life, it is not amortised but the book value is periodically verified. To date, there is estimate of the recovery value made upon the asset on closure of the Financial Statements or interim accounts; this is in the presence of evidence of a loss of value. The amount of the loss booked in the income statement is equal to the difference between the book value of the asset and the recoverable value.

Goodwill is subject to an impairment test on at least an annual basis or in the event that there are indicators that support a loss in its value. This impairment test is aimed at comparing the book value of the cash generating unit (CGU) where goodwill has been assigned and the recoverable value meaning the greater of the value in use and the possible market sale price (fair value less sales costs) of the same CGU. If a recoverable value that is less than the accounting value emerges from this comparison, a value loss shall be charged. The impairment test specifies the cash generating unit where the goodwill is charged and in respect of which the impairment test is carried out. For the purposes of the specification of the cash generating unit where the assets subject to an impairment test are attributed, the potential cash generating units must generate cash flows independently of the cash flow generated by other potentially selected units.

Maintenance of the book values recorded for all Group businesses with particular reference to the strategic and core businesses such as the Network Banks (intangible assets in the amount of EUR 4.710 billion of which EUR 4.474 billion relates to goodwill) has been noted subsequent to the annual impairment test carried out on 31 December 2009. In the light of the economic situation of the financial markets and the

## **RISK FACTORS**

difficulties in identifying the stock exchange multiples, the method applied with reference to the calculation of the fair value for the CGU's of the Group for the purposes of the impairment test, (with the exclusion of the valuation of the recoverable amount of the cash flow generating units operating in the Insurance banking sector and for the recoverable amount of the investment in the Bormioli group, which are rather based on the useful life of such unit), a sensitivity analysis based on multiples used on a historical basis has been carried out. The recommendations set out in the joint letter signed by Banca d'Italia, Consob and Isvap on 3 March 2010 have been taken into due consideration in performing the impairment test and, in particular, the existence of an impairment indicator with reference to Banco Popolare represented by a Stock Exchange capitalisation that is significantly lower than the consolidated net shareholders' equity.

For the Interim Report as at 30 September 2010 and the Half-Year Report 2010, no material impairment indicators emerged from the verifications carried out such as to lead one to assume that the goodwill, shareholdings and allocations carried out according to IFRS 3 could have suffered losses in value so as to require a complete valuation of the recoverable amount as compared to 31 December 2009.

Moreover, the parameters and information used for the verification of the recoverability of goodwill including the interest rate which has a bearing on the profitability of the entities subject to the impairment test are greatly influenced by the macroeconomic framework and market which could incur rapid change in the future as was registered in recent periods.

See the Section One, Chapter XX, Paragraph 20.1 of the Prospectus for further information.

### **4.1.9 Market risk**

The Group is exposed to the risk that the value of a financial asset or liability decreases due to the trend of market factors such as shares prices, interest rates, exchange rates and their volatility (generic risk). The market risk is reflected both in relation to the trading portfolio (trading book), including the trading financial instruments and the related derivative instruments, and the bank portfolio. The latter includes any financial assets and liabilities other than those forming the trading book.

Possible negative developments in the economic situation and the markets bordering European countries may have negative effects on the financial position and the results of the Banco Popolare Group.

#### *(a) Risks related to fluctuation of interest rates*

The performance of the Banco Popolare Group is influenced by the trend and fluctuation of interest rates in Europe, the market where the Banco Popolare Group mainly carries out its business. In particular, results from banking and loan transactions depend on the financial management of the Banco Popolare Group's exposure to interest rates, i.e. the relationship existing between variations in reference market interest rates and variations in the interest margin. A possible misalignment between interest income accrued and interest payable by the Group (in the absence of appropriate instruments of protection against such misalignment) could have significant effects on the financial position and operational results of the Group. For quantitative data (sensitivity analysis) on the effects associated with the fluctuation of interest rates, please refer to page 327 of the 2009 Annual Financial Report (included by way of reference in the Prospectus).

**RISK FACTORS***(b) Risks related to the performance of the financial markets*

The Banco Popolare Group results largely depend upon the trend of the finance markets. In particular, unfavourable financial market performance influences: (i) the flows in placement of managed and administered savings products with consequent negative effects on the levels of placing commissions received; (ii) the financial management fees due to the lesser value of the assets (direct effect) and for the redemptions possibly prompted by unsatisfactory performance (indirect effect); (iii) the operations of Banca Aletti with particular reference to placement activity and financial instruments brokerage; and (iv) the bank portfolio and trading portfolio results. In particular, the Group is exposed to variations of the credit rating on liabilities subject to valuation at fair value and the securities and derivatives portfolio of the assets related to entries 20 (financial assets held for trading) and 30 (financial assets evaluated at Fair Value Option) of the balance sheet assets; entries 20 and 30 amount to EUR 11.9 billion and EUR 174.6 million respectively as at 30 September 2010.

See the Section One, Chapter III of the Prospectus for further information.

**4.1.10 Operating risk**

The operating risk is the risk of suffering losses originating from the unsuitable or incorrect running of corporate procedures due to errors or deficiencies in human resources and internal systems or outside events. Operating risk also includes legal risk however it does not include strategic and reputational risk. The following are statistically included amongst the main sources of operating risk: instability of operating processes, insufficient security of information systems, increasing recourse to automation, outsourcing of company functions, use of a reduced number of suppliers, changes in strategy, fraud, errors, recruitment, training and loyalty of personnel and, lastly, social and environmental effects. It is not possible to identify an operational risk source that prevails on a permanent basis. See pages 127, 353, 354, 362, 621, 622 and 628 of the 2009 Annual Financial Report (included by reference in the Prospectus) for further information. The Banco Popolare Group has operating risk mitigation and containment procedures aimed at the prevention and limitation of any negative effects arising out of operating risk.

Although Banco Popolare Group has used and continues to use resources to mitigate operating risks, these risks could occur in the future, also due to unexpected events or events that are beyond the control of the Banco Popolare Group. In consideration of the importance of computer systems to the activities performed, the occurrence of one or more of any such risks could have a detrimental effect on the financial situation and results of the Banco Popolare Group. As at the Date of the Prospectus, the Group has not experienced significant negative events associated with operating risk. For further information on the breakdown of operating losses, please see page 354 of the 2009 Annual Financial Report (included by way of reference in the Prospectus).

For further information, see Section One, Chapter VI, Paragraph 6.1.6 of the Prospectus.

**4.1.11 Counterparty risk**

The Banco Popolare Group trades derivative contracts on a wide variety of underlying assets such as interest rates, exchange rates, shares index prices, commodities (precious metals, base metals, petroleum and materials related to energy) and credit rights both with counterparties in the financial services sector, commercial banks, investment banks, funds and other institutional clients, and with other clients of the

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Group that are not institutional clients. In relation to the effectiveness (in derivatives) of the Banco Popolare Group, the positive fair value of the trading derivatives amounts to EUR 4,092 million as at 30 September 2010. The negative fair value of the derivatives at the same date amounts to EUR 4,180 million. These transactions also expose the Banco Popolare Group (in addition to market and operating risks) to the risk that the counterparty to the derivatives contracts defaults on its obligations or becomes insolvent before expiry of the relevant contract when Banco Popolare or a Group company still claims a credit against the relevant counterparty. This risk intensified as a result of the volatility of financial markets and can have an additional detrimental effect in the event that any collateral security (collateral) held by Banco Popolare (or by a Group company) is not sold or disposed of at a value that is sufficient to cover the exposure of the relevant counterparty. The Group monitors the counterparty risks associated with transactions in derivatives through the establishment of guidelines and policies for the financial management, measurement and supervision of risks. However, the default by a counterparty of its obligations under a derivatives contract executed with Banco Popolare or a Group company and/or the insufficient proceeds from the enforcement or liquidation of the relevant collateral security (if any), could have negative effects on the economic, asset and/or financial situation of the Banco Popolare Group.

### **4.1.12 Risk management**

The Group has an organisational structure, company procedures, human resources and skills to identify, monitor, supervise and manage the various risks that characterise the business (for example, the credit risk, market risk, liquidity risk, operating risk, business risk, strategic risk, reputational risk, real property risk and the risk related to securitisation transactions). The whole process of risk management and supervision is coordinated by Banco Popolare in its dual role as Parent Company and as the company where the functions of common interest for the Group are concentrated. Some of the methods used to monitor and manage these risks involve the study of historical market trends and the use of statistical models for the identification, monitoring, supervision and financial management of the risks. The Group's financial position could be exposed to potential detrimental effects if the historical observation and aforesaid methods reveal themselves as inadequate.

For further information, see Section One, Chapter VI, Paragraph 6.1.6 of the Prospectus.

### **4.1.13 Risks related to the acquisition and reorganisation of Banca Italease**

On 15 March 2009, Banco Popolare, Banca popolare dell'Emilia Romagna Società Cooperativa (“**BPER**”), Banca Popolare di Sondrio Società Cooperativa per Azioni (“**BPS**”) and Banca Popolare di Milano – Società Cooperativa a responsabilità limitata – (“**BPM**”), approved a combined operation governed by a Framework Agreement to reorganise and restructure the business activities of the Group led by Banca Italease.

The Banca Italease merger procedure has been almost entirely completed from a corporate point of view and the organisational and operational restructuring is continuing with the aim of coordinating organisational structures and financial management of the risks within the Group and achieving savings in terms of administrative costs.

The reorganisation process of the Banca Italease Group exposes the Banco Popolare Group to the typical risks of a complex organisation and merger process, requiring the coordination of businesses, strategies, systems and transactions including the risk that the reorganisation does not take place according to the schedule and methods envisaged.

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Furthermore, the Banca Italease Group has had to face notable difficulties in recent years related to both the economic situation and structural difficulties. These difficulties have heavily penalised the core business activities and created operational losses and extraordinary devaluations for large amounts. Such difficulties could weigh upon the business and the future results of the Banco Popolare Group.

In fact, although the combined Banca Italease Group Reorganisation has been substantially concluded in accordance with the Framework Agreement and the Italease Capital Increase has allowed the re-establishment of the financial equilibrium of Banca Italease, it is possible, also in light of the general economic trend, the Banca Italease business model, the complexity and difficulty inherent in the implementation of the reorganisation process, and the trend in the reference market, that additional investments in Banca Italease may be required, including by means of its capitalisation.

For more information, see sub-paragraph (c) of this Paragraph 4.1.10 below in addition to the description in Section One, Chapter V, Paragraph 5.1.5 and Section One, Chapter XX, Paragraph 20.2 of the Prospectus.

Some specific risk factors concerning the Banca Italease situation and the Banca Italease Reorganisation Transactions are listed below.

- (a) *Risks related to the capitalisation of Banca Italease*
- (b) *Risks related to the prospects of Banca Italease after the reorganisation and the absence of a business plan*
- (c) *Risks related to the portfolio of assets conferred on Alba Leasing*
- (d) *Risks related to the securitisation transactions in existence*
- (e) *Risks related to the nature of reorganisation such as transactions with related parties*
- (f) *Risks related to legal proceedings*
- (g) *Risks that have emerged from audit inspections*
- (h) *Risks relative to criminal proceedings*

\* \* \*

- (a) *Risks related to the capitalisation of Banca Italease*

To address the serious capital shortfall affecting Banca Italease as result of the losses posted in 2008 and in the early months of 2009, a combined recapitalisation and restructuring was commenced to ensure the continuation of operations of Banca Italease and re-establish the financial equilibrium.

The significant losses incurred led to the decrease in the Banca Italease share capital that was approved by the Extraordinary Shareholders' Meeting on 12 October 2009 and the execution of the Italease Capital Increase to ensure a return to capital ratios in line with supervisory requirements and to adequately address the Banca Italease Group's difficulties.

Banca Italease considered the Core Tier 1 Ratio subsequent to the recapitalisation as suitable to ensure the operability and capital stability of Banca Italease and its branches, benefiting from a reduced absorption of

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capital following the partial deconsolidation of the income generated from execution of the Banca Italease Group reorganisation.

However, despite the fact that the Italease Capital Increase has been fully subscribed and issued, the uncertainties related to the general economic situation and to the financial situation and outlook of Banca Italease (even after the reorganisation) together with the complexities and difficulties related to the reorganisation process, it is possible that Banca Italease might sustain additional losses (even significant losses) and require additional capitalisation in the future.

### *(b) Risks related to Banca Italease's prospects after the reorganisation and absence of a business plan*

Due to the progressive worsening of the financial crisis and economic situation that involved the entire banking and finance system starting from the end of 2007, Banca Italease had to continually change the priorities and strategic aims of its financial management and depart from its 2008-2010 business plan.

In this context and starting from the second half-year of 2008, it became important for Banca Italease to begin to search for possible partners in order to resolve the matters that the Banca Italease business model could no longer address from a stand-alone position in the long-term.

Due to the sudden worsening of the economic crisis, however, the negotiations started with an important foreign operator in the sector failed to lead to an agreement and, given the decreased interest for acquisition of assets shown by operators, it also became impossible to implement the valuation processes for core and non-core assets that had been commenced as alternative options.

On 15 March 2009 Banco Popolare, BPER, BPS and BPM agreed, by entering into the Framework Agreement, on a combined restructuring of the Banca Italease Group's business to be realised through the Banca Italease Group Reorganisation in view of the negative result of the aforesaid negotiations and in order to definitively restructure Banca Italease.

The purpose of the Banca Italease Group's Reorganisation was to obtain, on the one hand, a partial deconsolidation of some businesses currently belonging to Banca Italease in order to limit financial requirements and, at the same time, to reduce debt exposure and, on the other hand, to favour rationalisation of the operational and business structure through the creation of separate entities able to focus on the pursuit of specific targets in terms of both products and distribution networks.

In accordance with the above, the combined corporate restructuring and reorganisation plan of the Banca Italease Group was realised upon execution of the Italease Capital Increase and completion of the Banca Italease Group's Reorganisation. The future Banca Italease action plan will be framed in the broader context of the future (and still not defined at the Prospectus Date) business plan of the Banco Popolare Parent Company and, therefore, in line with the objectives that will form the basis of same. Moreover, the Banca Italease Group Reorganisation is carried out through Banca Italease's rationalisation of its branches in addition to the rationalisation and streamlining of administrative expenses and information technology costs (also through the centralisation of the Parent Company business), relocation and requalification of human resources made available from the reorganisation and valorisation of real property assets.

For further information, see the Section One, Chapter IV and V, Paragraphs 4.1.10 and 5.1.5 of the Prospectus.



**RISK FACTORS***(c) Risks related to the portfolio of assets conferred on Alba Leasing*

In relation to the portfolio of assets and legal relationships conferred upon Alba Leasing and in execution of the understandings reflected in the Framework Agreement, all of the risks related to any missed loan payments inserted in the securitisations originating from the banking channel are borne by Alba Leasing. Likewise, Alba Leasing shall receive all cash flows related to the junior notes inserted in the securitisations and any additional rights to receive sums subsequent to the total satisfaction of the junior notes (for example, the “DPPs – Deferred Purchase Prices”). Further, the securitised portfolio will be considered as if it were solely to include the performing loans as at 31 March 2009 that originated from the banking channel and Alba Leasing will be considered as if it were exclusive owner of all of the junior notes and the additional rights to receive sums subsequent to the total satisfaction of the junior notes (with any exclusion of the effects originating from a worsening of the aforesaid loans occurring before 31 March 2009).

The risks related to any missing loan payments inserted in the securitisations originating from channels other than the banking channel are borne by Banca Italease. Likewise, the latter shall receive all of the cash flows related to the junior notes inserted in the securitisations as owner of the junior notes and all of the other rights and the additional rights to receive sums subsequent to the total satisfaction of the junior notes (for example, the DPPs – Deferred Purchase Prices”). Further, Banca Italease will be considered as if it were the exclusive owner of the junior notes and the additional rights to receive sums for the sole part of the loans originating from channels other than the banking channel subsequent to the total satisfaction of the junior notes (with the exclusion of the effects originating from a worsening of the aforesaid loans taking place before 31 March 2009).

Therefore (i) the loans originating from the deferred purchase price clauses of the securitisations entered in the Financial Statements as at 31 March 2009 for the portion related to loans originating from the banking channel shall be cancelled from the Banca Italease Financial Statements and, consequently, from the consolidated Banco Popolare Financial Statements together with the related provisions for adjustments (portfolio adjustments); (ii) the effects on the income statement (both positive and negative) originating from the securitised loans allocated to be subsequently assigned to Alba Leasing and recorded in the Banca Italease Financial Statements as at 31 March 2009 will be reversed since they accrue to the same Alba Leasing; (iii) the junior notes that Banca Italease shall remain owner of shall be subject to a new valuation in order to take account of the fact that all of the cash flows related to the junior notes inserted in the securitisations and the additional rights to receive sums subsequent to the total satisfaction of the junior notes (for example, the “DPPs – Deferred Purchase Prices”) are due to Alba Leasing for the portion related to performing loans as at 31 March 2009 originating from the banking channels.

During the preparation of the 2009 Annual Financial Report, Banca Italease was unable to accurately define the effects originating from the agreements relating to the securitisations and a provision of EUR 100 million was set aside as at 31 December 2009. This amount was considered representative of the expected net economic effects originating from the understandings. Banca Italease and Alba Leasing executed a securitised loans agreement on 2 July 2010 that was aimed at better defining the rules related to the assignment of credits. Banca Italease used the entire provision of EUR 100 million against the registration of the economic effects of the aforementioned agreement. The detection of the effects has substantially confirmed the forecasts made in relation to the 2009 Annual Financial Report.

*(d) Risks related to the securitisation operations in existence*

The securitisation transactions carried out by Banca Italease were all originally related to performing loans and were mainly aimed at satisfying the operational financial requirements of Banca Italease and its branches. The loans which are the subject of the securitisation transactions are those originating from leasing agreements and mortgages with customers and since the risk connected with the transactions relating to Banca Italease and its branches (which always subscribe to the junior *tranche*) was kept separate, they are not the subject of deconsolidation and therefore remain recorded in the current assets.

Due to the negative effect of the progressive worsening of the loans portfolio of Banca Italease and its branches on the performance of the loans portfolio underlying the individual securitisation transactions of the Issuer, Banca Italease provided financial support for the ITA 8 and ITA 9 securitisations which, as a result of methods, scheduling and amounts, led to the prudent valuation of the situation as constituting implicit financial support as defined by the supervisory regulations. Any additional financial support in relation to the securitisations of Banca Italease and its branches would bring about an increase in the contractual risks related to the aforementioned securities up to the total amount of the financial support provided.

Considering the environmental situation that has weighed heavily on the loan portfolio performance and, therefore, also on the Banca Italease securitisations and those of its branches and which has not returned to normal, but on the contrary, is still difficult to forecast in terms of duration and effects, it is not possible to exclude further negative effects on existing securitisation transactions in the future.

Lastly, and in relation to the securitisation transaction known as ITA BEI that is supported by a guarantee issued by Banco Popolare in relation to, amongst other things, the rating of Banco Popolare, trigger events exist that could lead to, amongst other things, the right of Banca Europea degli Investimenti to exercise a put option for all or some of the securities concerned (for the maximum nominal amount of the A1 series securities subscribed by Banca Europea degli Investimenti of EUR 350 million), giving prior written notice of at least 30 days, at their par value.<sup>(16)</sup> Specifically, the put option may be exercised exclusively upon the occurrence of the following events: (a) the Series A1 securities have received a rating equal to or lower than Aa3 from Moody's Investors Service or cease to have a rating from Moody's Investors Service; or (b) on the date of 21 December 2014, the Series A1 securities have not been fully redeemed; or (c) in the event of specifically identified defaults by Banca Italease (such as, by way of example, (i) a breach of one or more obligations assumed by Banca Italease pursuant to the Framework Agreement; (ii) a breach of one or more obligations assumed by Banca Italease pursuant to the transaction documents that cannot be remedied by Banca Italease within a reasonable time frame and that may prejudice the success of the transaction; (iii) continuing failure by the vehicle to pay interest on the Series A1, Series A2 or Series B Securities or on the principal of the Series A1 Securities for seven business days or more). For information about Banco Popolare's ratings, see Section One, Chapter IV, Paragraph 4.1.12 and Section Two, Chapter X, Paragraph 10.5 of the Prospectus.

<sup>(16)</sup> With related payment by Banca Italease of a penalty connected to the costs to be sustained for unwinding the securitisation transaction (unwinding penalty) equal to 1.25 basis points per quarter, calculated every quarter starting from the exercising of the put option until the expiry of the securities, to be applied to the par value of the securities.

**RISK FACTORS***(e) Risks related to the nature of the reorganisation such as transactions with related parties*

The Framework agreement contains the guidelines of the Banca Italease Group Reorganisation.

The reorganisation is subject to the risks typically inherent in transactions with related parties: (i) Banco Popolare as majority shareholder of Banca Italease, (ii) Release as a subsidiary of Banca Italease, (iii) Banca Italease as one of the shareholders of Alba Leasing and (iv) a provision that Banca Italease and its subsidiaries Mercantile Leasing and Italease Network <sup>(17)</sup> contribute, according to specific operational methods, part of their assets and liabilities to Alba Leasing and Release.

It is possible that the terms and conditions of the reorganisation transactions may have been different had the said transactions been concluded by persons other than the related parties even though Banco Popolare and Banca Italease adopted all of the measures considered as suitable in order to mitigate such risks.

*(f) Risks related to legal proceedings*

As at 30 September 2010 and at the Banca Italease Group consolidated level, the provision for risks and charges to cover disputes was approximately EUR 47.2 million (an increase of EUR 14 million in comparison to 31 December 2009) and related to (i) for EUR 1 million contentious matters originating from the termination of derivative contracts with corporate customers where there was an allocation to the provision for risks and charges in addition to the value adjustments made to the “Financial assets held for trading” in only a few matters. As for the remaining part Banca Italease supported by the opinion of its lawyers believes that there is no basis in the accounting standards of reference for such provisions, and (ii) for EUR 46.2 million other legal risks that are mainly related to some matters that are not related to the derivatives business including disputes with shareholders and the Inland Revenue.

As at 30 September 2010, Banca Italease had (i) 2,741 lawsuits for the recovery of assets and/or receivables toward clients that are not subject to insolvency proceedings for an overall gross risk of EUR 543.8 million where value adjustments have been made of EUR 208.1 million and (ii) 1,873 shares for the recovery of assets and/or amounts due from clients subject to insolvency proceedings for an overall gross risk of EUR 374 million where value adjustments have been made of EUR 184.3 million.

The following disputes are noted in addition to the aforementioned ordinary business.

Disputes with shareholders and former shareholders

A writ of summons was served on Banca Italease by the asset management company Egerton Capital Limited on 14 March 2008 representing six investment funds and seeking payment of alleged damages of EUR 105 million in relation to the investments realised in Banca Italease shares in the period from January to May 2007. The Court of Milan passed judgment on 22 July 2010 granting almost all of the plaintiff’s claims and held that Banca Italease pay the amount of EUR 79,853,059.31 as damages and the costs of the proceedings in the amount of EUR 495,000.00. By writ of summons notified on 28 July 2010, Banca Italease filed an appeal against the first instance judgment and also presented a petition to obtain the immediate suspension of the enforceable effect of the first judgment. The order of the President of the Court of Appeal of Milan dated 30 July 2010 confirmed by the Bench on 27 August 2010 granted the petition filed by Banca

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<sup>(17)</sup> See footnote no. 5.

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Italease to obtain the immediate suspension of the enforceable effect of the judgement. On 6 September 2010, Egerton lodged a complaint asking for the revocation of the stay and the Bench declared the complaint inadmissible by judgment filed on 8 November 2010. The first appeal hearing has been scheduled for 1 February 2011.

Furthermore, 12 (twelve) other writs of summons on the part of small shareholders have been served on Banca Italease. These claims are similar in content and seek payment of damages in the overall amount of EUR 10.06 million. Banca Italease entered an appearance in order to dispute the claims for damages as filed.

With reference to the disputes with shareholders and former shareholders, the provisions made by Banca Italease are included in the fund for other legal risks.

In light of the multiplicity and complexity of both the legal, as well as factual aspects involved, it is not possible at the Prospectus Date to foresee the outcome.

### Challenge of the Banca Italease 2006 Financial Statements

In relation to the proceedings challenging the Banca Italease Financial Statements for the financial year closed as at 31 December 2006, the exchange of the preliminary pleadings stage has been concluded with scheduling of the first hearing. In fact, on 14 January 2009 the Consob served notice of the application for scheduling the hearing limited to the following infringements “inaccurate valuation and accounting of the structured OTC derivatives entered into with customers” and “lack of information in the Financial Statements in relation to the type of OTC derivatives and the inherent risks”.

Subsequently on 30 April 2009, the Court of Milan passed judgment upholding the grounds for challenge in relation to the valuation and representation of the OTC derivatives and, consequently, voided the resolution approving the Financial Statements for the period ended 31 December 2006 and declares on the same grounds the non-conformity of the consolidated Financial Statements as at 31 December 2006.

The Court judgement is susceptible to review in subsequent levels of proceedings and does not impact upon the representation of the asset, economic and financial status contained in the financial information included also by means of reference in the Prospectus.

Banca Italease has not made any allocation in the provision for risk related to the proceedings concerning the challenge of the 2006 Financial Statements.

The first hearing addressing the issues is scheduled for 19 February 2013.

### Dispute regarding derivatives

Starting from late spring 2007, the progress of the status of derivative instruments has brought about a substantial increase in claims against Banca Italease and the lodging of some complaints and arbitrations. As at 30 September 2010, 6 proceedings are pending for an overall *petitum* of EUR 41.7 million concerning applications to void the executed contracts and for the payment of damages.

The Bank does not believe that it is possible the claims for the payment of damages (supported by legal opinions obtained) will be granted and decided not to allocate provisions.

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However, value adjustments were made of approximately 93% of the amounts to be recovered in relation to the clients.

For more information, see Section One, Chapter XX, Paragraph 20.8 of the Prospectus.

*(g) Risks that have emerged from inspections*

The Banca d'Italia inspection that commenced on 3 December 2008 ended on 10 March 2009 and the findings carried out by Banca d'Italia inspectors were delivered to the Banca Italease Board of Directors and Board of Statutory Auditors on 26 May 2009.

In particular, Banca d'Italia noted some failings in terms of operations and compliance in its inspection findings. Banca d'Italia believed that it should only proceed with two of the six sanction-related findings, imposing sanctions on Executive Committee members for the overall amount of EUR 98,000.

Together with the applicants concerned and the understanding with the Parent Company, Banca Italease filed an objection at the Court of Appeal of Rome. The Banca Italease application to exhibit additional documentation in defence was granted at the hearing dated 8 November 2010.

It is not possible to forecast the outcome of the administrative procedures nor the possible decision that could arise from them and that could require Banca Italease to adopt measures such as to limit its operations on the market or to weigh upon its organisational structure with consequent negative effects on the economic and financial conditions and revenues of Banca Italease and its branches.

*(h) Risks related to criminal proceedings*

Pursuant to Legislative Decree 231/2001, Banca Italease was ordered on 3 November 2010 to pay a monetary fine of EUR 1,858,800 and an order has been issued for seizure of EUR 64,200,000, plus interest. The judgement was handed down in relation to the criminal proceedings against former corporate members of Banca Italease. Banca Italease is awaiting to learn the grounds of the judgment in order to file an appeal: the monetary fine and the seizure will not be enforced until the judgment becomes final. The potential liability has been classified as possible on the basis of the detailed opinions of external consultants, and therefore no provision is considered necessary at present.

#### **4.1.14 Risks related to the rating**

The risk related to an issuer's ability to meet its obligations, which arise as a result of issuance of debt and money market instruments, is defined by reference to credit ratings assigned by independent rating agencies.

These evaluations and related research may be helpful to investors in analysing the credit risks relating to financial instruments, as they provide indications about issuer's ability to meet their obligations. The lower the rating assigned by the rating agency on their scale, the higher the risk that the obligations will not be met or they will not be fulfilled completely and/or in a timely fashion. A rating is not, however, a recommendation to buy, sell or hold any debt issued and may be suspended, downgraded or withdrawn at any time by the Rating Agency from which it was issued. A suspension, downgrading, or withdrawal of an assigned rating may adversely affect the market price of the bonds.

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Banco Popolare has been assigned the following ratings:

<b>Agency rating</b>	<b>Current liabilities</b>	<b>Long Term Debts (*) (outlook)</b>	<b>Other rating</b>
Fitch Ratings	F2 <sup>(18)</sup>	A- <sup>(19)</sup> (Negative)	<i>Individual: C</i> <sup>(20)</sup> <i>Support: 2</i> <sup>(21)</sup>
Moody's Investors Service	<i>Prime -1</i> <sup>(22)</sup>	A2 <sup>(23)</sup> (Negative)	<i>BFSR: D +</i> <sup>(24)</sup>
Standard & Poor's	A-2 <sup>(25)</sup>	A- <sup>(26)</sup> (Negative)	-

(\*) The ratings for long-term liabilities relate to senior debt.

On 7 May 2010, Fitch Ratings removed the negative watch on the rating assigned to Banco Popolare (placed on watch on 2 November 2009) confirmed as (A-) (which denotes an expectation of low credit risk) with a negative outlook, and has, also, confirmed the short-term rating of F2 (which indicates the Issuer's ability to make timely payments of financial commitments in the short-term).

On 10 March 2010, the Standard & Poor's rating agency confirmed Banco Popolare's long-term rating which it had placed under watch on 17 December 2009, confirming (A-) with a negative outlook, and has also confirmed the short-term rating (A-2) (which indicates the Issuer's satisfactory capacity to meet its financial commitments, although the Issuer is susceptible to adverse economic conditions).

On 1 July 2009 and 28 September 2010, Moody's Investors Service confirmed the rating of A2 with a stable outlook in relation to the Issuer's long-term debt and the Issuer's superior ability to pay debt in the short-term. On 28 September 2010, Moody's Investors Service changed the deposit rating's outlook from "stable" to "negative" and the Bank Financial Strengths Rating (BFSR) was reduced from (C-) to (D+).

<sup>(18)</sup> According to the Fitch Ratings scale, the rating "F2" indicates that the issuer has the ability to make the payment for their financial commitments in the short-term on time.

<sup>(19)</sup> According to the Fitch Ratings scale, the rating "A" denotes a low credit risk. The ability to pay for financial commitments is considered high, in spite of the fact that this ability could be strongly affected by changes in the economic situation and economic conditions, if related to that of subjects featuring a higher rating. The "-" sign indicates a negative sub-category of category A.

<sup>(20)</sup> According to the "Individual" ratings (specific to banks), a "C" rating indicates a bank that is sufficiently sound, which may, however, have certain critical profiles. There could be some concerns about the capacity to generate profits, the soundness of the balance sheet, the franchise, the management, the operating environment or the prospects.

<sup>(21)</sup> According to the rating "Support" (indicative of the rating of potential guaranteed subjects), the rating "2" indicates a bank where there is a strong probability that it might be guaranteed by third-parties. The potential guarantor is, in turn, given a high rating and has a high propensity to provide a guarantee for the bank in question.

<sup>(22)</sup> According to Moody's Investors Service ratings, the rating "Prime-1" indicates that the issuer has a high capacity to pay their commitments in the short-term.

<sup>(23)</sup> According to Moody's Investors Service ratings, the rating "A" indicates a medium-high credit score with a consequently low credit risk. There are three sub-levels within level A (from the best 1, to the worst 3).

<sup>(24)</sup> According to the BFSR ratings (Bank Financial Strengths Ratings, in other words ratings indicating the financial strength of the banks), the rating "D" indicates a bank with a modest intrinsic financial capacity, which could, at times, require outside support. These instructions may be limited by one or more of the following factors: weak and limited financial basics, insufficient financial basics from one or more aspects or an unpredictable or unstable operating environment. The "+" sign indicates a positive sub-category of category D.

<sup>(25)</sup> According to the ratings of Standard & Poor's, the rating "A-2" indicates that, although the issuer is susceptible to adverse economic conditions, the capacity of the issuer itself to meet its financial commitments is satisfactory.

<sup>(26)</sup> According to the Standard & Poor's ratings, the rating "A" indicates a high capacity of the issuer to meet their financial commitments. However, the issuer is, to some extent, more exposed to the negative effects of changes in the economic climate or conditions, compared with creditors which have a higher credit rating. In any case, the capacity of the creditor to meet their financial commitments remains high. The "-" sign indicates a negative sub-category of category A.

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Credit ratings assigned to Banco Popolare constitute an evaluation by leading rating agencies of Banco Popolare's ability to fulfil their financial commitments, including those relating to debt securities.

In determining the rating assigned to the Issuer, the agencies consider and examine Banco Popolare Group's performance indicators, including profitability and ability to maintain their capital ratios within certain established levels. In the event that the Company and / or a branch which is assigned a rating fail to attain or maintain the results measured by one or more indicators, or where the Group is unable to maintain their capital ratios within the predetermined level, which could result in a downgrading of the rating assigned by the agencies, resulting in higher fund raising costs, less convenient access to the capital markets, and the possible need to supplement guarantees provided.

A downgrading in Banco Popolare and its subsidiaries' credit rating may also have a negative impact on the Group's liquidity and limit the Group's ability to conduct certain business activities, including strategically productive activities, with a consequent negative impact on Banco Popolare Group's economic, financial, and capital conditions.

Banco Popolare maintains a continuous dialogue with rating agencies responding to requests for information during the process of assessing and assigning ratings.

For more information regarding the Issuer's rating, please see Section Two, Chapter X, Section 10.5 of the Prospectus.

**4.1.15 Risks related to legal and arbitration proceedings in progress**

The Issuer and Banco Popolare Group's companies are involved in legal proceedings (including actions for insolvency) and arbitration. A negative outcome in these proceedings could result in contingent liabilities. Consistent with the requirements of the IFRS, the Group makes provisions in the budget based on an assessment of the potential risk arising from these proceedings, with the assistance of advisers engaged to defend the Group companies. The complexity of the situations and corporate events that are the basis of litigation, together with problems of interpretation concerning the applicable law, make it difficult to estimate liabilities that may arise at the time the pending proceedings are decided. The concern is the difficulty of assessing what is effectively due and when any liability will arise. On 30 June 2010, Banco Popolare Group's fund for risks and charges related to litigation (including the Bank Group Italease) amounted to EUR 319,075,000. The Fund has remained essentially unchanged as at 30 September 2010. The provision is an estimate of the risk related to individual cases in accordance with applicable accounting standards and, as such, may be less than the final outcome of the proceedings.

For more information about court proceedings and arbitration, see Section Two, Chapter XX, Paragraph 20.8 of the Prospectus.

**4.1.16 Risks related to disputes with the Tax Authorities**

In 2010 and prior years, the Tax Authorities have carried out various verification activities related to Banco Popolare and the Group's companies. These activities involved the determination of taxable income declared and the mode of application of tax law, to both ordinary and specific extraordinary operations. Following these activities, Banco Popolare and its subsidiaries are involved in several disputes.

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The litigation in question relates both to claims made by State Tax Authorities with assessments to date for a total of EUR 730 million (greater assessed taxes and related sanctions), as well as treasury claims for higher taxes due, which can be inferred from reported findings and estimated at approximately EUR 833 million, for a potential maximum of EUR 1,563 million (this estimate does not include any claim for interest or, where not inferrable from the reported findings, any sanctions).

Contingent liabilities classified as probable, amount to approximately EUR 25 million and are fully covered by provisions.

The remaining contingent liabilities amounting to EUR 1,538 million were classified as possible, since, we consider, as supported by detailed independent advice, compelling reasons exist to counter the claims made by the tax authorities. In accordance with the reference accounting standards no provisions were allocated since the contingent liabilities were classified as possible.

Contacts with the top leadership within the Tax Office were initiated during the month of September 2010 in order to verify the possibility and opportunity of reaching an out-of-court settlement in certain disputes relating to companies within the Banca Italease Group.

These contacts were initiated with the sole purpose of verifying the possibility of eliminating or at least reducing the situation of uncertainty resulting from the presence of disputes concerning significant amounts. This is because this uncertainty is believed to have an important negative influence on a proper assessment of Banco Popolare Group's full potential.

Please note that the contacts initiated are at a preliminary stage, and thus, to date, there is no information that would change the classification and evaluation of the contingent liabilities described above.

For more information regarding the details of outstanding litigation, please see Section One, Chapter XX, Paragraph 20.7 of the Prospectus.

### **4.1.17 Risks related to the geographical reference area of the Banco Popolare Group**

The Group operates with a direct presence in 20 Italian regions and, as at 30 June 2010, uses 2,083 distribution facilities located throughout Italy, of which 73% are in the northern regions of Italy, with a particular emphasis in Lombardy and Veneto. This territorial concentration of activities exposes the Group to social, economic, and political risks in these regions, with possible negative effects on the economic, capital and financial position of the Group.

For more information on the geographic areas in which the Group operates, see Section One, Chapter VI of the Prospectus.

### **4.1.18 Risks related to important information**

The Prospectus contains certain statements regarding the Group's activities and its market-positioning (see Section One, Chapter VI, Section 6.2 of the Prospectus). We cannot guarantee that such declarations can be confirmed in the future.



**RISK FACTORS****4.1.19 Risks related to structured products issued by third parties and held by the Group and exposure to special purpose entities**

As at 30 September 2010 the Group's principal positions in structured credit securities issued by third parties (i.e. persons who are not involved in securitisation transactions where the Group acts as originator) are represented by asset-backed securities (ABS) and collateralised debt obligations (CDO), mainly attributable to products purchased prior to the financial markets crisis.

As at 30 September 2010, the Group's overall exposure to these products, in terms of equivalent budget amounts to EUR 82.8 million, compared to the limited exposure of the Group's total portfolio represented by debt securities (about 1%) and its fair value amounted to EUR 76.3 million (with total unrealised loss of EUR 6.4 million). Almost all the securities held belong to senior class or the class of securities with a contractual right to priority in payment of principal and interest.

Italian and other European countries' residential mortgage loans, as well as securities from the Italian Government generally represent the underlying assets of these securities; ratings generally range from AA to AAA.

In particular, ABS securities, which have a total balance sheet value as at 30 September 2010 of EUR 82.6 million, are represented by EUR 72.6 million from securities which have been reclassified from "Financial assets held for trading" to the "Loans to customers" portfolio. The remaining portion, equal to EUR 10 million, is classified in the "Financial assets held for trading" portfolio. The residual exposure of CDO securities, classified as "Financial assets available for sale" as at 30 September 2010 amounted to EUR 0.2 million in book value terms.

The only exposures to special purpose entities (SPE) – companies formed *ad hoc* to achieve a specific objective – pertain to the securitisation of loans of the Banco Popolare Group (excluding the Banca Italease Group – for information on the Banca Italease Group securitisations, please see Section One, Chapter IV, Paragraph 4.1.13(d), of the Prospectus – and the covered bond issuance programme – for further information on the covered bonds, please see Section One, Chapter IV, Paragraph 4.1.6, and Chapter V, Paragraph 5.1.5, of the Prospectus).

Through these securitisation transactions, Banco Popolare Group's loans are assigned to a vehicle company, established under Law no. 130 of 30 April 1999 which, to finance the purchase, issues public or private securities. Commitments assumed by the vehicle company, towards subscribers are paid exclusively by the cash flows generated by the loans assigned.

The overriding objectives of operations is to raise significant medium to long-term funds at competitive costs and free up capital amounts, usable for new lending transactions. The inclusion of these exposures does not substantially change the original risk profile of the group.

For existing transactions, the originator or local assigning Italian Banks have maintained "first loss" through the subscription of junior securities or contracts that give similar exposure. Senior securities were instead placed with institutional investors, except for securities issued after December 2007, which are wholly owned by Banco Popolare Group (so-called "self-securitisation" transactions). These securitisation transactions through special purpose entities are structured with the sole objective of diversifying and strengthening the funding instruments available through the transformation of assigned loans in securities

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eligible for refinancing. The subscription by the Group of all notes issued fits well in the more general policy of strengthening the Group's liquidity position, by maintaining a high level of counterbalancing capacity. Generally, the subscription of *tranches* of junior securities by the Local originator and the subscription of senior securities by the Issuer, which will have available "eligible" securities to be used, is expected on behalf of the entire Banco Popolare Group, in order to raise the necessary funds. As at 30 September 2010, the overall securities subscribed by the Group (excluding Banca Italease) pursuant of the self-securitisations transaction amount to EUR 8,617 million (of which EUR 7,628 million senior *tranche* and EUR 989 million junior *tranche*). The senior securities represent eligible securities that may be used by the Group to obtain liquidity through refinancing transactions at the ECB or by repo transactions with market counterparties. For the remaining securitisation transactions through special purpose entities, the overall exposure of the Group (excluding Banca Italease), in terms of securities subscribed, amounts to EUR 130 million (of which EUR 82.6 million senior *tranche*, EUR 8.6 million mezzanine *tranche*, EUR 38.8 million junior *tranche*). The securities issued by special purpose entities and subscribed by the market amount to EUR 1,922 million (of which EUR 1,776 million senior *tranche* and EUR 146 million mezzanine *tranche*).

All senior and mezzanine securities issued as part of the business transacted by the Group have a public rating.

### 4.1.20 ROE dilution risks

The Capital Increase could give rise to a risk of dilution of Banco Popolare Group's return on equity (ROE) in the period following its application. Annualised return on equity (ROE) of Banco Popolare Group as at 30 September 2010 stood at 5.5%. The Capital Increase will result in an increase in net shareholders' equity, which may not correspond to a proportional increase in net income, thus reducing the return on equity (ROE) after 31 December 2010.

### 4.1.21 Risks related to the limitation of ownership of shares and exercising of the right to vote

Article 30 of the Consolidated Banking Act provides that no one can hold more than 0.50% of the share capital in a co-operative bank, with the exception of undertakings for collective investment in transferable securities, for which limits are set by their specific regulations. Should Banco Popolare become aware the threshold has been exceeded, within the terms provided for by the current laws, it shall promptly notify the owner of the holding and intermediary of the infringement. Shares in excess of the threshold must be sold within one year following the notice, or will result in loss of accrued economic rights, which will be acquired by Banco Popolare.

Article 30 of the Consolidated Banking Act provides that the members of Co-operative Banks may have one vote regardless of the number of shares held. Article 23 of the Articles of Association also provides that every shareholder who is not a member of the supervisory board, board of management or employee of Banco Popolare or member of the administrative or supervisory bodies or company employee, controlled directly or indirectly by Banco Popolare, can represent only one other shareholder by proxy.

See Section One, Chapter XXI, Section 21.2.6 of the Prospectus.

**RISK FACTORS****4.2 RISK FACTORS CONNECTED TO THE SECTOR IN WHICH THE ISSUER AND THE GROUP OPERATE****4.2.1 Risks related to competition in the banking and finance sector**

Banco Popolare and the Group's companies are subject to the typical risks arising from competition in their activities in various sectors and face the typical risks arising from the performance of banking activities in Italy. The Group is mainly active in the banking, credit, and financial intermediation sectors. In this regard, the banking sector in Italy is experiencing a consolidation phase characterised by increased competitiveness, due to the following factors: the transposition of EU directives aimed at liberalising the European Union banking sector; deregulation of the banking sector throughout the European Union, and especially in Italy, which has encouraged competition in the traditional banking sector with the effect of gradually reducing the spread between lending and deposit rates; the Italian banking industry trend focused on revenues from commissions, which leads to greater competition in the field of asset management and investment banking services; the amendment of certain Italian tax and banking laws; the introduction of services with a strong component of technological innovation, including Internet and phone banking. In addition, foreign banks in Italy are expanding their activities. The markets where the BP Group operates are characterised by growing competition that tends to reduce, in the absence of appropriate corrective action, the margins of the Group's profitability. The processes described above could have a negative effect on Banco Popolare Group's equity and financial position results, because of increased competition in the sector.

**4.2.2 Risks related to changes in the banking and finance sector regulations**

The Banco Popolare Group is subject to regulations and, in particular, supervision by Banca d'Italia and the Consob. The legislation applicable to the Banco Popolare Group governs the sectors where banks can operate in order to preserve the stability and soundness of banks, limiting their risk exposure.

In particular, the Issuer and the Group's banking companies are required to follow applicable banking regulations, regarding capital adequacy requirements. Any changes to the mode of application of these regulations, or implementation of legislation on capital requirements for financial institutions – including the capital adequacy requirements – could influence Banco Popolare Group's business, financial position, cash flow, and operating results. As some laws and regulations affecting the Group are newly approved, the special rules applicable to operations of financial institutions are still evolving.

Banca d'Italia recognises the credit ratings issued by external credit assessment agencies (ECAI) for the determination of weighting under the standardised approach (Basel II). Banco Popolare uses the assessments of some ECAI including the ratings provided by the Cerved Group S.p.A.

As required by relevant legislation, Banca d'Italia provides for the mapping of credit assessments issued by the ECAI to the risk weighting classes under the same laws thereof. With reference to the above on 6 July 2010, Banca d'Italia revised these mappings with reference to the ratings provided by the Cerved Group S.p.A. The amendment will come into force on 31 December 2010, which with all conditions being equal will imply, an increase of the Group's RWA estimated at around EUR 5 billion, calculated based on the activities and rating issued by Cerved Group S.p.A. as at 30 June 2010.

Moreover, following the recent crisis that hit financial markets in the last quarter of 2010, the Basel Committee on Banking Supervision has approved substantial enhancement of minimum capital requirements and changes to the rules on liquidity of banks (Basel III), with gradual entry into force of the new prudential

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requirements laid down from 1 January 2013 to 31 December 2019. More specifically, the reform of prudential regulations relating to capital can be summarised as follows: (i) Banks' minimum level of common equity, similar to but more restrictive than the current Core Tier 1 Ratio, will increase from 2% to RWA (3.3% for Italian banks) to 7%, total value including a capital buffer (capital conservation buffer), of 2.5%, that the banks need to accumulate gradually, in the form of common equity, to deal with any future periods of stress (failure to comply with the requirement, including the capital conservation buffer, results in penalties in terms of ability to distribute profits, pay bonuses, and purchase treasury shares/stocks); (ii) the Tier 1 Ratio should be at least 8.5% of RWA, including the capital buffer mentioned above, compared to 4% now; (iii) the national authorities may impose an anti-cyclical buffer, of up to 2.5% of the Tier 1 Capital, in the presence of excessive expansion in credit volume granted by the banking system; (iv) the Total Capital Ratio should be no more than 10.5%, with the possibility of increase up to 13% in case of total activation of the mentioned anti-cyclical buffer cyclical, (v) Tier 2 Capital computable in order to achieve 10.5% may represent no more than 2% of RWA compared to the current 4% (the Tier 3 Capital is, however, destined to disappear).

The reform measures governing liquidity provide firstly for the introduction of a short term requirement (liquidity coverage ratio), for the establishment and maintenance of a liquidity buffer to enable survival of the bank for thirty (30) days in the case of serious stress.

It also provides for the introduction of a requirement over a longer period of time (net stable funding ratio) aimed at ensuring bank continuation for a year, the period within which less liquid assets need to be financed by medium and long-term funding.

With regards to the timing of the entry into force of the new prudential rules, which must first be transposed in the individual national legal systems, the Basel Committee has proposed a gradual application phase, as follows: (i) increase in common equity and Tier 1 Capital, and reduction of Tier 2 Capital, with effect from 2013 until 2015, (ii) the gradual introduction of a conservation capital buffer with effect from 2016 until 2019; (iii) the possible introduction of an anti-cyclical capital buffer with effect from 2013; (iv) the gradual introduction of new deductions from regulatory capital relating to deferred tax assets (DTA, net deferred tax assets), financial investments and minority interests with effect from 2014, an increase of 20% per year until full implementation in 2018; (v) the gradual exclusion from Tier 1 Capital and Tier 2 Capital of debt instruments without the new eligibility requirements (with effect from 2013) with a reduction of 10% per annum; (vi) the entry into force of the two new mandatory minimum liquidity requirements which will take effect, respectively, from 2015 (liquidity coverage ratio, 30 days) and from 2018 (net stable funding ratio, for 12 months).

The strengthening of capital requirements, liquidity constraints, the increase of coefficients applicable to the Group on the basis of laws and/or regulations to be adopted in future, could adversely affect the business, financial position, the cash flow and the operating results of Banco Popolare Group as well as the ability to distribute dividends to shareholders. With particular reference to capital requirements, the most significant impacts for the Banco Popolare Group are presumably expected to arise, (i) from the progressive non-computability in regulatory capital, introduced by prudential regulation reforms, of subordinated debt instruments eligible on the basis of current regulations in force and (ii) the progressive deduction from regulatory capital of deferred tax assets (DTA). In particular, there may be difficulties in the replacement of subordinated debt instruments, from time to time, no longer eligible for the purposes of regulatory capital with new compliant sources in relation to the new prudential regulations, which could make it harder to meet

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the new minimum capital requirements, at least with regard to the capital conservation buffer component, leading to potential restrictions on the distribution of dividends. In this regard, it is believed, however, that the Capital Increase, once completed, will enable Banco Popolare to effectively anticipate the effects of the reform of prudential regulation, which substantially reduces the risk of failure to meet the new minimum requirements.

**4.2.3 Risks related to the reduction of liquidity support for the system**

Because of the recent financial market crisis, the situation of reduced liquidity available to industry operators, an increase in the risk premium and the increase in capital requirements required by investors, there is a widespread need to ensure banks' capital levels are higher than previous levels. In many European countries, this has been achieved through actions to support the banking system and the direct intervention in banks' capital in various forms, by the Government. These forms of financing have been technically possible if supported by the presentation of collateral securities deemed adequate by the various central institutions.

Inability to find liquidity on the market through access to central institutions upon presentation of appropriate assurances, i.e. the significant reduction or disappearance of liquidity to support the system from governments and central authorities, may create more difficulties in finding market liquidity and/or increased costs associated with the use of this liquidity, with possible negative effects on the Group's business, financial position and operating results.

**4.3 RISK FACTORS RELATING TO THE OFFER AND TO THE FINANCIAL INSTRUMENTS OFFERED****4.3.1 Risks relating to liquidity and volatility of financial instruments**

The Option Rights and BP Shares present the same risks as an investment in listed securities of the same nature. The holders of these instruments can liquidate their investment by selling on the MTA.

These instruments may present liquidity problems independent of the Company, the demand for sale, and therefore, may not find adequate and timely compensation, and may even be subject to significant fluctuations, in price. Factors including changes to the Company's or its competitors' economic and financial situation, (capital and revenue), changes in the general conditions in which the Company operates, in the general economy and financial markets, changes in the legal and regulatory framework and the dissemination by the press of news relating to the Company, could cause substantial fluctuations in the price of Banco Popolare's shares, and possibly Option Rights.

In addition, stock markets in recent years have found a somewhat unstable pattern of prices and trading volumes. These fluctuations could, in the future adversely affect the market price of Banco Popolare shares, and possibly, Option Rights, regardless of the economic and financial results that the Banco Popolare Group will be able to realise. The trading price of the Option Rights will depend, among other things, on changes in Banco Popolare's share price and may be subject to greater volatility than the market price.

Under the Offer, some of the company shareholders' may decide not to exercise their Option Rights and sell them on the market. This could have a negative effect on the market price of the option rights or the shares.

For more information, see Section Two, Chapter IV, Paragraph 4.1. and Section Two, Chapter V, Paragraph 5.2.2 of the Prospectus.

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**4.3.2 Risks associated with underwriting commitments and guarantees and partial implementation of the Capital Increase**

On 24 October 2010, Mediobanca and Merrill Lynch International, as Joint Global Coordinators and Joint Bookrunners signed a pre-guarantee contract pledging to guarantee – under the terms and conditions customary for this type of transaction and up to a maximum total of EUR 2 billion – the subscription of a number of BP Shares corresponding to the any Option Rights which remain unexercised at the end of the Offer on the Stock Exchange. Within the guarantee syndicate – coordinated and managed by Mediobanca and Merrill Lynch International – Credit Suisse, Deutsche Bank and Goldman Sachs will act as Joint Bookrunners, while Banco Santander, Crédit Agricole CIB, Equita SIM, ING, Keefe, Bruyette & Woods, MPS Capital Services, RBC Capital Markets, The Royal Bank of Scotland and Société Générale Corporate & Investment Banking will act as Co-Lead Managers.

The guarantee agreement, which will be entered into before the publication of the Prospectus will be prepared in accordance with market practice and will include the commitment of financial institutions participating in the syndicate, (the “**Guarantors**”) to subscribe to a number of BP Shares corresponding to any Option Rights that remain unexercised at the end of the Offer on the Stock Exchange up to a maximum of EUR 2 billion and customary provisions make the effectiveness of the guarantee conditional or give the right to Joint Bookrunners to revoke the guarantee commitment of the Guarantors, upon the occurrence of *inter alia* any events that may affect the success of the Offer (so-called “material adverse change” or “force majeure”), or in the case of serious violations of the Company’s undertakings or representations provided in the guarantee agreement.

If the Capital Increase is not fully subscribed as a result of the Offer on the Stock Exchange and the Joint Global Coordinators exercise the right to withdraw from guarantee commitments (and therefore the Capital Increase would only be implemented for the part subscribed following the Offer on the Stock Exchange) the purpose of the Offer may be affected or only partially implemented.

For more information, please see Section Two, Chapter V, Paragraph 5.4.3. of the Prospectus.

**4.3.3 Risks related to the dilutive effects of the Capital Increase**

In view of the fact that BP Shares are offered to shareholders and holders of the Convertible Bonds, there is no dilution in terms of the holdings in the Issuer’s fully diluted share capital (calculated assuming the full conversion of the Bonds and the full subscription of the Capital Increase) for those entitled to subscribe the Offer who so subscribe to the extent of their entitlement. With reference to the percentage of actually issued share capital held, shareholders who decide to subscribe to the Offer for their entire part, would however, suffer a maximum dilution of 12.86% in the event that Bondholders, in whole or in part, opted to subscribe to the Option Rights assigned to them.

The Issuer’s shareholders who choose not to subscribe to the Offer for the portion of their entitlement could see their stake in the capital effectively issued diluted by a maximum of approximately 63.68%.

However, considering the percentage of fully diluted share capital (calculated with reference to the situation before the Offer, assuming full conversion of the Bonds based on the current conversion ratio and, with reference to the post-Offer situation, assuming full subscription of the Capital Increase), the Bondholders and

**RISK FACTORS**

shareholders who decide not to subscribe to the Offer for the portion of their entitlement could see their stake in the capital fully diluted by a maximum of approximately 58.32%.

**4.3.4 Risks related to the markets in which the Offer is not permitted without the authorisation of the competent authorities**

The Offer is restricted to the Italian Republic, based on the Prospectus.

The Prospectus does not constitute an offer of securities in the United States of America, Canada, Japan and Australia or in any other country where such offer is not permitted without the authorisation of the competent authority (jointly with the United States of America, Canada, Japan and Australia, “**Excluded Countries**”).

The Offer is not being made and will not be promoted in the Excluded Countries, or to persons residing there. No security may be offered or traded in the Excluded Countries in absence of specific registration or exemption from registration under the provisions of applicable laws.

BP Shares and Option Rights have not been registered and will not be registered under the United States Securities Act of 1933, as amended, or under the corresponding legislation of other Excluded Countries and therefore they may not be offered, sold or delivered, directly or indirectly, in the Excluded Countries.

All participation in the Offer directly or indirectly in violation of the restrictions described above will be considered invalid.

We encourage shareholders of Banco Popolare and the Bondholders who are not in the Italian territory, to make use of specific legal advice on the part of its consultants, before taking any action in relation to the Offer.

## **CHAPTER V – INFORMATION ABOUT THE ISSUER**

### **5.1 History and evolution of the Issuer**

#### ***5.1.1 Legal and commercial name of the Issuer***

The Issuer is called Banco Popolare – Società Cooperativa and is established as a co-operative company. Banco Popolare also operates using, directly or indirectly, also on its own and/or in an abbreviated form, as distinctive and traditional signs of local relevance, the commercial names “Banco Popolare di Verona e Novara”, “Banca Popolare Italiana – Banca Popolare di Lodi”, “Banca Popolare di Verona”, “Banca Popolare di Verona – Banco S. Geminiano e S. Prospero”, “Banco S. Geminiano e S. Prospero”, “Banco San Marco” and “Banca Popolare del Trentino”.

#### ***5.1.2 Place of registration of the Issuer and registration number***

Banco Popolare is registered in the Register of Companies of Verona, at number 03700430238 and in the Register of Banks held by the Banca d’Italia at no. 5668. The company is also the Parent Company of the Gruppo Bancario Banco Popolare, registered in the Register of Banking Groups at no. 05034.4.

The Company also belongs to the Fondo Nazionale di Garanzia and the Fondo Interbancario di Tutela dei Depositi.

#### ***5.1.3 Establishment date and duration of the Issuer***

Banco Popolare was founded, in accordance with Article 2501 of the Civil Code, on 1 July 2007, through a merger between BPVN and BPI. The deed of merger was entered into on 27 June 2007, as per notarial deed of Ruggero Piatelli, reference no. 98.543 and was registered at the Register of Companies of Verona, upon registration of the same at the Register of Companies of Lodi, on 1 July 2007.

In accordance with Article 2 of the Articles of Association, the duration of the Issuer is fixed until 31 December 2040, with the right to extension.

#### ***5.1.4 Domicile and corporate designation, laws under in which the Issuer operates, country of establishment and registered office***

The Issuer was established in Italy as a co-operative company and operates according to Italian law.

The registered office of the Issuer and its head office is in Verona, Piazza Nogara 2, (postal code 37121, telephone +39 045 8675111, website [www.bancopopolare.it](http://www.bancopopolare.it)), and it performs its activities at the administrative offices in Verona and in Lodi, and all the branches, with permanent organisational facilities in Novara.

#### ***5.1.5 Important facts in the evolution of the activity of the Issuer and the Group***

Since the Banco Popolare was founded through a merger of two existing banks (notably BPVN and BPI), the most significant events are considered below referring respectively, before the merger, to BPVN and BPI as independent institutions, as well as the most relevant events subsequent to the merger.



## The BPVN Group

On 20 May 2002, following the resolutions approved on 9 March 2002 by the respective Extraordinary Shareholders' Meetings, the merger documentation was drawn up – with legal effect as at 1 June 2002 – between the Banca Popolare di Verona – Banco S. Geminiano e S. Prospero, cooperativa di credito a responsabilità limitata, and the Banca Popolare di Novara, cooperativa a responsabilità limitata, through the establishment of the Banco Popolare di Verona e Novara – Società cooperativa a responsabilità limitata.

Some of the most significant events in the history of the two banks before the merger and brief notes regarding the activities carried out by BPVN after the merger are outlined below.

\* \* \*

### *Historical notes*

#### *Banca Popolare di Verona – S. Geminiano e S. Prospero*

The Banca Mutua Popolare di Verona was founded on 21 June 1867, the seventh Banca Popolare in Italy in chronological order upon the initiative of representatives of the agricultural and craft world, economic operators and professionals, who could count on the support of the Chamber of Commerce of Verona, on which the most innovative entrepreneurial movements of the city depended at the time.

The Banca Mutua Popolare di Verona immediately underwent a significant development, overcoming the 1929 crisis which had hit the national banking system of the era very hard, and in 1935 began the acquisition of the Banca Cattolica Veronese which had 30 branches in the agricultural areas of the province.

Having overcome the war period, the Banca Mutua Popolare di Verona accelerated its expansion, actively taking part in the reconstruction of the economic fabric in its district. In that period about twenty branches were opened and in 1960 it acquired the title of “agent bank for foreign trade”.

In the 1980s it was the main player in an intensive territorial expansion operation, both directly opening an increasingly high number of branches, and through extraordinary acquisitions of other credit institutions, hence further defining its quality as an “aggregating bank”. It succeeded in the purchase of network banks and branches of foreign banks; in 1983 it purchased the Banca A. Tamai di Spilimbergo; in 1987 the Venezia – S. Marco branch was purchased from the Banca Manusardi and in 1988 the Milan branches of the Chemical Bank and the Standard Chartered Bank; in 1989 it purchased the Banca Popolare di Arzignano and in the same year also the Banca Popolare di Castiglione delle Stiviere, a total of 14 branches, consolidating its leadership among the Co-operative Banks in the Veneto region.

In 1993 the Banca Popolare di Verona launched a public tender offer which led to the purchase of the Banco S. Geminiano e S. Prospero S.p.A. di Modena; the success of the operation marked the beginning of local expansion (106 branches) along the economic route in the Emilia region, which due to the geo-economic type and entrepreneurial quality of the market, turned out to be akin and complementary to the territories of the Triveneto area overseen by the Banca Scaligera.

In 1996 the incorporation of the Banco S. Geminiano e S. Prospero S.p.A. was drawn up with the modification of the company name to “Banca Popolare di Verona – Banco S. Geminiano e S. Prospero”. This also qualified its presence by developing its foreign operations through the establishment, in 1991, of a

branch in Luxembourg, which led to the creation of its own direct issue in the Grand Duchy called “Gruppo Bancario Popolare di Verona – S. Geminiano e S. Prospero International S.A.”.

In October 1997, the Banca Popolare di Verona – Banco S. Geminiano e S. Prospero gained control of the Credito Bergamasco, an important institution with 200 branches across the North East of Italy (Lombardy and Veneto), which integrated very well with the presence in the area of the Banca Popolare di Verona. Currently the Credito Bergamasco is an important credit institution in Northern Italy, which offers its clients a full range of products and services, ranging from asset management to merchant banking, and from insurance banking products to leasing. In 1994 the shares of the Credito Bergamasco were listed on the MTA.

Over the month of May 2000, the Banca Popolare di Verona – Banco S. Geminiano e S. Prospero gained control of the Banca Aletti, a company specialising in security investment services. This operation was part of a bigger picture involving the reinforcement of the Group’s direct presence in asset management.

### *Banca Popolare di Novara*

The bank was founded as a bearer share owned co-operative credit company by Royal Decree of 17 September 1871. Its establishment was based on the initiative of some representatives of the city’s political and entrepreneurial world, who interpreted the credit supply requirements of Novara’s economic fabric, largely made up of craftsmen, small traders and farmers.

The first operative branch was opened on 4 March 1872. In August 1874 the first branch outside Novara was opened. In 1890 the Banca Popolare di Novara extended its operations outside the provincial and regional boundaries, establishing the Sesto Calende (Varese) branch.

At the end of the Great War, the Banca Popolare di Novara had over 50 branches and almost 8,000 shareholders and was a reference operator in the banking system, working towards its restructuring. Straight after the war the Banca Popolare di Novara reached Genoa (1919), Milan (1920) and Rome (1921) and strongly expanded its presence in its historical area (incorporation of the Banca Popolare della Lomellina, in 1922, and the Piccolo Credito di Cuneo, in 1929) and elsewhere (purchasing the Banca Popolare Cooperativa di Venezia, in 1924, and the Banca Popolare di Como, in 1935).

Just before the Second World War the Banca Popolare di Novara owned 211 branches in the most developed areas of Italy (Piedmont, Valle d’Aosta, Liguria, Lombardy, Veneto and Lazio) and had more than 20,000 shareholders. At the end of the Second World War, the Banca Popolare di Novara contributed to supporting the reconstruction work and the economic recovery of the country.

New branches were opened in the big cities, in its historical territory and in Central Italy (incorporation of the Banca Popolare di Terni in 1957, the Banca Popolare di Firenze in 1967, and the Banca Popolare della Maremma in 1974); representative offices were established in London, Frankfurt and then in Madrid, New York and Caracas.

A hundred years after it was founded, in 1971, the bank had about 300 branches and 83 collector’s offices, over 55,000 shareholders and a presence in 23 provinces and 9 regions.

In 1978 the bank was listed on the Mercato Ristretto (second-tier market); it expanded its presence abroad (Banca Interpopolare di Zurigo e Lugano), in Central and Southern Italy (incorporation of the Banca Popolare di Pisa, Banca Popolare di La Spezia e di Lunigiana, Banca Popolare di Nola, Banca Popolare di

Catania and Credito Campano); it gained holdings in building credit (INCE, in 1981), in medium to long-term credit (Efibanca, in 1984), in mutual investment funds (Sogepo, in 1986) and in merchant banking (Cofilp, in 1987). In 1988 it took control of the Banca Popolare di Lecco, Banca Sannitica and Banque de l'Union Maritime et Financière, Paris. In 1991 it began operating in Luxembourg.

By the early 1990s, the bank already had over 400 branches and 100,000 shareholders.

The institution then proceeded to sell its holdings in the Banca Popolare di Lecco, Efibanca and Mediocredito Piemontese. As of 1995, this phase continued with the incorporation of the INCE and the Banca Sannitica, the disposal of the Istituto per la Cessione del Quinto (Novara ICQ), the Novara Broker (insurance brokering) and the Banca Novara Suisse (formerly Banca Interpopolare), the winding up of Cofilp and the sale of other non-strategic holdings, including that in Centrobanca.

Another rationalisation effort was carried out in the real estate sector and in the tax services sector, with extraordinary spin-off operations in favour of full subsidiaries.

\* \* \*

### ***Brief notes on BPVN's activities***

During the course of the 2003 financial year, a restructuring project was completed within the BPVN Group, which led to:

- the transfer by demerger of 84 branches of the Banca Popolare di Novara to BPVN, including the Venice Affairs Area and the other Affairs Areas supporting the network;
- the transfer of 33 branches of the Banca Popolare di Novara to the Credito Bergamasco, including the Affairs Areas supporting the network;
- the transfer of 36 branches of the Credito Bergamasco to BPVN, including the Affairs Areas supporting the network, and the "Banco San Marco" brand which was promoted and reinforced through the use of other branches in the Venice area.

During the 2004 financial year, the Banca Popolare di Novara reached an important agreement with Azimut Sgr S.p.A., acquiring the Banca Depositaria mutual investment funds placed by the aforementioned company entering with a stake of 2.49% in the share capital of Azimut Holding S.p.A., a leading company in the financial services sector.

On 1 January 2005, the "Gestioni Patrimoniali" (Capital Management) project was completed, aiming to transfer to Banca Aletti the company branches of the group's banks and the individual portfolio management.

On 29 September 2006, the agreements were drawn up relating to the exchange of two company branches made up of (i) 18 bank branches of the BPI Group, all located in Trentino Alto Adige (Province of Trento) and (ii) 9 branches of BPVN and 9 of the Banca Popolare di Novara, located in the Marche region (provinces of Ancona and Macerata), in Tuscany (provinces of Florence, Livorno, Arezzo and Massa), in Umbria (province of Terni) and in Lazio (province of Frosinone, Rome and Latina).

The BPVN Group also reinforced its presence in Eastern Europe, acquiring, in July 2006, control of the Banka Sonic, Zagreb (now BP Croatia) and, in May 2007, control of IC Bank di Budapest (now BP Hungary) and IC Banka, Prague (now BP Ceska Republika)<sup>(27)</sup>. At the same time, still in the context of the foreign markets, the new representative office in Beijing was opened, alongside the already existing offices in Shanghai and Hong Kong, as well as the Indian office in Mumbai.

### **The BPI Group**

The origins of BPI, the first co-operative bank in Italy, date back to March 1864 when Tiziano Zalli promoted the foundation of a co-operative bank in Lodi. Over the years, a close network of offices was quickly built up with the fundamental objective of developing the local economy. At the start of the 1900s, BPI started its small savings services and proceeded by intensifying initiatives of welfare, cultural and economic public utilities, through ordinary and extraordinary contributions. During the two World Wars, BPI further developed its welfare and support work for customers, employees and the whole community, supporting the reconstruction work and the recovery of production.

The gradual growth undertaken from the start has allowed BPI to develop its deep connection with the Lodi area, which is still one of its reference institutions today. The expansion of the network of branches outside its province of origin began back in 1980, with the progressive opening of numerous agencies in many provinces in Lombardy, Piedmont, Emilia Romagna and Lazio, and with the acquisition of banking institutions starting in the 1990's especially in Sicily. After its entry in the main list of the Borsa Italiana, which took place in 1998, many banks characterised by a strong emphasis on local roots were integrated within the BPI Group, in rapid succession: the Cassa di Risparmio di Lucca Pisa Livorno, the Cassa di Risparmio di Imola, the Banca Popolare di Crema, the Banco di Chiavari e della Riviera Ligure, the Banca Popolare di Cremona and the Banca Caripe<sup>(28)</sup>.

During 2000, BPI made further acquisitions, including Efibanca, Banca Popolare di Forlì, Banca Popolare di Ferrara e Rovigo, Gruppo Casse del Tirreno, Cassa di Risparmio di Imola, Banca Popolare di Crema; over the course of 2001 Banca Valori became operative (focusing on private banking) and the Central-Southern Italy Area was created (Campania, Molise and Basilicata).

The development and expansion process carried out by the BPI Group mainly through the acquisition of network banks and other financial companies, led to the creation of a group with a network of 975 branches.

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### **Main events after the foundation of Banco Popolare**

After the merger, the integration plan was launched between the BPVN Group and the BPI Group for the purpose of following these macro-objectives: (i) definition of the organisational model of the new structures and rationalisation of the functions that, due to the aggregation of the two Groups, were duplicated; (ii) rationalisation in some departments, specifically Finance, Merchant Banking and Information Technology, of the company organisations (through merger operations, transfer of company branches, etc.), and consequently of the relative organisational structures, in order to be able to proceed with the rationalisation of the product range and compensate for the presence of having more than one company with the same

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<sup>(27)</sup> Holding being divested (see Section One, Chapter V, Paragraph 5.1.5, of the Prospectus).

<sup>(28)</sup> See footnote no. 2.

intervention context with objectives in terms of cost synergies; (iii) migration of the banks belonging to the BPI Group to the target information system; (iv) centralisation of some activities within the Group in order to allow cost synergies; (v) implementation of commercially-driven activities in the areas destined to generate revenue synergies.

Along with the integration plan, Banco Popolare promoted the following projects: (i) rationalisation of the portfolio of holdings held by Banco Popolare; (ii) reorganisation of the insurance banking activities; (iii) reorganisation of the Banca Italease Group as well as the consumer credit, private banking, and insurance brokering departments and asset management; and (iv) rationalisation and promotion of the real estate assets. Banco Popolare also proceeded to define some pending legal cases, to issue financial instruments and to make some acquisitions and transfers.

### ***Integration project between the former BPVN and BPI Groups***

As of the second half of the 2007 financial year, the complex integration and migration operations of the banks ascribable to the former BPI scope were launched, towards the technological platforms and target services of the Banco Popolare Group. In particular, the migration, which began in 2007 and was completed at the start of 2008, took place on the following dates: Banca Popolare di Crema (8-9 September 2007), Banca Popolare di Lodi (3-4 November 2007), Cassa di Risparmio di Lucca Pisa Livorno (2-3 February 2008) and Banca Popolare di Cremona e Banca Caripe<sup>(29)</sup> (1-2 March 2008).

On 11 March 2008, the Board of Management and the Supervisory Board of the Banco Popolare approved a restructuring project for the Network Banks which involved, in particular, the Banca Popolare di Verona – S. Geminiano e S. Prospero, the Banca Popolare di Lodi and the Banca Popolare di Novara. In particular, the transfers between Banca Popolare di Verona – SGSP, BPL and BPN involved 147 branches, as well as the Affairs Area structures, covering a total of 720 resources, divided between the banks and geographical areas:

- 40 BPL branches were transferred to BPN concentrated in Basilicata (3), Campania (13, and 1 cash and treasury branch), Molise (8), Piemonte (13), Calabria (3);
- 43 BPL branches were transferred to Banca Popolare di Verona – SGSP, concentrated in Emilia Romagna (22), Friuli Venezia Giulia (1), Veneto (20);
- 33 BPN branches were transferred to BPL, concentrated in Sicily (18) and Lombardy (15);
- 31 Banca Popolare di Verona – SGSP branches were transferred to BPL, concentrated in Emilia Romagna (25), Marche (1), Lombardy (5).

The restructuring operation was carried out through partial demergers of company branches with effect from 1 November 2008 for the branch exchanges between BPL and Banca Popolare di Verona – SGSP, and from 1 December 2008 for the branch exchanges between BPL and BPN.

Still within the context of the initiatives for the purpose of reaching the organisational rationalisation objectives, at the beginning of 2008, the transfer to the Issuer of the London branches of Banca Popolare di Verona SGSP and BPL was finalised, through the partial demerger of the company branches with effect from 1 January 2008.

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<sup>(29)</sup> See footnote no. 2.

On 27 January 2009, Banco Popolare first implemented what had been established in 2008 regarding organisational modifications and the consequent streamlining of the governing bodies of the Network Banks, with a reduction in the number of members of the Boards of Directors and the removal of Executive Committees.

On 27 March 2009, the merger by incorporation of Bipitalia Alternative S.p.A. forming Bipielle Finanziaria S.p.A. was finalised and on 31 March 2009, the merger by incorporation of Bipielle Finanziaria S.p.A. forming HPFBP was finalised.

On 5 May 2009, the transformation into a consortium of Società Gestione Servizi BP S.p.A took place, which became Società Gestione Servizi BP Società Consortile per Azioni. On 9 May 2009, a similar transformation operation affected BP Property Management S.r.l., whose name became BP Property Management società consortile a responsabilità limitata. On 1 October 2009, the transformation to a società consortile of Società Gestione Crediti BP S.p.A. took place, whose name then became Società Gestione Crediti BP Soc. Consortile per Azioni.

On 12 October 2009, the merger by incorporation of Andromeda Immobiliare S.r.l., Antares Immobiliare S.r.l., Antilia Immobiliare S.r.l., Azimuth Immobiliare S.r.l., Pegaso Immobiliare S.r.l. and Perseo Immobiliare S.r.l., was resolved, hence forming Bp RE. The mergers were finalised at the end of the 2009 financial year.

#### *Fondazione Cassa di Risparmio di Lucca*

Following the merger operation from which it originated, the Banco Popolare took on all the commitments previously undertaken by BPVN and BPI. These commitments undertaken by BPI also included the one resulting from an option agreement signed on 6 May 2005 with the Foundation.

In relation to the provisions of the said agreement, the Foundation had the right to exercise a sales option on 143,997,909 Cassa di Risparmio di Lucca Pisa Livorno ordinary shares (equal to 20.39% of the share capital) and the Banco Popolare was obliged to purchase the same shares at a price equal to the net equity of the Cassa di Risparmio di Lucca Pisa Livorno, as at the last financial statements approved by the shareholders' meeting of the Cassa di Risparmio di Lucca Pisa Livorno itself before the financial year of the option, multiplied by the contractually agreed multiple equal to 1.3054.

On 11 February 2010, the Foundation exercised its put option and on 5 June 2010, the Banco Popolare and the Foundation agreed the regulation methods for the amount of the sale of the above-mentioned shares that were the subject of the put option. This agreement established that the payment for the purchase of the shares of the Cassa di Risparmio di Lucca Pisa Livorno would take place 50% in cash (EUR 156.4 million) and the remaining 50% in Credito Bergamasco ordinary shares (valued at the average stock exchange price over the last five days prior to the execution date of the sale). The transfer of the Credito Bergamasco shares involved two distinct transactions: the first, equal to 9.99% of the capital of Credito Bergamasco on the execution date of the sale of the Cassa di Risparmio di Lucca Pisa Livorno shares which were the subject of the put option, the second, once authorisation was obtained for the purchase, from the Foundation for the further capital stake in Credito Bergamasco (equal to 1.57% of the share capital of Credit Bergamasco). As an integral part of the agreements, the Foundation was committed to grant Banco Popolare a purchase option, that could be exercised by the eighteenth month from the execution date, for all the Credito Bergamasco shares that the Foundation held as a result of the above- mentioned ruling, at a purchase price equal to the allocation value of the Credito Bergamasco shares to the Foundation. Until the expiry of the purchase option, the Foundation

cannot transfer the Credito Bergamasco shares purchased. The agreement also involves the termination of all existing agreements between the parties, including shareholders' agreements relating to the Cassa di Risparmio di Lucca Pisa Livorno, with the exception of certain existing business agreements between the Banco Popolare Group and the Foundation.

On 5 July 2010 (the end of the put option), the sale was carried out for the purchase, by Banco Popolare, of the 143,997,909 Cassa di Risparmio di Lucca Pisa Livorno ordinary shares by paying an amount equal to EUR 156.4 million in cash. At the same time, a transfer took place to the Foundation, of the first *tranche* of 6,166,512 Credito Bergamasco ordinary shares, equal to 9.99% of the capital, for a value of EUR 135.1 million. The remaining shares, equal to 970,199 (corresponding to 1.57% of the share capital of Credito Bergamasco) were transferred on 21 September 2010. The number of Credito Bergamasco shares that were transferred was determined in fulfilment of the original agreement of 6 May 2005, on the basis of the average Stock Exchange price over the last five days prior to the execution date (EUR 21.9097 per share).

As a result of these transactions, the controlling stake of Banco Popolare in Credito Bergamasco was reduced from 88.99% to 77.43% and the controlling stake of Banco Popolare in Cassa di Risparmio di Lucca Pisa Livorno was increased from 78.923% to 99.309%.

The agreements entered into on 5 June 2010 gave rise to a consolidated financial situation as at 30 June 2010 with liabilities corresponding to the amount paid in cash, equal to EUR 156.4 million, with a contra entry item of a reduction in the capital reserves. The effects attributable to the change in share profit-sharing are recorded on the execution date of the sale (5 July 2010); before this date the option issued by the Foundation did not give rise to any entry in the consolidated financial statements, except for what had been established by the accounting regulations because, as illustrated previously in the consolidated financial statements at 31 December 2009, the option was considered as a derivative with the aim of exchanging two instruments representing net worth, both considered to express a residual profit-sharing in the net assets of subsidiary companies controlled by the Parent Company. In later, regular accounts, the changes in the shares of profit held in Cassa di Risparmio di Lucca Pisa Livorno and in Credito Bergamasco are dealt with under the capital transactions between the Shareholders, because the Group maintains control of both companies. The effects in the consolidated financial statements are discerned according to the respective values of the stakes. The accounting figures for the group and third party net worth are adjusted to reflect the changes in the profit-sharing percentage and the difference between the net worth purchased and that sold should be determined directly from the change in net worth. On the basis of the changes in share profit-sharing on the execution date of the contract (5 July 2010), the transaction involved a reduction in the net worth of the group for a lower amount than the EUR 156.4 million in the first half-year of 2010 in the light of the payment to be made in cash. The effective decrease in capital was EUR 129.3 million. The lesser negative impact resulted from the differential existing at 30 June 2010 between the values allocated in the consolidated financial statements at the lower rates of the transfer. The option granted by the Foundation to the Banco Popolare for the purchase of the transferred Credito Bergamasco shares at a predetermined price will be the subject of an enquiry in the consolidated financial statements at a quota of a derivative for the representative instruments of net worth; this option, therefore, will not give rise to any accounting, economic or capital enquiry.

**(i) Rationalisation of stakes**

The transfer of 79.73% of the share capital of Banca Bipielle Net S.p.A. (now called Banca Network Investimenti S.p.A.) for EUR 104.7 million from Banco Popolare <sup>(30)</sup> to Sopaf S.p.A., De Agostini Invest S.A. and Aviva was completed on 26 September 2007. The transfer of 100% of the share capital of Area Life International Assurance Ltd to Sopaf S.p.A. and Aviva for EUR 18.3 million from Banco Popolare was also completed on 26 September 2007.

On 20 December 2007, Banco Popolare transferred 9.99% of the share capital of Cassa di Risparmio di Bolzano S.p.A. to Fondazione Cassa di Risparmio di Bolzano for EUR 115.4 million, in line with the book value.

During the fourth quarter of 2007, Banco Popolare joined the integration project between Borsa Italiana (of which it held a stake of 7.119% of the capital) and the company London Stock Exchange Plc. by a public exchange offer. The participation in the public exchange offer by Banco Popolare generated a gain, net of tax, of EUR 127.1 million.

The sale of 100% of the share capital of Basileus S.p.A., a company operating in the real estate sector, by Bp RE was formalised on 23 July 2008. The sale occurred at the price of EUR 16.2 million and caused a gain, net of tax, of approximately EUR 1 million.

On 23 July 2008, Banco Popolare and MPS (each with a stake of 16.65%) on one side and Mittel and Equinox (each with a stake of 33.3%) on the other subscribed to – in the context of the restructuring of Fingruppo's debts – an agreement aimed at the inclusion of Tethys, the corporate vehicle identified in order to proceed with the acquisition of Hopa's shares by Fingruppo. The acquisition was completed in December 2008.

On 31 July 2008, Banco Popolare concluded an agreement aimed at the transfer to Aviva of all of the participating shares, amounting to 50%, held in the capital of Finoa S.r.l., a joint venture through which Banco Popolare and Aviva held 81.14% of the capital of the insurance company Eurovita S.p.A.

The transfer by Banca Popolare di Verona – S. Geminiano e S. Prospero to Credito Emiliano S.p.A. of 33 bank branches located in Tuscany and the two Affairs Areas in the jurisdiction with a gross capital gain of EUR 118.4 million was completed on 1 September 2008.

On 6 November 2008, the Banco Popolare transferred a share of 14.23% of the share capital of Unione Fiduciaria S.p.A. to Banca Popolare di Milano for an amount equal to EUR 4.6 million with a gain, net of tax, of approximately EUR 1 million.

On 22 December 2008, Banca Popolare di Lodi completed the transfer of its holding equal to 56.99% of the share capital of Banca Popolare di Mantova S.p.A. to Banca Popolare di Milano, in execution of the contract stipulated between the parties on 23 July 2008 for an amount equal to EUR 32.49 million, with a gain, net of tax, of approximately EUR 1.5 million.

On 23 December 2008, the Banco Popolare Group (a Shareholder with 10.8% on its own and through its subsidiaries Credito Bergamasco and Cassa di Risparmio di Lucca Pisa Livorno), together with the other

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<sup>(30)</sup> At the Prospectus Date, Banco Popolare has a holding of 19.90% of the share capital of Banca Network Investimenti S.p.A.



major shareholders <sup>(31)</sup> of Centrale dei Bilanci S.p.A. – the company that controls 85% of Cerved Business Information, a leading company in the business information sector in Italy – finalised the sale of 91.8% of the capital of Centrale dei Bilanci to Bain Capital and Clessidra SGR for an amount equal to EUR 535 million with a capital gain, for the shares sold by Banco Popolare, equal to EUR 39.3 million before tax.

On 9 January 2009, Banco Popolare completed the transfer of a share equal to 7.62% of the share capital of Istituto Centrale Banche Popolari S.p.A. to Veneto Banca Holding S.p.A. for a total amount equal to EUR 36.5 million with a capital gain, net of related taxes, of approximately EUR 6 million. Following the above transfer, the shares held altogether by the Banco Popolare Group in the share capital of Istituto Centrale Banche Popolari S.p.A. was reduced to 25.11% of the share capital.

On 6 February 2009, Banco Popolare reached an agreement, under the voluntary purchase tender offer organised by BPER for Meliorbanca S.p.A., for the entire share package equal to 15.455% of the share capital of Meliorbanca, for a total amount of EUR 62.4 million.

On 21 February 2009, Banco Popolare and Pandette Finanziaria S.r.l. (“**Pandette**”) signed a partially amending and supplementary agreement for the sale and purchase option contract concerning ordinary shares of Rcs MediaGroup S.p.A. (“**RCS**”) owned by Banco Popolare entered into on 29 November 2006 between the two companies. The option contract relates to the granting, by Banco Popolare to Pandette, of an option for the purchase from Banco Popolare of RCS shares and the granting by Pandette to Banco Popolare of an option for the sale of these shares to Pandette. Banco Popolare will be able to exercise the put option and Pandette will be able to exercise the call option during the period between 18 February 2014 and 21 February 2014.

On 6 May 2009, the shareholders’ meeting of the subsidiary Bipielle Bank (Suisse), wholly owned by Banco Popolare, approved the voluntary liquidation.

On 26 October 2009 the transfer to Assietta S.p.A. of the holding equal to 100% of the share capital of Aletti Private Equity S.p.A. for an amount equal to EUR 1.4 million was completed, substantially in line with the capital value of the company.

On 9 December 2009, the transfer agreement of 100% of BP Ceska Republika by Banco Popolare to a company belonging to the English private equity fund AnaCap at a price equal to approximately EUR 47 million was signed. The confirmatory due diligence was successfully completed. Not having gained the authorisation for purchase by the Central Bank of the Czech Republic within the period stipulated in the contract for the execution of the sale, on 30 November 2010, the Board of Management of Banco Popolare approved the signing of a new agreement for the transfer of 100% of BP Ceska Republika to the English private equity fund AnaCap, with an expiry date of 30 June 2011, subject to authorisation for the purchase by the Central Bank of the Czech Republic.

The transfer of the holding Ch&f Bertolini, held by Efibanca as part of merchant banking activities, equal to 20.165% of the capital, was formalised on 2 July 2010. No economic effects emerged from this transaction as the book value had been aligned with the expected value of the transfer during the preparation of the consolidated financial statements for the financial year closed at 31 December 2009.

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<sup>(31)</sup> Intesa Sanpaolo S.p.A. (24.7%), UniCredit S.p.A. (22.8%), MPS (12.6%), Banca d’Italia (9%), Banca Nazionale del Lavoro S.p.A. (7%) and UBI Banca S.c.p.A. (5%).

The transfer of the entire stake held by the Group in Centrosim S.p.A., equal to 25.149% of the capital, was completed on 23 July 2010. The total value of the transaction is approximately EUR 2.3 million, which has been aligned with the consolidated book value of the company through a devaluation of EUR 1 million in the income statement for the second quarter of financial year 2009.

On 28 July 2010 Efibanca sold its 50% holding in AF Mezzanine SGR to Fineurop S.p.A.: the amount for the operation, set at EUR 0.8 million, is in line with the book value.

**(ii) Reorganisation of Insurance banking activities**

On 31 May 2007, BPVN and BPI signed an agreement with FonSAI for the development of a strategic partnership in the insurance banking activities of Banco Popolare in the life insurance and medical sector. The agreement was implemented through the purchase by Banco Popolare on 31 August 2007 through the subsidiary Holding di Partecipazioni Finanziarie Popolare di Verona e Novara S.p.A. (now HPFBP) of 50% <sup>(32)</sup> of the share capital of BPV Vita S.p.A. – which, with effect from 1 January 2008, changed its name to Popolare Vita S.p.A. (hereafter “**Popolare Vita**”), a vehicle company through which the partnership was operationally achieved – from the Società Cattolica di Assicurazione, with a total investment equal to EUR 64.2 million. On 7 September 2007, FonSAI acquired 50% of the share capital plus one share of Popolare Vita from Banco Popolare and from Credito Bergamasco for the total price of EUR 530 million with a capital gain, net of tax and the share of third parties, equal to EUR 433 million. On the same day, Popolare Vita and FonSAI signed, with effect from 1 January 2008, a distribution agreement for the insurance products of the life and medical branch with a ten-year duration, renewable for further five-year periods.

Article 6 of the shareholders’ agreement signed on 7 September 2007 between HPFBP, Banco Popolare and FonSAI regulates the put option that can be exercised by FonSAI on the shares held in Popolare Vita (50% + 1 share) towards Banco Popolare. This option can, among other things, be exercised upon the occurrence of: *“a change of control relating to HPFBP or Banco Popolare, for the latter case intending the transformation of Banco Popolare into a joint stock company with the simultaneous purchase, direct or indirect (implemented through any transaction included as an example to sale, donation, exchange, carry-over, contribution in kind, merger, division, etc.) by an insurance company or a financial company whose main activity is the insurance of a number of shares of Banco Popolare, post-transformation, so as to give control of Banco Popolare itself as defined in Article 2359 of the Civil Code or Article 93 of the TUF or Article 23 of the TUB”*.

The price to be paid by the Banco Popolare Group for the purchase of the aforementioned holding, in the event that the put option is exercised, will be equal to its appraisal through the use of the Appraisal Value.

On 23 November 2009, Popolare Vita acquired the entire share capital of Lawrence Life Assurance Company from Fondiaria Nederland B.V. (a Dutch company belonging to the FonSAI group) for the distribution of index-linked policies.

To complete the reorganisation of the activities in the insurance banking sector, on 20 June 2007 BPVN, BPI and Aviva signed a strategic partnership agreement in the insurance banking activities of Banco Popolare in the protection sector. The agreement was implemented on 14 December 2007 by: (i) transfer by Banco Popolare to Aviva of a holding equal to 50% (plus one share) of the share capital of Novara Assicura S.p.A.

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<sup>(32)</sup> The remaining 50% of the share capital of BPV Vita was held by Banco Popolare, in an amount equal to 35%, and by Credito Bergamasco for the remaining 15%.

(which, on the same date, changed its name to Avipop Assicurazioni) for a total amount of EUR 250 million, with a gain, net of tax, and the share of third parties of EUR 165 million and (ii) the signing of a distribution agreement, with effect from 1 January 2008, of the insurance products of the protection branch for ten years, renewable for further periods of five years.

Article 6 of the shareholders' agreement signed on 14 December 2007 between HPFBP, Banco Popolare and Aviva regulates the put option that can be exercised by Aviva on the shares held in Avipop Assicurazioni (50% + 1 share) towards Banco Popolare. This option can, among other things, be exercised upon the occurrence of: *“a change of control relating to HPFBP or Banco Popolare, for the latter case intending the transformation of Banco Popolare into a joint stock company with the simultaneous purchase, direct or indirect (implemented through any transaction included as an example to sale, donation, exchange, carry-over, contribution in kind, merger, division, etc.) by an insurance company or a financial company whose main activity is the insurance of a number of shares of Banco Popolare, post-transformation, so as to give control of Banco Popolare itself as defined in Article 2359 of the Civil Code or Article 93 of the TUF or Article 23 of the TUB”*.

The price to be paid by the Banco Popolare Group for the purchase of the aforementioned holding, in the event that the put option is exercised, will be equal to its appraisal through the use of the Appraisal Value.

**(iii) Reorganisation of the Banca Italease Group as well as the consumer credit, private banking, insurance brokerage and asset management divisions**

**Reorganisation of the Banca Italease Group**

Banca Italease was established on 13 December 1968 with the name “Società Italiana Popolare per il Leasing – Italease S.p.A.”, one of the first leasing companies in Italy, representing co-operative banks. In 1995 it was authorised to carry out banking activities and assumed the name Banca per il Leasing Italease S.p.A. and, on 11 April 2005, it assumed its current name “Banca Italease S.p.A.”.

On 27 October 2003 the main shareholders of Banca Italease – BPVN, BPER, Banca Antonveneta and BPS – signed the stability pact, an agreement that emphasises the strengthening and enhancement of Banca Italease as a leading company in the leasing sector in the Italian market. Società Reale Mutua Assicurazioni and BPM entered into the stability pact in July 2004 and April 2005 respectively. In June 2005 Banca Italease was listed on the MTA.

On 28 February 2008, the stability pact was dissolved and, simultaneously, Banco Popolare, BPER, Società Reale Mutua di Assicurazioni, BPS and BPM entered into a shareholders' agreement for a period of twelve months (28 February 2009), subsequently extended (with the exclusion of BPM who decided not to proceed with the renewal). On 8 July 2009 the deal, with the approval of Società Reale Mutua di Assicurazioni, was rescinded by mutual consent due to the accession of BPER and BPS to OPA.

Meanwhile, from 2007, Banca Italease and its subsidiaries were affected by some events that led to a sharp break with the past, influencing the ordinary and extraordinary activities, together with the consolidated financial results.

In particular, beginning with the second quarter of 2007, Banca Italease suffered huge losses related to its activities in derivative financial instruments and the sudden deterioration of the macroeconomic framework. This led Banca Italease to address, in the second half of 2007, a challenging recapitalisation programme

through a capital increase of EUR 700 million designed to support a financial reinforcement plan and to allow the financial rebalancing.

This capital increase operation was part of a programme of the redefinition of the organisational structures and control that Banca Italease had initiated on the basis of suggestions that emerged as the result of the inspection conducted by Banca d'Italia on Banca Italease during the period from 19 January 2007 - 27 June 2007.

Because of the progressive worsening of the financial crisis and economic scenario that involved the entire banking and financial system in 2008, Banca Italease had to gradually change the priorities and strategic objectives of its management.

In this context, beginning in the second half of 2008, the start of activities aimed at the search for possible partners in order to resolve the problems that the business model of the bank could no longer deal with in a stand-alone position over the long term assumed particular relevance.

Due to the sudden worsening of the economic crisis, however, the negotiations started with an important foreign operator in the sector failed to lead to an agreement and, given the decreased interest for acquisition of assets shown by operators, it also became impossible to implement the valuation processes for core and non-core assets that had been commenced as alternative options.

*The OPA, the reduction of the capital and the increase of Banca Italease capital, as well as the procedure relating to the compulsory purchase, pursuant to Article 108, second paragraph, TUF*

The search for a strategic long-term solution to the financial deterioration of Banca Italease and the major subsidiaries of Banca Italease has continued and has eventually found its realisation in the Framework Agreement with which, on 15 March 2009, Banco Popolare, BPER, BPM, and BPS approved, by signing the Framework Agreement, a complex operation aimed at the reorganisation and restructuring of the assets of the Banca Italease Group to be implemented through:

- (i) the promotion by Banco Popolare of a tender offer of voluntary purchase (“OPA”) of all of the outstanding ordinary shares of Banca Italease, not owned directly or indirectly by Banco Popolare, carried out pursuant to Articles 102 and 106, fourth paragraph, of the Consolidated Finance Act, with the aim of acquiring control of Banca Italease;
- (ii) the Banca Italease reorganisation operations, namely the concentration, after completion of the OPA, of part of the assets and liabilities of the Banca Italease Group in newly constructed financial companies: “Newco One” (i.e., Release) and “Newco Two” (i.e. Alba Leasing), destined to accommodate some of the activities, respectively prevalently non-performing and prevalently *in bonis* of the Banca Italease Group existing on 31 March 2009, in which, in addition to Banco Popolare and/or Banca Italease itself, BPER, BPS and BPM participate.

Banco Popolare, which owned a stake equal to 30.72% of the share capital of Banca Italease, has therefore promoted the OPA on the remaining 69.28% for a cash payment equal to EUR 1.50 per share. The OPA, the acceptance period of which began on 14 May 2009 (with a voluntary extension of the acceptance period from 9 to 15 July), ended on 22 July 2009 and brought the percentage share of Banco Popolare to 88.127% of the share capital of Banca Italease. Upon the result of OPA, with effect from 8 July 2009, Banca Italease Group joined Banco Popolare Group. The financial and economic situation of Banca Italease on 30 June

2009 showed a loss for the period equal to EUR 152,389,138 which, together with the losses carried forward during previous financial years (equal to EUR 1,555,717,563 and other negative reserves to be covered equal to EUR 18,943,239, net of available reserves of EUR 1,096,579,236) determined a total loss equal to EUR 630,470,704 which exceeded one third of the share capital pursuant to Article 2446 of the Civil Code and a further reduction of the capital requirements of Banca Italease below the minimum standards provided for by the prudential supervisory regulations for banks.

The Extraordinary Shareholders' Meeting of Banca Italease on 12 October 2009 (approving the balance sheet and income statement to 30 June 2009) approved, following the elimination of the indication of the par value expressed, a reduction of the share capital from EUR 868,966,074.48 to EUR 238,495,370.48 to cover the losses comprehensively ascertained equal to EUR 1,727,049,940 and, simultaneously, an operation of capital increase for a total amount quantified exactly by the Board of Directors of Banca Italease during the meetings of 28 October and 23 November 2009 during the exercise of the power conferred on it under Article 2443 of the Civil Code by the same Extraordinary Shareholders' Meeting of 12 October 2009 of EUR 1,199,000,687.76 and offered as an option payment to the shareholders of Banca Italease ("**Italease Capital Increase**"; for the details relating to the reduction of capital and the increase of capital for Italease, see the reports of the Board of Directors of Italease prepared, respectively, under Articles. 74 and 72 of the Issuer's Regulations as well as the prospectus relating to the Italease Capital Increase, available on the Banca Italease website: [www.bancaitalease.it](http://www.bancaitalease.it)).

Banco Popolare, directly and indirectly, as part of the Italease Capital Increase, exercised its option right under Article 2441 of the Civil Code, subscribing, on 23 December 2009, 1,484,089,120 ordinary shares of Banca Italease newly issued at a price of EUR 0.712 per share (of which EUR 0.612 is a premium) for a total value equal to EUR 1,056,671,453.44.

During the stock auction of 30 December 2009, Banco Popolare also acquired 6,053,376 option rights not exercised.

On 8 January 2010, Banco Popolare signed and issued, by virtue of the 6,053,376 option rights acquired, 60,533,760 newly released ordinary shares of Banca Italease (equal to 3.595% of the shares offered for subscription).

Following the purchase of the option rights indicated above related to the Italease Capital Increase that were not exercised during the stock auction and the signing and issue of 60,533,760 newly issued ordinary shares of Banca Italease, Banco Popolare, directly and indirectly, came to hold a total of 1,693,031,792 shares equal to 91.397% of the share capital of Banca Italease and communicated its intention not to restore the float and to fulfil its obligation to acquire the remaining 159,362,216 Banca Italease shares, equal to 8.603% of its share capital. The period for the compulsory purchase began on 8 March 2010 and ended on 26 March 2010. At the end of the compulsory purchase procedure, 138,116,651 Banca Italease shares were contributed, equal to 86.668% of the shares subject to the compulsory purchase, which Banco Popolare acquired on 31 March 2010 at a price of EUR 0.797 per share (for a total outlay of EUR 127,011,686.15) coming to hold 1,831,148,443 shares equal to 98.853% of the share capital of Banca Italease. Having passed the threshold of 95% of the share capital of Banca Italease, on 8 April 2010 Banco Popolare completed the joint procedure for the exercise of the right to purchase and to fulfil at the same time the compulsory purchase of the remaining 21,237,748 Banca Italease shares still in circulation and equal to 1.147% of Banca Italease at a price of EUR 0.797 per share. At the end of the joint procedure, Banco Popolare came to hold 100% of the

share capital of Banca Italease and, consequently, Borsa Italiana has ordered the delisting of shares in Banca Italease.

#### *The Banca Italease Group reorganisation*

In connection with the Banca Italease Group reorganisation, on 24 December 2009 Banco Popolare, BPER, BPS and BPM completed the Banca Italease Group reorganisation operations, proceeding with the merger of part of the assets and liabilities of the Banca Italease Group in newly created financial companies Release and Alba Leasing, destined to hold part of the assets, respectively, prevalently non-performing and prevalently in bonis of Banca Italease and its subsidiaries existing on 31 March 2009 through the contribution and division of corporate branches by Banca Italease and certain subsidiaries of Italease (notably Mercantile Leasing and Italease Network<sup>(33)</sup>). It should be noted that in order to ensure compliance with the minimum capital requirements set by the applicable laws and regulations, Banco Popolare made itself available to Banca Italease to ensure the capital resources necessary to ensure compliance with the capital requirements and to provide financial support for Banca Italease, also with regard to the expiration of existing bond issues and securitisations.

#### *Contributions in favour of Release*

On 23 December 2009, the deeds of partial demerger through the granting of the corporate branches including non-performing credits of Italease Network<sup>(34)</sup> and Mercantile leasing to Release were executed.

On 24 December 2009 Banca Italease proceeded with the execution in favour of Release of the in-kind contribution of the corporate branch including the assets, liabilities, and related legal relationships (whose main active component is represented by non-performing credits to customers relating to leasing agreements and mortgage loans and related liabilities). Then, on 31 December 2009, Banca Italease, BPER, BPS and BPM proceeded with the signing and release of cash for an increase in the share capital of Release for an amount equal to EUR 395 million to ensure a Total Capital Ratio of Release at least equal to 7%. Release has been equipped with operational structures, personnel (approximately 40 individuals) and means for carrying out its activities, with the intention of creating the best conditions for an efficient management of the branch granted, with a view to maximising its value. In terms of funding commitments, the new company is financed proportionally by its shareholders.

At the Prospectus Date, the share capital of Release, a financial intermediary registered in the general list under Article 106 of the TUB and in the special list under Article 107 of the TUB, is divided between Banca Italease, BPER, BPS and BPM as follows:

<b>Shareholder</b>	<b>Percentage of capital</b>
Banca Italease	80.00%
Banca popolare dell'Emilia Romagna	10.84%
Banca Popolare di Sondrio	6.24%
Banca Popolare di Milano	2.92%

Release launched its operations on 1 January 2010.

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<sup>(33)</sup> See footnote no. 5.

<sup>(34)</sup> See footnote no. 5.

### Contributions in favour of Alba Leasing

On 24 December 2009 Banca Italease and Mercantile Leasing proceeded with the execution in favour of Alba Leasing of the in-kind contribution of their respective corporate branches including, respectively, the assets, liabilities, and related legal relationships (whose main active component is represented by performing credits to customers relative to leasing agreements and mortgage loans and related guarantees) and the corporate branch including the assets, liabilities, and related legal relationships (whose main active component is represented by performing credits to customers relating to leasing agreements). Then, on 31 December 2009, Banca Italease, BPER, BPS and BPM proceeded with the signing and release of cash for an increase in the share capital of Alba Leasing for an amount equal to EUR 355 million to ensure a Total Capital Ratio of Alba Leasing at least equal to 7%. On 2 July 2010, Banca Italease and Alba Leasing signed an agreement that provided for the acquisition, by Banca Italease and Release, of a credit portfolio of Alba Leasing, for a conventional value reported on 31 December 2009 equal to approximately EUR 300 million, and the commitment of Alba Leasing to acquire a portfolio of credits in bonis for an equivalent total value from Banca Italease or from companies controlled by Banca Italease. During the preparation of the 2009 Annual Financial Report, Banca Italease was unable to punctually define the effects arising from the agreements relating to the securitisations and an allowance equal, on 31 December 2009, to EUR 100 million, the amount deemed representative of the net economic effects arising from the agreements, was set aside. On the same day, Banca Italease and Alba Leasing signed an agreement on the securitised credits aimed at better defining the rules relating to the transfer of the credits. Banca Italease fully used the allowance of EUR 100 million against the registration of the economic effects of the aforementioned agreement. The detection of the effects has, in essence, confirmed the estimates made during the 2009 Annual Financial Report.

Alba Leasing is equipped with operational structures, personnel (approximately 350 units) and the means for carrying out its activities, with the objective of focusing on specific business segments considered strategic and worthy of development according to the contribution that can be made by each member bank; i.e. in order to support the economies – with special reference to small and medium enterprises – of the settlement areas of the member banks and those with which there is an agreement. Accessory agreements were also signed relating to the credit *in bonis* portfolios originating from the banking channel and to a physiological part of non-performing credits, also originating from the banking channel, ceded to the service of securitisation operations implemented by Banca Italease with the purpose of allocating the risks connected to possible missing payments of the aforementioned credits and the related yields to Alba Leasing. In terms of funding commitments, Alba Leasing will be primarily financed by shareholders other than Banca Italease.

At the Prospectus Date, the share capital of Alba Leasing, a financial intermediary registered in the general list under Article 106 of the TUB and in the special list under Article 107 of the TUB, is divided between Banca Italease, BPER, BPS and BPM as follows:

Shareholder	Percentage of capital
Banca popolare dell'Emilia Romagna	36.44%
Banca Italease	32.79%
Banca Popolare di Sondrio	20.95%
Banca Popolare di Milano	9.83%

Alba Leasing launched its operations on 1 January 2010.

*Contributions in favour of Factorit and transfer of Factorit to Banca Popolare di Sondrio and Banca Popolare di Milano*

On 22 December 2009, as part of the rationalisation of the organisational structure belonging to the factoring division, aimed at making Factorit independent from the managerial and organisational point of view, the contribution deeds of the company's branches by Banca Italease and Itaca Service S.p.A. in favour of Factorit were stipulated, with effect from 31 December 2009, represented, respectively, by a corporate branch of an exclusively securities nature, composed of all of the assets (tangible and intangible) and liabilities related to the management of the activities of the administration, organisation, and general services performed by Banca Italease in favour of Factorit, as well as the management of the Copernico software, dedicated to the processing of the data concerning the factoring activities, and the applications related to it as well as a company branch conventionally called Information Technology Factorit represented by assets and liabilities and personnel assigned to the provision of information technology services connected to the Copernico software.

On 29 July 2010 the transfer, approved on 25 February 2010 by the administrative bodies of the seller and buyers, of 90.5% of the share capital of Factorit by Banca Italease to Banca Popolare di Sondrio, which acquired 60.5% of the company's capital assuming control, and to Banca Popolare di Milano, which took 30%, was completed. The remaining 9.5% will remain with the Banco Popolare Group. The payment for the transfer of 90.5% of the share capital of Factorit was equal to EUR 154 million, determined on the basis of the net equity at 31 December 2009. The transfer led to a positive impact of 14 basis points on the Core Tier 1 Ratio for the Banco Popolare Group. Following the transfer of control in Factorit, the network banks continue to distribute the factoring products to their customers, on the basis of previous agreements with Factorit. In addition, Banco Popolare has signed a five-year framework agreement with Factorit, with effect from 1 August 2010 and automatically renewable on expiry for the distribution of Factorit products to Group customers to be extended to the network banks in place of the previous agreements and for collaborative activities between the Group and Factorit in the factoring sector.

**Rationalisation of the merchant banking division**

As part of the rationalisation and improvement, into a single entity, of the structures and expertise of the group dedicated to corporate finance and merchant banking activities, the incorporation of Aletti Merchant S.p.A. in Efibanca was completed, effective from 1 October 2007.

**Reorganisation in the consumer credit division**

On 24 December 2007, Banco Popolare signed a sales contract with Compass S.p.A. (a company belonging to the Mediobanca group and active in the consumer credit sector) for a holding equal to 47.96% of the share capital of Linea S.p.A., a consumer credit company, for an amount equal to EUR 194.3 million with a capital gain, net of tax, equal to approximately EUR 95.5 million. The transfer was executed on 27 June 2008.

On 22 December 2008, in fulfilment of the agreements signed on 29 April and 19 May 2008, Crédit Agricole and Banco Popolare created a joint venture in the consumer credit sector through the integration of the respective companies specialised in consumer credit in Italy: Agos S.p.A. and Ducato S.p.A. In particular, the following corporate operations were carried out: (i) the sale of the representative shares of the totality of the share capital of Ducato S.p.A., from Banco Popolare to Agos S.p.A. at a price equal to EUR 1 billion; (ii) the capital increase of Agos S.p.A. for an amount of EUR 1 billion, fully underwritten by Banco Popolare.



Following the aforementioned capital increase, Agos S.p.A. is owned 61% by Sofinco S.A. (the consumer credit company of Crédit Agricole) and 39% by Banco Popolare. The operation led to a gain, net of tax, of approximately EUR 132.8 million for Banco Popolare. On 22 December 2008, Banco Popolare on one hand and Sofinco S.A. and Crédit Agricole S.A. on the other also signed a shareholders' agreement that provides, inter alia, that in the event that Banco Popolare, as part of a merger project with other institutions that have a company operating in consumer credit or in case it acquires a new subject that has control of an entity operating in the consumer credit sector, should hold a new company operating in this sector, it must offer to Agos Ducato, at the market price, the new entity indirectly acquired operating in the consumer credit sector.

In the event that Banco Popolare has not ceded the new entity to third parties in the meantime and has not renewed the commercial agreements signed with Agos Ducato for the second term, Sofinco S.A. will have the right to acquire 5% of the share capital of Agos Ducato at the nominal value from Banco Popolare, which will be committed to sell.

During the fourth quarter of 2009, Ducato S.p.A. was merged by incorporation in Agos S.p.A., which changed its name to Agos Ducato. On 22 January 2009 the shareholders Onda S.p.A. and Sviluppato Investimenti Estero S.p.A. (the expression, respectively, of the management of the Delta Group and the Cassa di Risparmio della Repubblica di San Marino) reached an agreement with Banco Popolare in order to allow the release of Banco Popolare from the shareholders of Delta S.p.A., a company active in the consumer credit sector. The agreement led to the transfer by Banco Popolare of the entire holding in the share capital of Delta S.p.A. equal to 13.293% for a total payment of EUR 43.834 million, with a capital gain equal to 3.5 million.

### **Reorganisation in the private banking division**

In implementation of the integration project between the BPVN Group and the BPI Group, the private banking activities of the Group's banks were centralised in Banca Aletti through (i) contribution of the private branch of Banca Valori S.p.A. composed of the ownership of the legal relationships with the customers and the holding in Nazionale Fiduciaria S.p.A. (the company that manages approximately EUR 630 million administrated assets) to Banca Aletti; (ii) transfer to Credito Bergamasco of the corporate branch relating to "non-private" customers of Banca Valori S.p.A., starting from 29 December 2008; (iii) cessation of the banking activities of Banca Valori S.p.A. through removal from the Register of Banks and transfer of the same into a finance company by Article 113 TUB, registered in the Register of financial companies with the name Valori Finanziaria S.p.A.

### **Reorganisation of the activities in the insurance brokerage sector**

On 29 May - 1 June 2009 the transfer to Arena Broker of the corporate branch of Bipitalia Broker S.r.l. (which then ceased its operation) was completed, consisting of assets, liabilities and contracts, including the employees, of Bipitalia Broker, and aimed at enhancing the efficiency of the insurance brokerage activities through the concentration of the structures belonging to the BPVN Group and the BPI Group in a single corporate vehicle.

The merger by incorporation of Bipitalia Broker S.r.l. into HPFBP and Efimmobiliare S.p.A. into HPFBP was approved on 14 July 2009. The mergers were both completed on 30 September 2009.

## **Reorganisation of the asset management sector**

On 28 July 2010 Banco Popolare acquired the entire holding of Aletti Gestielle and Aletti Gestielle Alternative previously held by HPFBP and Credito Bergamasco. The transfer of the holdings in question, which does not cause changes in the consolidation of the Group, was a prerequisite for the merger by incorporation of Aletti Gestielle Alternative into Aletti Gestielle which took place on 3 December 2010 (with legal and fiscal effect from 1 January 2010).

### **(iv) Real estate rationalisation and optimising project**

During the first months of 2008, the optimising and rationalisation of the real estate of the Group was begun, and the project was completed at the end of 2008 through: (i) the constitution, on 28 November 2008, of a closed real estate fund called “Eracle – Fondo Immobili Strumentali” managed by Generali Immobiliare SGR S.p.A., which was granted a portfolio consisting of 456 instrumental real estate units (approximately 2/3 of the instrumental real estate assets of Banco Popolare Group and mainly consisting of bank branches<sup>(35)</sup>), for a total value of EUR 751 million; (ii) the placement of the fund share at industrial investors, concluded on 11 December 2008.

The operation allowed the Banco Popolare Group to account for an overall gain, gross of tax, equal to approximately EUR 500 million.

The reorganisation of the real estate business was completed with: (i) the concentration in the BPVN company Immobiliare S.r.l. (a company 100% controlled by Banco Popolare that – since 12 February 2009 – has changed its name to BP Property Management Società Consortile a r.l.) of the principal real estate services of the Group, with assumption of the role of “property manager” in relation to all of the Group companies as well as “Eracle – Fondo Immobili Strumentali”; (ii) on 22 December 2008, BP Property acquired the corporate branches relating to the “Technical Service” and to the “Letting management as a lessor/lessee” from Banco Popolare and from its subsidiary Immobiliare BP S.r.l. respectively.

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### **Dispute**

On 6 November 2007, the Barilla Group and the Banco Popolare Group completed an amicable agreement designed to settle any dispute related to the acquisition of the German company Kamps and the French company Harry’s, both active in the bakery sector, by the Barilla group and BPI. As a result of these agreements:

- the Barilla group, through one of its subsidiaries, acquired the entire holding headed by the Banco Popolare Group and the Dutch foundation Stichting Bakery Finance of all the assets directly and indirectly held by the latter in the Harry’s (41.22%) and Kamps (41.22%) groups at a price of EUR 434 million;
- the Barilla group paid the Banco Popolare Group for the standing loans for a total amount equal to EUR 70 million;

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<sup>(35)</sup> The real estate fund has a duration of 25 years and consists of properties used by the Banco Popolare Group on the basis of an 18-year leasing agreement, renewable at its discretion for another 9 years. Banco Popolare has reserved, in any case, pre-emption rights and veto right on the sale of properties after the 15 year period, during which they are not transferable.

- the shareholders' agreement between the Barilla group and the Banco Popolare Group was resolved by mutual consent;
- all of the disputes concerning the implementation and interpretation of the contract between the Barilla group and the Banco Popolare Group relating to Kamps and Harry's were resolved;
- the Banco Popolare Group granted a loan equal to EUR 506 million, for a period of 13 years, in the form of the opening of medium-long-term revolving credit in favour of Gelp S.p.A., a company completely held by CO.FI.BA S.r.l. (Barilla Group).

On 18 February 2009, the Banco Popolare Group (through Banca Popolare di Verona S. Geminiano e S. Prospero and Credito Bergamasco) finalised a settlement agreement with Parmalat S.p.A. for the definition of litigation related to the period preceding the declaration of insolvency of the Parmalat S.p.A. group. As a result of these agreements:

- the Banco Popolare Group has paid a total of EUR 24.2 million to Parmalat S.p.A. without any negative impact on the income statement, having already set aside adequate reserve funds;
- Parmalat S.p.A. declined the actions to set aside already taken and any further actions to set aside and/or compensatory actions and/or actions of any other nature against the Banco Popolare Group;
- The Banco Popolare Group waived the credits allowed at the time as well as claims to the sums paid.

#### Tremonti Bonds

On 10 March 2009, Banca Popolare filed with the Ministry of Economy and Finance and Banca d'Italia for the issue of Tremonti Bonds in an amount equal to EUR 1.45 billion. Tremonti Bonds are financial instruments computable in regulatory capital and issued by Italian banks whose shares are traded on regulated markets or by the parent companies of Italian banking groups of which the shares are traded on computable regulated markets. These securities are convertible into ordinary shares at the request of the issuer. There may also be, the right, in favour of the issuer, of repayment or redemption, if Banca d'Italia states that the transaction does not affect the financial condition or solvency of the bank or the banking group. Payment of the securities may depend, in whole or in part, on the availability of distributable profits in accordance with Article 2433 of the Civil Code. In this case, the resolution by which the Shareholders' Meeting decides upon the allocation of profits is bound to respect the conditions of payment of such securities. Subscription by the Ministry of Economy and Finance is also conditioned by (a) the issuer's acceptance of the commitments set out in a protocol of intent with the Ministry of Economy and Finance, according to levels and conditions of credit to ensure small and medium-sized enterprises and households, and dividend policy consistent with the need to maintain adequate capital levels. (b) the adoption, by issuers, of a code of ethics containing, among other things, estimates of management remuneration policies. In the context of the global economic crisis, which began in 2007 and intensified in 2008, these instruments have been specifically provided to ensure an adequate flow of financing to the economy and an adequate level of capitalization of the banking system. With Ministerial Decree of 25 February 2009 (published in the Official Gazette. no. 55, 7 March 2009), the Ministry of Economy and Finance has issued provisions on procedures and conditions for the subscription of Tremonti Bonds. On 26 March 2009, the Ministry of Economy and Finance, noted the opinion issued by Banca d'Italia and heard the global and guarantee Advisory Board (under the directive of the Prime Minister of 15 October 1993) which gave positive feedback to Banco Popolare's application. On 19 June 2009, the Minister of Economy and Finance approved the operation of

the securities subscription issued by Banco Popolare for the required amount of EUR 1.45 billion. Concurrently, Banco Popolare signed, under the rules of implementation of the Tremonti Bonds, a protocol of intent that includes (i) the adoption by the Group of a Code of Ethics which, among other things, estimates management remuneration policies for top organisational management; (ii) the Group's commitment to (a) make available to small and medium enterprises for the next three years lending increased in the order of an average of 6% per annum compared to average loans for the two-year period 2007 - 2008, compared to a corresponding demand for adequate credit quality, while respecting the principle of sound and prudent banking management, (b) apply conditions more favourable to the beneficiaries of loans backed by the Central Guarantee Fund for small and medium enterprises and contribute EUR 21.75 million to the fund, (c) suspend – if it is required and there is subjective and objective conditions – the payment of instalments of loans for the purchase of principal homes at no cost to the subscriber for 12 months, (d) ensuring adequate levels of cash to government creditors. The protocol is valid until the securities are to be issued or until Banco Popolare has not exercised its right of redemption for all instruments subscribed by the Ministry of Economy and Finance. On 31 July 2009, Banco Popolare completed the securities issued to the Ministry of Economy and Finance. Banco Popolare fulfilled and continues to fulfil the commitments indicated in the protocol of intent.

### **EMTN Programme**

Banco Popolare, which had not entered the international bond market since 2007, under its EMTN Programme (which is prepared in accordance with market practice and contains provisions in line with current practice with reference to clauses of negative pledges, cross defaults, etc.), reserved for institutional investors and listed on the Luxembourg Stock Exchange, made the following issues (for a total of EUR 4.350 billion): (i) on 30 July 2009, it issued senior bonds for 3 years for an amount of EUR 1 billion (with a nominal dividend warrant value of 3.75% with a yield equal to 165 bps above the benchmark mid-swap rate); (ii) on 11 September 2009, it reopened the issue of 30 July 2009, placing additional bonds for an amount of EUR 350 million (with a yield of 138 bps above the benchmark mid-swap rate); (iii) on 15 October 2009, it launched a senior bond issue for 5 years for an amount of EUR 1 billion (with a dividend warrant value of 4.125% with a yield of 145 bps above the benchmark mid-swap rate), (iv) on 18 January 2010, it launched a senior bond issue for 2 years for a total of EUR 500 million (dividend warrant with yield of 3-month Euribor plus 90 basis points); (v) on 2 September 2010, it placed a senior bond issue for 3 years for a total of EUR 500 million (with a fixed rate dividend warrant, a yield equal to the benchmark mid-swap rate increased by 170 bps), (vi) on 27 October 2010, it placed a subordinated bond with a duration of 10 years (Lower Tier II aimed at regulatory purposes) for an amount of EUR 1 billion (with a fixed rate dividend warrant, a yield equal to the benchmark mid-swap rate increased by 320 bps) at which it was assigned an A3 subordinated rating by Moody's Investors Service, BBB+ by Standard & Poor's and BBB + by Fitch Ratings.

### **POC**

The extraordinary shareholders' meeting of Banco Popolare of 30 January 2010 has approved the issuance of POC. In particular, the Shareholders' Meeting authorised the Board of Management, to issue the company's bonds convertible into ordinary shares, with the approval of the Supervisory Board, up to an amount of EUR 1 billion to be offered to shareholders and holders of 2000/2010 bonds with subsequent *tranches* of the share capital increase to service the conversion for a total maximum of EUR 1 billion, including premium, by issuing Banco Popolare ordinary shares. The resolution, passed by the Shareholders' Meeting assigned the Issuer's Board of Management, on approval of the Supervisory Board, the power to determine: the name of

the bond and the nominal value and the subscription price and the ratio of the convertible bond option, the amount of the dividend warrant, the conversion ratio and method of adjustment, and the settlement of convertible bonds, making any changes that were required by the Supervisory Board and Company's management in the market, the details of repayment and the duration, the maximum number of newly issued shares for conversion, the maximum amount of the increase in nominal capital *tranches* of the conversion to a maximum of EUR 1 billion, all other terms and conditions of issuance and offering of convertible bonds and the consequent capital increase below. As a result, the Shareholders' Meeting approved the amendment of Article 6 of the Articles of Association, "Share Capital", implemented by inserting a new paragraph that indicates the size, method and timing of any changes in share capital resulting from the issuance of the POC and the exercising of rights under it. On 25 February 2010, Banco Popolare's Board of Management, as a result of the resolution of the Extraordinary Shareholders' Meeting of 30 January 2010 and the favourable opinion of the Supervisory Board, has approved the terms of the Bonds to be offered to the Company's shareholders and/or holders of the 2000/2010 bonds. On the 1 March 2010, the Consob authorised the publication of the prospectus disclosure relating to the offer and listing of Convertible Bonds on the MTA. The issuance of the Convertible Bonds totals EUR 996,386,475.15 by issuing 162,014,061 Bonds of a nominal value of EUR 6.15 each, offered to shareholders and/or holders of 2000/2010 bonds with a ratio of 1 Convertible Bond for every 4 shares and 43 Convertible Bonds for every 400 2000/2010 bonds held. The issue price of each Convertible Bond was set at par, corresponding to EUR 6.15. The Convertible Bonds have a fixed interest rate equal to 4.75% p.a. gross and run from 24 March 2010-24 March 2014. Their repayment is not subject to the Issuer's other payables. Convertible Bonds provide (i) the right of Bondholders to convert Banco Popolare's bonds into ordinary shares from the eighteenth month following the date of issue until maturity, (ii) Banco Popolare's ability, from the eighteenth month following the date of issue until maturity, to repay in advance the Bonds by payment, in full or in part, in shares, and given a premium on the nominal value of 10%, (iii) Banco Popolare's ability to repay Convertible Bonds at maturity, for which there was no conversion option, in cash and/or shares, based on the market price of Banco Popolare shares in the last period and at a value of not less than the par value of the Bond. The Board of Management has also approved an increased split of share capital to service the conversion for a total maximum of EUR 996,386,475.15, including the premium, through the issue of 276,774,021 Issuer's ordinary shares, having the same characteristics as those circulating at the date of issue, to be placed at the exclusive service of the conversion. The Bonds are traded on the MTA with effect from 31 March 2010. The offering of the Bond Options has ended with the subscription of 162,014,061 Bonds tendered, for a total of EUR 996,386,475.15, of which 160,128,993 Bonds were subscribed during the offer period as an option (1 to 24 March 2010) and the remaining 1,885,068 Bonds were subscribed after the offering on the Stock Exchange of the rights not exercised in the offer period (31 March, 1, 6, 7 and 8 April 2010).

### **Covered bonds**

On 25 January 2010, Banco Popolare announced the launch of a European road show, for the launch of the inaugural programme of multi-year bonds (EUR 5 billion), for institutional investors. Structured in accordance with Italian legislation (Law no. 80, 14 May 2005, Decree of the Ministry of Economy and Finance of 14 December 2006, and supervisory instructions issued by Banca d'Italia; so-called covered bonds). Through this instrument, Banco Popolare proposes to carry out the collection in the medium-term, including the processing of ABS securities issued under "self-securitisation" (securitisation transactions with securities redeemed in full), under competitive conditions, while diversifying the forms of financing.

The bonds are issued directly by Banco Popolare in a structured release programme pursuant to Article 7-*bis* of Law 130 of 30 April 1999, the Decree of the Ministry of Economy and Finance no. 310, 14 December 2006 and the Instructions of the Supervisory Board of Banca d'Italia 17 May 2007 (as subsequently interpreted by the Banca d'Italia Circular 1 September 2008) (the “**Programme**”). Subscribers of guaranteed bank bonds issued by Banco Popolare also benefit from an irrevocable and unconditional first demand guarantee, issued by BP Ltd, a company established under Law no. 130, 30 April 1999, with value in a portfolio consisting entirely of high quality residential mortgages, transferred to BP Covered Bond Ltd from the Network Banks belonging to the BP Group.

On 3 March 2010, Banco Popolare made the inaugural issue of guaranteed bank bonds under the Programme, for an amount of EUR 1 billion (equal to the mid-swap rate for 7 years increased by a spread of 80bps). The portfolio to guarantee this first issue has a total outstanding debt of approximately EUR 1.4 billion and is characterised by extensive granularity<sup>(36)</sup> (Average outstanding debt of EUR 82,475), a high seasoning<sup>(37)</sup> (about 3.53 years) and an average loan to value<sup>(38)</sup> of less than 50%.

On 5 August 2010, the Issuer reopened the first issue, placing a second *tranche*, for an amount equal to EUR 400 million. On 16 September 2010, Banco Popolare issued the first *tranche* of the second issue in the Programme, amounting to EUR 800 million (equal to the mid-swap rate for 5 years increased by a spread equal to 135 bps). The collateral portfolio is composed entirely of residential mortgages with total outstanding debt of approximately EUR 3.1 billion and is characterised by extensive granularity (average outstanding debt of EUR 97,086), it gives a good seasoning (about 2.37 years) and a loan to value of slightly more than 50%. On 21 October 2010, at the request of some institutional investors, the re-opening of the second *tranche* was carried out, with the placement of bonds for an additional EUR 150 million with a yield equal to the mid-swap rate incremented by one spread of 135 bps and a price of EUR 100.138 thereby bringing the total amount for the second issue to EUR 950 million and for the entire Programme to EUR 2,350 million.

### **Acquisitions**

On 18 July 2007, Banco Popolare and HPFBP improved, with a share of 99.80% and 0.20%, the acquisition of the 100% stake in AT Leasing, a company based in Bucharest (Romania) active in the leasing sector, compared with an initial investment of EUR 5.9 million. On 27 July 2007, Banco Popolare subscribed the capital increase approved by AT Leasing for a total of EUR 5.1 million, bringing the percentage of its stake in AT Leasing's share capital to 99.95%.

On 15 January 2008, Banco Popolare – following the put option on behalf of the Foundation – acquired a further stake of 6.66% of the share capital of Cassa di Risparmio di Lucca, Pisa and Livorno, for an amount of EUR 116.2 million, increasing to 78.92% its stake in the share capital of Cassa di Risparmio di Lucca, Pisa and Livorno.

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<sup>(36)</sup> The term “extensive granularity” means that the portfolio consists of a large number of credits, each having a low average.

<sup>(37)</sup> The term “seasoning” indicates the period between the disbursement of a loan and issuance of a security. In general, for a longer period, this corresponds to a major strengthening recognised by the market at issue.

<sup>(38)</sup> The term “loan to value” indicates the ratio between the amount of the loan and the value provided to guarantee repayment of the mortgage. For example, a loan of EUR 50,000 to buy a property with the appraised value of EUR 100,000 has a loan to value of 50%. In general, the higher the value of a security relative to the amount of the loan (and thus lower the loan to value), the greater the guarantee (for the bank lender) for repayment of the loan.

Following Banco Popolare's launch of voluntary public tender offer to purchase preferred shares in BP Croatia, which ended on 9 March 2009, Banco Popolare's shareholding in BP Croatia rose from 91.442% to 97.984%.

On 8 July 2009, Banco Popolare continued with the acquisition, on the proposal of an institutional counter party, of bonds, listed on the Luxembourg Stock Exchange, for a total par value of EUR 132,186,000.00, issued by Banca Italease on 4 January 2007 (Series XS0280733725) due on 8 January 2017, and bonds with a nominal value of EUR 138,100,000.00, issued by Bank Italease on 12 March 2007 (Series XS0290526036) due on 14 March 2012.

### **Disposals**

On 31 December 2010, Banco Popolare sold to Cassa di Risparmio della Provincia di Teramo S.p.A. ("**Banca Tercas**") the (95%) stake held in Banca Caripe. The transaction was completed in accordance with the terms defined in the sales contract signed on 1 October 2010. The total value of the transaction amounted to EUR 228 million. The deal provides for the payment of the fee in four instalments. The first, amounting to EUR 70 million, was paid on 31 December 2010, the date of execution of the sale. Further instalments are due six months from the date of execution of the sale, amounting respectively to EUR 70 million, EUR 50 million and EUR 38 million, with the Banca Tercas' right to pay the instalments early. The Issuer believes that the transaction will have no significant impact on the Group's distribution capabilities and is part of efforts to strengthen the capital of the BP Group. The sale is having positive effects on capital ratios in the order of 17 bps Core Tier 1 Ratio, 19 basis points on Tier 1 Ratio and 22 basis points on Total Capital Ratio.

### **Public exchange offers**

29 October 2009 marked the beginning of the period of the participation in the public exchange offer sponsored by Banco Popolare on the entire amount of two subordinated bonds of "Lower Tier II" at variable rate, with a duration of ten-years, issued by Banca Italease on 15 October 2004 and 28 June 2006 (for a total of EUR 275 million). The members were offered Banco Popolare securities with 7-year maturity and gross fixed dividend warrant of 5.473% on an annual basis in exchange. At the end of the subscription period (4 November 2009), results brought about in compliance with securities for an equivalent par value of EUR 116.2 million, representing 42.27% of the total par value of the securities tendered. The transaction took place on 12 November 2009, by exchange of securities made in compliance with the new subordinated securities Lower Tier II that Banco Popolare had issued on the same day for the total amount of EUR 300,000,000, of which EUR 92,987,000 was for servicing the offer. The amount to be paid to members for any splits and accrued interest for securities was also adjusted on the same day, amounting to EUR 12,576,886, of which EUR 173,656 related to the accrued interest component.

On 1 December 2009, Banco Popolare announced the promotion of a voluntary public exchange offer through which it proposed – in order to protect its customers from the risks connected to index-linked policies with Icelandic banks with underlying securities – to the holders of index-linked policies "Aphrodite II Bipielle I/2005 Index Series," "Bipielle Magnolia Index II/2005", "Bipielle Azalea Index III/2005" from UGF Assicurazioni SpA (formerly Aurora Assicurazioni SpA) and holders of policies "Bipielle Aphrodite Series II", "Bipielle Magnolia", "Bipielle Azalea" of Eurovita of Assicurazioni S.p.A., with underlying securities issued by Icelandic banks, Landsbanki Islands hf, Glitnir Banki hf and Kaupthing Bunadarbanki hf., to exchange each policy with senior type zero-coupon-bonds, to be issued by Banco Popolare, and a possible cash adjustment. The exchange offer closed on 12 March 2010, registering 98.11% of participants.

## 5.2 Investments

### 5.2.1 Investments made

The table below shows Banco Popolare's investments made in tangible and intangible assets and investments in the nine-month period ended 30 September 2010, in the six months ended 30 June 2010 and during the financial years ended 31 December 2009, 2008 and 2007.

(thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	Variations			
						30/09/2010 vs. 2009	30/06/2010 vs. 2009	2009/2008	2008/2007
Property and equipment	2,307,629	2,138,117	1,442,462	1,329,149	1,505,608	59.98%	48.23%	8.53%	-11.72%
Intangible Assets	5,173,721	5,283,258	5,294,942	5,333,248	6,433,928	-2.29%	-0.22%	-0.72%	-17.11%
of which goodwill	4,407,565	4,474,030	4,474,030	4,469,851	5,454,708	-1.49%	0.00%	+0.09%	-18.06%
Investment in associates and companies subject to joint control	1,632,684	1,622,115	1,637,221	1,457,405	870,477	-0.28%	-0.92%	+12.34%	67.43%

(thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	Variations			
						30/09/2010 vs. 2009	30/06/2010 vs. 2009	2009/2008	2008/2007
Property and equipment held for operational use	1,257,070	1,439,178	1,259,020	1,292,468	1,408,515	-0.15%	14.31%	-2.59%	-8.24%
Assets held for investment purposes	1,050,559	698,939	183,442	36,681	97,093	472.69%	281.01%	400.10%	-62.20%
<b>Total</b>	<b>2,307,629</b>	<b>2,138,117</b>	<b>1,442,462</b>	<b>1,329,149</b>	<b>1,505,608</b>	<b>59.98%</b>	<b>48.23%</b>	<b>8.53%</b>	<b>-11.72%</b>

Property and equipment include functional assets and assets held for investment purposes and for both categories the evaluation criterion is the cost. Therefore, with regard to 30 September 2010, there are no property and equipment valued at fair value. Functional assets are represented by assets held for use in the manufacture and supply of goods and services or for administrative purposes and include a share of assets acquired under leasing. This item includes land, buildings, furniture, electronic equipment, and other tangible assets and, for the period involved, the variation is related to the normal investment activities planned and the process of depreciation.

The assets used in investment are represented by assets held in order to collect rents and/or held for capital appreciation. They consist mainly of land and buildings and include a share of property acquired in financial leasing.

The value of land has been separated from that of the buildings that are located on them because the land, unlike the buildings, is not subject to deterioration and, thus, is not subject to an amortisation process.

During the first nine months of 2010, the tangible assets have increased significantly, amounting to EUR 865.1 million, of which EUR 695.6 million in the first half-year and EUR 169.5 million in the third quarter, attributable, on the one hand, to repossession of some properties with an approximate value of EUR 590 million, as a result of transactions carried out by Banca Italease and implemented with major developers, and other contribution of EUR 257 million, from the Sviluppo Comparto 6 S.r.l., Sviluppo Comparto 8 S.r.l., RI Investimenti Due S.r.l. and Mariner S.r.l. companies, acquired by Banco Popolare as a result of the restructuring of exposure to the Risanamento group.



(thousands of euros)	Intangible assets					Variations			
	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	30/09/2010	30/06/2010	2009/2008	2008/2007
						Vs 2009	Vs 2009		
Goodwill	4,407,565	4,474,030	4,474,030	4,469,851	5,454,708	-1.49%	0.00%	0.09%	-18.06%
Other assets	222,200	236,400	236,400	236,400	270,500	-6.01%	0.00%	0.00%	-12.61%
<b>Intangible assets with an indefinite life</b>	<b>4,629,765</b>	<b>4,710,430</b>	<b>4,710,430</b>	<b>4,706,251</b>	<b>5,725,208</b>	<b>-1.71%</b>	<b>0.00%</b>	<b>0.09%</b>	<b>-17.80%</b>
Other assets	543,956	572,828	584,512	626,997	708,720	-6.94%	-2.00%	-6.78%	-11.53%
<b>Intangible assets with a finite life</b>	<b>543,956</b>	<b>572,828</b>	<b>584,512</b>	<b>626,997</b>	<b>708,720</b>	<b>-6.94%</b>	<b>-2.00%</b>	<b>-6.78%</b>	<b>-11.53%</b>
<b>Total</b>	<b>5,173,721</b>	<b>5,283,258</b>	<b>5,294,942</b>	<b>5,333,248</b>	<b>6,433,928</b>	<b>-2.29%</b>	<b>-0.22%</b>	<b>-0.72%</b>	<b>-17.11%</b>

The “goodwill” referred to on 31 December 2007 relates primarily to the recognition of goodwill on the acquisition of the BPI Group for EUR 5,368,900,000. Still under the purchasing operation of the BPI Group, both the item “other assets” with an indefinite life applies, because it is linked to the leveraging of the bands purchased for EUR 270.5 million and the item related to intangible assets with a finite life applies, where the figures for client relationship have been entered for an initial pre-amortisation amount equal to EUR 647.9 million.

During the financial year 2008, there has been an overall reduction in “goodwill” of approximately EUR 1 billion tied to, on the one hand, the sale of controlling shares held in the Ducato S.p.A. (EUR 637 million of goodwill) and Banca Popolare di Mantova (EUR 13 million of goodwill). Secondly, the provisions due to the impairment test on investments in Efibanca and the Bormioli Group (EUR 246.4 million and EUR 120.9 million respectively), following the sale of Ducato SpA. The entry related to the brands has also experienced a consequent reduction in value of EUR 34.1 million. From 2008 forward there have not been any significant changes to goodwill since the acquisition of Banca Italease led to the emergence of badwill. The reduction observed in the third quarter of 2010 is, in fact, solely due to the reclassification of goodwill relating to Banca Caripe, amounting to approximately EUR 66 million, including discontinued operations, under IFRS 5, in that the holdings that have been sold.

(thousands of euros)	Investment in associates and companies subject to joint controls					Variations			
	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	30/09/2010	30/06/2010	2009/2008	2008/2007
						Vs 2009	Vs 2009		
Subject to significant influence	1,632,684	1,622,115	1,622,331	1,442,380	813,253	0.64%	-0.01%	12.48%	77.36%
Under joint control	0	0	14,890	15,025	57,224	-100.00%	-100.00%	-0.92%	-73.74%
<b>Total</b>	<b>1,632,684</b>	<b>1,622,115</b>	<b>1,637,221</b>	<b>1,457,405</b>	<b>870,477</b>	<b>-0.28%</b>	<b>-0.92%</b>	<b>12.34%</b>	<b>67.43%</b>

The entry includes the value of equity investments in joint control or under significant influence held by Banco Popolare directly or through its subsidiaries. The above table presents a breakdown of investments included under item 100 of the consolidated financial statement assets of the financial reports covering the periods mentioned.

Investments subject to significant influence are recorded based on the equity method. This item, as at 31 December 2007, includes the value of holdings in Banca Italease for EUR 398.9 million, in the Istituto Centrale delle Banche Popolari Italiane for EUR 123.6 million. In relation to the changes during 2008, Agos SpA was purchased for more than EUR 1 billion and value adjustments totalling EUR 345.8 million (of which EUR 326.3 relating to the single stake in Banca Italease). Lastly, in 2009 Alba Leasing was purchased for EUR 118 million, following the reorganisation of the Banca Italease Group’s activities, purchased in July 2009 and the capital increase of Popolare Vita for EUR 56.2 million.

The increase observed until 30 September 2010 refers to changes arising from the valuation of associated companies using the equity method.

Investments in joint ventures as at 31 December 2007 were made for the Novara Vita SpA company for EUR 41.3 million, Polo Finanziario SpA for EUR 15 million and finally AF Mezzanine for EUR 0.8 million. Holdings in Polo Finanziario SpA were sold in the first half of 2010, while other holdings have been reclassified since 2008 for those subject to significant influence, due to the loss of control.

The following is a list of companies subject to significant influence as at 30 September 2010.

Description	Registered Office	Type of Relationship	Investment Relationship Participating company	Availability. % votes % (b) Share
(a)				
<b>A. Companies valued at net equity</b>				
<b>A.1 Subject to joint control</b>				
N / A				
<b>A.2 Subject to significant influence</b>				
Agos-Ducato S.p.A.	Milan	(8)	Banco Popolare	39.000%
Alba Leasing S.p.A.	Milan	(8)	Banca Italease	32.790%
			Mercantile Leasing	ns
Alfa Iota 2002 S.r.l.	Milan	(8)	Efibanca	35.000%
Aosta Factor S.p.A.	Aosta	(8)	Banco Popolare	13.793%
			Banca Italease	6.897%
Arca SGR S.p.A.	Milan	(8)	Banco Popolare	10.280%
			Holding of Investments	7.568%
			Banca Pop. di Cremona	5.310%
			Banca Pop. di Crema	5.118%
Assipromos S.r.l. (In liquidation)	Livorno	(8)	CR Lucca, Pisa and Livorno	34.000%
Avipop Assicurazioni S.p.A.	Milan	(8)	Holding of Investments	49.999%
Bertani Holding S.p.A.	Verona	(8)	Efibanca	22.330%
Bussentina S.c.a.r.l.	Rome	(8)	Bp RE	20.000%
Co.Ge.Vi. S.A.	E – Guadalajara	(8)	Bormioli Rocco (Spain) S.A.	37.300%
Energreen S.A.	L – Luxembourg	(8)	Efibanca	45.000%
Estates Capital Venture S.A.	L – Luxembourg	(8)	Efibanca	43.368%
Eurocasse SIM S.p.A. (in liquidation)	Milan	(8)	Banco Popolare	20.795%
			CR Lucca, Pisa and Livorno	0.186%
Finanziaria ICCRI BBL S.p.A. (in liquidation)	Milan	(8)	Banco Popolare	50.000%
Finoa S.r.l. (*)	Milan	(8)	Banco Popolare	50.000%
G.I. Holding S.p.A.	Milan	(8)	Efibanca	26.253%
GEMA Magazzini Generali BPV-BSGSP S.p.A.	Castelnuovo Sotto (RE)	(8)	BPV-SGSP	33.333%
HI-MTF SIM S.p.A.	Milan	(8)	Banca Aletti	20.000%
Immobiliare Centro Milano S.p.A.	Milan	(8)	Banca Italease	33.333%
Istituto Centrale delle Banche Popolari Italiane S.p.A.	Milan	(8)	Banco Popolare	15.313%
			Holding of Investments	5.822%
Novara Promuove S.r.l. (In liquidation)	Novara	(8)	Banca Popolare di Novara	49.000%
Pantex International S.p.A.	Pescara	(8)	Efibanca	50.000%
Phoenix S.p.A.	Verona	(8)	Efibanca	40.000%
Popolare Vita S.p.A.	Verona	(8)	Banco Popolare	25.612%
			HPFBP	24.388%
Portone S.c.a.r.l. (In liquidation)	Ravenna	(8)	Bp RE	30.000%
Renting Italease S.r.l.	Rome	(8)	Italease Gestione Beni (Italease Asset Management)	50.000%
Soc Coop. fra le Banche Pop. (Co-op between the People's Banks) "L.Luzzatti" S.c.r.l.	Rome	(8)	Banco Popolare	26.693%
Tre Pi S.p.A. (in agreement with creditors)	Rome	(8)	Efibanca	20.000%
Triera Power S.p.A.	Rovigo	(8)	Bio Energy	30.000%

### ***5.2.2 Investments in progress***

At the Prospectus Date, there are no significant investments in progress for the Group.

### ***5.2.3 Future investments***

At the Prospectus Date, there are no significant future investments for the Issuer that have been subject to a commitment on the part of its management bodies.

## CHAPTER VI – OVERVIEW OF COMPANY ACTIVITIES

### 6.1 Main activities

#### 6.1.1 Description of the Group's activities

Banco Popolare is the Parent Company of the Banco Popolare Group. Drawing inspiration from the principles of community lending, it is active, through its subsidiaries and part-owned companies as well, in collecting savings and in engaging in lending, in its different forms, asset & wealth management, consumer loans, private and investment banking, and merchant banking, both with its members, as well as with non-members, paying special attention to the territory where its subsidiary banks operate and where the Group's distribution network is present, with special regard for small- and medium-size businesses and cooperatives.

The Banco Popolare Group is organised based on a model in which the Issuer, as Parent Company, centralises governance, control and coordination functions, which include, among others:

- Network Banks, which carry out their activities in their respective territories;
- Banca Aletti, which operates in the private banking and investment banking sectors;
- Efibanca, specialised in assisting businesses with industrial and restructured loans and in private equity, capital markets and merchant banking activities;
- The Product Companies, such as Aletti Gestielle, aided by partnerships in the insurance banking and consumer credit sectors, and the distribution agreement with Factorit with regard to factoring activities.

The Banco Popolare Group operates in the leasing sector following the acquisition of Banca Italease in July 2009 subsequent to the reorganisation of the Banca Italease Group.

The Banco Popolare Group engages in its activities through the following distribution structure: Network Banks, foreign banks and subsidiaries, as well as representation offices and online channels.

At the Prospectus Date, the Group provides services to approximately 2.5 million customers, divided into Retail (customers primarily differentiated, in turn, into two macro reference segments: Private and Small Business), Corporate (medium-sized businesses and entities), and Large Corporate.

Based on half-yearly banking system data as at 30 June 2010, the BP Group is the fourth Italian banking group in terms of total assets and number of branches <sup>(39)</sup>.

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<sup>(39)</sup> Source: Prepared by the Issuer on the basis of Banca d'Italia data as at 30 June 2010.

The table below shows the main data for the Group by sector of activity for the period ending at 30 September 2010, as derived from the Interim Report at 30 September 2010 on pages 85 to 87. This data makes reference to the IFRS 8.

<b>30 September 2010</b> <i>(thousands of euros)</i>	<b>Network Banks</b>	<b>Invest. Bank., Priv. Bank., Asset Man.</b>	<b>Leasing and Factoring</b>	<b>Corporate Centre and Other</b>	<b>PPA</b>	<b>Total</b>
Interest margin	1,421,473	59,132	70,860	(10,553)	(173,601)	<b>1,367,311</b>
Dividends and results of investment in associates and companies subject to joint control carried at equity	860	76	2	30,209		<b>31,147</b>
<b>Financial margin</b>	<b>1,422,333</b>	<b>59,208</b>	<b>70,862</b>	<b>19,656</b>	<b>(173,601)</b>	<b>1,398,458</b>
Net fee and commission incomes	1,014,713	56,230	7,338	(121,530)		<b>956,751</b>
Other net operating income	19,778	(453)	20,455	36,799	(29,978)	<b>46,601</b>
Net financial result	12,820	191,413	(5,438)	205,940	(6,433)	<b>398,302</b>
<b>Other operating income</b>	<b>1,047,311</b>	<b>247,190</b>	<b>22,355</b>	<b>121,209</b>	<b>(36,411)</b>	<b>1,401,654</b>
<b>Operating income</b>	<b>2,469,644</b>	<b>306,398</b>	<b>93,217</b>	<b>140,865</b>	<b>(210,012)</b>	<b>2,800,112</b>
Personnel expenses	(806,126)	(60,933)	(25,746)	(231,836)		<b>(1,124,641)</b>
Other administrative expenses	(715,296)	(54,957)	(33,080)	226,076		<b>(577,257)</b>
Net value adjustments on property and equipment and intangible assets	(30,591)	(1,725)	(8,182)	(52,947)	(3,030)	<b>(96,475)</b>
<b>Operating expenses</b>	<b>(1,552,013)</b>	<b>(117,615)</b>	<b>(67,008)</b>	<b>(58,707)</b>	<b>(3,030)</b>	<b>(1,798,373)</b>
<b>Income/loss from operations</b>	<b>917,631</b>	<b>188,783</b>	<b>26,209</b>	<b>82,158</b>	<b>(213,042)</b>	<b>1,001,739</b>
Net value adjustment on loans to customers	(476,696)	(43,777)	(87,984)	65		<b>(608,392)</b>
Net value adjustments on other assets	(10,196)	(6,060)	(176)	(18,784)		<b>(35,216)</b>
Net provisions for risks and charges	8,943	(6,654)	(11,349)	(3,693)		<b>(12,753)</b>
Value adjustment on goodwill and investments in associates and companies subject to joint control	(507)	(21,679)	(23)	21,362		<b>(847)</b>
Gains (losses) on equity and other investments	3,011	1,543	103,701	(62,319)	(33,474)	<b>12,462</b>
<b>Income (loss) before tax from continuing operations</b>	<b>442,186</b>	<b>112,156</b>	<b>30,378</b>	<b>18,789</b>	<b>(246,516)</b>	<b>356,993</b>
Income taxes on continuing operations	(203,068)	(46,680)	295,170	(19,132)	79,360	<b>105,650</b>
<b>Income (loss) after tax from continuing operations</b>	<b>239,118</b>	<b>65,476</b>	<b>325,548</b>	<b>(343)</b>	<b>(167,156)</b>	<b>462,643</b>
Income (Loss) on merchant banking investments and non-current assets held for sale net of taxes	4,886	23,781	5,933	8,833	(26,051)	<b>17,382</b>
Income (loss) of the period attributable to minority interests	(29,622)	(3,417)	(1,727)	14,454	7,365	<b>(12,947)</b>
<b>Income (loss) of the segments gross of PPA impacts</b>	<b>214,382</b>	<b>85,840</b>	<b>329,754</b>	<b>22,944</b>		
<b>Impacts of PPA on segments</b>	<b>(84,626)</b>	<b>(14,054)</b>	<b>(84,390)</b>	<b>(2,772)</b>	<b>(185,842)</b>	
<b>Net income (loss) for the period</b>	<b>129,756</b>	<b>71,786</b>	<b>245,364</b>	<b>20,172</b>		<b>467,078</b>

<b>30 September 2010</b> <i>(thousands of euros)</i>	<b>Network Banks</b>	<b>Invest. Bank., Priv. Bank., Asset Man.</b>	<b>Leasing and Factoring</b>	<b>Corporate Centre and Other</b>	<b>PPA</b>	<b>Total</b>
Loans to customers	78,999,919	4,452,764	10,121,815	2,452,424	114,733	<b>96,141,655</b>
<b>Total assets</b>	<b>97,659,142</b>	<b>27,171,815</b>	<b>12,856,169</b>	<b>-790,240</b>	<b>-541,966</b>	<b>136,354,920</b>

<b>30 September 2010</b> <i>(thousands of euros)</i>	<b>Network Banks</b>	<b>Invest. Bank., Priv. Bank., Asset Man.</b>	<b>Leasing and Factoring</b>	<b>Corporate Centre and Others</b>	<b>PPA</b>	<b>Total</b>
Due from customers, debt securities issued and financial liabilities designated at fair value through profit and loss	70,438,530	11,920,256	6,358,025	13,528,213	-164,642	<b>102,080,282</b>
<b>Total liabilities</b>	<b>97,659,142</b>	<b>27,171,815</b>	<b>12,856,169</b>	<b>-790,240</b>	<b>-541,966</b>	<b>136,354,920</b>

<b>30 September 2010</b> <i>(thousands of euros)</i>	<b>Network Banks</b>	<b>Invest. Bank., Priv. Bank., Asset Man.</b>	<b>Consumer Credit</b>	<b>Corporate Centre and Other</b>	<b>Leasing and Factoring</b>	<b>Total</b>
Investments in associates and companies subject to significant influence	-	84,625	1,118,297	300,135	129,627	<b>1,632,684</b>

The information on operating sectors was prepared according to the provisions of IFRS 8, effective as of 2009, which provides for the presentation of information consistent with the methods adopted by the Company Management for adopting operating decisions. Therefore, the identification of operating sectors and the information presented are based on the internal reporting used by the Company Management for purposes of allocating resources to the different segments and for analysis of their respective performance.

The application of the provisions of IFRS 8 has not meant any substantial change to the sectors subject to reporting. The segmentation reported in the internal reporting, based on the type of products and services sold and the organisational structure of the Group, reflects what was done in previous years based on the provisions of IAS 14.

The sectors identified are the following:

- Network Banks;
- Investment Banking and Private Banking, Asset Management (the main subsidiaries included in this sector include Banca Aletti, Efibanca, Aletti Gestielle, and Aletti Gestielle Alternative <sup>(40)</sup>);
- Leasing and Factoring (made up of Banca Italease and its subsidiaries and introduced following the consolidation of Banca Italease that took place in the second half of 2009);
- Corporate Centre and Other (includes the Parent Company, the partnerships in the insurance banking and consumer credit sectors, the service companies and the companies operating in the real estate sector, as well as the foreign banks, in addition to all consolidation entries not ascribable specifically to other segments of activity).

The composition of the sectors is obtained by classifying the different companies in the Group according to the predominant activity carried out by each of them. The earnings of each sector derive from the aggregation of the separate financial statements of the legal entities assigned to it, adjusted to take into account the consolidation entries deemed as influencing the earnings of the individual segment. Consolidation adjustments between different sectors are posted in the “Corporate Centre and Other” sector, and no separate evidence is provided of intragroup balances, in accordance with the operational reporting system used by the Group.

IFRS 8 also requires information to be consistent with the measurement criteria used in internal reporting; in this regard, it is noted that such information is provided according to the same accounting principles used by management for the preparation of the financial statements, in that they are deemed the most appropriate ones for purposes of arriving at a true and correct representation of the Group’s equity and economic standing.

The only exception is the effect ascribable to the variation in the credit rating of its bond issues valued at fair value, insofar as it is not deemed a factor ascribable to the “Network Banks” segment and therefore is not considered by management in assessing the performance of each sector. This impact, which was positive overall at 30 September 2010 by EUR 261.1 million, was allocated in full to the “Corporate Centre and Other” segment (at 30 September 2009 it was negative by EUR 333.3 million).

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<sup>(40)</sup> See footnote no. 1.

The effects resulting from the process of allocation of the cost of business combinations, relative to the merger and transaction for the acquisition of Banca Italease, are shown separately in a special column named “PPA – Purchase Price Allocation”.

For purposes of a consistent comparison with the sector information for 2009 and 2008, it should be remembered that:

- the aggregate of the foreign banks, prior to 2009, is reported based on IAS 14 in the Network Banks segment and not in the residual one in line with the management approach adopted in June 2009;
- the consolidation entries were not allocated to the different segments based on the same logic used for the information at 30 September 2010;
- the effect on the valuation of self-issued financial liabilities valued at fair value deriving from the variation in their credit rating was charged to the Corporate Centre and Other segment.

<b>31 December 2009</b> <i>(thousands of euros)</i>	<b>Network Banks</b>	<b>Invest. Bank, Priv. Bank., Asset Man.</b>	<b>Leasing and Factoring</b>	<b>Corporate Centre and Other</b>	<b>P.P.A.</b>	<b>Total</b>
1 Financial margin	1,967,218	93,749	98,302	150,418	(214,672)	<b>2,095,015</b>
2 Other operating income	1,410,563	351,926	16,341	(261,596)	<b>(78,404)</b>	<b>1,595,638</b>
<b>3 Operating income (1+2)</b>	<b>3,377,781</b>	<b>445,675</b>	<b>114,643</b>	<b>(111,178)</b>	<b>(136,268)</b>	<b>3,690,653</b>
4 Operating expenses	(2,116,642)	(178,860)	(77,088)	(88,620)	2,843	<b>(2,458,367)</b>
<b>5 Income from operations (3+4)</b>	<b>1,261,139</b>	<b>266,815</b>	<b>37,555</b>	<b>(199,798)</b>	<b>(133,425)</b>	<b>1,232,286</b>
6 Net value adjustments and provisions	(673,404)	(207,848)	(223,466)	160,987	97,328	<b>846,403</b>
<b>7 Income before tax from continuing operations</b>	<b>589,805</b>	<b>59,344</b>	<b>(177,060)</b>	<b>75,850</b>	<b>(45,915)</b>	<b>502,024</b>

<b>31 December 2008</b> <i>(thousands of euros)</i>	<b>Network Banks</b>	<b>Invest. Bank, Priv. Bank., Asset Man.</b>	<b>Leasing and Factoring</b>	<b>Corporate Centre and Other</b>	<b>P.P.A.</b>	<b>Total</b>
1 Financial margin	2,608,300	147,366	-	(329,926)	(199,116)	<b>2,226,624</b>
2 Other operating income	1,269,782	314,206	-	12,896	<b>(83,045)</b>	<b>1,513,839</b>
<b>3 Operating income (1+2)</b>	<b>3,878,082</b>	<b>461,572</b>	-	<b>(317,030)</b>	<b>(282,161)</b>	<b>3,740,463</b>
4 Operating expenses	(2,152,435)	(201,991)	-	32,673	(6,917)	<b>(2,328,670)</b>
<b>5 Income from operations (3+4)</b>	<b>1,725,647</b>	<b>259,581</b>	-	<b>(284,357)</b>	<b>(289,078)</b>	<b>1,411,793</b>
6 Net value adjustments and provisions	(862,054)	(1,141,903)	-	(312,319)	(127,952)	<b>2,444,228</b>
<b>7 Income before tax from continuing operations</b>	<b>884,936</b>	<b>(879,820)</b>	-	<b>(100,973)</b>	<b>(435,403)</b>	<b>(531,260)</b>

### **6.1.2 The Banco Popolare Parent Company**

Within the Banco Popolare Group, the Issuer, as operating Parent Company with Group guidance, governance and control functions, performs the following activities:

- Direction, coordination and control, through the determination of the Group’s strategic lines, industrial and financial planning, definition of the consolidated budget and business plan, the organisational structure, the management, administration and accounting directions, the credit and personnel management policies. The Issuer also performs the activity of managing and controlling risks deriving from the Group’s activities in the individual business areas;

- (ii) Coordination of the business functions, allowing for economies of scale, security and specialisation and enabling the Network Banks to focus on business development within their own sphere of reference. The completion during 2008 and 2009 of many integration projects has entailed the concentration at the Issuer of treasury management and bond issues intended not only for institutional clients, but also those intended for retail customers and the depositary bank activity;
- (iii) Unit for coordination and overseeing of management policies for its own and other Group companies' structural asset and liability items, aimed at optimising the capital available, identifying funding operations and strategies for the Group, by means of actions in domestic and international markets, in addition to overseeing liquidity needs and their dynamics;
- (iv) Offering, directly or through subsidiaries, support, control and guidance services for the activities of the Banco Popolare Group, with the intention of facilitating business development and allowing for efficient customer service by optimising operating costs, pursuing economies of scale and levels of service in line with the sector's best standards.

### **6.1.3 The distribution structure**

At 30 September 2010, Banco Popolare had 2,178 branches overall. In Italy, the Group operates through a nationwide extensive distribution network characterised by a strong presence in "historical" territories.

The Group's distribution structure also includes the presence of the private banking branches of Banca Aletti located in the main provincial capitals, as well as online channels.

The breakdown of the Group's branches as at 30 September 2010 is shown in the following table:

<b>Banco Popolare Group Affiliates</b>	<b>No. of branches</b>	<b>%</b>
Banca Popolare di Verona – S. Geminiano e S. Prospero	517	23.7
Banca Popolare di Lodi	464	21.3
Banca Popolare di Novara	416	19.1
Credito Bergamasco	251	11.6
Cassa di Risparmio di Lucca Pisa Livorno	231	10.6
Banca Popolare di Cremona	70	3.2
Banca Caripe <sup>(41)</sup>	51	2.3
Banca Popolare di Crema	44	2.0
Banco Popolare, Banca Aletti, Efibanca	42	1.9
Banca Italease Group	6	0.3
Foreign	55	2.6
Treasury	31	1.4
<b>Total</b>	<b>2,178</b>	<b>100</b>

#### **6.1.3.1 Network Banks**

The Network Banks are fundamental to the growth of the Group's activity within the country and are the basis for the Group's organisational structure.

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<sup>(41)</sup> See footnote no. 2.



The Group's Network Banks are: Banca Popolare di Verona – SGSP, Banca Popolare di Lodi, Credito Bergamasco, Banca Popolare di Novara, Cassa di Risparmio di Lucca Pisa Livorno, Banca Caripe<sup>(42)</sup>, Banca Popolare di Cremona, and Banca Popolare di Crema.

The organisational model of the Banco Popolare Group, centred on the Network Banks, with an additional presence nationally, allows for developing commercial activity and an offering of products and services in keeping with the clientele present in different local areas. The Network Banks, though operating under the mantle of the Group's shared brand, are testimony to the importance of the tie with the territory of origin by exploiting and using "historical" brands. For example, Banca Popolare di Verona – SGSP also operates through the following brands: "Banco S. Geminiano e S. Prospero" in Emilia Romagna, "Banco San Marco" in Venice and "Banca Popolare del Trentino" in Trentino-Alto Adige. Banca Popolare di Lodi confirms the tie with the territory through the brands "Banco di Chiavari e della Riviera Ligure" and "Cassa di Risparmio di Imola". The choice to operate through these historical brands further underscores the importance of tradition and being rooted in the territory of origin.

#### 6.1.3.2 International presence

The Group also boasts an international presence aimed mainly at satisfying its customers, which, at the Prospectus Date, includes:

- 5 foreign banks: BP Ceska Republika<sup>(43)</sup>, BP Croatia, BP Luxembourg, BP Hungary, and Banca Aletti Suisse;
- 1 foreign branch of Banco Popolare in Great Britain (London);
- representation offices in India (Mumbai), China (Beijing, Shanghai and Hong Kong) and Russia (Moscow);
- the company AT Leasing, active in the leasing sector, present in Romania with 6 local units;
- 2 foreign companies operating in the financial sector: B.P.I. International (UK) Ltd. (manager of one hedge fund) and Italfortune International Advisors S.A. (active in the advisory sector).

#### 6.1.3.3 Online or multimedia channels and "Servizi By"

As part of the "Direct Banking" offering of "online multi-channel" products and services geared toward different customer segments (Retail, Small Business, Corporate, and Large Corporate), the Group also operates through the following online channels:

- Telephone Banking;
- Home banking;
- Trading On Line;
- Mobile;

<sup>(42)</sup> See footnote no. 2.

<sup>(43)</sup> Equity stake being disposed of (see Section One, Chapter V, Paragraph 5.1.5, of the Prospectus).

- Remote Banking;
- POS;
- ATM.

The *Servizi By* include products/services that provide for multimedia management (via the Internet and by telephone) of the bank-customer relationship.

In online channels as well, the activity has been developed by pursuing service standardisation and rationalisation at all Group banks as the primary objective. Among the different activities carried out, in particular, the importance of the commercial activation of a structure of offerings made through a single Group operating “platform” for integrated management of the three main home banking service channels listed below should be emphasised:

- *By Web*: online management of some of the main transactions that a customer can make without going to a branch;
- *By Call*: assistance and management service for the main banking transactions by telephone;
- *By Alert*: real-time information for a customer via e-mail or sms on all transactions carried out in their current account.

#### **6.1.4 Sectors of activity in which the Banco Popolare Group operates**

##### **6.1.4.1 Network Banks**

The Network Banks engage in traditional credit brokerage activity within the country and offer financial services aimed at both retail and corporate customers.

As far as retail customers are concerned, the Group’s activities are focused on developing offerings in the following areas:

- products and services for families: in particular, current accounts, consumer credit, mortgages, payment instruments (credit and debit cards), protection products and online services;
- Savings/Investment products and services: such as, for example, Group bond offerings, asset management, life insurance, and other investment/advisory instruments;
- small business products and services: in particular, current accounts, financing products, insurance products and payment instruments;
- “Direct Banking” products and services: home banking, remote banking, POS, “remote” services.

For corporate customers in Italy and abroad, the Group pursues the main objective of continuous innovation and maintenance of the portfolio of products and services, as well as constant regulatory compliance both in the traditional commercial banking area, as well as in greater added-value offerings, such as, for example, products and services associated with foreign trade or derivatives intended for hedging business risks.

#### 6.1.4.2 Private & Investment Banking

The *private & investment banking* activity is carried out leveraging the organisational architecture of Banca Aletti both in serving Group customers, as well as the non-captive segment. As far as individual asset management is concerned, the integration of activities into Banca Aletti has been completed, with consequent standardisation of investment choices and product catalogues.

Banca Aletti is structured into three divisions that operate in close synergy with the Group's distribution networks: the Private Banking division; the Investment Management division, and the Investment Banking division.

Banca Aletti offers traditional and innovative investment solutions both to private customers, as well as to companies and institutional investors, relying on teams dedicated to different customer segments. The investment banking and investment management activity ranges from asset management to plain vanilla derivatives trading and the design of structured products.

#### 6.1.4.3 Merchant & Corporate Banking

The Banco Popolare Group carries out *merchant & corporate banking* activities through the subsidiary Efibanca, into which Aletti Merchant S.p.A. was merged by absorption in the fourth quarter of 2007.

Efibanca offers corporate customers a line of high added-value financial products and services in the following macro areas: corporate lending, structured finance and lending-related services (e.g. project financing, acquisition financing, risk management, etc.), corporate finance (advice on extraordinary finance transactions, such as M&A, corporate restructurings, and debt restructuring), capital markets (limited to the activity of origination and advisory commercial proposals for equity-debt capital market transactions and activities on the primary debt instrument markets – in coordination with Banca Aletti), merchant banking, and private equity.

#### 6.1.4.4 Asset Management

In asset management, Aletti Gestielle (which, with legal and fiscal effect from 1 January 2010, incorporated Aletti Gestielle Alternative)<sup>(44)</sup> constitutes the production unit focused on open-ended, harmonised and non-harmonised real estate mutual funds and on hedge funds. The Group's new asset management structure allows for improving the quality of service offered thanks to organisational, product and professional synergies, with a management capacity in line with the highest market standards.

In addition, a mutual fund merger project was carried out, geared toward rationalising the articulated range of products, aimed at simplifying and improving customer offerings.

#### 6.1.4.5 Leasing

Following the acquisition as of 8 July 2009 of the Banca Italease Group, the Banco Popolare Group has been engaged in leasing activity. This activity is carried out in the form of so-called financial leasing (i.e. leasing agreements with the option of the final acquisition of the property by the customer), as well as in so-called operating leasing (i.e. leasing without the option of the final acquisition of the property by the customer). The

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<sup>(44)</sup> Previously, Aletti Gestielle and Aletti Gestielle Alternative had incorporated Bipitalia SGR S.p.A and Bipitalia SGR Alternative S.p.A., respectively.

Group operates through Banca Italease (established on 13 December 1968 on the initiative of fifty-two community banks) and Mercantile Leasing (established in 1982 as a Banca Mercantile leasing company, purchased in 2004 by Banca Italease and specialising in the nautical leasing sector) and, as a result of Banca Italease Group Restructuring, through part-owned company Alba Leasing. The type of contracts and services offered is further divided depending on the type of property involved in the contract and includes real estate leasing and personal property leasing, differentiated in turn into instrumental leasing, motor vehicle leasing and aeronaval and railway leasing.

Banca Italease and Mercantile Leasing also operate in so-called special-conditions leasing (leasing transactions for investments enjoying special terms and conditions pursuant to community, state, regional, provincial and municipal law) and so-called public leasing (i.e. leasing transactions in which the Government is the counterparty).

From the standpoint of optimising leasing activity and simplifying the structure of the Banca Italease Group, Italease Network, set up in 1999 on the initiative of Banca Italease under the corporate name of Focus Leasing, specialising in operational leasing, was incorporated by Banca Italease by merger on 3 December 2010 (with legal and fiscal effect from 31 December 2010).

Banco Popolare, BPER and BPS, upon agreed termination of the agreements in force with Banca Italease, shall see to the distribution of leasing products based on special commercial agreements with Alba Leasing.

For information on Alba Leasing, please see Section One, Chapter IV, Paragraph 4.1.10 and Chapter V, Paragraph 5.1.5, of the Prospectus.

#### *6.1.4.6 Consumer credit*

As far as consumer credit is concerned, Banco Popolare holds a 39% stake in Agos Ducato – as part of the joint venture with the Crédit Agricole banking group aimed at the integration in Italy of the activities of Ducato S.p.A. and Agos S.p.A. – primary operator in the special-purpose loan and revolving card sector and active as well in the personal loan sector, which has a network of 256 directly owned branches in Italy and an exclusive partnership agreement with the banking network of the Banco Popolare Group, of Cariparma and Friuladria (over 700 branches) and over 25,000 contractual points of sale.

#### *6.1.4.7 Insurance banking*

In so-called insurance banking, the Group operates in the “life and pension” sector through Popolare Vita (of which it holds 50% of the share capital, directly and indirectly), a joint venture established with FonSAI and in the “protection” sector through Avipop Assicurazioni (of which it holds 49.9% of the share capital through HPFBP), a joint venture set up with the Aviva group. The Popolare Vita offering includes life insurance, investment, asset management and comprehensive pension products. Avipop Assicurazioni offers a wide range of insurance products dedicated to personal, home, family and business protection.

#### *6.1.4.8 Factoring*

Until 29 July 2010, the Banco Popolare Group engaged in factoring activity through the subsidiary Factorit, in which at the Prospectus Date it holds 9.5% of the share capital through Banca Italease. Following disposal of control in Factorit, Banco Popolare continues to distribute Factorit products to its customers, on the basis of agreements made with Factorit.

Factorit was established on 14 December 1978 by several Italian co-operative banks. On 6 May 2005, following the merger by incorporation of Factorit S.p.A. into Banca Italease, the factoring activities were transferred to the newly-established Italease Factorit S.p.A. In 2008, on the thirtieth anniversary of its establishment, the company went back to the historical Factorit name.

Factorit offers a complete range of products, including all different types of factoring: with recourse factoring, non-recourse financial factoring without notice, non-recourse factoring with notice, non-recourse non-financial factoring without notice, maturity factoring and fixed date credit, export factoring, and import factoring; Factorit also offers additional products, such as “instalment products,” “financing products,” “assignment of future credits,” and “indirect factoring.”

#### **6.1.5 Indication of new products and services**

At the Prospectus Date, the Group’s products and services are as described in Paragraphs 6.1.1, 6.1.2 and 6.1.3 above of the Prospectus.

#### **6.1.6 Risk management**

##### *Objectives and policies in terms of assuming, managing and hedging risks*

Banco Popolare and the Group companies direct their activities in the light of criteria of prudence and reduced exposure to risk. This is in relation to:

- the requirement of stability associated with engaging in banking activity;
- the profile of its investors;
- its co-operative matrix and the values of community lending.

Banco Popolare defines its propensity for risk by identifying among its own funds a capital component not available for risk-taking, intended to pursue the goal of business continuity over the medium to long-term, with gradual strengthening of capital, maintaining conditions for operational flexibility and capital coverage for impacts deriving from the occurrence of stress conditions.

Consistent with its propensity for risk, Banco Popolare and the Group companies pursue objectives of stable growth sustainable over time; strong spreading of credit risks, consistent with the objective of financing primarily small and medium-sized businesses and families; assumption of market risks closely tied to commercial demands; exclusion of risks extraneous to characteristic activities and accurate evaluation of initiatives entailing new types of risk; developing increasingly accurate risk monitoring methodologies, including from the standpoint of recognising internal models for overseeing purposes.

The Banco Popolare Group has an organisational structure, business procedures, human resources and skills to ensure the identification, monitoring, control and management of the different risks that characterise the activity, with the primary objective of protecting the Group’s financial soundness and reputation vis-à-vis undesired events.

The entire risk management and control process is coordinated by Banco Popolare, in the dual role of Parent Company and company at which functions of common interest for the Group are centralised.

The risk management process takes places at several levels within the organisational structure.

The fundamental risk control and management role falls to the Parent Company's Supervisory Board, which establishes the strategic guidelines, approves risk management policies and evaluates the degree of effectiveness and adequacy of internal controls, particularly with regard to risk control. For internal control and business risk monitoring activities, the Supervisory Board relies on the Control Committee created within it.

The Parent Company's Board of Management defines the managerial and operational guidelines and directions for risk-taking and approves rules on risk limits, containing guidelines, risk limits and control procedures consistent with those stipulated by the Supervisory Board.

The risk management policy is developed by the Group Risk Committee, the Finance Committee and other relevant Committees on the subject (Product Innovation Committee, in particular), which are treated as organisational units of the Parent Company. A significant role is performed by the Group's Risk Management Department and Audit Function, included within the Parent Company's governance structures.

The risk management process takes place through the following logical phases:

- risk identification: the Group identifies risks by continually assessing the potential impact of internal and external effects on the activities carried out and the positions taken;
- risk measurement: the Group measures risks using many methods – including calculating expected and unexpected loss, value at risk (VaR), the sensitivity of economic and financial indicators – conducting stress testing and making comparative analyses with the main competitors. The models used, which undergo initial internal validation, are regularly subjected to consistency and soundness checks;
- risk monitoring, control and management: the Group monitors and manages risks through appropriate policies and procedures, which define strategic and operational limits at the level of counterparties, products and activities, ensuring monitoring thereof on a daily, weekly and/or monthly basis. By continually comparing the risks taken (assessed through internal models as well) and the assets allocated for their coverage, the Group ensures that current and future capital adequacy conditions are maintained. Changes in risks and capital are subject to regular directional reporting, intended for corporate bodies and top management, and to formalisation in a special annual report (ICAAP report), sent to the Banca d'Italia. The Group pursues goals of (i) risk reduction by diversifying its activities, counterparties and geographical areas and (ii) obtaining an adequate return, on target for the risks borne, of each of its areas of activity through an appropriate capital allocation process;
- risk reporting: the Group carries out risk reporting activities at an aggregate level, by company and by line of business, providing management with adequate reporting on a daily, weekly and/or monthly basis.

#### *6.1.6.1 Credit risk*

Credit risk is the risk that a Group debtor (including counterparties on financial transactions involving over-the-counter derivatives – in which case it is counterparty risk, more properly speaking) does not fulfil its obligations or has their credit rating downgraded, with consequent harm to the Group. Of particular importance for credit risk is the risk of concentration, which results from significant exposures with counterparties, groups of counterparties that are connected or from the same economic sector or that engage in the same activity or belong to the same geographic area. An assessment of the amount of possible losses

that could be incurred with an individual credit exposure and the loan portfolio overall depends on many factors, including economic trends in general or relative to specific manufacturing sectors, the variation in the rating of individual counterparties, structural and technological changes within debtor enterprises, the worsening of the competitive position of counterparties, possible bad management of borrower enterprises or counterparties, growing household debt, and other external factors, such as legal and regulatory requirements.

The credit policy adopted by the Group pays special attention to risk containment through loan analysis at the disbursement phase, loan diversification geographically and in terms of sectors, the acquisition of guarantees, if necessary, for loans granted, and control of changes in credit reports. In general, the Group's lending activity is carried out primarily in territories characterised by a diversified entrepreneurial structure, so that the risk of the loan portfolio is spread out over many product sectors. The Group then implements continual monitoring of its loan portfolio, analysing the progress of the risk profile, as well as lines of credit and draws by economic sector, region, customer segment and technical form.

As far as guarantees are concerned, the residual risk relating to the possibility that the recognised techniques for mitigating the credit risk used by the banks could prove less effective than expected is managed. To deal with this risk, there is an internal regulation, which governs the guarantee acquisition, acceptance and management procedures, implemented uniformly throughout the entire Group.

Special attention is paid by the Banco Popolare Group to assessing the creditworthiness of banks and institutional counterparties (investment banks and financial firms) in particular with reference to transactions of a financial nature (trading derivatives and money market instruments, disbursing loans, and investing in bond issues).

The core principles for the management of the risk deriving from these counterparties are the following:

- centralisation of the loan process at the Parent Company;
- internal system for assigning and regularly reviewing ratings (in addition to the ratings issued by international agencies);
- daily measurement and control systems for credit exposure and observance of the maximums;
- minimising the risk from trading over-the-counter derivative contracts through broad recourse to guarantee issuance mechanisms (credit support annex agreements with all the main counterparties).

#### 6.1.6.2 Market risk

Market risk is the risk that the Group will make less income than expected, have impairments of asset items or economic capital losses on the financial positions held, due to serious adverse changes in market conditions and particularly in interest rates, share prices, exchange rates and the respective volatility thereof (general risk) or due to the occurrence of factors that compromise the issuer's repayment ability (specific risk). Market risk manifests itself both in terms of the trading book, including financial instruments for trading and derivatives associated with them, as well as the banking book, which includes financial assets and liabilities other than those comprising the trading book. In the latter case, rate risk is also a concern with the banking book in terms of the possibility of losses deriving from potential variations in exchange rates, as is equity risk with the banking book, relative to the possibility of a drop in the fair value of the equity instruments in the banking book due to market volatility or the situation of individual issuers.

Relative to the trading book, market risks deriving from the commercial activities engaged in by the Group are systematically transferred to the subsidiary Banca Aletti. The risk exposures weighing on the Parent Company are due to the securities portfolio (commercial bank exposures of a limited amount remain). In particular, the greatest risk factor is the interest rate on the bond portfolio, primarily variable-rate or hedged by asset swap structures, with an extremely limited duration overall. The management of the risk associated with individual issuers of shares or bonds is also very prudent. The main market risks borne by Banca Aletti are attributable to the exposures to rate and equity risk assumed in transactions carried out on cash and derivatives markets. Exposure to foreign exchange risk is limited.

Market risk is measured by means of specific estimate and control models through specific risk limits, assigned to the functions involved in the management thereof, and adequate audit procedures.

Consistent with the market's degree of financial innovation, especially in the field of derivatives, the Group pursues continuous development of the methodologies and systems for evaluating financial instruments and estimating the respective risks, particularly with regard to more complex instruments and the respective market parameters.

For banking book rate risk as well, the Group has equipped itself with a system of prudential limits, broken down according to the individual companies and approved by the competent corporate bodies, for purposes of containing the impact of any sudden market interest rate hikes or drops on interest margins and equity values within the set limits.

#### *6.1.6.3      Liquidity risk*

Liquidity risk consists of a possible condition of instability deriving from any negative imbalance between incoming and outgoing cash flows if not adequately covered by liquidity reserves represented, in particular, by European Central Bank liquid and advance-payment bonds. Special attention is paid to managing this risk, which may manifest itself more given exceptional events, such as a reduction in market liquidity, causing difficulties at banks in terms of their capacity to meet payment obligations. This risk is managed and mitigated by interventions for diversifying the source of financing and strengthening reserves of advance-payment bonds, used for dealing with unexpected cash outflows. In addition, the Group is equipped with a precise system of limits, both for so-called operating or treasury liquidity, as well as for structural liquidity generated by the entire banking book. In addition, a special liquidity contingency plan has been prepared, subject to the approval of corporate bodies, aimed at ensuring timely and efficient governance in the event of stress or a liquidity crisis. The plan provides, in particular, for early warning indicators capable of anticipating liquidity stress conditions due to market crisis situations or crises involving the Group specifically; these indicators are subject to monitoring and control on a daily basis.

#### *6.1.6.4      Operational risk*

Operational risk is the risk of experiencing losses deriving from inadequate or improper functioning of corporate procedures, errors or deficiencies in human resources and internal systems, or from exogenous events. It also includes legal risk, but not strategic or reputational risk. The main sources of operational risk may include: the instability of operational procedures, scant information system security, increasing reliance on automation, outsourcing of corporate functions, the use of a reduced number of suppliers, changes in strategy, fraud, errors, personnel hiring, training and loyalty and, lastly, social and environmental impacts. It is not possible to identify a steady predominant source of operational risk, since it is inherent inevitably in all corporate procedures and activities. This characteristic leads the Group to implement broad risk mitigation



and governance actions, especially by transferring them through insurance instruments and/or outsourcing, continually upgrading the efficiency of procedures (re-engineering and control improvement interventions) and audits of their regulatory compliance.

Described below are other significant risks assumed, managed and mitigated by the Group.

**Commercial risk**, also known as business risk, is the risk of experiencing losses, in terms of a decrease in the expected brokerage margin (net of the impact of credit risk and market risk), due to changes in the macroeconomic or microeconomic context and their impact with products and services on satisfaction among customers who, in reducing volumes and/or compressing margins, reduce the bank's income-earning capability. Particularly significant is exposure to the risk of variation in commission income from investment services. This risk is managed and mitigated by commercial policies and actions aimed at building customer loyalty, for purposes of making the service provision activity steady and continually profitable, and maintaining a high added-value and innovative commercial offering, in line with customers' current and future expectations.

**Strategic risk** is defined as loss of profits or capital deriving from changes in the competitive environment or from wrong strategic business decisions, inadequate implementation of strategic decisions, and little or no reactivity to changes in the competitive environment. By way of example, the risk may derive from an unforeseen change in the benchmark indicators used as the basis of the strategic plan (for example, the level of gross domestic product, inflation, household savings, planned investments by enterprises in different economic activity sectors and in different geographical areas, etc.), contrary to market expectations, generating a positive effect on the Group's forecast earnings, which, on an actual basis, may not be fully realised. Continual monitoring of the progress of operations, the most significant corporate indicators and all other relevant variables, whether internal or external to the Group, permits corporate bodies with strategic responsibilities to reduce this risk to a minimum, allowing for timely adjustment and/or correction actions even when competitive and market environments change.

**Reputational risk** is defined as the risk of loss of profits or capital deriving from a negative perception of the bank's image by customers, counterparties, bank shareholders, investors or supervisory authorities due to specific critical events affecting, for example, given operating areas, products and procedures. The Banco Popolare Group, conscious of continually improving its image and consolidating its reputation, implements a prevention policy conducted on several fronts, specifically:

- customer protection, ensuring adequate information allowing for well-informed financial choices;
- auditing the compliance of operating procedures and corporate conduct with external standards, regulations and principles adopted internally.

Strategic risk and reputational risk are characterised by being matters handled primarily by Group structures, aided by assessment methodology experimentation and development activities, including quantitatively.

**Real estate risk** is the risk of loss of value of the real estate property market due to changes in the prices seen on the Italian real estate market. This risk is monitored by special technical structures created within the Group.

**Securitisation transaction risk** consists of the risk that the economic substance of a securitisation transaction is not fully reflected in the risk assessment and management decisions. To deal with this risk, Banco

Popolare has equipped itself with a structure specialising in defining securitisation transactions involving its assets. This entity is in charge, among other things, of the selection of the available-for-sale portfolio, defining the structure to be adopted, as well as reviewing the documentation prepared by the legal adviser in charge.

**Compliance risk** is defined as the risk of incurring administrative and judicial penalties due to the occurrence of non-compliance conditions between external regulations and internal regulations (and corporate procedures) and between codes of self-governance and internal codes of conduct. Also included are non-compliance situations that entail significant financial losses and reputational harm. This risk is monitored by special technical structures created within the Group.

## **6.2 Main markets**

The tables below summarise the Group's competitive position in terms of branches at 30 June 2010 and 31 December 2009 and in terms of direct deposits (excluding bonds) and loans at 30 September 2010 and at 31 December 2009.

Nationwide, the Group's market share, calculated on the basis of customer residence, stood at a level of around 5% both in terms of deposits, as well as loans, at 30 September 2010 and at 31 December 2009. Confirming strong territorial presence, on 30 June 2010, the Group's market share in terms of branches is greater than 5% in 10 regions and greater than 10% in 20 Italian provinces.

MARKET SHARES IN THE MAIN PROVINCES/REGIONS			
	Branches (*)	Loans (**)	Deposits (**) (***)
<b>Total Northern Italy</b>	<b>7.81%</b>	<b>7.02%</b>	<b>6.31%</b>
<b>Northeast</b>	<b>6.36%</b>	<b>6.85%</b>	<b>6.43%</b>
<b>Veneto</b>	<b>8.62%</b>	<b>7.95%</b>	<b>8.17%</b>
Verona	21.41%	18.93%	27.54%
Venice	9.37%	5.97%	6.35%
Vicenza	6.25%	8.11%	3.74%
Padua	4.45%	3.99%	1.50%
<b>Emilia Romagna</b>	<b>6.44%</b>	<b>7.92%</b>	<b>7.01%</b>
Modena	15.04%	17.17%	17.48%
Reggio Emilia	12.17%	14.96%	16.62%
Bologna	6.19%	5.50%	5.15%
Parma	6.15%	8.02%	4.88%
<b>Northwest</b>	<b>9.08%</b>	<b>7.14%</b>	<b>6.23%</b>
<b>Liguria</b>	<b>14.03%</b>	<b>8.95%</b>	<b>9.96%</b>
Genoa	15.99%	9.60%	11.22%
Savona	15.68%	9.45%	10.11%
La Spezia	9.56%	6.90%	6.65%
Imperia	8.20%	6.72%	5.99%
<b>Piedmont</b>	<b>8.43%</b>	<b>6.69%</b>	<b>5.88%</b>
Novara	24.77%	14.11%	20.98%
Vercelli	21.64%	12.87%	16.35%
Asti	7.36%	3.84%	4.55%
Cuneo	5.94%	3.83%	3.24%
Turin	3.89%	4.85%	3.19%
<b>Lombardy</b>	<b>8.67%</b>	<b>7.11%</b>	<b>5.89%</b>
Lodi	25.00%	19.85%	24.32%
Cremona	23.73%	15.41%	19.39%
Bergamo	14.38%	13.95%	13.79%
Pavia	10.98%	5.65%	6.07%
Varese	9.17%	5.42%	4.87%
Brescia	8.70%	6.51%	5.97%
Mantua	6.33%	7.24%	5.67%
Milan	5.59%	6.03%	4.28%
<b>Central</b>	<b>4.42%</b>	<b>4.05%</b>	<b>3.63%</b>
<b>Tuscany</b>	<b>8.95%</b>	<b>7.39%</b>	<b>7.67%</b>
Lucca	23.60%	19.14%	29.28%
Livorno	22.27%	13.44%	14.76%
Pisa	14.79%	14.50%	17.98%
Massa Carrara	10.62%	11.21%	9.50%
Grosseto	6.10%	6.20%	4.33%
Pistoia	4.62%	5.15%	3.16%
Florence	4.30%	3.89%	2.49%
<b>South and Islands</b>	<b>3.51%</b>	<b>2.53%</b>	<b>2.28%</b>
<b>Sicily</b>	<b>7.09%</b>	<b>3.68%</b>	<b>4.25%</b>
Syracuse	5.51%	3.26%	3.70%
Messina	9.36%	7.19%	6.23%
Catania	13.70%	4.99%	8.11%
Caltanissetta	5.94%	1.92%	2.79%
<b>Total Italy</b>	<b>6.19%</b>	<b>5.58%</b>	<b>4.89%</b>

Source: Prepared by the Company with Banca d'Italia data; shares are calculated as aggregated of Network Banks, Banca Aletti and Efibanca.

(\*) Data as at 30 June 2010.

(\*\*) Data as at 30 September 2010. Market share of loans and deposits per customer province of residence. The data refers to all Consumer Families and the like, Manufacturing Families and Non-financial Companies, based on the customer sectorisation definition adopted by Banca d'Italia. As of June 2010, as a result of European Central Bank Regulation No. 32 of 2008 and some amendments made to regulatory reporting, the historical series show a statistical discontinuity.

(\*\*\*) Deposits (with pre-established duration, at sight, overnight and repayable with advance notice), interest-bearing notes, certificates of deposit, current accounts, cashier's cheques and repurchase agreement payables.

MARKET SHARES IN THE MAIN PROVINCES/REGIONS			
31 December 2009	Branches	Loans (*)	Deposits (*) (**)
<b>Total Northern Italy</b>	<b>8.02%</b>	<b>6.02%</b>	<b>6.71%</b>
<b>Northeast</b>	<b>6.78%</b>	<b>6.14%</b>	<b>6.81%</b>
<b>Veneto</b>	<b>9.03%</b>	<b>7.19%</b>	<b>8.93%</b>
Verona	21.59%	17.01%	29.02%
Venice	9.60%	4.95%	7.71%
Vicenza	6.47%	7.63%	4.26%
Padua	5.18%	3.70%	1.70%
<b>Emilia Romagna</b>	<b>7.06%</b>	<b>7.04%</b>	<b>7.43%</b>
Modena	16.08%	14.99%	18.66%
Reggio Emilia	12.65%	13.67%	16.16%
Bologna	6.82%	4.88%	5.51%
Parma	6.27%	7.41%	5.25%
<b>Northwest</b>	<b>9.10%</b>	<b>5.93%</b>	<b>6.64%</b>
<b>Liguria</b>	<b>13.85%</b>	<b>6.83%</b>	<b>10.51%</b>
Genoa	15.76%	7.34%	11.81%
Savona	15.43%	6.96%	10.50%
La Spezia	9.42%	5.35%	6.98%
Imperia	8.13%	5.54%	6.43%
<b>Piedmont</b>	<b>8.73%</b>	<b>5.75%</b>	<b>6.34%</b>
Novara	24.31%	10.83%	21.81%
Vercelli	21.48%	10.95%	16.88%
Asti	7.45%	3.30%	4.59%
Cuneo	6.33%	3.27%	3.96%
Turin	4.23%	4.28%	3.32%
<b>Lombardy</b>	<b>8.60%</b>	<b>5.90%</b>	<b>6.28%</b>
Lodi	24.70%	18.70%	26.79%
Cremona	23.65%	14.08%	20.12%
Bergamo	14.27%	11.78%	14.72%
Pavia	10.82%	4.57%	6.58%
Varese	8.76%	4.23%	4.91%
Brescia	8.67%	5.72%	6.31%
Mantua	6.53%	6.66%	5.73%
Milan	5.70%	4.75%	4.43%
<b>Central</b>	<b>4.51%</b>	<b>3.53%</b>	<b>3.83%</b>
<b>Tuscany</b>	<b>9.11%</b>	<b>6.51%</b>	<b>8.18%</b>
Lucca	23.51%	17.00%	31.67%
Livorno	22.27%	12.66%	15.58%
Pisa	15.09%	12.65%	18.87%
Massa Carrara	10.53%	9.95%	9.15%
Grosseto	7.27%	5.57%	4.05%
Pistoia	5.10%	4.54%	3.64%
Florence	4.27%	3.33%	2.63%
<b>South and Islands</b>	<b>3.74%</b>	<b>2.15%</b>	<b>2.50%</b>
<b>Sicily</b>	<b>7.86%</b>	<b>3.20%</b>	<b>4.61%</b>
Syracuse	5.47%	5.60%	6.54%
Messina	9.32%	5.18%	5.73%
Catania	14.67%	3.96%	8.39%
Caltanissetta	8.65%	1.34%	2.97%
<b>Total Italy</b>	<b>6.38%</b>	<b>4.80%</b>	<b>5.22%</b>

Source: Prepared by the company with Banca d'Italia data; shares are calculated as aggregated of Network Banks, Banca Aletti and Efibanca.

(\*) Market shares for loans and deposits by customer province of residence. The data refers to all Consumer Families and the like, Manufacturing Families and Non-financial Companies, based on the customer sectorisation definition adopted by Banca d'Italia. As at June 2010, due to European Central Bank Regulation No. 32 of 2008 and some amendments made by mandatory reporting, the historical series show a statistical discontinuity.

(\*\*) The data refers to deposits (with pre-established duration, at sight, overnight and repayable with advance notice), interest-bearing notes, certificates of deposit, current accounts, cashier's cheques and repurchase agreement payables.

In keeping with the structure described above, Banco Popolare operates with a direct presence in 20 Italian regions through a distribution structure broken down as follows: 73% of the total in regions of Northern Italy, 15% in Central Italy, 6% in Southern Italy and 6% in the Islands. Besides the Group's historical regions, such as Veneto, Lombardy, Piedmont, Tuscany, Emilia Romagna and Liguria, a significant presence is to be noted also in the Sicily region.

Region	30 June 2010		% BP Group
	BP Branches	Banking System Branches	
ABRUZZO	45	700	6.43%
BASILICATA	3	249	1.20%
CALABRIA	2	522	0.38%
CAMPANIA	59	1,643	3.59%
EMILIA ROMAGNA	228	3,543	6.44%
FRIULI VENEZIA GIULIA	16	951	1.68%
LAZIO	66	2,764	2.39%
LIGURIA	135	962	14.03%
LOMBARDY	574	6,620	8.67%
MARCHE	7	1,207	0.58%
MOLISE	8	147	5.44%
PIEDMONT	227	2,693	8.43%
PUGLIA	6	1,422	0.42%
SARDINIA	1	667	0.15%
SICILY	126	1,776	7.09%
TUSCANY	228	2,548	8.95%
TRENTINO ALTO ADIGE	22	973	2.26%
UMBRIA	13	578	2.25%
VALLE D'AOSTA	6	98	6.12%
VENETO	311	3,606	8.62%
<b>Overall total</b>	<b>2,083</b>	<b>33,669</b>	<b>6.19%</b>

Source: Prepared by the Company with Banca d'Italia data.

Region	31 December 2009		% BP Group
	BP Branches	Banking System Branches	
ABRUZZO	45	708	6.36%
BASILICATA	3	249	1.20%
CALABRIA	3	530	0.57%
CAMPANIA	61	1,653	3.69%
EMILIA ROMAGNA	254	3,596	7.06%
FRIULI VENEZIA GIULIA	16	957	1.67%
LAZIO	68	2,792	2.44%
LIGURIA	136	982	13.85%
LOMBARDY	577	6,707	8.60%
MARCHE	9	1,235	0.73%
MOLISE	8	144	5.56%
PIEDMONT	238	2,726	8.73%
PUGLIA	6	1,437	0.42%
SARDINIA	1	669	0.15%
SICILY	142	1,806	7.86%
TUSCANY	233	2,557	9.11%
TRENTINO ALTO ADIGE	23	970	2.37%
UMBRIA	13	577	2.25%
VALLE D'AOSTA	6	96	6.25%
VENETO	329	3,645	9.03%
<b>Overall total</b>	<b>2,171</b>	<b>34,036</b>	<b>6.38%</b>

Source: Prepared by the Company with Banca d'Italia data.

### **6.3 Exceptional factors**

Except as indicated in this Prospectus and, in particular, under Risk Factors, no other exceptional events have occurred that have had a material effect on the activities of the Banco Popolare Group.

### **6.4 The Issuer's possible dependence on industrial property rights and licensing agreements**

At the Prospectus Date, the Issuer's activity does not depend on patents or licences, industrial, commercial or financial contracts, or on new procedures.

### **6.5 Competitive standing**

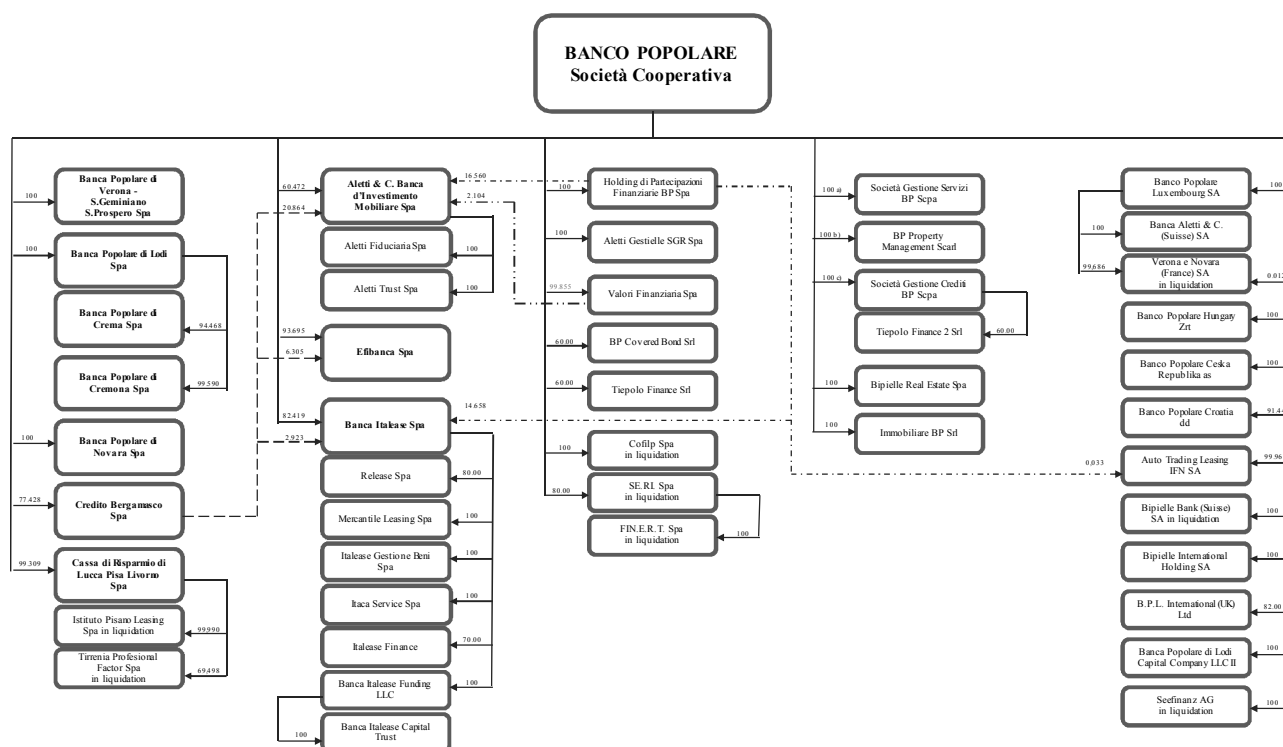
As far as the Group's competitive standing is concerned, please see the respective information contained in Section One, Chapter VI, Paragraph 6.2 of the Prospectus.

## CHAPTER VII – ORGANISATIONAL STRUCTURE

### 7.1 Description of the Group to which the Issuer belongs

Banco Popolare is the Parent Company and, as a bank involved in the co-ordination and management of the Group pursuant to Article 61, paragraph 4, of the Consolidated Banking Act, it issues instructions for Group companies, including for the enforcement of instructions issued by the Supervisory Authorities and in the interest of the Group's stability.

The following graph shows the structure of the Banco Popolare Group.



## 7.2 Issuer subsidiaries

The following table indicates some information regarding the main direct or indirect subsidiaries of Banco Popolare at the Prospectus Date.

NAME	HEADQUARTERS	HOLDING		AVAILABILITY VOTES% (§)
		COMPANY	STAKE	
Acque Minerali Riunite S.p.A.	Rome	Efibanca	100%	
Aletti & C. Banca di Investimento Mobiliare S.p.A.	Milan	Banco Popolare	60.472%	
		Credito Bergamasco	20.864%	
		HPFBP	16.560%	
		Valori Finanziaria	2.104%	
Aletti Fiduciaria S.p.A.	Milan	Banca Aletti & C.	100%	
Aletti Gestielle SGR S.p.A.	Milan	Banco Popolare	100%	
Aletti Trust S.p.A.	Milan	Banca Aletti & C	100%	
Arena Broker S.r.l.	Verona	HPFBH	57.300%	
Auto Trading Leasing IFN s.a.	RO – Bucharest	Banco Popolare	99.967%	
		HPFBH	0.033%	
B.P.I. International (UK) Ltd.	UK – London	Banco Popolare	82%	
Banca Aletti & C. (Suisse) S.A.	CH – Lugano	BP Luxembourg	100%	
Banca Italease S.p.A.	Milan	Banco Popolare	82.240%	
		HPFBP	14.657%	
		Credito Bergamasco	2.923%	
		Banca Italease	100%	
Banca Italease Funding LLC	USA – Delaware	Banca Italease	100%	
Banca Popolare di Crema S.p.A.	Crema	Banca Popolare di Lodi	94.468%	
Banca Popolare di Cremona S.p.A.	Cremona	Banca Popolare di Lodi	99.590%	
Banca Popolare di Lodi S.p.A.	Lodi	Banco Popolare	100%	
Banca Popolare di Lodi Capital Company LLCII	USA – Delaware	Banco Popolare	100%	
Banca Popolare di Lodi Capital Company LLCIII	USA – Delaware	Banco Popolare	100%	
Banca Popolare di Novara S.p.A.	Novara	Banco Popolare	100%	
Banca Popolare di Verona – S. Geminiano e S. Prospero S.p.A.	Verona	Banco Popolare	100%	
Banco Popolare Ceska Republika, a.s. <sup>(45)</sup>	CZ – Prague	Banco Popolare	100%	98.950%
Banco Popolare Croatia d.d.	HR – Zagreb	Banco Popolare	98.130%	
Banco Popolare Hungary Zrt	H – Budapest	Banco Popolare	100%	
Banco Popolare Luxembourg S.A.	L – Luxembourg	Banco Popolare	100%	
Banco Popolare Service Kft.	H – Budapest	BP Hungary	100%	
Bio Energy International S.A.	L – Luxembourg	Efibanca	99.998%	
Bipielle Bank (Suisse) S.A. (in liq.)	CH – Lugano	Banco Popolare	100%	
Bipielle International Holding S.A.	CH – Lugano	Banco Popolare	100%	
Bipielle Real Estate S.p.A.	Lodi	Banco Popolare	100%	
BP Covered Bond S.r.l.	Milan	Banco Popolare	60%	
BRF Property S.p.A.	Parma	Partecipazioni Italiane	51.114%	
		Efibanca	14.314%	
Bormioli Rocco & Figlio S.p.A.	Fidenza	Partecipazioni Italiane	81.114%	
		Efibanca	14.314%	
Bormioli Rocco (Spagna) S.A.	E – Guadalajara	Bormioli Rocco Intern.	74.070%	
		Bormioli Rocco & Figlio	25.930%	
Bormioli Rocco Glass Co. Inc. S.C.	USA – New York	Bormioli Rocco Intern.	100%	
Bormioli Rocco International S.A.	L – Luxembourg	Bormioli Rocco & Figlio	100%	
Bormioli Rocco France S.A.	F – S. Sulpice	Bormioli Rocco Intern.	56.640%	
		Bormioli Rocco & Figlio	43.360%	
Bormioli Rocco Valorisation S.A.S.	F – Masnières	Verreries de Masnières	100%	
BP Property Management Soc. Consortile a r.l.	Verona	Banco Popolare	100%*	
Braidense Seconda S.r.l.	Milan	Efibanca	100%	
Cassa di Risparmio di Lucca Pisa Livorno S.p.A.	Lucca	Banco Popolare	99.309%	

<sup>(45)</sup> See footnote no. 4 Companies held for sale pursuant to IFRS 5.



NAME	HEADQUARTERS	HOLDING		AVAILABILITY VOTES% (§)
		COMPANY	STAKE	
Compagnia Finanziaria Ligure Piemontese S.p.A. (in liq.)	Milan	Banco Popolare	100%	
Credito Bergamasco S.p.A.	Bergamo	Banco Popolare	77.428%	
Decoro Fidenza S.r.l.	Fidenza	Bormioli Rocco & Figlio	100%	
Efibanca S.p.A.	Lodi	Banco Popolare	93.695%	90.600%
		Credito Bergamasco	6.305%	6.097%
Essegibi Promozioni Immobiliari S.p.A.	Milan	Italease Gestione Beni	100%	
FIN.E.R.T. S.p.A. (in liq.)	Maran (NA)	SE.RI.	100%	
HCS S.r.l.	Milan	Italease Gestione Beni	100%	
Holding di Partecipazioni Finanziarie Banco Popolare (H.P.F. BP) S.p.A.	Verona	Banco Popolare	100%	
Immobiliare BP S.r.l.	Verona	Banco Popolare	100%	
Istituto Pisano Leasing S.p.A. (in liq.)	Pisa	C.R. Lucca Pisa Livorno	100%	
Itaca Service S.p.A.	Milan	Banca Italease	100%	
Italfortune International Advisors S.A.	L – Luxembourg	Banco Popolare	100%	
Italease Finance S.p.A.	Milan	Banca Italease	70%	
Italease Gestione Beni S.p.A.	Milan	Banca Italease	100%	
Liberty S.r.l.	Lodi	Banca Popolare di Lodi	95%	
Lido dei Coralli S.r.l.	S.T. di Gallura (SS)	Bp RE	100%	
Mariner S.r.l.	Lodi	Bp RE	100%	
Mercantile Leasing S.p.A.	Florence	Banca Italease	100%	
Milano Leasing S.p.A. (in liq.)	Milan	Efibanca	99.999%	
Nadir Immobiliare S.r.l.	Lodi	Bp RE	100%	
Partecipazioni Italiane S.p.A.	Milan	Glass Italy	92.653%	92.679%
		Banco Popolare	7.312%	7.321%
Release S.p.A.	Milan	Banca Italease	80%	
RI Investimenti Due S.r.l.	Milan	Sviluppo Comparto 8	100%	
Royle West Ltd (in liq.)	IRL – Dublin	Banco Popolare	99%	
Seefinanz S.A. (in liq.)	CH – Lugano	Banco Popolare	100%	
Servizi Riscossione Imposte SE.R.I. S.p.A. (in liq.)	Naples	Banco Popolare	80%	
SIAL S.r.l. in liquidation	Lodi	Banca Popolare di Lodi	90%	
Sirio Immobiliare S.r.l.	Lodi	Bp RE	100%	
Società Gestione Crediti BP Soc. Consortile p.A.	Lodi	Banco Popolare	100%*	
Società Gestione Servizi BP Soc. Consortile p.A.	Verona	Banco Popolare	100%*	
Sviluppo Comparto 6 S.r.l.	Milan	Bp RE	100%	
Sviluppo Comparto 8 S.r.l.	Milan	Bp RE	100%	
Tecmarket Servizi S.p.A.	Verona	Banco Popolare	87.132%	
		Credito Bergamasco	12.868%	
Tiepolo Finance S.r.l.	Lodi	Banco Popolare	60%	
Tiepolo Finance II S.r.l.	Lodi	Società Gestione Crediti BP	60%	
Tirrena Professional Factor S.p.A. (in liq.)	Pisa	C.R. Lucca Pisa Livorno	69.498%	
TT Toscana Tissue S.r.l.	Pisa	C.R. Lucca Pisa Livorno	100%	
Valori Finanziaria S.p.A.	Verona	Banco Popolare	99.851%	
Verona e Novara (France) S.A. (in liq.)	F – Paris	BP Luxembourg	99.686%	
Verrieres de Masnières S.A.	F – Masnieères	Bormioli Rocco France	100%	
Glass Italy B.V.	NDL – Amsterdam	Stichting Glass Italy	94.999%	
		Efibanca	5.001%	
Stichting Glass	NDL – Amsterdam	-	- #	

(§) The availability of actual votes at the Ordinary Shareholders' Meeting is indicated only if different than the percentage share of the capital.

(\*) The share capital of the company is distributed among several Banco Popolare Group companies that are beneficiaries of services.

(#) Control is exercised through financing. The Issuer engages in direction and coordination activity by law on its subsidiaries.

## CHAPTER VIII – PROPERTY, PLANT AND EQUIPMENT

### 8.1 Tangible assets

The table below shows information regarding the Group's main tangible assets on 31 December 2009.

The Group holds only tangible assets valued at cost, and no insurance companies are included in the scope of consolidation. At the Prospectus Date, no encumbrances exist on these tangible assets.

(thousands of euros)	31/12/2009
A) Assets for functional use	
1. Property	1,215,725
a) land	327,572
b) buildings	615,139
c) furnishings	53,433
d) electronic equipment	49,260
e) other	170,321
2. Acquired under financial leasing	43,295
a) land	19,314
b) buildings	23,867
c) furnishings	-
d) electronic equipment	-
e) other	114
Total A	1,259,020
B) Assets held for investment purposes	
1. Property	123,427
a) land	49,959
b) buildings	73,468
2. Acquired under financial leasing	60,015
a) land	33,203
b) buildings	26,812
Total B	183,442
Total (A+B)	1,442,462

### 8.2 Environmental issues

At the Prospectus Date, also considering the activity carried out by the Banco Popolare Group, no environmental issues exist such as to affect the use of the tangible assets.

## CHAPTER IX – REPORT ON THE GROUP’S OPERATIONAL AND FINANCIAL STANDING

Information on the report on the Group’s operational and financial standing for the years 2009, 2008 and 2007 with comments on (i) substantial changes occurring in the financial standing, (ii) the factors that have influenced the income resulting from the Group’s activity, (iii) other factors that had significant repercussions on the Group’s net income and (iv) the reasons of any substantial changes in the Group’s net income can be obtained from the 2009 Annual Financial Report, the 2008 Annual Financial Report and the 2007 Financial Statements.

Information on the report on the Group’s operational and financial standing for the nine months ending on 30 September 2010 and the half-year ending on 30 June 2010 with comments on (i) substantial changes occurring in the financial standing, (ii) factors that influence the income resulting from the Group’s activity, (iii) other factors that had significant repercussions on the Group’s activity and (iv) the reasons of any substantial changes in the Group’s net income can be obtained from the Interim Report on operations as at 30 September 2010 and from the 2010 Half-yearly Report, respectively.

The Issuer makes use of the system of inclusion by way of reference of the above-mentioned documents pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation 809/2004/EC. These documents have been published and filed at the Consob and are available to the public on the Issuer’s website ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as at the premises of the Issuer and of Borsa Italiana.

For the sake of convenience, shown below is a table mentioning the pages on which the interim report on operations at 30 September 2010, the interim report on operations at 30 June 2010 and the consolidated reports on operations for the years 2009, 2008, 2007 are shown, respectively.

	Interim report on operations	Consolidated half-yearly financial report	Financial statements		
	30 September 2010	30 June 2010	31 December 2009	31 December 2008	31 December 2007
Interim report on operations	11				
Interim report on operations		11			
Consolidated report on operations			21	19	19

For comments about the progress of the main financial figures, see Section One, Chapter III of the Prospectus.

## CHAPTER X – FINANCIAL RESOURCES

### Introduction

The consolidated financial data of the Banco Popolare Group for the financial years ended on 31 December 2009 and 2008, presented in the tables below, have been prepared on the basis of data extracted from the 2009 Annual Report and the 2008 Annual Report, which have been audited. Except where otherwise indicated, for consolidated financial data for the financial year ended 2007, refer to the 2007 Financial Statements, incorporated in the Prospectus by reference.

The financial data as at 30 September 2010 and 30 June 2010 have been extracted from the Interim Report on operations as at 30 September 2010 and the 2010 Half-Year Report respectively, which have been subjected to a review.

The Issuer has opted to incorporate the aforementioned documents by reference pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation 809/2004/EC. These documents have been published and filed with the Consob and are available to the public on the Issuer’s website ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as at the registered offices of the Issuer and Borsa Italiana.

### 10.1 Group financial resources

The following table shows the total direct funding and net interbank position of the Banco Popolare Group as at 31 December 2009 and 2008, as at 30 June 2010 and as at 30 September 2010.

TOTAL DEPOSITS AND NET INTERBANK POSITION						
<i>(thousands of euros)</i>	Total at				Difference %	Difference %
	30/09/2010	30/06/2010	31/12/2009	31/12/2008 <sup>(*)</sup>	30/09/2010 vs. 31/12/2009	2009/2008
Due to customers	49,995,498	52,259,253	53,191,863	51,352,417	-6.01	3.58
Debt securities issued	24,025,916	23,153,809	25,227,520	24,252,656	-4.76	4.02
Financial liabilities designated at fair value through profit and loss	28,058,968	28,097,185	26,763,737	17,525,901	4.84	52.71
<b>Total direct funding</b>	<b>102,080,382</b>	<b>103,510,247</b>	<b>105,183,120</b>	<b>93,130,974</b>	-2.95	<b>12.94</b>
Due to banks	10,094,199	10,864,835	8,420,417	8,357,652	19.88	0.75
Due from banks	8,205,539	8,879,050	9,566,348	12,482,048	-14.22	-23.36
<b>Net interbank position</b>	<b>-1,888,660</b>	<b>-1,985,785</b>	<b>1,145,931</b>	<b>4,124,396</b>	<b>n.s.</b>	<b>-72.22</b>

(\*) The figures have been adjusted in accordance with the update to Circular no. 262/2005 (Bank Financial Statements).

### Direct funding

Direct funding includes “Due to customers” (item 20 of the liabilities), “Debt securities issued” (item 30 of the liabilities) and “Financial liabilities designated at fair value through profit and loss” (item 50 of the liabilities).

In order to present the performance of the main financial values for 2009 and 2008 in a consistent manner, the data as at 31 December 2009 have also been presented below net of the contribution of Banca Italease Group after the acquisition date. The restated data are presented in column “A” of the tables below. Moreover, page 83 of the 2009 Annual Report shows similar tables detailing the performance of the Banca Italease Group compared with the data from the previous financial year, standardized to take into account assets held for sale pursuant to IFRS 5.

<b>BREAKDOWN OF DIRECT FUNDING</b>								
<i>(thousands of euros)</i>	<b>30/09/2010</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	<b>31/12/2009</b>	<b>31/12/2008</b>	<b>30/09/2010</b>	<b>30/09/2010</b>	<b>2009/2008</b>
				<b>(A)</b>	<b>(B)</b>	<b>vs.</b>	<b>vs.</b>	<b>(A)-(B)%</b>
				<b>excluding</b>	<b>excluding</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	
				<b>Italease</b>	<b>Italease</b>			
					<b>and</b>			
					<b>including</b>			
					<b>Banca</b>			
					<b>Caripe</b>			
<b>Deposits</b>	<b>42,269,829</b>	<b>44,788,581</b>	<b>47,107,600</b>	<b>46,942,372</b>	<b>41,494,197</b>	<b>-5.62%</b>	<b>-10.27%</b>	<b>13.13%</b>
Current accounts and demand deposits	40,109,050	41,979,646	43,622,032	43,622,032	37,151,989	-4.46%	-8.05%	17.42%
Time deposits	1,057,348	1,167,652	1,153,305	1,136,970	880,988	-9.45%	-8.32%	29.06%
Certificates of deposit and other securities	1,103,431	1,641,283	2,332,263	2,183,370	3,461,220	-32.77%	-52.69%	-36.92%
<b>Repurchase agreements</b>	<b>8,829,100</b>	<b>9,111,955</b>	<b>8,416,526</b>	<b>8,547,399</b>	<b>13,319,440</b>	<b>-3.10%</b>	<b>4.90%</b>	<b>-35.83%</b>
<b>Bonds</b>	<b>50,981,453</b>	<b>49,609,711</b>	<b>49,658,994</b>	<b>42,390,308</b>	<b>38,317,337</b>	<b>2.77%</b>	<b>2.66%</b>	<b>10.63%</b>
<b>TOTAL DIRECT FUNDING</b>	<b>102,080,382</b>	<b>103,510,247</b>	<b>105,183,120</b>	<b>97,880,079</b>	<b>93,130,974</b>	<b>-1.38%</b>	<b>-2.95%</b>	<b>5.10%</b>

As at 30 September 2010, direct funding totalled EUR 102,080.4 million, against EUR 105,183.1 million as at 31 December 2009, a showing fall of 2.9%. Excluding the contribution of Banca Caripe as at 31 December 2009, the reduction was 2.09%. As regards types of deposit, as in the first half, there was a drop in more traditional current account and demand deposits fell from EUR 43,622 million as at 31 December 2009 (EUR 42,865.1 million excluding the contribution of Banca Caripe) to EUR 40,109 million as at 30 September 2010 (-8.1%, or -6.4% excluding the impact of Banca Caripe), and certificates of deposit and other securities declined by EUR 1,228.8 million, or -52.7% (a drop of EUR 1,203.5 million, or -52.2%, excluding the contribution of Banca Caripe at year-end); this trend was partially offset by the growth in repurchase agreement transactions, which rose by 4.9% (+5.4% net of Banca Caripe) and bonds, which increased by EUR 1,322.5 million, or +2.7% (+2.9% net of Banca Caripe). Deposits from families and small businesses rose by 2.2% compared with the end of 2009 and by 6.2% compared with 30 September 2009. Direct funding attributable to the Banca Italease Group consisted predominantly of liabilities relating to securitisation transactions in place worth EUR 777.7 million and other bonds issued worth EUR 5,230.9 million, for a total of EUR 6,008.6 million of debt securities issued. In addition, Banca Italease carried out a preferred-securities transaction worth EUR 148.9 million (nominal value of EUR 150 million).

As at 31 December 2009, direct funding totalled EUR 105,183.1 million; excluding the contribution of the Banca Italease Group, the total was EUR 97,880.1 million, compared with EUR 93,131 million as at 31 December 2008, showing an increase of 5.1%. As regards types of deposit, there was a sharp fall in repurchase agreement transactions, from EUR 13,319.4 million to EUR 8,547.4 million (-35.8%), and in certificates of deposit and other securities, which fell by EUR 1,277.8 million (-36.9%). This was offset, however, by the increase in more traditional direct funding (current accounts and demand deposits), which rose from EUR 37,152 million at the end of 2008 to EUR 43,622 million as at 31 December 2009 (+17.4%). Bonds also grew, rising by 10.6% compared with the figure recorded as at 31 December 2008. The increase compared with the data as at 30 September 2010 was 4.5%. Deposits from families and small businesses rose by 9% year on year. Direct funding attributable to the Banca Italease Group consisted predominantly of

liabilities relating to securitisation transactions in place worth EUR 1,115.2 million and other bonds issued worth EUR 6,984.9 million. During the second half of 2009, the Banca Italease Group did not carry out any new securitisation transactions and did not issue any new bonds. On 27 October 2009 the bank made an early repayment of a EUR 5 million bond with a step-up structure and a natural maturity date of 27 October 2017. In addition, as a result of the agreement on securitised receivables, liabilities connected with securitisations fell by EUR 1.5 billion for securitisation securities placed on the market.

*Interbank-market activity*

<b>DUE FROM BANKS</b>				
<i>(thousands of euros)</i>	<b>30/09/2010</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	<b>31/12/2008</b>
<b>A. Due from central banks</b>	<b>1,085,718</b>	<b>832,891</b>	<b>1,454,941</b>	<b>1,471,488</b>
<b>B. Due from other banks</b>	<b>7,119,821</b>	<b>8,046,159</b>	<b>8,111,407</b>	<b>11,010,560</b>
Current accounts and demand deposits	2,355,231	2,689,856	1,967,770	1,875,531
Time deposits	2,813,359	3,509,820	4,112,244	2,208,511
Other loans	1,861,152	1,756,106	1,856,236	6,625,183
Debt securities	90,079	90,377	175,157	301,335
<b>Total</b>	<b>8,205,539</b>	<b>8,879,050</b>	<b>9,566,348</b>	<b>12,482,048</b>
<b>DUE TO BANKS</b>				
<i>(thousands of euros)</i>	<b>30/09/2010</b>	<b>30/06/2010</b>	<b>31/12/2009</b>	<b>31/12/2008</b>
<b>A. Due to central banks</b>	<b>4,409,890</b>	<b>4,743,023</b>	<b>2,617,438</b>	--
<b>B. Due to other banks</b>	<b>5,684,309</b>	<b>6,121,812</b>	<b>5,802,979</b>	<b>8,357,652</b>
Current accounts and demand deposit	1,263,105	1,314,472	1,294,493	736,648
Time deposits	2,136,959	2,703,519	2,392,665	2,961,425
Loans	2,266,013	2,074,557	2,079,591	4,590,848
Repurchase agreements	-	-	--	--
Other payables	18,232	29,264	36,230	68,731
<b>Total</b>	<b>10,094,199</b>	<b>10,864,835</b>	<b>8,420,417</b>	<b>8,357,652</b>
<b>NET INTERBANK POSITION</b>	<b>-1,888,660</b>	<b>-1,985,785</b>	<b>1,145,931</b>	<b>4,124,396</b>

The Banco Popolare Group's net interbank position changed from a net-lender position in 2008 and 2009 to a net-borrower position as at 30 June and 30 September 2010. The increase in the total amount "Due to banks" in the 2009, 30 June and 30 September 2010 periods was due to the item "Due to central banks", which is attributable to the Parent Company, and includes time deposits relating to Collateralised Interbank Market (MIC) transactions and transactions backed by receivables from network banks with an ECB rating with a view to ensuring that Banco Popolare obtains loans at ECB rates.

## 10.2 Group cash flows

The cash-flow data reported in this paragraph refers to the Banco Popolare Group with reference to 30 September 2010 and 30 June 2010. For the financial year ended at 31 December 2009 the data refers to the Banco Popolare Group, and from 1 July 2009 it also includes the contribution of the Banca Italease Group. For the financial years ended at 31 December 2008 and 2007, the cash-flow data refers exclusively to the Banco Popolare Group and does not include the Banca Italease Group.

OPERATING ACTIVITIES (thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007
<b>1. Cash flow from operations</b>	<b>647,524</b>	<b>473,567</b>	<b>1,332,528</b>	<b>2,279,885</b>	<b>917,687</b>
- interest income received (+)	2,812,393	1,905,192	4,098,864	6,199,444	4,582,419
- interest expense paid (-)	-1,452,227	-964,274	-2,130,069	-3,941,067	-2,767,830
- dividends and similar income	328,761	308,878	560,693	447,999	138,617
- net fee and commission income (+/-)	956,274	653,142	1,227,575	1,061,009	1,021,974
- personnel expenses	-1,178,521	-798,256	-1,588,416	-1,571,986	-1,369,577
- net premiums collected (+)	-	-	-	-	-
- other insurance income/expense (+/-)	-	-	-	-	-
- other expenses (-)	-1,399,690	-518,724	-1,061,119	-725,422	-915,539
- other income (+)	495,437	-248,807	459,944	553,760	717,428
- duties and taxes	93,134	133,539	-229,099	139,867	-504,886
- expenses/income relating to groups of assets held for sale, net of tax effect	-8,037	2,877	-5,845	116,281	15,081
<b>2. Cash from/used in financial assets</b>	<b>-867,969</b>	<b>-2,110,505</b>	<b>-15,498,320</b>	<b>5,111,408</b>	<b>3,609,012</b>
- financial assets held for trading	482,362	-590,018	-1,025,908	1,102	2,534,606
- financial assets designated at fair value through profit and loss	221,405	276,226	-770,511	739,550	-574,007
- financial assets available for sale	-551,735	-455,268	-460,563	11,011	89,828
- loans to customers	-1,386,795	-1,186,023	-15,079,174	2,442,128	-4,323,605
- due from banks: on demand	-387,461	-722,086	-92,239	518,268	-730,012
- due from banks: other receivables	1,741,194	1,402,356	3,010,531	1,132,798	6,763,853
- other assets	-986,939	-835,692	-1,080,456	266,551	-151,651
<b>3. Cash from/used in financial liabilities</b>	<b>160,006</b>	<b>1,872,643</b>	<b>12,639,610</b>	<b>-6,422,699</b>	<b>-3,035,825</b>
- due to banks: on demand	-31,388	19,979	557,846	-1,517,535	1,776,231
- due to banks: other payables	1,705,170	2,424,439	-495,081	-3,244,772	-11,037,431
- due to customers	-3,196,365	-932,610	1,839,446	224,916	4,487,693
- debt securities issued	-1,201,604	-2,073,711	974,864	-5,899,191	-6,159,512
- financial liabilities held for trading	376,068	343,021	503,831	250,197	768,377
- financial liabilities designated at fair value through profit and loss	1,295,231	1,333,448	9,237,836	5,574,819	6,616,939
- other liabilities	1,212,894	758,077	20,868	-1,811,133	511,878
<b>NET CASH FLOW FROM/USED IN OPERATING ACTIVITIES</b>	<b>-60,439</b>	<b>235,704</b>	<b>-1,526,182</b>	<b>968,594</b>	<b>1,490,874</b>

INVESTING ACTIVITIES (thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007
<b>1. Cash flow from:</b>	131,050	132,818	292,790	940,180	853,657
- sales of investments in associates and companies subject to joint control	24,999	24,993	39,063	13,909	785,575
- dividends collected on equity investments	-	-	-	-	-
- sales of financial assets held to maturity	99,423	99,453	225,233	277,013	708
- sales of property and equipment	6,628	8,372	28,295	645,541	67,374
- sales of intangible assets	-	-	199	3,717	-
- sales of subsidiaries and business units	-	-	-	-	-
<b>2. Cash used in:</b>	-152,919	-112,398	-377,600	-1,336,154	-813,367
- purchase of investments in associates and companies subject to joint control	-705	-6,755	-233,762	-1,044,593	-371,716
- purchase of financial assets held to maturity	-3,616	-17,418	-685	-100,394	-193,564
- purchase of property and equipment	-104,113	-59,592	-78,286	-130,872	-147,616
- purchase of intangible assets	-44,485	-28,633	-64,867	-60,295	-100,471
- purchase of subsidiaries and business units	-	-	-	-	-
<b>NET CASH FLOW FROM/USED IN INVESTING ACTIVITIES</b>	<b>-21,869</b>	<b>20,420</b>	<b>-84,810</b>	<b>-395,974</b>	<b>40,290</b>
<b>FINANCING ACTIVITIES</b> (thousands of euros)					
- issue/purchase of treasury shares	-137	-338,878	31,786	-168,231	-859,220
- issue/purchase of equity instruments	30,611	30,642	1,450,000	-365,074	-
- distribution of dividends and other purposes	-64,047	-51,238	-	-21,340	-340,461
<b>NET CASH FLOW FROM/USED IN FINANCING ACTIVITIES</b>	<b>-33,573</b>	<b>-359,474</b>	<b>1,481,786</b>	<b>-554,645</b>	<b>-1,199,681</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</b> (thousands of euros)	<b>-115,881</b>	<b>-103,349</b>	<b>-129,206</b>	<b>17,975</b>	<b>331,483</b>
<b>RECONCILIATION</b> (thousands of euros)					
- cash and cash equivalents at the beginning of the period	580,798	580,798	710,004	692,029	360,546
- net increase/decrease in cash and cash equivalent for the period	-115,881	-103,349	-129,206	17,975	331,483
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>464,917</b>	<b>477,449</b>	<b>580,798</b>	<b>710,004</b>	<b>692,092</b>



### 10.3 Group financial requirements and financial structure

In relation to the financial requirements of the Banco Popolare Group, data reflecting the performance of direct deposits and loans is shown below.

DEPOSITS (thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2009 (A) excluding Italease	31/12/2008 (B) excluding Italease	30/09/2010 vs. 31/12/2009	2009/2008 (A)- (B)%
Direct funding	102,080,382	103,510,247	105,183,120	97,880,079	93,130,974	-2.9	5.1
Loans to customers	96,141,655	96,156,575	95,350,225	85,951,262	81,096,693	0.8	6.0
<b>Direct funding/loans to customers ratio</b>	<b>106.18%</b>	<b>107.65%</b>	<b>110.31%</b>	<b>113.88%</b>	<b>114.84%</b>	<b>n.a</b>	<b>n.a.</b>

For the structure of the bank's direct funding, see Paragraph 10.1.

### 10.4 Limits to the use of the Group's financial resources

As at the Prospectus Date, there are no limits to the use of financial resources that have had, or may have, either directly or indirectly, significant repercussions on the Issuer's activities. However, it should be pointed out that Banco Popolare has undertaken, with the Ministry of Economy and Finance, within the context of the Tremonti Bond issue, to (i) increase loans offered to small and medium-sized businesses by an average compound annual growth rate (CAGR) of 6% compared with the EUR 39.8 billion in loans offered, on average, in 2007-2008 (average of precise data at year end) for the next three years. The loans will be offered in relation to corresponding demand, whilst maintaining adequate credit quality, in compliance with the principle of sound and prudent management; (ii) contribute EUR 21.75 million to a guarantee fund for loans extended to small and medium-sized businesses pursuant to Article 11 of Law Decree 185/2008; (iii) suspend – if requested to do so by the parties indicated in the protocol of intent, with justification provided – payment of the instalment of the loan for the purchase of a principal home with no charges for the subscriber for 12 months; this suspension also applies to loans that have been subjected to securitisation transactions or the issue of guaranteed bank bonds pursuant to Law 130 of 30 April 1999.

The commitments will be valid until the Tremonti Bonds are issued or until the Issuer has exercised its redemption option for all instruments subscribed by the Ministry of Economy and Finance.

### 10.5 Expected sources of financing

Self-financing and the traditional fundraising instruments used by the Group and described in this Chapter, together with the financial resources that will be generated by the Offer and by future hybrid-capital-instrument and subordinated liability issues, are the main sources of financing for the Group's future activities.

In the absence of specific commitments made by the Group for investments and tangible fixed assets, no forms of financing are expected to be used other than those described in the previous Paragraphs.

## **CHAPTER XI – RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**

In view of the business sector in which the Issuer operates, research and development activities are not considered significant.

## CHAPTER XII – INFORMATION ABOUT FORECASTED TRENDS

### 12.1 Key trends

In an economic climate characterised by the persistent weakness of the economic cycle, the instability of the financial markets and the uncertainty surrounding the background to the real economy outlook, central banks in the major countries continued to adopt an expansive monetary policy in 2010 aimed at supporting the international economic recovery. Among the regulatory action, the measures taken by the authorities aiming to strengthen financial supervision and regulations were of particular importance. In September 2010, the European Parliament approved a package of legislative proposals to redefine the structure of European financial supervision, establishing European supervisory authorities to identify and prevent systemic risk. In the latter part of 2010, the Basel Committee announced sweeping reforms of the regulations governing prudential supervision for banks (Basel III), whose phasing in between 2013 and 2019 will require the banking institutions to satisfy more stringent requirements, both in terms of minimum capital and in terms of liquidity.

In Italy, the banking sector is nurturing the weak signals of growth that emerged since the spring of 2010, at a time when interest rates continue to remain at historically low levels. Commercial lending has shown a slightly positive dynamic, in line with the limited recovery in economic activity and should continue to record moderate growth with a recovery in the short-term segment, closely linked to working capital requirements. Demand from families for mortgages has remained steady, but has slowed slightly, in this case due to the fall in consumer confidence and the still uncertain outlook for the housing market. In terms of outlook, demand for credit by private customers should continue to be buoyed by the mortgage segment, albeit to an increasingly smaller degree. Direct savings too, show very limited growth dynamics, with expected volumes, at the banking system level, mainly unchanged. The economic climate and outlook summarised here suggest an extremely complex and uncertain operating scenario for Italian banks, both due to the risks associated with the intensity of the economic recovery, and the competitive and strategic implications which will derive from the new regulatory landscape.

### 12.2 Trends, uncertainties, requests, commitments or facts that could reasonably have a significant impact on the Issuer's prospects, at least in the current financial year

The Issuer considers that, as a result of the Capital Increase, the Group will be able to position itself favourably in the market with a substantial competitive advantage. This will enable it to capitalise on opportunities arising from the expected economic recovery, bolstering its lending capacity to core customers, i.e. families and local small-medium businesses.

Funding strategies will continue throughout 2011, however, to rely on a balanced mix of both retail and institutional markets.

In commercial lending, the contribution of the large corporate segment is tending to stabilise, as operations are shifting towards smaller firms and individuals, with a gradual increase in the commercial, financial and secured loans component.

In terms of the quality of the Group's lending in the current market climate, this is continuing to feel the effects of the economic slowdown in progress.

Banca Italease will continue in 2011 to be integrated into the Group. With the merger phase completed, organisational and operational restructuring is ongoing, aimed at aligning organisational and risk management mechanisms and to reduce administrative costs. The Parent Company will also continue to consolidate other activities, alongside plans to rationalise its information systems. The de-risking process – a series of initiatives aimed at lessening the risk of what used to be Banca Italease – has been stepped up and will continue throughout 2011, partly through agreements aimed at standardising non-performing loans by rewording the terms and conditions or the identification of new counterparties.

## CHAPTER XIII – PROFIT FORECASTS OR ESTIMATES

The Prospectus does not contain profit forecasts or estimates.

In the context described in Section One, Chapters IV and XII, in the first nine months of the year the Group recorded a consolidated net profit of EUR 467 million due to significant exceptional items. Excluding Banca Italease, the net profit of EUR 275 million represented a growth of 43% on the previous year.

This growth should not be considered representative of the fourth quarter of 2010, which could be affected by the following factors:

- macroeconomic conditions which continue to be unfavourable;
- impact on net financial income of the recent instability on the global financial markets following the economic and financial troubles of Ireland and Portugal;
- impact of the Fair Value Option following any changes in credit rating of Banco Popolare;
- further provisions that might result from developments in ongoing fiscal and legal disputes

For further information on the results for the nine months ended on 30 September 2010 and the outlook, see Section One, Chapter XII and Chapter XX, Paragraph 20.8 of the Prospectus.

Regarding future plans, in view of the definition of the new industrial plan, the management of Banco Popolare has produced certain preliminary guidelines for the business plan.

After two years spent solely on the twin priorities of the Group's recovery and capital adequacy, in addition to the swift restructuring and subsequent de-risking of Banca Italease, the guidelines will address the development of a plan aimed at significantly and structurally improving the Group's profitability through a series of one-off initiatives aimed at a full commercial relaunch, the acquisition of market share, the expansion of the customer base, the improvement in operating efficiency and the generation of synergies.

The proposed one-off actions will unfold within a banking system characterised by significant structural and legislative changes, which, despite being phased in gradually, will exert structural pressure on all banking operations, particularly in view of bank capital and liquidity requirements, which are significantly higher than in the recent past.

The guidelines identify, in particular, a series of priority actions:

1. COMPANY STRUCTURE. Improvement in operating efficiency and generation of synergies through mergers of some of the Group's smaller banks

2. HEAD OFFICE. Increase in the guidance and management role of the Parent Company, the significant business role of the Network Banks and overall improvement in operating efficiency through: the redesign of the Parent Company's primary role; the consequent rebalancing of commercial structures and staff between the Parent Company and the Network Banks.

3. NETWORK. Improvement in the efficiency of the Group's regional presence and increase in its ability to gain customers through: optimisation of underperforming branches; elimination of duplication at a local level of the Group's Network Banks' networks, with the consequent closure of some branches; identification of branches to be targeted exclusively or primarily for development; the redesign of network incentive schemes.

4. SMALL BUSINESSES. Improvement in management capability and increase in customer acquisition capability through: significant increase in the number of subsidiaries with a “small business” manager; optimisation of the average size of client portfolios for each “small business” manager; significant increase in small businesses managed directly by the branch by raising the turnover threshold from EUR 2.5 million to EUR 5 million, which the Group uses to distinguish enterprises classed as “medium-sized” from those classed as “small”.

5. MEDIUM-SIZED ENTERPRISES AND LARGE CORPORATES. Improvement in management capability and increase in customer acquisition capability through: the aforementioned increase in the threshold between small businesses and medium-sized enterprises; centralised management of large corporates; centralised management of individual clients at a single Local Bank.

6. MASS MARKET PERSONAL CUSTOMERS. Increase in customer acquisition capability, reduction in customer loss rate and reduction in cost-to-serve (mainly relating to low added-value transactions) through investments currently under review aimed at the introduction and distribution of innovative business formats in support of “mass market” customers.

7. HIGH NET WORTH PERSONAL CUSTOMERS. Increase in customer acquisition capability and reduction in customer loss rate through: increase in the presence of dedicated branch managers; growth of online channel with a wider range of services.

8. PRIVATE BANKING CUSTOMERS. Improvement in management capability and increase in customer acquisition capability through: the transfer to Banca Aletti of clients with assets of over EUR 2 million; strengthening of commercial synergies between Banca Aletti, retail managers and corporate managers.

The programmes will be launched at the beginning of 2011 and will become fully operational in the second half of the year.

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## CHAPTER XIV – ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 14.1 Information regarding administrative, management and supervisory bodies

#### 14.1.1 Board of Management

The Board of Management consists of 12 members appointed by the Supervisory Board.

The Board of Management's members remain in office, for a term no longer than three financial years expiring on the date of the Supervisory Board's Meeting convened for approval of financial statements for the last financial year of their appointment, as resolved by the Supervisory Board. Or, in cases of non-approval of the financial statements by the Supervisory Board, or when it is so requested by at least 1/3 of the members of the Board of Management or of the Supervisory Board, on the date of the Shareholders' Meeting convened to approve the financial statements report for the last year of their term. The members of the Board of Management may be re-elected. Please note that:

- (i) the majority of members of the Board of Management are chosen by the Supervisory Board from among the main executives of the Company or of the companies directly or indirectly controlled by it, or among persons who, although not connected to the Company or its subsidiaries through work relationships, carry out their professional activities consistently and mainly for the Company or for companies directly or indirectly controlled by it ("**Executive Directors**");
- (ii) the other members, to be not less than 1/3 of the members of the Board of Management, cannot receive powers nor can they individually, not even *de facto*, perform functions related to the management of the company ("**Non-Executive Directors**"). Amongst the Non-Executive Directors, at least one must meet the independence requirements of Article 148, third paragraph, of the TUF.

In accordance with regulations issued by Banca d'Italia for the organisation and corporate governance of banks, the Board of Management consists mainly of Executive Directors (except for Messrs. Civaschi, Corsi, Romanin Jacur, and Sironi), consistent with assignment to the Supervisory Board of the strategic supervision function.

The Board of Management is responsible for managing the Company in accordance with the broad strategic guidelines approved by the Supervisory Board. The Board of Management, collectively, as a body, exercises, as dictated by the specific Articles of Association, its main activities exclusively without the possibility of delegating.

The Articles of Association state that in cases of exceptional urgency, the Chairman of the Board of Management, in agreement with the Managing Director, when the two roles are carried out by different persons, and after informing the Chairman of the Supervisory Board (Article 35.2), or, without prejudice to the foregoing, in the absence or incapacity of the Chairman of the Supervisory Board, informing the Managing Director or, in case of absence or incapacity of the Managing Director, the longest serving appointed member of the Board of Management present or, if equal in seniority of appointment, the most senior member in age (Article 35.3), grants powers and functions, subject to certain limitations, which includes their involvement in the administration of the Company.

The Executive Directors' commitment and management responsibilities are expressed, not only in the context of the Board of Management, but also at Group level through the recruitment of administrative

positions in the main subsidiaries of Banco Popolare, to ensure compliance by the members of the group with the provisions issued by the Parent Company with respect to its management and coordination activity.

The Board of Management has verified the independence requirements pursuant to Article 147-*quater* of the TUF in respect of all its members, ascertaining their existence, in accordance with the Articles of Association, for the Directors Aldo Civaschi, Luigi Corsi, and Roberto Romanin Jacur.

The Board of Management has also verified the requirements of independence under the code of self-governance adopted by Banco Popolare for all its members, ascertaining their existence for Directors Luigi Corsi, Aldo Civaschi, Roberto Romanin Jacur, and Andrea Sironi.

The members of the Issuer's Board of Management set out below have been appointed in the deed of the merger: Divo Gronchi (Chairman), Fabio Innocenzi (Managing Director), Franco Baronio, Alfredo Cariello, Vittorio Coda, Luigi Corsi, Domenico De Angelis, Maurizio Di Maio, Enrico Maria Fagioli Marzocchi, Maurizio Faroni, Massimo Minolfi, and Roberto Romanin Jacur. At the meeting of 6 December 2007, the Supervisory Board, following the resignation on the same day of the Chairman of the Board Divo Gronchi, to replace him appointed Vittorio Coda, who was already a Director of the Board of Management.

On 27 December 2007, the Supervisory Board appointed as non-executive director of the Board of Management, Emma Marcegaglia, restoring the composition of the Board of Management following the resignation of Divo Gronchi above.

At the meeting on 14 October 2008, the Supervisory Board, following the resignation on 16 June 2008 of Emma Marcegaglia, appointed Andrea Sironi as non-executive director of the Board of Management.

On 7 December 2008, Managing Director Fabio Innocenzi resigned from his office as Managing Director and Director of the Board of Management. The Supervisory Board, on the same date, supplemented the composition of the Board of Management by appointing Pier Francesco Saviotti, with a term of office until the approval of the financial statements for the year ended 31 December 2010. On the same day the Board of Management appointed, on the recommendation of the Supervisory Board, Pier Francesco Saviotti as the new Managing Director of Banco Popolare.

On 28 January 2009, Enrico Maria Fagioli Marzocchi resigned from the office as Director with effect from 1 February 2009. Later, Massimo Minolfi terminated his employment relationship with Banco Popolare by mutual consent on 8 April 2009, at the same time abandoning all roles within the Group, including the office of Director of the Board of Management and General Manager of the Parent Company.

At the end of their term of office, on 27 April 2009 the Supervisory Board re-elected, Alfredo Cariello, Domenico De Angelis, Maurizio Di Maio, and Maurizio Faroni, for a term of office until the approval of the financial statements for year ended 31 December 2009.

Following the resignation of Fagioli Marzocchi and Minolfi as stated above, the Supervisory Board took steps to reinstate the composition of the Board of Management to 12 members, appointing, at its meeting on 28 July 2009, Giorgio Papa as executive director and subsequently, at its meeting on 15 September 2009, Aldo Civaschi as non-executive director.

On 26 April 2010, Banco Popolare's Supervisory Board renewed confidence in Pier Francesco Saviotti extending the mandate until 31 December 2012 and confirmed, in same period, the appointment of the Chairman of the Board of Management, Vittorio Coda. On the same date, the Supervisory Board



unanimously approved the appointment of Banco Popolare's Board of Management. It will remain in office until the approval of the financial statements for the year ended 31 December 2012. The following have been confirmed as Directors: Franco Baronio, Alfredo Cariello, Luigi Corsi, Domenico De Angelis, Maurizio Di Maio, Maurizio Faroni, Aldo Civaschi, Roberto Romanin Jacur and Andrea Sironi. Bruno Pezzoni was appointed in place of Giorgio Papa.

On 14 September 2010, the Supervisory Board appointed Leonello Guidetti a member of the Board of Management, to replace Franco Baronio.

At the Prospectus Date, the Board of Management is composed as follows:

Position	Name	Place and date of birth	Expiration date of office
Chairman of the Board of Management	Vittorio Coda	Biella, 5 July 1935	Approval of the 2012 Financial Statements
Managing Director and Vice Chairman	Pier Francesco Saviotti	Alessandria, 16 June 1942	Approval of the 2012 Financial Statements
Executive Director	Alfredo Cariello	Sapri (Sa), 10 September 1945	Approval of the 2012 Financial Statements
Non-Executive Director	Aldo Civaschi (*) (**)	Milan, 27 April 1941	Approval of the 2012 Financial Statements
Non-Executive Director	Luigi Corsi (*) (**)	Sant' Angelo Lodigiano (Lo), 27 March 1959	Approval of the 2012 Financial Statements
Executive Director	Domenico De Angelis	Pompei (Na), 3 March 1964	Approval of the 2012 Financial Statements
Executive Director	Maurizio Di Maio	Rome, 21 November 1960	Approval of the 2012 Financial Statements
Executive Director	Maurizio Faroni	Brescia, 20 January 1958	Approval of the 2012 Financial Statements
Executive Director	Leonello Guidetti	Reggio Emilia, 10 March 1960	Approval of the 2012 Financial Statements
Executive Director	Bruno Pezzoni	Bergamo, 25 February 1951	Approval of the 2012 Financial Statements
Non-Executive Director	Roberto Romanin Jacur (*) (**)	Padua, 3 October 1952	Approval of the 2012 Financial Statements
Non-Executive Director	Andrea Sironi (*)	Milan, 13 May 1964	Approval of the 2012 Financial Statements

(\*) Independent Director pursuant to Article 6 of the code of self-governance adopted by Banco Popolare.

(\*\*) Independent Director pursuant to Article 147-*quater* of the TUF.

The Board of Management's members are domiciled at the Company's registered office for the purpose of their office.

The following are brief *curriculum vitae* of each Director, highlighting skills and experience gained in business management.

- Vittorio Coda – *Chairman*: taught at the University of Urbino, Ca' Foscari, Venice and Bocconi University of Milan. He lectured in business strategy at Bocconi University from the academic year 1976/77 until 2006/2007, and was thereafter outplacement professor until retirement (on 1 November 2010). He is the author of numerous publications on business economics and management. He has held important positions within the Bocconi University and Bocconi School of Management. He has worked in management consulting firms of varying sizes and sectors. He has been the: liquidator of the Banca Privata Italiana, Auditor of the Banca d'Italia, Director on the Board of Directors of ENI, Vice Chairman of Publitalia 80 and Chairman of other companies belonging to the world of Co-operative Banks. He was a member of the Board of Directors of the former Banca Popolare Italiana from February 2006 to 30 June 2007 and then Independent Director of Banco Popolare (until 5 December 2007). He is currently a Director on the Board

- of Directors of ABI, Director on the Board of Directors of Assonime, Vice Chairman of Arca SGR S.p.A. and Chairman of the Board of Management of Banco Popolare since 6 December 2007;
- Pier Francesco Saviotti – *Managing Director and Vice Chairman*: exponent of banking training, during the course of his professional career has held numerous and significant top management positions in major credit institutions – including that of General Manager of Banca Intesa, General Manager and Managing Director of Banca Commerciale Italiana – with specific expertise in credit and corporate sectors. He has also held the positions of Vice Chairman of Merrill Lynch Europe and Senior Advisor of Merrill Lynch International in Italy. He currently holds the position of Director at Brembo S.p.A., F.C. Internazionale Milano S.p.A., Moncler S.r.l., Nuovo Trasporto Viaggiatori S.p.A., Stefanel S.p.A. and Tod's S.p.A. He is also Managing Director and Vice Chairman of the Board of Management of Banco Popolare since 7 December 2008;
  - Alfredo Cariello: served as General Manager of Banca Toscana until June 2002. Director on the Board of Directors, during various periods, for the Banco Valdostano, Banca Monte Paschi Banque, Cassa di Previdenza Aziendale, Saped, SSB, Siteba as well as Statutory Auditor for Monte dei Paschi di Siena Group. Managing Director of the Casa di Cura Privata di San Rossore di Pisa from July 2002 to September 2004; Member of the Delegation of the Fondazione Cassa di Risparmio di Pisa from July 2004 to December 2005, Managing Director of Cassa di Risparmio di Livorno S.p.A., from December 2005 to June 2006. Chairman of the Board of Directors of Cassa di Risparmio di Pisa S.p.A., from April 2006 to June 2006. Director of Bipitalia Ducato S.p.A. from April 2008 to December 2008; Director of Banca Popolare di Verona – S. Geminiano e S. Prospero from February 2008 to April 2009. In addition to the position of Director on Banco Popolare's Board of Management since 1 July 2007, he is also the Managing Director of Cassa di Risparmio di Lucca Pisa Livorno since June 2006 and since April 2009, Vice Chairman of the Board of Directors.
  - Aldo Civaschi: trained professionally at the Banca Commerciale Italiana where he also held the title of General Manager assuming responsibility for the Italian branch service until 1994. From 1996 to 1999, he served as General Director of Banca Popolare di Verona – Banco S. Geminiano and S. Prospero, which merged as a result of mergers in Banco Popolare, later he was Managing Director of the Banca Commerciale Italiana and a Director of Mediobanca from 1999 to 2000. He has also served as Vice Chairman of Banca Italease and of the Istituto Centrale delle Banche Popolari Italiane S.p.A., and Director of Centrobanca, Arca SGR and Credito Bergamasco as well as being a Director of finance and fund companies. He is currently Vice Chairman of Compagnie Monegasque de Banque of Monaco and, since 15 September 2009, a Director on Banco Popolare's Board of Management.
  - Luigi Corsi: is a Chartered Accountant and Statutory Auditor. From 1986 to 1988 was assistant to the Managing Director of BIC Italia S.p.A. Since 1989, he has been self-employed. As well as working with the Court of Lodi as a receiver, expert assessor, and technical consultant; he has held positions at private companies, government agencies, and associations. He currently holds, *inter alia*, auditing positions such as Chairman of the Board of Auditors of Lazzari S.p.A., Lazzari Auto S.p.A., Fenzi S.p.A., and Auditor of Lodigiana Maceri S.p.A., Dekora S.p.A., Ferrari Giovanni Industria Casearia S.p.A.; and is a Director on Banca Popolare's Board of Management since 1 July 2007;
  - Domenico De Angelis: after holding various positions of responsibility within the Eni Group and UniCredit Group, since June 2000, he has held the position of General Manager with responsibility for the markets for Banca Popolare di Novara S.c.r.l. In June 2002, following the establishment of the Banco Popolare di

Verona e Novara, he was appointed General Manager of Banca Popolare di Novara, becoming Managing Director in 23 April 2004. He currently holds positions in several Banco Popolare Group companies, including, as mentioned previously, Managing Director of Banca Popolare di Novara. He teaches on the Master's course in Financial Brokerage Economics and Management at the Università degli Studi del Piemonte Orientale. He has been a Director on Banco Popolare's Board of Management since 1 July 2007;

- Maurizio Di Maio: from 1984 to 1987 worked as an auditor at Arthur Andersen. From 1987 to 1998, he held various positions in the Ambroveneto Group. In 1998, he joined the Banca Popolare di Verona – BSGSP, immediately taking on important positions, until March 2001, when appointed Vice Managing Director. From 1 June 2002, he worked in the development of the BPVN Group, where he first took on the role of Acting Co – Managing Director and, from April 2004 until November 2007, Managing Director of Banca Popolare di Novara. From December 2007 to February 2009, he was Managing Director of Credito Bergamasco. He is currently, *inter alia* the Managing Director of Banca Popolare di Lodi as well as, since 1 July 2007 a Director of Banco Popolare's Board of Management.
- Maurizio Faroni: has gained extensive professional experience in the BPVN Group holding management positions and administrative positions in various companies. He served from 2001 until 30 June 2007 as Vice General Manager of Banca Popolare di Verona – Banco S. Geminiano and S. Prospero, and later of Banco Popolare di Verona e Novara. He served as Managing Director of Banca Aletti, and he currently holds several positions within the Banco Popolare Group. Further to this, he is also a Director on the Board of Directors of the Italian Stock Exchange. Since 2000 and has been teaching “Statistics of monetary and financial markets” at the Faculty of Economics, University of Bergamo. He has been a Director on Banco Popolare's Board of Management since 1 July 2007;
- Leonello Guidetti: started his career within the Banca Popolare Group of Verona – Banco S. Geminiano and S. Prospero (BPV-BSGSP) taking on over the years – through varied experience – management positions of significant responsibility. Manager of Business Area Castiglione (January/November 2001) and Business Area South Emilia (December 2001/December 2004) of BPV-BSGSP, (since June 2002: Banco Popolare di Verona e Novara (BPVN)). Manager of Retail Coordination BSGSP of BPVN (January/February 2005) Head of Business Rome of the Banca Popolare di Novara S.p.A., (March/December 2005) Head of Management SGSP of BPVN (March 2006/June 2007). Manager for SGSP of BPV-SGSP (July 2007/September 2010) and Vice General Manager of that company from July 2008 to September 2010. He is currently Joint Managing Director of BPV-SGSP S.p.A and, since 14 September 2010, a Director of Banco Popolare's Board of Management. He is also a member of the Regional Commission ABI of Emilia Romagna since March 2006;
- Bruno Pezzoni: has gained professional training within Banca Commerciale Italiana S.p.A., (hereinafter Banca Intesa S.p.A.) where, over the years, (from September 1970 to September 2005) he took on positions of increasing responsibility. He joined the training staff at the Central Management in Milan, as an instructor for courses in Credit Lines/Loans, and eventually became the manager. Appointed Acting Joint Director (1995). Appointed Manager of the Credit Management Concession Service (August 2002). From July 2004 to September 2005, he was superintendent for several credit sectors, reporting directly to the Managing Director. In September 2005 he was recruited, by Banca Popolare di Novara as Manager of the Credit Department, becoming Vice Managing Director in March 2007 and in December 2007 Acting Vice General Manager. He has been Managing Director of Credito Bergamasco since 1 July 2010 and a director on Banco Popolare's Board of Management since 26 April 2010. Until 30 June 2010, he was the Manager of Banco Popolare's Credit Department;

- Roberto Romanin Jacur: has gained significant experience in change management programmes and integration, particularly in the banking sector, carrying out management consultancy and has developed initiatives in the field of outsourcing/joint ventures. Until February 2008, he was Manager of “financial institutions” for Accenture S.p.A. for Italy and Eastern Europe and was part of the Management Team, Italy of Accenture and the Financial Services Management Committee of Accenture at European level. He currently holds the office of Vice Chairman of the Istituto Centrale delle Banche Popolari Italiane S.p.A., as well as, since 1 July 2007, that of a Director on Banco Popolare’s Board of Management;
- Andrea Sironi: is Professor of first level of Financial Brokerage Economics at the Luigi Bocconi University in Milan where he served as Vice Dean for Internationalisation until October 2008. He has been a financial analyst at the London-based subsidiary of “The Chase Manhattan Bank,” and is currently an independent consultant and expert of leading national and international financial institutions and independent Director of the Saes Getters Group. Previously, he conducted research and taught at the Board of Governors of the Federal Reserve System in Washington and at the Department of Finance at the New York University, and has been a Director on Banco Popolare’s Board of Management since 14 October 2008.

\* \* \*

None of the Board of Management’s members has family relationships with other members of the Board of Management, or with members of the Supervisory Board, or with the Issuer’s main managers.

\* \* \*

The Board of Management, in accordance with the provisions of the Articles of Association, has given Pier Francesco Saviotti, Managing Director, the following powers:

- 1) In finance:
  - a) to approve within the quantitative limits (“ceilings”) established by the Board of Management, individual issues of structured bonds and individual issues of fixed rate bonds (with coupons or zero coupon) and at variable rates, reserved for specific individuals or institutional investors, defining the specific characteristics;
  - b) to authorise the buying and selling of securities for investment and the liquidity portfolio, excluding equity securities, while respecting the rules of supervision and operations on the inter-bank and money market in order to achieve maximum profitability whilst ensuring the security of financial resources and balanced management of cash flows in relation to operational requirements;
  - c) to authorise the purchase and sale of securities, subject to Banco Popolare’s operational needs linked to customer needs, within an amount appropriate to the volume of work and always in compliance with the conditions and limits of the respective regulations;
  - d) to decide for single transactions, the involvement of the Banco Popolare in underwriting and placement of securities syndicates within the operational limits established by the Board of Management;
  - e) to decide for single transactions, the involvement of the Banco Popolare in underwriting syndicates of Euro market bond issues in EUR within the operational limits established by the Board of Management;

- f) to authorise transactions on derivative products within the operating limitations established by the Board of Management and within the categories provided in regulations.

Any exceptional excess of the limits set out in paragraphs 1c), 1d) and 1e) above, authorised by the Managing Director, to an extent not exceeding 30% of each, must be submitted to the Board of Management, for ratification, at the first possible meeting.

2) In the case of management personnel:

- a) transfers, assignments and extensions of postings without attribution of responsibility of the organisational unit, and without adjusting economic terms;
- b) terminations of employment relationships for exceeding leave entitlement or on reaching retirement age;
- c) advances of mandatory severance indemnities (TFR), including outside of legislation requirements, concessions for leave paid beyond three (3) days per year and concessions for unpaid leave;
- d) initiating disciplinary proceedings and precautionary removal from duty.

3) In the case of non-management personnel, approve within the guidelines of the budget:

- a) hires of open-term and fixed-term employees (including extensions of employment relationships); confirmations of service after the trial period, supply contracts (including extensions);
- b) changes in permanent and temporary contracts;
- c) contracts for cooperation/collaboration with external consultants, including retired employees, and their stipulation, modification and termination;
- d) appointments to positions of responsibility for organisational units, up to Service level;
- e) transfers and assignments; intragroup contract transfers; intragroup postings;
- f) promotions also of a discretionary nature of staff during the year;
- g) economic compensation during the year, up 10% of the gross annual salary as a pay increase and up to 20% as a “one off” (up to 20% of gross annual salary as a salary increase in cases of retention), under the economic budget approved by the Board of Management (the incentive system, number of provisions and costs is the responsibility of the Board of Management);
- h) stability pacts up to EUR 20,000 gross per annum;
- i) lump-sum payments of expenses related to commuting of up to EUR 1,500 gross per month;
- j) voluntary redundancies, outside of the approved incentive plans, up to 6 months;
- k) termination of employment relationships for exceeding leave entitlement or on reaching retirement age;
- l) advances for mandatory severance pay beyond as required by law, and granting of paid leave beyond three (3) days per year;

- m) grants of unpaid leave; extensions and amendments for part-time contracts;
  - n) starts of disciplinary proceedings; precautionary removal, conservative disciplinary action (up to ten (10) days of suspension from service and salary) and redundancies;
  - o) in-court and out-of-court settlement of individual labour disputes, under Articles 410 and 411 of the Code of Civil Procedure, with the total cost borne by Banco Popolare not exceeding the aggregate amount of EUR 100,000 and which cannot serve as a precedent to justify any claims for other disputes.
- 4) In terms of administrative expenses not covered in the “plan of estimates of expenditure” and not to be considered as “project costs” on everything related to salaries, allowances, fees, donations to third parties, as is already provided for by the Articles of Association or approved by the Board of Management or by the Shareholders’ Meeting up to a maximum cost of EUR 20,000 per person and by maximum of EUR 800,000, both to be calculated on an annual basis.
- 5) In matters relating to staff:
- acting in accordance with Article 48 of the Articles of Association, acquisition or transfer, directly or indirectly, of any kind of movable property owned by Banco Popolare, by staff excluding managers.
- 6) In terms of real property non-financial leases:
- a) approve the renewal of leases, use and/or bailment of real property to third parties and the granting and renewal of leases, use and/or bailment to non-managerial employees of real properties owned by Banco Popolare or which Banco Popolare has at its disposal;
  - b) approve new leases and renewals of leases of property leased from third parties.
- 7) In the case of movable property, computer programs and systems:
- a) approve, for costs not covered in the “plan of estimates of expenditure” not to be considered as “project costs”, the purchase, exchange and transfer and rental of movable property and equipment – also registered – of any kind even involving non-manager employees, within the limit of EUR 500,000;
  - b) approve, after informing the Chairman of the Board of Management, lease or bailment of movable goods and works of art of any kind;
  - c) approve, within the spending plans or budget approved by the Board of Management, any fee or charge on the integration process.
- 8) In terms of expenses:
- decide as to the costs provided for in the “plan of estimates” or budget approved by the Board of Management up to a limit amount of EUR 1,000,000.

9) In terms of agreements and contracts:

- approve participation of Banco Popolare in agreements and contracts with any counterparts, including non-banks, also for services ancillary to banking activity and that do not pose a significant burden on Banco Popolare.

10) With regard to associations:

- approve participation and cancellation of participation of Banco Popolare, directly or indirectly, or through employees of Banco Popolare Group companies, in associations – not including trade associations – or to other entities, public and private, that are instrumental to banking activity.

11) In terms of insurance coverage:

- approve, after informing the Chairman of the Board of Management, the renewal and revocation of insurance coverage, for or on behalf of Banco Popolare, or non-managerial employees or third parties, as well as changes in the policy conditions other than those required by the contract or by law.

12) In terms of consultancy:

- decide to request an opinion on any subject.

13) In terms of equity holdings:

- a) in compliance with Article 33 of the Articles of Association concerning the management and administration of its subsidiaries authorise the participation in the shareholders' meeting to deliberate on:

- the approval of the budget, the distribution of profits, the purchase of treasury shares and other related resolutions;
- changes to the Articles of Association, that do not involve the transfer of the registered office, change of name, corporate object and share capital or other strategic arrangements that distinguish the owned company;
- the determination of remuneration for the offices held, excluding banks and main non-bank subsidiaries of the Group;

- b) in compliance with Article 33 of the Articles of Association on the management and administration of other companies in which Banco Popolare does not exercise control, directly or indirectly, to authorise participation in the shareholders' meeting to deliberate on:

- changes to the Articles of Association;
- the appointment of Banco Popolare's representatives in corporate bodies, with particular reference to the positions required under the Articles of Association, except employee managers;
- the appointment of external auditors;
- the winding up and liquidation of the companies;

- the budget, business plans, determining or changing the strategic mission of the company;
- c) decide, after informing the Chairman of the Board of Management, on the submission of non-binding offers to finance companies, trust or fiduciary companies or credit institutions, held for a minority interest (up to 20%);
- d) decide, after informing the Chairman of the Board of Management, whether to exercise a right of pre-emption;
- e) decide, after informing the Chairman of the Board of Management, whether to exercise the right of option within the limits of EUR 1 (one) million;
- f) decide on the closing of the purchase or sale of holdings up to a maximum of EUR 2,000,000 (two million) per transaction, except those that:
  - involve changes in the perimeter of the Banking Group;
  - require approval by the supervisory bodies and those that have a special strategic importance for the Banco Popolare Group.

14) In terms of promotional initiatives:

- approve promotional activities, advertising and sponsorship of companies or public and private institutions within the limits established by the cost regulations.

The Board of Management has also given powers to the Managing Director – subject to certain limits – in the field of credit approval and litigation.

The Board of Management has also delegated authority to the Directors Maurizio Faroni, as head of the Financial Department, Corporate Centre and Investments; Lucio Menestrina, as the Manager of the Legal and Compliance Department; to Roberto Speziotto, as Manager of the Human Resources Department; and to the seven Departmental Managers in the absence or incapacity of the Managing Director.



The following table shows corporations or persons in which members of the Board of Management have been members of the administrative, management or supervisory bodies, or shareholders in the last five years (in excess of 2% stake in the share capital of listed companies and to any extent in non-listed companies), with details regarding their status at the Prospectus Date.

<b>Name Surname</b>	<b>Company</b>	<b>Position held / % holdings</b>	<b>Status at Prospectus Date</b>
<b>Vittorio Coda</b>	Arca SGR S.p.A.,	Vice Chairman	In office
	Arca Assicurazioni S.p.A.,	Chairman	No longer in office
	Arca BIM S.p.A.,	Chairman	No longer in office
	Arca Impresa Gestioni SGR S.p.A.	Chairman	No longer in office
	Arca Vita S.p.A.,	Chairman	No longer in office
	Popolare Italian bank – Banca Popolare di Lodi Soc Coop.	Vice Chairman	No longer in office
	RCS Quotidiani S.P.A.	Director	No longer in office
<b>Pier Francesco Saviotti</b>	Brembo S.p.A.	Director	In office
	F.C. Internazionale Milano S.p.A.	Director	In office
	Moncler S.r.l.	Director	In office
	NTV S.p.A.	Director	In office
	Stefanel S.p.A.	Director	In office
	Tod's S.p.A.	Director	In office
	Istituto Europeo di Oncologia S.r.l.	Director	No longer in office
	Linificio e Canapificio Nazionale S.p.A.	Director	No longer in office
	Moncler S.p.A.	Director	No longer in office
	Telecom Italia Media S.p.A.	Director	No longer in office
	Tim Italia S.p.A.	Director	No longer in office
	Tim S.p.A.	Director	No longer in office
	Value Partners S.p.A.	Director	No longer in office
<b>Alfredo Cariello</b>	Cassa di Risparmio di Lucca Pisa Livorno S.p.A.	Managing Director and Vice President	In office
	Banca Popolare di Verona – S. Geminiano and S. Prospero S.p.A.,	Director	No longer in office
	Bipitalia Ducato S.p.A.	Director	No longer in office
	Cassa di Risparmio di Livorno S.p.A.	Managing Director	No longer in office
	Cassa di Risparmio di Pisa S.p.A.	Chairman	No longer in office
	Porto Industriale di Livorno S.p.A.	Director	No longer in office
<b>Luigi Corsi</b>	Agricola Sementi S.r.l.	Regular Auditor	In office
	Argenteria Artistica Graffignana S.r.l.	Regular Auditor	In office
	Astem Gestioni S.r.l.	Alternate Auditor	In office
	Consulenti Associati S.r.l.	Sole Director	In office
	Cooperative Sociale Alfaomega Soc. coop. in liquidation	Regular Auditor	In office
	Consorter S.r.l.	Regular Auditor	In office
	Dekora S.p.A.	Regular Auditor	In office
	Fenzi S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Ferrari Giovanni Industria Casearia S.p.A.	Regular Auditor	In office
	Frigotermica S.r.l.	Regular Auditor	In office
	Lazzari Auto S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Lazzari S.p.A.	Chairman of the Board of Statutory Auditors	In office

<b>Name Surname</b>	<b>Company</b>	<b>Position held / % holdings</b>	<b>Status at Prospectus Date</b>
	Lodigiana Maceri S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Nini Car S.p.A.	Alternate Auditor	In office
	S.I.S.A. Viaggi S.r.l.	Liquidator	In office
	Sun Spotting S.n.c. di Canesi Roberta & C.	Liquidator	In office
	Consulenti Associati S.r.l.	Shareholder (25%)	Shareholder
	Luce S.r.l. in liquidation	Shareholder (25%)	Shareholder
	Studio Corsi-Curioni S.r.l.	Shareholder (30%)	Shareholder
	A.D.M. S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Amiacque S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Banca di Credito Cooperativo Laudense – Lodi	Regular Auditor	No longer in office
	Banca Network Investimenti S.p.A.	Alternate Auditor	No longer in office
	Popolare Italian bank – Banca Popolare di Lodi Soc Coop.	Regular Auditor	No longer in office
	B&P Finanziaria d'Investimenti S.p.A.	Director	No longer in office
	Bipielle ICT S.p.A.	Alternate Auditor	No longer in office
	Bipielle Investimenti S.p.A.	Alternate Auditor	No longer in office
	Bipitalia Broker S.r.l.	Alternate Auditor	No longer in office
	Cap Gestione S.p.A.	Alternate Auditor	No longer in office
	Cap Holding S.p.A.	Alternate Auditor	No longer in office
	Cap Impianti S.p.A.	Alternate Auditor	No longer in office
	Cernusco Verde S.r.l.	Alternate Auditor	No longer in office
	Dema S.r.l.	Regular Auditor	No longer in office
	Immobiliare Fiordaliso S.r.l.	Judicial liquidator	No longer in office
	Linea Group Holding S.r.l.	Alternate Auditor	No longer in office
	Lodiluce S.r.l. in liquidation	Regular Auditor	No longer in office
	Log Service International S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Lombarda Rent S.p.A. in liquidation	Alternate Auditor	No longer in office
	Melegnano Energia Ambiente S.p.A.	Alternate Auditor	No longer in office
	Miacqua S.p.A.	Alternate Auditor	No longer in office
	Partesa Adda S.r.l. in liquidation	Alternate Auditor	No longer in office
	Partesa Milano S.r.l.	Auditor	No longer in office
	Polisped S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	SGC BP S.c.p.a.	Chairman of the Board of Statutory Auditors	No longer in office
<b>Aldo Civaschi</b>			
	Compagnie Monegasque de Banque	Vice Chairman	In office
<b>Domenico De Angelis</b>			
	Banca Popolare di Lodi S.p.A.	Director	In office
	Banca Popolare di Novara S.p.A.	Managing Director	In office
	Aletti & C. Investment bank Mobiliare S.p.A.,	Director	No longer in office
	Aletti Gestielle SGR S.p.A.,	Vice Chairman	No longer in office
	Auto Leasing IFN Trading SA	Chairman Management Board	No longer in office
	Banco Popolare Ceska Republika	Chairman Supervisory Board	No longer in office
	Banco Popolare Croatia d.d.	Chairman Supervisory Board	No longer in office
	Banco Popolare Hungary Bank Zrt	Chairman Supervisory Board	No longer in office

Name Surname	Company	Position held / % holdings	Status at Prospectus Date
<b>Maurizio Di Maio</b>	Credito Bergamasco S.p.A.	Director	No longer in office
	Novara Vita S.p.A.	Administrator/Director	No longer in office
	Società Gestione Servizi BP S.c.p.a.	Director	No longer in office
<b>Maurizio Faroni</b>	Agos Ducato S.p.A.	Chairman	In office
	Banca Popolare di Lodi S.p.A.	Managing Director	In office
	Milano Assicurazioni S.p.A.	Director	In office
	Aletti Merchant S.p.A.	Director	No longer in office
	Banca Popolare di Novara S.p.A.	General Manager	No longer in office
	Credito Bergamasco S.p.A.	Managing Director	No longer in office
<b>Leonello Guidetti</b>	Delta S.p.A.	Director	No longer in office
	Alba Leasing S.p.A.	Director	In office
	Aletti Gestielle SGR S.p.A.,	Director	In office
	Arca S.p.A.	Director	In office
	Banca Italease S.p.A.	Vice Chairman	In office
	Banca Popolare di Novara S.p.A.	Director	In office
	Borsa Italiana S.p.A.	Director	In office
	Credito Bergamasco S.p.A.	Director	In office
	Efibanca S.p.A.	Vice Chairman	In office
	Palladio Finanziaria S.p.A.	Director	In office
	Venice S.p.A.	Director	In office
	Af Mezzanine SGR S.p.A.	Chairman	No longer in office
	Aletti & C. Investment bank Mobiliare S.p.A.,	Managing Director	No longer in office
	Aletti Fiduciaria S.p.A.	Managing Director	No longer in office
	Aletti Gestielle Alternative SGR S.p.A.	Director	No longer in office
	Aletti Invest SIM S.p.A.	Director	No longer in office
	Aletti Merchant S.p.A.	Vice Chairman	No longer in office
Banco Popolare di Verona e Novara	Deputy General Manager	No longer in office	
<b>Bruno Pezzoni</b>	Valori Finanziaria S.p.A.	Director	No longer in office
	Cooperare S.p.A.	Director	In office
<b>Roberto Romanin Jacur</b>	Banca Aletti & C. S.p.A.	Director	In office
	Credito Bergamasco S.p.A.	Managing Director	In office
	Efibanca S.p.A.	Director	In office
	SGC BP S.c.p.A.	Vice Chairman	In office
	Banca Popolare di Novara S.p.A.	Deputy General Manager	No longer in office
<b>Roberto Romanin Jacur</b>	Bankhaus LÖbbecke	Member of Supervisory Board	No longer in office
	Cartasi S.p.A.	Director	In office
	Istituto Centrale delle Banche Popolari Italiane S.p.A.	Vice Chairman	In office
	Oasi Diagram S.p.A.	Chairman	In office
	Equens Italia S.p.A.	Director	In office
	Equens SA	Director	In office
	Panini S.p.A.	Director	In office
	Arbav Soc. Life long	Shareholder (5%)	Shareholder
	RP3 Prosperity S.A.	Shareholder (5%)	Shareholder
V2 Easy Company	Shareholder (5%)	Shareholder	

<b>Name Surname</b>	<b>Company</b>	<b>Position held / % holdings</b>	<b>Status at Prospectus Date</b>
	Accenture S.p.A.	Member of the Management Team Italy, Manager of “Financial Institutions” and Member of Financial Services Management Committee Europe	No longer in office
	Albion S.p.A.	Director	No longer in office
	Si Holding S.p.A.	Director	No longer in office
	Soc Fin. Pratovalle	Director	No longer in office
	Vita Soc. Semplice	Shareholder	Not a shareholder
<b>Andrea Sironi</b>	Banca Aletti & C. S.p.A.	Vice Chairman	In office
	Saes Getters S.p.A.	Director	In office

To the knowledge of the Issuer, in the last five years, none of the members of the Board of Management have been convicted for crimes involving fraud or were associated, in the context of their office, with procedures for bankruptcy, involuntary receivership or liquidation, nor were they subject to official charges and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualified by a court from acting as a member of administrative, management or supervisory bodies or activities of direction or management of any issuer, except as follows:

- By decision of the Banca d’Italia on 4 August 2009 a financial administrative sanction was imposed against the following: Vittorio Coda, Alfredo Cariello, Luigi Corsi, Domenico De Angelis, Maurizio Di Maio, Maurizio Faroni and Roberto Romanin Jacur, as members of Banco Popolare’s Board of Management, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the TUB, Title IV, Chapter 11 of the Regulatory Instructions for banks and Title I, chapter 1, Part IV, of the New Provisions for Prudential Supervision of Banks (relating to the system of internal audit and management and risk control of the Banco Popolare Group).

#### **14.1.2 Supervisory Board**

The Supervisory Board is composed of 20 Directors appointed by the Shareholders’ Meeting from among the shareholders who meet the requirements of integrity, professionalism and independence required by the relevant laws and regulations.

The members of the Supervisory Board remain in office for a term of three financial years until the date of the Shareholders’ Meeting specified in the second paragraph of Article 2364-*bis* of the Civil Code and they may be re-elected.

Under the merger project between BPVN and BPI, the Shareholders’ Meetings of BPVN and BPI of 10 March 2007, have appointed the first Supervisory Board consisting of ten members for the years 2007, 2008 and 2009, electing as Chairman Carlo Fratta Pasini, Acting Vice Chairman Dino Piero Giarda, Vice Chairman Maurizio Comoli and Directors Marco Boroli, Giuliano Buffelli, Guido Castellotti, Pietro Manzonetto, Maurizio Marino, Mario Minoja and Claudio Rangoni Machiavelli. The appointments became effective on 1 July 2007, the effective legal date of the Merger.

In accordance with Article 38.1.2 of the Articles of Association, the Shareholders' Meeting of 3 May 2008, increased the Supervisory Board by an additional 5 (five) members. In particular, the five Supervisory Board members listed below have been appointed by the shareholders for the three-year period of 2008/2009/2010 based on the only list presented with the consent of the Supervisory Board: Costantino Coccoli, Gian Luca Rana, Fabio Ravanelli, Alfonso Sonato, and Angelo Squintani.

Also in accordance with Article 38.1.2 of the Articles of Association, the Shareholders' Meeting of 25 April 2009, appointed 5 (five) additional members who will serve for three years 2009/2010/2011, bringing the total number of directors to 20 (twenty) as required by the merger project between BPVN and BPI. In particular, the five additional members were appointed based on votes obtained. Of these, four (Gabriele Camillo Erba, Gianni Filippa, Andrea Guidi, Sandro Veronesi) were taken from a list submitted with the consent of the Supervisory Board and the fifth (Tommaso Zanini) was taken from another list presented by the minority shareholders.

At the meeting of 30 March 2010 Banco Popolare's Supervisory Board approved the Director on the Supervisory Board Mario Minoja as the new Chairman of the subsidiary Banca Popolare di Lodi. The candidate was approved by the Shareholders' Meeting of the subsidiary, held 14 April 2010.

With the approval of the financial statements for the year ended 31 December 2009, the term of office of the Supervisory Board's ten members appointed at the time of the Merger, including the Chairman and Vice-Chairmen, ended. The Shareholders' Meeting of 24 April 2010, appointed the following members to the Supervisory Board for the years 2010-2011-2012: Carlo Fratta Pasini (Chairman), Guido Castellotti (Acting Vice Chairman), Maurizio Comoli (Vice Chairman), Giuliano Buffelli, Pietro Buzzi, Dino Piero Giarda, Pietro Manzonetto, Maurizio Marino, Enrico Perotti and Claudio Rangoni Machiavelli. Pursuant to Article 39.5 of the Articles of Association for the entire term of office, Carlo Fratta Pasini took the post of Chairman of the Supervisory Board, Guido Castellotti was appointed Acting Vice Chairman and Maurizio Comoli Vice Chairman.

The Supervisory Board has verified the independence requirement under Article 148, paragraph 3, of the TUF for all the members.

The Supervisory Board has also verified the independence requirements under the code of self-governance adopted by Banco Popolare for all its members, verifying their existence for the Directors: Giuliano Buffelli, Pietro Buzzi, Costantino Coccoli, Maurizio Comoli, Camillo Gabriele Erba, Gianni Filippa, Andrea Guidi, Pietro Manzonetto, Maurizio Marino, Gian Luca Rana, Claudio Rangoni Machiavelli, Fabio Ravanelli, Alfonso Sonato, Angelo Squintani, Sandro Veronesi and Tommaso Zanini.

All members of the Supervisory Board comply with the provisions of Article 144-*terdecies* of the Regulations for Issuers.

At the Prospectus Date, the Supervisory Board is composed as follows:

<b>Position</b>	<b>Name</b>	<b>Place and date of birth</b>	<b>Expiration date of office</b>
Chairman of the Supervisory Board	Carlo Fratta Pasini (**)	Verona, 30 July 1956	Approval of the 2012 Financial Statements
Acting Vice Chairman	Guido Castellotti (**)	Livraga (Lo), 25 March 1947	Approval of the 2012 Financial Statements
Vice Chairman	Maurizio Comoli (*)(**)	Novara, 9 November 1958	Approval of the 2012 Financial Statements
Director	Giuliano Buffelli (*)(**)	Gera Lario (Co), 19 May 1943	Approval of the 2012 Financial Statements
Director	Pietro Buzzi (*)(**)	Casale Monferrato, 22 January 1961	Approval of the 2012 Financial Statements
Director	Costantino Coccoli (*)(**)	Lodi, 21 July 1946	Approval of the 2010 Financial Statements
Director	Gabriele Camillo Erba (*)(**)	Sant'Angelo Lodigiano (Lo), 23 September 1963	Approval of the 2011 Financial Statements
Director	Gianni Filippa (*)(**)	Borgosesia (Vc), 10 November 1951	Approval of the 2011 Financial Statements
Director	Dino Piero Giarda (**)	Milan, 9 December 1936	Approval of the 2012 Financial Statements
Director	Andrea Guidi (*)(**)	Pisa, 28 November 1957	Approval of the 2011 Financial Statements
Director	Pietro Manzonetto (*)(**)	Castelfranco Veneto (Tv), 24 November 1944	Approval of the 2012 Financial Statements
Director	Maurizio Marino (*)(**)	Verona, 9 September 1944	Approval of the 2012 Financial Statements
Director	Enrico Perotti (**)	Guardamiglio (Lo), 8 April 1948	Approval of the 2012 Financial Statements
Director	Gian Luca Rana (*)(**)	Verona, 20 December 1965	Approval of the 2012 Financial Statements
Director	Claudio Rangoni Machiavelli (*)(**)	Modena, 21 January 1953	Approval of the 2012 Financial Statements
Director	Fabio Ravanelli (*)(**)	Novara, 8 January 1970	Approval of the 2012 Financial Statements
Director	Alfonso Sonato (*)(**)	Verona, 11 August 1951	Approval of the 2010 Financial Statements
Director	Angelo Squintani (*)(**)	Lodi, 1 August 1950	Approval of the 2010 Financial Statements
Director	Sandro Veronesi (*)(**)	Ala (Tn), 18 October 1959	Approval of the 2011 Financial Statements
Director	Tommaso Zanini (*)(**)	Verona, 4 March 1974	Approval of the 2011 Financial Statements

(\*) Independent Director pursuant to Article 6 of the code of self-governance adopted by Banco Popolare.

(\*\*) Independent Director pursuant to Article 148, paragraph 3, of the TUF.

The members of the Supervisory Board are domiciled for the purpose of their office at the Company's registered office.

The following are brief *curriculum vitae* of the Supervisory Board's members, demonstrating skills and experience gained in business management.

- Carlo Fratta Pasini – *Chairman*: is an attorney in Verona. Since 1995 he has held the position of Director of the former Banca Popolare di Verona – Banco S. Geminiano e S. Prospero, becoming Vice Chairman in 1996 and Chairman in 1999. Until 30 June 2007, *inter alia*, he served as Chairman of the Board of Directors of BPVN and was Director and member of the Executive Committee of Credito Bergamasco; in July 2004, he was appointed Chairman of the Associazione Nazionale fra le Banche Popolari, after holding

the office of Vice Chairman since 1999. In October 2001 he was appointed President of the Giorgio Zanotto Foundation. He has been Chairman of Banco Popolare's Supervisory Board since 1 July 2007;

- Guido Castellotti – *Acting Vice Chairman*: until 30 June 2007 he was BPI Director. He served as Director and member of the Executive Committee of the Chamber of Commerce of Milan (1985-2005). He also served as Member of the Italian Parliament for the XI Legislature from 1992 to 1994, Director of the Lombardy Region from 1985 to 1989, Councillor for the Province of Milan from 1980 to 1985 and Mayor of Livraga 1985 to 2000. Lastly, he was Director of Coldiretti of Milan from 1989 to 1992 and Regional Director of Coldiretti Lombardy from 1994 to 2005. He currently holds the position of Director of the Research Institute “Lazzaro Spallanzani” and Chairman of the Fondazione Banca Popolare di Lodi. He also holds the office of Director of Banco Popolare's Supervisory Board since 2007, and has been Acting Vice Chairman of that company since 24 April 2010;
- Maurizio Comoli – *Vice Chairman*: Professor of Business Administration, General and Applied Accounting and Corporate Assessments at the University of Novara, a former professor and researcher at the Bocconi University of Milan, he also is a professional accountant and statutory auditor. From February 2005 until 30 June 2007, he served as Acting Vice Chairman of Banco Popolare di Verona e Novara, as well as holding the position of a Director of Banca Popolare di Novara S.p.A., and Chairman of BPVN Immobiliare Srl. He is currently in charge of administration and control of major companies, listed and unlisted, and he has been Vice Chairman of Banco Popolare's Supervisory Board since 1 July 2007;
- Giuliano Buffelli: has been a professional accountant since 1965, and is also adjunct professor teaching at the Professional Technical University of Bergamo, he has professional experience that has ranged, *inter alia*, in company consultancy, tax and bankruptcy procedures. From June 2002 to 30 June 2007, he held the office of Statutory Auditor of BPVN. He currently holds *inter alia* the position of Chairman of the Board of the Istituto Centrale delle Banche Popolari Italiane S.p.A. and has been a Director of Banco Popolare's Supervisory Board since 1 July 2007;
- Pietro Buzzi: started his career within the Buzzi Cementi S.p.A. company, as a controller, over the years assuming positions of increasing responsibility in accounting, finance and business systems. Director of finance, administration, and control systems at Buzzi Unicem S.p.A. in 1999, in January 2006 he became Managing Director. He was a Director on the Board of Directors of Banco Popolare di Verona e Novara from 2002 to 2007. He currently holds the office of Director on the Board of Directors of Presa S.p.A., Director on the Supervisory Board of Dyckerhoff, and Director on the Banco Popolare Supervisory Board since 24 April 2010;
- Costantino Coccoli: has a degree in Chemistry from the University of Pavia. He has been a Director of Banca Popolare di Lodi S.p.A., since 1 July 2007, subsequently becoming Acting Vice Chairman and member of the Executive Committee since December 2007 (until 2 May, 2008). Other offices held in the past: Director on the Board of Directors of Banca Popolare Italiana from January 2006 to June 2007, Director on the Board of Directors of Efibanca from February 2006 to April 2008, member of the Board of Directors and Council of Assolombarda from 2000 to 2006, Director on the Board of Directors of Euticals S.p.A. and affiliates/subsidiaries from 1983 to 2005. He also held the position of Supervisory Director on the Board of Directors of Assolodi Servizi S.r.l. and a member of the Board and Chairman of the Industrial Association of Lodi, he has been a Director on the Banco Popolare's Supervisory Board since 3 May 2008;

- *Gabriele Camillo Erba*: since 1993 has been a Chartered Accountant and Statutory Auditor with offices in Lodi (a member of the Legal Register of Auditors since 1995). He currently holds the following positions: Chairman or permanent member of the Board of Statutory Auditors of the Banco Popolare Group, (Banca Popolare di Verona – S. Geminiano e S. Prospero since July 2007 and S.G.C. BP S.p.A. since July 2006), Chairman of the Board of Statutory Auditors of the following companies: Casa di Cura Privata San Giacomo di Ponte dell’Olio S.r.l., Calzi S.r.l., Immobiliare Artigiana di Lodi e Circondario S.r.l., Immobiliare Gerundum S.r.l. and Stella Bianca S.p.A.; Auditor of the following companies: Immicra – Immobiliare Casse Rurali (Icrea Group), Immobiliare Clafamar S.r.l. e Line – Servizi S.p.A. In the past he has also served in the following positions: Auditor of: Banca di Credito Cooperativo di San Colombano al Lambro, Banca Centropadana Credito Cooperativo, and Artigian Credit Lombardia Società Cooperativa; he has been Director of Banco Popolare’s Supervisory Board since 25 April 2009;
- *Gianni Filippa*: after graduating in industrial chemistry attended the Industrial Administration School of Turin. He is currently, *inter alia*, performing the following roles: Managing Director of Ppg Univer S.p.A. since October 2006; Sole Director of Univer Italiana S.p.A. since October 1981, Director of Alpha Colori S.r.l. since March 2005, Managing Director of S.V.A.L.T.U.R. S.r.l. since December 2000. He also holds the office of Director of Banca Popolare di Novara until April 2009, and has been a Director on the Banco Popolare’s Supervisory Board since 25 April 2009;
- *Dino Piero Giarda*: since 1968 has been Professor of Public Finance at the Catholic University of Milan, is the author of numerous publications on economic topics of public finance and economic policy. From January 1995 to June 2001, he was Undersecretary to the Treasury, and was on the Board of Directors of listed companies during the period 2001-2006. From January 2006 to June 2007 Chairman of the Board of Directors of BPI, from July 2007 to April 2010 Acting Vice Chairman of Banco Popolare’s Supervisory Board. He currently holds the position of Chairman of the Cassa del Trentino S.p.A., a Director of the Istituto Europeo di Oncologia and he is a Director on Banco Popolare’s Supervisory Board. He Chairs the non-profit making Fondazione Internazionale Monte Rosa Onlus;
- *Andrea Guidi*: after graduating from the Istituto Tecnico Industriale Enrico Fermi in Pisa he began working in the family construction business, which he now heads. He currently holds the following positions: Chairman of the Industrial Association for the Province of Lucca since June 2005, Managing Director of Costruzioni Guidi Gino S.p.A., since January 1984; Director of the following companies: Chamber of Commerce of Lucca since May 2001, Coime S.r.l. since February 1988, Costruire S.r.l. since December 1999 and Imap S.r.l. since 1995. He held the following positions in some Banco Popolare Group companies: Director on the Board of Directors of Banca Popolare di Lodi S.p.A. and Bipielle Real Estate S.p.A., both until April 2009, he has been a Director on Banco Popolare’s Supervisory Board since 25 April 2009;
- *Pietro Manzonetto*: is a Chartered Accountant as well as a statutory auditor. He is also a full professor in disciplines related to the world of banking and insurance at the Catholic University of Milan, he was appointed Chairman of the Board of Auditors of leading Italian insurance companies, banks and financial companies. He contributes as a technical consultant and expert in numerous legal proceedings, civil and criminal litigation and in arbitration, including international. He has been a Director on Banco Popolare’s Supervisory Board since 1 July 2007;
- *Maurizio Marino*: is a Notary in Verona and in addition he holds several positions related to his profession; he was Director of BPV – Banco S. Geminiano e S. Prospero from 1995 to 31 May 2002 and of Banco



Popolare di Verona e Novara until 30 June 2007. Since 1999 he has held the office of Director of the Aeroporto Valerio Catullo di Verona Villafranca S.p.A., and since October 2001 Director of the Giorgio Zanotto Foundation; within the Banco Popolare Group he has been a Director on the Supervisory Board since 1 July 2007, and Chairman of the staff Pension Fund;

- Enrico Perotti: from 2007 to April 2010 was Chairman of Banca Popolare di Lodi S.p.A., His career path has seen him take on leading roles in public institutions, he was Mayor of Guardamiglio (LO) during 1980-86 and 1988-95, and in the world of enterprise associations, holding management positions within the Confartigianato, distinguishing himself for many years of work actually performed internally within the national chambers, including international cooperation projects. Chairman of the Chamber of Commerce, Industry, Craft and Agriculture of Lodi from 2004 to 2009. He was also a Director on the Board of Directors and Acting Vice Chairman of the Banca Popolare Italiana from January 2006 to June 2007, of Banca Popolare di Cremona from April 2006 to April 2007 and Cassa di Risparmio di Lucca Pisa Livorno from June 2006 to June 2007. He is currently director of the Chamber of Commerce of Lodi and has been a Director on Banco Popolare's Supervisory Board since 24 April 2010;
- Gian Luca Rana: entered the Pastificio Rana family business at the age of 22 and has been Managing Director, since 2003. Positions held in the past: Director on the Board of Directors of BPVN's from January 2005 to June 2007, Director on the Board of Directors of Banca Popolare di Verona – S. Geminiano e S. Prospero from July 2007 until 2 May 2008. Chairman of Confindustria Verona food section businesses (1994-1998). Vice Chairman of Confindustria Verona (2001-2005), Director on the Board of Directors of Gourmet Italy S.p.A., from 2000 to 2004. A Director on the Board of Directors of Nordest Merchant S.p.A., from 2003 to 2005, a Director on the Board of Directors of B.B.Vi Fondi SGR S.p.A., from 2004 to 2005, and Chairman of Confindustria Verona, from 2005 to 2009. He currently, *inter alia*, holds the following additional offices: Chairman of Verfin S.p.A., from 2006 a Director on the Board of Directors for Athesis S.p.A. since 2006 and Chairman of that company since 2010, and Chairman of Perinnovare S.p.A. since 2007, and has been a Director on Banco Popolare's Supervisory Board since 3 May 2008;
- Claudio Rangoni Machiavelli: well-known agricultural entrepreneur of the Emilia region, formerly Director of the former Banco S. Geminiano e S. Prospero and director of the former Banca Popolare di Verona in 1994 taking on the role of Vice Chairman until 1996. He was also Director of BPVN and Credito Bergamasco. He is currently a member of the National Executive Committee of Confagricoltura, a member of the Council of the Chamber of CIAA of Modena, Chairman of the Ente Nazionale per la Ricerca e la Formazione in Agricoltura (E.N.A.P.R.A.), and also Director on the Board of Ente Nazionale Meccanizzazione Agricola (E.N.A.M.A.). In addition, he holds the position of Member of the Board of the following Companies: Casa dell'Agricoltore S.r.l., P.r.o.m.o. S.c.r.l., T.I.E. S.r.l. and Credito Fertile S.r.l.; and has been a Director on Banco Popolare's Supervisory Board since 1 July 2007;
- Fabio Ravanelli: gained a degree in Economics from the University of Turin, he was City Councillor of Novara from 1992 to 1996, Director of BPVN, from March 2005 to June 2007, and Member of the Board of Banca Popolare di Novara, from December 2003 to April 2005 and then again from July 2007 to April 2008. He has served as Vice Chairman of the AIN – Associazione Industriali di Novara – from June 2004 to June 2008. He currently, *inter alia*, holds the following positions: Vice Chairman and Managing Director of Mirato S.p.A. since 1996, Director with responsibility for Finance and Export of Mil Mil 76 S.p.A., part of the Mirato Group, from January 2003, Chairman of the Associazione Industriali di Novara since 14 July 2010. He has been a Director on Banco Popolare's Supervisory Board since 3 May 2008;

- Alfonso Sonato: is a Chartered Accountant as well as statutory auditor. He has been Chairman of the Board of Auditors and a Director of leading industrial and commercial banking companies. He holds the following company positions: Auditor of Aeroporto Valerio Catullo di Verona Villafranca S.p.A., since May 2005, Auditor of Autostrada del Brennero S.p.A. – Brenner Autobahn Ag, since 25 June 2010, Auditor of Banca Aletti since April 2000, Chairman of The Board of Auditors of the independent body for Fiere di Verona, since December 2002. Auditor of Faiveley Transport Italia S.p.A. since June 1995, Chairman of the Board of Auditors of Quadrifoglio Verona S.p.A. since December 2005. Auditor for Athesis S.p.A. since May 2007, Chairman of the Board of Auditors for Società Editrice Arena – SEA S.p.A. since May 2007, Auditor for Tecres S.p.A., since May 2010, Chairman of the Board Auditors for Casa di Cura Polispecilistica Dr. Pederzoli S.p.A. since July 2008. He has been a Director on Banco Popolare’s Supervisory Board since 3 May 2008;
- Angelo Squintani: has been a notary since 1979, at the Lodi headquarters, specialising in corporate and commercial matters, including all the larger types of banking contracts, as well as in agricultural law. He was Deputy Director of Direct Taxes at the Piacenza Office from 1977 to 1979. He acts as consultant to associations at national level (Unione Agricoltori, Coltivatori Diretti and Unioni Artigiani), he is also an agricultural entrepreneur in the family businesses, and has been a Director on Banco Popolare’s Supervisory Board since 3 May 2008;
- Sandro Veronesi: after graduating in Economics and Business Studies from the University of Verona, he founded the Calzedonia Group, a company active in the field of hosiery and manufacture and sale of men’s, women’s and children’s swimwear. He holds various positions in the Calzedonia Group (including: Chairman of the Board of Directors of: Calzedonia S.p.A. since September 1987, Calzedonia Holding S.p.A. since March 2008, Intimo 3 S.p.A. since September 2005, CEP S.p.A. since February 1995 and Ti-Bel S.p.A. since April 2007). He has also been Chairman of the Board of Directors of Auver S.r.l. since July 2002, and Managing Director of Falconeri S.r.l., Managing Director since December 2008 and Sole Director of Savefin S.r.l. since March 2008. He is also the Chairman of the San Zeno Onlus Foundation (a non-profit making organisation), set up in 1999, for charity purposes. He has been a Director on Banco Popolare’s Supervisory Board since 25 April 2009;
- Tommaso Zanini: has been a professional Chartered Accountant since 1998 and Statutory Auditor with offices in Verona (member of the Legal Register of Auditors since 2000). He was appointed by the Ministry of Economic Development as Liquidator (in the compulsory liquidation) of the Cofidam Società Fiduciaria S.p.A. Group, in lca. He is the Chairman and/or permanent member of the Statutory Board of Auditors, and/or Auditor of numerous companies, including: AGSM Verona S.p.A., Unione Radiotaxi Verona, Bonomi S.p.A., Tech.pa. S.p.A., H.B.S. Holding Bonomi S.p.A., Multiutility S.p.A., Multi Greenpower S.p.A., Multiutility.net S.p.A., H.P.M. Holding di Partecipazioni Multiutility S.p.A., Dellas S.p.A. He is also an expert in the teaching of bank financial statements, the language of financial statements I, the language of financial statements II, accounting models and economic data, accounting models for economic integration of capital, at the Faculty of Economics, University of Verona; and he has been a Director of Banco Popolare’s Supervisory Board since 25 April 2009.

\* \* \*

None of the Supervisory Board’s members has family relationships with other members of the Supervisory Board, or with members of the Board of Management, or with the Issuer’s senior managers.

The following table shows corporations or partnerships in which members of the Supervisory Board have been members of the administrative, management or supervisory bodies, or shareholders in the last five years (in excess of 2% of the capital of listed companies and to any extent in non-listed companies), with details regarding their status at the Prospectus Date.

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
<b>Carlo Fratta Pasini</b>	Azienda Agricola Corte Granda s.s.	Shareholder (2%) and Director	In office
	Azienda Agricola Eredi Fratta Pasini Antonio	Shareholder (40%)	Shareholder
	Azienda Agricola Zuliani Soc. Semplice	Shareholder (70%)	Shareholder
	Il Torrione S.a.s. di Anna Maria Fratta Pasini	Shareholder (33.3%)	Shareholder
	Aletti Merchant S.p.A.	Director	No longer in office
	Banca Popolare di Novara S.p.A.	Director and member of the Executive Committee	No longer in office
	Banco Popolare di Verona e Novara S.c.ar.l.	Chairman	No longer in office
	Credito Bergamasco S.p.A.	Director and member of the Executive Committee	No longer in office
<b>Guido Castellotti</b>	Istituto Centrale delle Banche Popolari S.p.A.	Vice Chairman	No longer in office
	Banca della Nuova Terra S.p.A.	Director	No longer in office
<b>Maurizio Comoli</b>	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Director	No longer in office
	Centro Assistenza Imprese Coldiretti Lombardia S.r.l.	Managing Director	No longer in office
	Navigli Lombardi S.c.ar.l.	Director	No longer in office
	Spallanzani Technologies S.r.l.	Chairman	No longer in office
	2M S.r.l.	Shareholder (49.21%)	Shareholder
<b>Maurizio Comoli</b>	Bastogi S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Brioschi Sviluppo Immobiliare S.p.A.	Auditor	In office
	Cav. Uff Giacomo Cimbero S.p.A.	Alternate Auditor	In office
	Centro Interportuale Merci – Cim S.p.A.	Chairman	In office
	Chiarante S.r.l.	Chairman	In office
	Cogestim S.r.l.	Alternate Auditor	In office
	De Agostini Scuola S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Fondiaria Sai S.p.A.	Director	In office
	La Sorgente Novarese di Maurizio Comoli	Shareholder (58.75%) and Director	In office
	Società Semplice	Director	In office
	Loro Piana S.p.A.	Auditor	In office
	M.A.M. S.r.l.	Chairman	In office
	Mirato S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Open Dot Com S.p.A.	Shareholder (0.04%)	Shareholder
	PPG Univer S.p.A.	Auditor	In office
	Aletti Gestielle SGR S.p.A.	Chairman	No longer in office
	Baltica S.p.A. in liq.	Chairman of the Board of Statutory Auditors	No longer in office
	Banca Popolare di Novara S.p.A.	Director	No longer in office
	Banco Popolare di Verona e Novara Scarl	Vice Chairman	No longer in office
	BPVN Immobiliare S.r.l.	Chairman	No longer in office

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
	Bright S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	De Agostini Diffusione del Libro S.p.A.	Auditor	No longer in office
	Elmit S.r.l.	Auditor	No longer in office
	Fastweb S.p.A.	Auditor	No longer in office
	Finanziaria Basso Novarese S.r.l.	Shareholder	Not a shareholder
	Forumnet Holding S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Futuraria S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Igor S.r.l.	Auditor	No longer in office
	Is Arenas S.r.l.	Alternate Auditor	No longer in office
	Itaca Service S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Loro Piana International S.p.A.	Auditor	No longer in office
	M- Dis Distribuzione Media S.p.A.	Alternate Auditor	No longer in office
	Maquattro Immobiliare S.r.l.	Alternate Auditor	No longer in office
	Milano Press S.r.l.	Auditor	No longer in office
	Milanofiori 2000 S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Milanofiori Retail S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Novara Promuove S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Nuova Assistenza Soc. Coop. Onlus	Auditor	No longer in office
	Open Care S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Open Holding S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Raggio di Luna S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Servizi Idrici Novaresi S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Sintesi S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Società del Palazzo del Ghiaccio S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Sportsette S.p.A. in liq.	Chairman of the Board of Statutory Auditors	No longer in office
	Vi.Sar.Im S.r.l.	Alternate Auditor	No longer in office
	Zamasport S.p.A.	Alternate Auditor	No longer in office
<b>Giuliano Buffelli</b>	Fonderie Ghise e Acciai Speciali S.p.A.	Auditor	In office
	Istituto Centrale delle Banche Popolari Italiane S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Italfim S.p.A.	Director	In office
	Longhi & C. Officine Riunite S.p.A.	Director	In office
	Banco Popolare di Verona e Novara S.c.ar.l.	Auditor	No longer in office
	Cartoni Vetturi S.r.l	Chairman of the Board of Statutory Auditors	No longer in office
	Colombo Filippetti S.p.A.	Auditor	No longer in office
	Eurotessile S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
<b>Pietro Buzzi</b>	Ayas s.s.	Shareholder (20%) and Director	In office
	Bora s.s.	Shareholder (25%)	In office
	Buzzi Unicem International SARL	Director	In office
	Buzzi Unicem Investimenti S.r.l.	Director	In office
	Buzzi Unicem S.p.A.	Managing Director	In office
	Dyckerhoff AG	Director	In office
	Fratelli Buzzi S.p.A.	Managing Director	In office
	IHB Lux SA	Director	In office
	Meltemi s.s.	Shareholder (25%)	In office
	Mistral s.s.	Shareholder (25%)	In office
	Presa – S.p.A.	Director	In office
	Unicalcestruzzi S.p.A.	Director	In office
	Addiment Italia S.r.l.	Director	No longer in office
	Alamo Cement Holding CO.	Director	No longer in office
	Banco Popolare di Verona e Novara S.c.ar.l.	Director	No longer in office
	Buzzi Unicem Deutschland GmbH	Director	No longer in office
Efibanca S.p.A.	Director	No longer in office	
<b>Costantino Coccoli</b>	Assolodi S.r.l.	Chairman	No longer in office
	Banca Popolare di Lodi S.p.A.	Vice Chairman	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Director	No longer in office
	Diaspa S.p.A.	Director	No longer in office
	Efibanca S.p.A.	Director	No longer in office
	Euticals S.p.A.	Director	No longer in office
	Nadir Immobiliare S.r.l.	Director	No longer in office
	Pro.Bio.Sint. S.p.A.	Director	No longer in office
	Prochisa S.p.A.	Chairman	No longer in office
	Space Far S.p.A.	Director	No longer in office
	<b>Gabriele Camillo Erba</b>	Banca Popolare di Lodi S.p.A.	Alternate Auditor
Bipielle Real Estate S.p.A.		Alternate Auditor	In office
BPV-SGSP S.p.A.		Chairman of the Board of Statutory Auditors	In office
Calzi S.r.l.		Auditor	In office
Casa di Cura Privata S.Giacomo S.r.l.		Chairman of the Board of Statutory Auditors	In office
Chaiviki S.a.s. di Maggi Alessia & C		Limited Shareholder (10%)	Shareholder
Dema S.r.l.		Alternate Auditor	In office
F.i.a.l. S.r.l.		Alternate Auditor	In office
Immiera S.r.l.		Auditor	In office
Immobiliare Artigiana di Lodi e Circondario S.r.l.		Chairman of the Board of Statutory Auditors	In office
Immobiliare Clafamar S.r.l.		Auditor	In office
Immobiliare Edifara S.r.l.		Alternate Auditor	In office
Immobiliare Gerundum S.r.l.		Chairman of the Board of Statutory Auditors	In office
Line Servizi per la Mobilità S.p.A.		Auditor	In office
Lodi Progress S.cons.p.A.		Alternate Auditor	In office
Movibus S.r.l.		Alternate Auditor	In office
SGC BP S.cons.p.A.		Auditor	In office

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
	Stella Bianca S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Artigiancredit Lombardia Soc. Coop. a r.l.	Alternate Auditor	No longer in office
	Astem Energy S.p.A.	Alternate Auditor	No longer in office
	Astem S.p.A.	Auditor	No longer in office
	Astem Servizi S.r.l.	Auditor	No longer in office
	Autoservizi Migliavacca S.r.l.	Auditor	No longer in office
	Autostradale S.r.l.	Auditor	No longer in office
	Banca Centropadana Credito Coop.	Alternate Auditor	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Auditor	No longer in office
	Basileus S.p.A.	Alternate Auditor	No longer in office
	BFI S.p.A.	Alternate Auditor	No longer in office
	Bipielle ICT S.p.A.	Auditor	No longer in office
	Bipielle Immobili Strumentali S.p.A.	Alternate Auditor	No longer in office
	Bipitalia Alternative S.p.A.	Alternate Auditor	No longer in office
	Bipitalia Broker S.r.l.	Alternate Auditor	No longer in office
	Co.me.te S.p.A.	Alternate Auditor	No longer in office
	Comevo S.r.l.	Alternate Auditor	No longer in office
	Coop. Artigiani per lo Sviluppo del Lodigiano Soc. Coop. a r.l.	Auditor	No longer in office
	Costruzioni Industriali ed Agricole Carpiano Ciac S.a.s.	Alternate Auditor	No longer in office
	Cremona Trasporti S.c.a r.l.	Auditor	No longer in office
	Dispensa Logistic S.r.l.	Alternate Auditor	No longer in office
	Ducato S.p.A.	Alternate Auditor	No longer in office
	Emilcotoni S.p.A.	Alternate Auditor	No longer in office
	F.B. Tecnopolimeri S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Imea S.p.A.	Alternate Auditor	No longer in office
	L.D.L. S.r.l.	Auditor	No longer in office
	Lithosol Italia S.r.l. with sole shareholder	Chairman of the Board of Statutory Auditors	No longer in office
	Lodim S.p.A. in liq.	Alternate Auditor	No longer in office
	Lodiport S.p.A. in liq.	Chairman of the Board of Statutory Auditors	No longer in office
	S.A.G.A. S.r.l.	Liquidator	No longer in office
	Soluzio Consumer S.r.l.	Alternate Auditor	No longer in office
	S.T.A.R. S.p.A.	Auditor	No longer in office
	S.V.A.R.A. S.p.A. in liq.	Auditor	No longer in office
	San Giovanni Soc. coop. a r.l.	Auditor	No longer in office
	Schober Italia S.r.l.	Alternate Auditor	No longer in office
	Sogemi Engineering S.r.l.	Alternate Auditor	No longer in office
	Star Fly S.r.l.	Auditor	No longer in office
	Stie S.p.A.	Auditor	No longer in office
	Syntek S.c.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Tassalini S.p.A.	Alternate Auditor	No longer in office
<b>Gianni Filippa</b>	Alfa Colori S.r.l.	Director	In office
	Color Expert S.r.l.	Chairman	In office
	Edilcoloranti G.Filippa & C. S.n.c.	Shareholder (50%) and Director	In office

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
<b>Dino Piero Giarda</b>	PPG Univer S.p.A.	Managing Director	In office
	Prà di Riva Soc. semplice	Shareholder (2%) and Director	In office
	S.G.P S.r.l.	Director	In office
	S.V.A.L.T.U.R. S.r.l.	Managing Director and Shareholder (33.33%)	In office
	Univer Italiana S.p.A.	Sole Director and Shareholder (51.125%)	In office
	Banca Popolare di Novara S.p.A.	Director	No longer in office
	Gaia S.r.l.	Director	No longer in office
	Rust-Oleum Mathys Italia S.r.l. in liq.	Director	No longer in office
	Spazio Pubblicità S.r.l.	Director	No longer in office
	Cassa del Trentino S.p.A.	Chairman	In office
<b>Andrea Guidi</b>	Istituto Europeo Oncologia S.r.l.	Director	In office
	Monterosa 2000 S.p.A.	Honorary Chairman	In office
	Acea S.p.A.	Director	No longer in office
	Banca Eurosystemi S.p.A.	Chairman	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Chairman	No longer in office
	Bipielle Investimenti S.p.A.	Chairman	No longer in office
	Pirelli e C. S.p.A.	Director	No longer in office
	Co.im.e S.r.l.	Director	In office
	Costruire S.r.l.	Director	In office
	Im.a.p. S.r.l.	Director	In office
<b>Pietro Manzonetto</b>	Impresa Costruzioni Guidi Gino S.p.A.	Managing Director	In office
	Banca Popolare di Lodi S.p.A.	Director	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Director	No longer in office
	Bipielle Real Estate S.p.A.	Director	No longer in office
	C.L. Conglomerati Lucchesi S.r.l.	Director	No longer in office
	Il Frascione S.r.l.	Director	No longer in office
	Ma-co S.r.l.	Director	No longer in office
	Nuova Imap S.r.l.	Director	No longer in office
	Tolaini S.r.l.	Vice Chairman	No longer in office
	Viareggio Fucina S.r.l.	Director	No longer in office
<b>Pietro Manzonetto</b>	Allianz Bank Financial Advisors S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Allianz S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Cir S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Gruppo Banca Leonardo S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Humanitas Mirasole S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Imber S.r.l.	Shareholder with benefits (52%)	Shareholder
	Otis S.p.A.	Chairman of the Board of Statutory Auditors	In office
	RCS MediaGroup S.p.A.	Auditor	In office

<b>Name, Surname</b>	<b>Company</b>	<b>Position held / % Holdings</b>	<b>Status at Prospectus date</b>
	Aedes Coop. Case Popolari S.c.ar.l.	Auditor	No longer in office
	Aero Invest 1 S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Aero Invest 2 S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Allianz Global Investor Italia SGR S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Anau S.r.l.	Sole Director	No longer in office
	Avio Holding S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Avio S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Director	No longer in office
	Banco San Giorgio S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Ceam S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Coop. Edifi. Case Pop. S. Carlo E – Mid S.p.A.	Auditor Chairman of the Board of Statutory Auditors	No longer in office No longer in office
	Immobiliare Delvin S.r.l.	Sole Director	No longer in office
	Immobiliare Mirasole S.p.A.	Auditor	No longer in office
	Immobiliare Ordie S.r.l.	Sole Director	No longer in office
	Immobiliare Perseghetto S.p.A.	Auditor	No longer in office
	Immobiliare Previdenza S.p.A.	Auditor	No longer in office
	Investimenti Infrastrutture S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Investitori Holding S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Investitori SGR S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	La Bricola S.p.A.	Sole Director	No longer in office
	Linea S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Nexenti S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Otis S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Otis Servizi S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Ras Alternative Investments SGR S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Ras Holding S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Ras S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Rasfin SIM S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	RREEF Fondimmobiliari SGR S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Silem S.p.A.	Auditor	No longer in office
	Società per i Servizi Bancari SSB S.p.A.	Auditor	No longer in office



Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
<b>Maurizio Marino</b>	Aeroporto Valerio Catullo di Verona Villafranca S.p.A.	Director	In office
	Immobiliare Il Gigante S.r.l.	Shareholder (0.5%)	Shareholder
	Banco Popolare di Verona e Novara S.c.ar.l.	Director	No longer in office
<b>Enrico Perotti</b>	Artigianadati S.r.l.	Director	No longer in office
	Artigiancredit Lombardia	Director	No longer in office
	Banca Popolare di Cremona S.p.A.	Acting Vice Chairman	No longer in office
	Banca Popolare di Lodi S.p.A.	Chairman	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Acting Vice Chairman	No longer in office
	Cassa di Risparmio di Lucca Pisa Livorno S.p.A.	Acting Vice Chairman	No longer in office
	Lodi Progress Società Consortile per Azioni	Director	No longer in office
	Nadir Immobiliare S.r.l.	Chairman	No longer in office
<b>Gian Luca Rana</b>	Giovanni Rana (UK) Ltd	Director	In office
	Giovanni Rana Deutschland Gmbh	Director	In office
	Mamma Lucia S.A.	Director	In office
	Pastificio Rana S.p.A.	Managing Director	In office
	Perinnovare S.p.A.	Chairman	In office
	Rana France S.A.	Sole Director	In office
	Rana USA Inc.	Director	In office
	S.I.F.I. S.p.A.	Managing Director	In office
	Società Athesis S.p.A.	Chairman	In office
	Verfin S.p.A.	Chairman	In office
	Banco Popolare di Verona e Novara S.c.ar.l.	Director	No longer in office
	BPV-SGSP S.p.A.	Director	No longer in office
	Edizioni Brescia S.p.A.	Director	No longer in office
	Fin Luigi S.p.A.	Sole Director	No longer in office
	S.I.S.A.G. S.r.l.	Director	No longer in office
	<b>Claudio Rangoni Machiavelli</b>	Azienda Agricola Claudio Rangoni Machiavelli & C. s.s.	Shareholder Director (94.42%)
Casa dell'Agricoltore S.r.l.		Director	In office
Cooperativa Modenese Essiccazione Frutta – Società Agricola Cooperativa		Director	In office
Corallo Società Semplice di Claudio Rangoni Machiavelli & C.		Shareholder Director (95%)	In office
Credito Fertile S.r.l.		Director	In office
P.r.o.m.o. S.c.r.l.		Director	In office
Quattro Colonne S.a.s. di Claudio Rangoni Machiavelli e C		General Shareholder (99.5%)	In office
Società Agricola Semplice S. Pellegrino di Claudio Rangoni Machiavelli C.		Shareholder (90%) and Director	In office
T.I.E. S.r.l.		Director	In office
Aciservice Modena S.r.l.		Director	No longer in office
Assoagricoltori S.r.l.		Chairman	No longer in office
Banco Popolare di Verona e Novara S.c.a.r.l.		Director	No longer in office
Confagri Consult S.r.l.		Chairman	No longer in office
Credito Bergamasco S.p.A.		Director	No longer in office
<b>Fabio Ravanelli</b>		Ager S.r.l.	Shareholder (20%)

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
	Mil Mil 76 S.p.A.	Managing Director	In office
	Mirato S.p.A.	Vice Chairman and Managing Director / Shareholder (29.5%)	In office
	Model Plus Milan S.r.l.	Shareholder (39%)	Shareholder
	Moltiplica S.r.l.	Sole Director / Shareholder (56%)	In office
	Banca Popolare di Novara S.p.A.	Director	No longer in office
	Banco Popolare di Verona e Novara S.c.ar.l.	Director	No longer in office
	Benefit S.p.A.	Director / shareholder (34.84%)	No longer in office
<b>Alfonso Sonato</b>			
	Aeroporto Valerio Catullo Arda S.p.A.	Auditor Chairman of the Board of Statutory Auditors	In office In office
	Autostrada del Brennero S.p.A.	Auditor	In office
	Banca Aletti & c. S.p.A.	Auditor	In office
	Casa di Cura Pederzoli S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Cep S.r.l.	Auditor	In office
	Compar S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Faiveley Transport Italia S.p.A.	Auditor	In office
	Holding Partecipazioni Immobiliari S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Immobiliare Caselle S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Immobiliare Torricelli S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Perinnovare S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Piemmeti S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Promofin S.r.l.	Auditor	In office
	Quadrifoglio Verona S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Società Athesis S.p.A.	Auditor	In office
	Società Editrice Arena – SEA S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Tecres S.p.A.	Auditor	In office
	Ti-bel S.p.A.	Auditor	In office
	Tl. Ti Expo S.p.A.	Auditor	In office
	Verfin S.p.A.	Auditor	In office
	Verona Porta Sud S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Veronafiore Servizi S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Veronamercato S.p.A.	Auditor	In office
	Antenore Sgr S.p.A.	Alternate Auditor	No longer in office
	Asak & Co. S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Autostrada del Brennero S.p.A.	Director	No longer in office

<b>Name, Surname</b>	<b>Company</b>	<b>Position held / % Holdings</b>	<b>Status at Prospectus date</b>
	Avvenire SGR S.p.A. in liq.	Auditor	No longer in office
	Bauli S.p.A.	Alternate Auditor	No longer in office
	Bertani Holding S.p.A.	Auditor	No longer in office
	Bruno Bruschi S.p.A.	Auditor	No longer in office
	Burgo Group S.p.A.	Director	No longer in office
	Catalina S.p.A.	Auditor	No longer in office
	Cav. G.B. Bertani S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Centro Servizi Marmo S.c.ar.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Consulfiduciaria S.p.A.	Chairman	No longer in office
	Elle Tre S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Europa Studio Shoes S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Fin Lugli S.p.A.	Auditor	No longer in office
	Gardaland S.p.A.	Director	No longer in office
	Gourmet Italia S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Il Nido delle Idee S.a.s.	Limited Shareholder	Not a shareholder
	Immobiliare Magazzini S.r.l.	Chairman	No longer in office
	Immobiliare Piazzola S.p.A.	Auditor	No longer in office
	Impresa Edile Lonardi S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Imver S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Intercomp S.p.A.	Auditor	No longer in office
	La Ronda Emilia S.n.c.	Chairman of the Board of Statutory Auditors	No longer in office
	La Ronda Servizi di Vigilanza S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Magazzini Generali di Verona S.r.l.	Vice Chairman	No longer in office
	Magolo S.r.l.	Liquidator	No longer in office
	Nuova Azzurro S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	OMV Italia S.r.l.	Auditor	No longer in office
	Pama S.p.A.	Auditor	No longer in office
	Popolare Vita S.p.A.	Auditor	No longer in office
	Polo Finanziario S.p.A.	Auditor	No longer in office
	Sciangallo S.r.l. in liq.	Auditor	No longer in office
	Signorini Autotrasporti S.r.l.	Auditor	No longer in office
	Tenuta Novare di Valpolicella S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Valori Finanziaria S.p.A.	Substitute Auditor	No longer in office
	Wells Shoes & Co. S.p.A. in liq.	Chairman of the Board of Statutory Auditors	No longer in office
<b>Squintani Angelo</b>	Cascina Barattera S.r.l.	Shareholder (50%)	Shareholder
	Cascina Nuova Soc. Simple	Shareholder (45%) and Director	In office
	Immobiliare Chiara Soc. Simple	Shareholder (16.67%)	Shareholder
	Lodisplash S.r.l.	Shareholder (10.42%)	Shareholder

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
	Novella Società Semplice di Squintani A. e C.	Shareholder (80%) and Director	In office
	Agricultural Society Valbo	Shareholder (99%)	Shareholder
	TBS Real Estate S.a.s.	Limited Shareholder (16.62%)	Shareholder
	G.I.P. S.a.s.	Limited Shareholder	No longer in office
	Soc. Agricola Squintani Angelo, Piero e Andrea	Shareholder and Director	No longer in office
	Soc. Semplice		
<b>Sandro Veronesi</b>			
	Auver Srl	Chairman	In office
	Calovest S.r.l.	Chairman	In office
	Calzedonia Holding S.p.A.	Chairman	In office
	Calzedonia S.p.A.	Chairman	In office
	Calzificio Trever S.p.A.	Chairman	In office
	Falconeri S.r.l.	Managing Director	In office
	Intimo 3 S.p.A.	Chairman	In office
	Savefin S.r.l.	Sole Director	In office
	Società Agricola Agribel s.s.	Shareholder Director (99%)	In office
	Ti-bel S.p.A.	Chairman	In office
	Cep S.p.A.	Chairman	No longer in office
	Colle dell'Acero Soc. Coop.	Chairman	No longer in office
	Meriendas S.r.l. in liq.	Sole Director	No longer in office
	Monastero di Vallechiera – Soc. Coop. Agricola	Chairman	No longer in office
	Pierangelo Fenzi S.r.l.	Managing Director	No longer in office
	Storm S.r.l. in liq.	Chairman	No longer in office
	Twins S.r.l. in liq.	Chairman and Managing Director	No longer in office
<b>Tommaso Zanini</b>			
	Agsm Verona S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Anson S.r.l.	Liquidator	In office
	Balrog S.r.l.	Liquidator	In office
	Cofidam – società fiduciaria di servizi S.p.A. in lca.	Liquidator	In office
	Finval S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Forgreen S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Gir auto S.r.l.	Alternate Auditor	In office
	Girelli f.lli S.r.l.	Alternate Auditor	In office
	H.p.m. – società per azioni	Chairman of the Board of Statutory Auditors	In office
	Immobiliare Belvedere S.p.A.	Liquidator	In office
	Mania Tecnologie Italia S.p.A. in liq.	Auditor	In office
	Multi Greenpower S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Multiutility S.p.A.	Auditor	In office
	Multiutility.net S.p.A.	Chairman of the Board of Statutory Auditors	In office
	Officina dei Sapori S.r.l.	Chairman	In office
	Partincart S.p.A.	Liquidator	In office
	Pernisa Graniti S.r.l.	Auditor	In office
	Raffaello 80 S.p.A. in lca.	Liquidator	In office
	Safital S.r.l.	Alternate Auditor	In office

Name, Surname	Company	Position held / % Holdings	Status at Prospectus date
	Società Agricola Tendina S.r.l.	Chairman	In office
	Tech. Pa. S.p.A.	Auditor	In office
	Traconf S.r.l.	Chairman of the Board of Statutory Auditors	In office
	Unione Radiotaxi – Verona soc. Coop.	Chairman of the Board of Statutory Auditors	In office
	Agglotech Italia S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Antiquarex S.p.A. in liq.	Chairman of the Board of Statutory Auditors	No longer in office
	Austeras S.r.l.	Auditor	No longer in office
	Bencini f.imm. S.r.l.	Substitute Auditor	No longer in office
	Bonomi S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Borgo dei Ciliegi 80 società cooperativa edilizia a r.l.	Director	No longer in office
	Centro Servizi Marmo S.c.ar.l.	Director	No longer in office
	Co.Ge.Ca. S.r.l.	Substitute Auditor	No longer in office
	Eurofidi veneto soc. Coop.	Chairman of the Board of Statutory Auditors	No longer in office
	Fashion Logistics S.r.l.	Auditor	No longer in office
	Ferax S.r.l. in liq.	Auditor	No longer in office
	Gramic S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	H.b.s. Holding bonomi S.p.A.	Chairman of the Board of Statutory Auditors	No longer in office
	Immobiliare Il Fiore S.r.l.	Chairman of the Board of Statutory Auditors	No longer in office
	Lessinia Graniti S.r.l.	Auditor	No longer in office
	Trend S.r.l.	Liquidator	No longer in office
	Veneta marmi S.r.l.	Auditor	No longer in office
	Xgroup S.p.A.	Auditor	No longer in office

To the knowledge of the Issuer, in the last five years, none of the members of the Supervisory Board have been convicted for crimes involving fraud or were associated, in the context of their office, with procedures for bankruptcy, involuntary receivership or liquidation; nor were they subject to official charges and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualified by a court from acting as a member of administrative, management or supervisory bodies or activities of direction or management of any issuer, except as follows:

- Attorney Carlo Fratta Pasini: administrative financial penalty from the Consob (Resolution no. 15867 of 10 April 2007), as Chairman of the Board of Directors and Executive Committee member of BPVN for violation of Article 21, paragraph 1, letter d) of the TUF and Articles 28 and 56, of Consob regulation no. 11522/1998; administrative financial penalty from the Banca d'Italia (Resolution no. 565, 4 August 2009), as Chairman of Banco Popolare's Supervisory Board, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the Consolidated Banking Act, Title IV, chapter 11 of the Supervision of Banks Instructions and Title I, chapter 1, part IV, New Provisions for the Prudential Supervision of Banks;

- Guido Castellotti:
  - (i) on-going enforcement proceedings no. 20056869/1 of 22 December 2005 as Director of BPI, initiated pursuant to Article 195 of the TUF by the Consob, for which a cash settlement of the fine was made for most of the charges. For the remaining charges the Consob imposed a financial administrative fine through resolution no. 15677 of 14 December 2006 for which BPI is jointly and severally liable for payment of the penalty and lodged an objection before the Court of Appeal of Milan on 18 January 2007, subsequently rejected by the decree of 24 September 2008 - 29 April 2009; the order was appealed to the Supreme Court by another former Director of the BPI; Banca Popolare di Lodi and Banco Popolare have notified the defence to appeal for the annulment of the decree in relation to sanctions imposed against Guido Castellotti, the lawsuit is still pending. Consob proceeding No. 20056869 and the related Consob Resolution No. 15677/06, as well as the respective settlement concern the documents and prospectuses for the public tender of purchase and exchange over shares of Banca Antoniana Popolare Veneta S.p.A. by BPI in 2005, as well as the mandatory public tender on Banca Antoniana Popolare Veneta S.p.A. by BPI;
  - (ii) Banca d'Italia administrative penalty (Resolution No. 125/2006), as a Director of BPI at the conclusion of disciplinary proceedings initiated by the Banca d'Italia on 9 June and 9 August 2005, proceedings are still pending before the Supreme Court following the rejection of the appeal brought to the Rome Court of Appeal. Banca d'Italia Resolution No. 125/2006 concerns BPI's compliance with the minimum regulatory coefficients and reporting to the Regulatory Authorities in 2005;
  - (iii) Banca d'Italia administrative penalty (Resolution No. 603 of 25 May 2007), as a Director of BPI, still pending on appeal before the Supreme Court following the rejection of the appeal brought before the Rome Court of Appeal. Banca d'Italia Resolution No. 603/2007 concerns the management of BPI, the governance structure, organisation and internal controls; the methods of hedging and reporting of capital requirements, the granting of large loans and the management of major risks; the attempted acquisition of Banca Antoniana Popolare Veneta S.p.A.; provisions on technical forms in the financial statements on a stand-alone and consolidated basis; regulations in terms of risk concentration; the reporting of major risks; loan evaluation, disbursement, management and control; BPI's engaging in functions as parent company;
  - (iv) administrative monetary fine through Ministerial Decree No. 42 of 11 January 2006, as Director of BPI. Ministerial Decree 42/2006 concerns BPI's acquisition and holding of relevant and controlling stakes in Banca Antoniana Popolare Veneta S.p.A., in 2005;
  - (v) administrative monetary fine from the Banca d'Italia (Resolution no. 565 of 4 August 2009), as member of the Supervisory Board of Banco Popolare, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of Legislative Decree 385/1993, Title IV, chapter 11 of the Regulatory Instructions and Title I, chapter 1, part IV of New Provisions for the Prudential Supervision of Banks
- Dino Piero Giarda: Consob administrative monetary fine according to the decree of the Ministry of the Economy and Finance – Treasury Department IV no. 10184 of 27 January 2006 pursuant to Article 56

Reg. 11522/1998, as a Director of Banca Popolare di Milano; administrative monetary fine by the Banca d'Italia (Resolution No. 565 of 4 August 2009), as Acting Vice Chairman of Banca Popolare's Supervisory Board, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the Consolidated Banking Act, Title IV, chapter 11 of the Regulatory Instructions for banks and Title I, chapter 1, part IV, New Provisions for the Prudential Supervision of Banks;

- Maurizio Marino: administrative monetary fine from the Consob (Resolution no. 15867 of 10 April 2007), as a Director of BPVN for violation of Article 21, paragraph 1, letter d) of the Consolidated Finance Act and Articles 28 and 56, of Consob regulation no. 11522/1998; administrative monetary fine from Banca d'Italia (Resolution no. 565, 4 August 2009), as a member of Banco Popolare's Supervisory Board, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the Consolidated Banking Act, Title IV, chapter 11 of the Regulatory Instructions for Banks and Title I, chapter 1, part IV, New Provisions for the Prudential Supervision of Banks;
- Claudio Rangoni Machiavelli: administrative monetary fine from the Consob (Resolution No. 15867 of 10 April 2007), as a Director of BPVN for violation of Article 21, paragraph 1, letter d) of the Consolidated Finance Act and Articles 28 and 56, of Consob regulation no. 11522/1998. Administrative monetary fine from Banca d'Italia (Resolution no. 565, 4 August 2009), as a member of Banco Popolare's Supervisory Board, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the Consolidated Banking Act, Title IV, chapter 11 of the Regulatory Instructions for Banks and Title I, chapter 1, part IV, New Provisions for the Prudential Supervision of Banks;
- Pietro Manzonetto: administrative monetary fine from the Consob (Resolution no. 16886 of 7 May 2009), as Chairman of the Board of Statutory Auditors of Allianz Bank Financial Advisors S.p.A., for irregularities in the application of Article 21, paragraph 1, letter d) of the Consolidated Finance Act, and Article 56 of Consob Regulation 11522/1998 and subsequent amendments and additions. Administrative monetary fine from Banca d'Italia (Resolution No. 565 of 4 August 2009), as a member of Banco Popolare's Supervisory Board, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the Consolidated Banking Act, Title IV, chapter 11 of the Regulatory Instructions for Banks and Title I, chapter 1, part IV, New Provisions for the Prudential Supervision of Banks;
- Maurizio Comoli and Giuliano Buffelli: administrative monetary fine from Banca d'Italia, (Resolution no. 565, 4 August 2009), as members of Banco Popolare's Supervisory Board, for irregularities in the application of Article 53, paragraph 1, letters b) and d) of the Consolidated Banking Act, Title IV, chapter 11 of the Regulatory Instructions for Banks and Title I, chapter 1, part IV, New Provisions for the Prudential Supervision of Banks.

The administrative penalty referred to in Banca d'Italia Resolution No. 565 of 4 August 2009 concerned Banco Popolare's internal audit and risk management and control system.

The administrative penalty referred to in Consob Resolution No. 15867 of 10 April 2007 concerned internal procedures for efficient, orderly and proper provision of investment services and reporting obligations for informing investors on the nature, risks and implications of the investment and divestment transactions.

The administrative penalty referred to in Consob Resolution No. 16886 of 7 May 2009 concerned resources and procedures, including internal control, suitable for ensuring efficient performance of the provision of investment services and activities.

The administrative penalty referred to in the Decree of the Ministry of Economy and Finance – Treasury Department Office IV No. 10184 of 27 January 2006 concerned resources and procedures, including internal control, suitable for ensuring efficient performance of the provision of investment services and activities.

#### **14.1.3 General Management and senior managers**

On 15 September 2009, the Board of Management, with the approval of the Supervisory Board, decided not to appoint a General Manager and to structure the top management into the following seven departments, reporting directly to the Managing Director: Corporate, Retail, Credit, Finance, Legal and Compliance, Operations, Human Resources.

The table presents information concerning key management personnel at the Prospectus Date:

<b>Name, Surname</b>	<b>Function</b>	<b>Length of service with the Group</b>	<b>Place and date of birth</b>
Marco Berlanda	Service Manager <i>Risk Management</i>	18 August 1997	Alzano Lombardo (Bg), 22 June 1957
Carlo Bianchi	Credit Department Manager	10 May 2010	Magenta (Milan), 25 January 1962
Maurizio Faroni	Finance, Corporate Centre and Investments Manager	14 September 1989	Brescia, 20 January 1958
Pietro Gaspardo	Retail Manager	19 May 2008	Liestal (Switzerland), 7 February 1966
Fabrizio Marchetti	Corporate Manager	1 February 2004	Ravenna, 26 August 1960
Lucio Menestrina	Legal and Compliance Manager	10 April 2006	Florence, 20 September 1964
Carlo Palego	Group Audit Manager	1 January 2010	Perugia, 1 August 1959
Ottavio Rigodanza	Operations Manager	12 March 2001	Vicenza, 17 February 1953
Roberto Speziotto	Human Resources Manager	20 November 2006	Casella (Ge), 21 September 1962
Gianpietro Val	Administration and Budget Manager	11 April 1994	Conegliano (Tv), 27 December 1960

Key management personnel for the purpose of their office are domiciled at the Company's registered office.

The following are brief *curriculum vitae* of the senior managers, highlighting skills and experience gained in business management.

- **Marco Berlanda**: following graduation he was a teacher for four years and a parliamentary assistant on financial matters. He then worked at the Italian Stock Exchange for eleven years as Research and Market Development Manager. Later on, he was Finance Director for six years before becoming Joint Managing Director of Banca Aletti. From 2003, he worked at Banco Popolare, where he held various positions (Planning, Investments, etc.). He is currently Manager of the Group's Risk Management and reports to the Managing Director;
- **Carlo Bianchi**: began his career in Banca Commerciale Italiana S.p.A., assuming positions of increasing responsibility over the years, in June 1999 he was appointed Director. In September 2001, following the merger of Banca Commerciale Italiana S.p.A. into Banca Intesa S.p.A., he was appointed Sales Manager of the Lombardy Region of the Mid-Corporate Division. In June 2004, he became the Manager of Corporate Service Concession Italy reporting directly to the General Manager for Credit and in April 2006 he became Credit Policies and Credit Quality Monitoring Manager. In December 2008, he was appointed Credit Manager of the Banca dei Territori Division. Since July 2010, he has held the position of Banco Popolare's Credit Department Manager;
- **Maurizio Faroni**: (See the *curriculum vitae* included in Section One, Chapter XIV, Paragraph 14.1.1 of the Prospectus);



- Pietro Gaspardo: took on the following positions: Insurance Products and Asset Management Manager for “Raiffeisenkasse Eisacktal Bolzano e Bressanone” (from 1991 to 1994). Deputy Agency Director (from 1994 to 1997) and then Agency Director (from 1997 to 2001) of “Rolo Banca 1473 S.p.A.” Regional Co-Director with a mandate to support the Regional Director, with responsibility for Development, Management, Customer Satisfaction, Operational Quality for “Unicredit Banca S.p.A.” (from September 2001 to November 2006). Senior Regional Manager holding the position of Retail Sales Holding Manager for Poland, Croatia and Bosnia-Herzegovina for “Bank Austria Creditanstalt (UniCredit Group C.E.E. Division)”, (from November 2006 to May 2008). Banco Popolare’s Manager for Quality and thereafter Retail Management (a position currently held);
- Fabrizio Marchetti: after having served as Director in various branches (Faenza, Treviglio, Segrate) and in two Head Offices (Varese and Como) of Banca Commerciale Italiana, he was appointed Company Manager in 1999, in the position of Acting Director of the Milan Head Office. In 2001, after the incorporation of Comit into IntesaBci, he was appointed Director of Milan’s Porta Nuova Corporate Branch. In September 2002, he was appointed Banca Intesa’s Enterprise Market Manager, a position he held until January 2004. In early 2004, he left Banca Intesa to take up the post of Corporate Manager for Banco Popolare’s subsidiary Banca Popolare di Novara. He was appointed Central Director in June 2005 and Deputy Chief Executive Officer in 2007. In January 2009 he was appointed Corporate Manager then to become Banco Popolare’s Corporate Director in September 2009;
- Lucio Menestrina: graduated in Law, with honours, in 1988, he worked in Banca d’Italia – Supervisory sector – from 1991 until 2004, when he took on the role of CFO with Banca Popolare di Vicenza. In April 2006, he assumed the role of BPI Legal and Corporate Affairs Manager, and then, *inter alia*, General Manager of Bipitalia Gestioni SGR, to then take on the post in July 2007, of Banca Popolare’s Legal Investments and Compliance Director; among the roles covered to date it should be noted, that since January 2008, he has been Chairman of the Board of Eurovita S.p.A.;
- Carlo Palego: graduated with honours in Economics and Banking. From November 1990 to April 1994 he performed the role of securities supervision and inspection activities on network banks (BCC and co-operative banks) at Banca d’Italia – Trento branch. From 1994 to 2002, he was an employee for the Ispettorato Vigilanza Centrale (Central Supervision Inspectorate). He also performed roles within Internal Auditing at Banca Intesa, in the following positions: from January 2002 to December 2003, Finance, Wholesale and Foreign Branch Manager within Corporate Services and Finance. From January 2004 to December 2004, Finance Manager and Internal Audit Manager Article 57 Consob Reg. No. 11522 for Caboto, Intesa Trade, Nextra (NIM and NAI Sgr), Epsilon Sgr, Intesa Fiduciaria, Intesa Previdenza, and Banca Intesa Private Banking and since January 2005 he has been Corporate Manager. He is currently the Audit Manager for the Banco Popolare Group;
- Ottavio Rigodanza: graduated in Economics and Business Studies, with honours. From 1980 to 1997, he was a company management consultant for medium and large Italian companies and then until 2000 he was Operations Cargo Division Manager of Ferrovie dello Stato Italiane (Italian National Railways). In 2001, he became Manager of Banca Popolare di Verona, and following the merger with Banca Popolare di Novara, Manager of Banco Popolare di Verona e Novara and several associated companies. He was also a Director of Banca Popolare di Verona – S. Geminiano e S. Prospero S.p.A. and is currently Banco Popolare’s Operations Manager as well as Managing Director of SGS BP S cons.pa., Managing Director of BP Property and of Immobiliare Bp S.r.l., Chairman of Bipielle Real Estate S.p.A. and Tecmarket Servizi S.p.A. and Director of Banca Italease S.p.A. and Itaca Service S.p.A.;

- Roberto Speziotto: graduated in Political Science with 110/110. He served as Organisation and Personnel Manager in Credito Italiano from July 1993 to February 2000. He subsequently held the following positions: Regional Affairs Manager “Sicily and Sardinia” (from March 2000 to October 2003). Business Manager of the North East area of Unicredit Banca (from April 2004 to November 2006). BPVN Human Resources Manager (from November 2006 to June 2007) and Banco Popolare’s Management and Development Resources Manager (from July 2007 to December 2007). Since January 2008 he has been Banco Popolare’s Human Resources Manager;
  
- Gianpietro Val: graduated with honours in Business Administration, working at Arthur Andersen from 1987 to 1994. In this area, he held audit positions in leading Italian groups listed on the Stock Exchange; carried out enquiries into the acquisition of companies and various projects for the adjustment of administrative and accounting systems for client companies. From 1994 to 2002, he was the Accounting Department Manager for Banca Popolare di Verona S. Geminiano e S. Prospero participating in all major phases of the development process initiated by the Institute at that time. Following the merger of Banca Popolare di Verona S. Geminiano e S. Prospero with Banca Popolare di Novara, he took on the management of BPVN’s Administration and Tax Department. Following BPVN’s merger with BPI, he took on the position of Administration and Budget Manager, and was appointed Manager in Charge of Preparing Corporate Accounting Documents for Banco Popolare. Within the Group he also holds the post of Director on the Board of Directors of the subsidiary Holding di Partecipazioni Finanziarie Banco Popolare S.p.A.

\* \* \*

None of the senior managers has family relationships with members of the Board of Management, or with members of the Supervisory Board, or with the other senior managers of the Issuer.

The following table shows corporations or partnerships in which the senior managers have been members of the administrative, management or supervisory bodies, or shareholders in the last five years (in excess of 2% of the share capital in listed companies and any extent in unlisted companies), with details regarding their status at the Prospectus Date.

Name Surname	Company	Position held / % Participation	Status at Prospectus date
<b>Marco Berlanda</b>	Antenore Investment SGR S.p.A. in liq.	Director	No longer in office
	Banca Aletti & C. S.p.A.	Co-Director General	No longer in office
	Centrale dei Bilanci S.r.l.	Director	No longer in office
	Centrosim S.p.A.	Vice Chairman	No longer in office
	Holding di Partecipazioni Finanziarie Banco Popolare S.p.A.	Director	No longer in office
	Popolare Vita S.p.A.	Director	No longer in office
	Mobimm S.r.l.	Shareholder (27.25%)	Shareholder
<b>Carlo Bianchi</b>	Compagnia Investimenti e Sviluppo – C.I.S. S.p.A.	Director	In office
	Centrale dei Bilanci S.r.l.	Director	No longer in office
	Giraglia S.p.A.	Director	No longer in office
	Moneta S.p.A.	Director	No longer in office
<b>Maurizio Faroni</b>	(Cf. <i>above</i> par. 14.1.1)		
<b>Pietro Gaspardo</b>	Agos Ducato S.p.A.	Director	In office
	Avipop Assicurazioni S.p.A.	Director	No longer in office
	Ducato S.p.A.	Director	No longer in office
	Popolare Vita S.p.A.	Director	No longer in office
<b>Fabrizio Marchetti</b>	Banca Italease S.p.A.	Director	In office
	Bormioli Rocco & Figlio S.p.A.	Administrator	In office
	Efibanca S.p.A.	Director	In office
	Aletti Fiduciaria S.p.A.	Director	No longer in office
	BP Luxembourg S.A.	Director	No longer in office
	CIM S.p.A.	Director	No longer in office
<b>Lucio Menestrina</b>	B.P.L.International UK Ltd	Director	In office
	Banca Italease S.p.A.	Director	In office
	Centostazioni S.p.A.	Director	In office
	Conciliatore Bancario Finanziario	Director	In office
	Eurovita Assicurazioni S.p.A.	Chairman	In office
	Banca Popolare di Vicenza S.c.p.A.	Chief Financial Officer	No longer in office
	Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.	Managing Director	No longer in office
	Bipielle Gestioni SGR S.p.A.	General Manager	No longer in office
	Bipitalia Alternative S.p.A.	Managing Director	No longer in office
	BPVi Ireland	Director	No longer in office
<b>Carlo Palego</b>	-	-	-
<b>Ottavio Rigodanza</b>	Banca Italease S.p.A.	Director	In office
	Bipielle Real Estate S.p.A.	Chairman	In office
	BP Property Management S.c.p.A.	Managing Director	In office
	Energreen S.A.	Director	In office
	Immobiliare BP S.r.l.	Managing Director	In office
	Itaca Service S.p.A.	Director	In office

<b>Name Surname</b>	<b>Company</b>	<b>Position held / % Participation</b>	<b>Status at Prospectus date</b>
	Letra di Lina Cogolo & C. S.a.s. in liq.	Limited shareholder (30%)	Shareholder
	Rigodanza D.o.o in liq.	Chairman	In office
	SGS BP S.c.p.A.	Managing Director	In office
	Tecmarket Servizi S.p.A.	Chairman	In office
	Veronagest S.p.A. (previously Wind Project S.p.A.)	Director	In office
	Arena Broker S.r.l.	Director	No longer in office
	Basileus S.p.A.	Chairman	No longer in office
	Bipielle ICT S.p.A.	Director	No longer in office
	BPV-SGSP S.p.A.	Director	No longer in office
<b>Roberto Speziotto</b>	Banca Caripe S.p.A.	Director	No longer in office
	Banca Popolare di Crema S.p.A.	Director	No longer in office
<b>Gianpietro Val</b>	Holding di Partecipazioni Finanziarie Banco Popolare S.p.A.	Director	In office
	Immobiliare BP	Sole Director	No longer in office
	SA.RI – Sannitica Riscossioni S.p.A.	Director	No longer in office
	Verona e Novara (France) S.A.	Director	No longer in office

To the knowledge of the Issuer, in the last five years none of Banco Popolare’s senior managers have been convicted for crimes involving fraud, or were associated, in the context of their office, in bankruptcy procedures, involuntary liquidation or receivership; nor were they subjected to official charges and/or sanctions by statutory or regulatory authorities (including designated professional bodies), and disqualification by a court from acting as a member of administrative, management or supervisory bodies or the conduct of business or management of any issuer, except for the following:

- the administrative financial sanction imposed through Consob resolution no. 15444 of 25 May 2006, against Carlo Palego, as team manager in charge of auditing at Nextra Investment Management SGR S.p.A for violation of Article 40, paragraph 1, letter a) of the Consolidated Finance Act, regarding the company’s asset management rules of conduct, and Article 57, paragraphs 2 and 5, of Consob Regulation no. 11522/1998 (non fulfilment of the obligations of the savings management company to operate with diligence, correctness and transparency in the interest of the stakeholders in mutual investment funds and the integrity of the market);
- the administrative financial sanction from Banca d’Italia (resolution no. 820 of 26 October 2010), against Lucio Menestrina, as Manager of the Compliance Department, for irregularities in the application of Article 67, paragraph one, letters a, b, and d of the TUB, of Title II, Chapter 2, part one of the New Prudential Supervisory Provisions for Banks, as well as the contents of the Banca d’Italia Communication of 4 July 2008 in the July 2008 Supervisory Bulletin. Resolution no. 820 of 26 October 2010 deals with the regulations on the subject of risk mitigation techniques.

#### **14.2 Conflicts of interest of Board of Management members, Supervisory Board members and General Management members**

To the knowledge of the Issuer, none of the members of the Board of Management, the Supervisory Board or the senior managers have private interests in conflict with their commitments arising from their office or position held within the Company except in connection with transactions approved by the competent bodies in compliance with Articles 2391 of the Civil Code and 136 of the Consolidated Banking Act.

More specifically, in the event of conflicts of interest, pursuant to Article 2391 of the Civil Code, the company representative must give notice of their interests (personal or on behalf of third parties), in a specific transaction. The Director must disclose the nature, terms, source and the extent of their interest.

In addition, pursuant to Article 136 of the Consolidated Banking Act, persons performing administrative, management and control functions at a bank may not directly or indirectly undertake obligations with or sell or purchase to/from the bank they manage or control, without the management body's prior unanimous resolution, without prejudice to the Civil Code provisions on directors' interests and related party transactions. This resolution must also be approved by all members of the supervisory body (including those who play a role in the operation). The same provisions also apply to persons performing administrative, management and control functions, at a bank or company that is part of a banking group, for obligations and transactions listed above entered into with the company or to finance transactions entered into with other companies or with another bank in the group. In such cases the obligation or transaction shall be approved, in the manner described above, by the bodies of the contracting company or bank and with the consent of the Parent Company.

In addition, pursuant to Article 15 of the code of self-governance adopted by Banco Popolare, the Board of Management, upon recommendation of the Supervisory Board, shall adopt measures to ensure that transactions in which a Director has a personal interest or third party interest, and those carried out with related parties are carried out in a transparent manner and in compliance the criteria of basic and procedural correctness. The Board of Management, in particular, depending on the type and importance of the operations from an economic and/or strategic point of view, as well as the nature and extent of existing relations with their counterparts, takes the following into account:

- keeping the most important transactions under its competency;
- requesting a prior opinion from the Control Committee;
- entrusting the negotiations to one or more independent Directors (or at least having no links with the related party);
- having recourse to external independent experts, selected by independent Directors.

In addition, pursuant to the code of self-governance adopted by Banco Popolare, following consultation with the Supervisory Board, the Board of Management, shall adopt appropriate operational solutions to facilitate the identification and appropriate management of situations in which a Director has a personal interest on his/her own account or on behalf of third parties.

In this regard, a framework resolution has been adopted which sets the guidelines for the deliberative process which applies to all the Group's companies, relating to the regulation of conflict of interest and the obligations of bank representatives.

The table below shows the consolidated legal relationships at 30 September 2010, 30 June 2010, 31 December 2009, 2008 and 2007 between the Group and management with strategic responsibilities and the controlling bodies (insofar as they are “related parties” as defined pursuant to IAS24).

(thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007
Credits	936,166	853,385	1,137,766	2,193,195	1,900,057
Debts	554,937	378,095	383,626	-	-

#### **14.3 Agreements or understandings with major shareholders, customers, suppliers or others, as a result of which the members of the administrative, management or, supervisory bodies or other senior executives were chosen**

The members of the Board of Management and Supervisory Board have been chosen under the Protocol of Intent approved by the Boards of Directors of BPI and BPVN signed on 1 November 2006, which governs the essential terms and conditions of merger between the two banks implemented with the establishment of Banco Popolare.

#### **14.4 Any restrictions agreed by the members of the Board of Management and Supervisory Board and senior managers with regard to the transfer of the Issuer’s securities**

There are no restrictions for the Board of Management and Supervisory Board members and senior managers on the sale of the Issuer’s securities held by them, except for the following Board of Management members: Domenico De Angelis, Maurizio Di Maio, Maurizio Faroni, and Giorgio Papa; and the following managers with key responsibilities: Fabrizio Marchetti, Ottavio Rigodanza, and Gianpietro Val, because as beneficiaries of the stock option plan they have also been identified as beneficiaries of the Supplementary Retirement Scheme (“S.I.Pre”).

S.I.Pre. is a scheme for loyalty purposes, approved in 2005 by the BPVN Board of Directors, which provides for payments by Banco Popolare in a collective policy, in the name of Banco Popolare, opened with an insurance company investing assets exclusively in BP Shares. Managers who, in addition to joining S.I.Pre., remain in the Group until retirement, benefit from a supplementary pension whose amount will be commensurate with the growth of BP Share’s value over time.

Managers already benefiting from the stock option plan, who have been identified as beneficiaries of S.I.Pre., in order to participate in the latter have restricted a number of their BP Shares, during their employment with the Group, equal to 80% of net profits earned from the exercise of the stock option. This restriction has a duration of five years, increasing by one fifth each year from the first year the stock option *tranche* can be exercised and therefore the final restriction will expire in 2012.

If the employment relationship is terminated within this period in a non-consensual manner (resignation or dismissal), in addition to the lapsing of S.I. Pre., the number of shares owned and subject to the restriction mentioned must be transferred, free of charge, to Banco Popolare.

It is the first time such a system has been introduced in Italy that is linked to the appreciation in value of shares throughout a manager’s career.

The S.I.Pre. scheme was completed in 2007.

Banco Popolare, with the intention of establishing internal self-regulation aimed at the Group's "important individuals" regarding transactions for the sale of listed equity securities issued by the Group's companies, in addition to primary and secondary rules in force on the subject, approved the adoption of "Self-governance rules for Internal Dealing."

The "Rules" in question apply to trades, direct or indirect – meaning those made by an intermediary natural person or legal person, as well as those made by a spouse and any relatives (living in the same residence) to the fourth degree, with the "important individual" relating to:

- a) equity securities issued by companies belonging to the Banco Popolare Group;
- b) derivatives and/or rights on those equity securities, including those resulting from stock option and stock grant plans.

In particular, the document prohibits any type of speculative transaction and establishes certain types of behaviour, based on the principle of maximum transparency, which "important individuals" are bound to observe when purchasing and selling listed Group equity securities.

More specifically, "important individuals" are required to communicate in advance and in writing the reasons for the sale of the shares. This communication is mandatory also for managers who, in exercising their rights under the stock option plan, decide not to invest the capital gains resulting from such exercise in BP Shares.

The "Rules" also stipulate black-out periods when transactions are halted and define a system of penalties applicable to behaviour that violates the rules adopted.

Finally, it should be noted that the stock grant plan for executives and employees of the Group, approved in the context of the merger between BPI and BPVN, provides for the free allocation of a certain number of BP Shares, with a five-year binding lock-up commitment.

During 2008, the Board of Management launched the above plan by allocating an initial *tranche* of BP shares, inter alia, to the following strategic managers: Fabrizio Marchetti, Bruno Pezzoni, Ottavio Rigodanza, Roberto Speziotto, and Giorgio Papa. These shares are therefore locked-up until December 2013.

For information on the stock option plan and the stock grant plan, please see Section One, Chapter XVII, Paragraph 17.2, of the Prospectus.

## **CHAPTER XV – REMUNERATION AND BENEFITS**

### **15.1 Remuneration and benefits paid to members of the Supervisory Board, members of the Board of Management and senior managers for services rendered in any capacity**

Pursuant to Article 39.12 of the Articles of Association, the members of the Supervisory Board are entitled to receive, in addition to reimbursement for expenses incurred in connection with their official duties, remuneration for work carried out by them in such capacity, which is determined for the duration of their office by the General Meeting at the time of their appointment. Provision may also be made for the payment of attendance fees for participation in the meetings of the Supervisory Board. Accordingly, the General Meeting of 3 May 2008 resolved to pay the members of the Supervisory Board an annual remuneration of EUR 110,000.00 and an attendance fee for participation in the meetings of the Supervisory Board of EUR 800.00 per meeting, in addition to remunerations for particular offices and duties. In addition, the General Meeting of 25 April 2009, as well as establishing the remuneration to be paid to each of the five newly appointed Supervisory Board members as EUR 110,000.00 (confirming the remuneration already decided by the previous General Meeting of 2008), decided, in the light of the negative economic situation, to reduce the remuneration received by certain members of the Supervisory Board (i.e. Chairman, Acting Vice Chairman and Vice Chairman) by 75% of the amount of remuneration previously decided for the 2008 financial year. On 24 April 2010, the General Meeting decided that the Supervisory Board members appointed by that meeting should be paid the sum of EUR 100,000.00 for the duration of their office, and brought the remunerations of the other Supervisory Board members still in office in line with this figure. Furthermore, the General Meeting of 24 April 2010, in addition to the remunerations for particular offices and duties, decided to pay for the 2010 financial year and for future years until decided otherwise by the General Meeting for participation in the meetings of the Supervisory Board, an attendance fee set at the sum of EUR 600.00 and, for participation in the meetings of the Committees provided for by Article 41.4 of the Articles of Association and the meetings of the Supervisory Body provided for by Legislative Decree 231/2001, an attendance fee of EUR 400.00, also to be paid in the event of any attendance by members of the Control Committee at the meetings of the Board of Management.

Article 30 of the Articles of Association provides that, in addition to reimbursement of the expenses incurred in connection with their official duties, the members of the Board of Management are also entitled to further remuneration determined by the Supervisory Board in consultation with the Appointments and Remunerations Committee. Provision may also be made for the payment of attendance fees for participation in meetings of the Board of Management, in the same way as for the Supervisory Board. In accordance with Article 41.3, letter e) of the Articles of Association, the Supervisory Board, following suggestions made by the Appointments and Remunerations Committee, determines the remuneration of the members of the Board of Management who are vested with particular offices or duties or delegated certain powers, or who are assigned to committees or commissions in accordance with the Articles of Association.

In this regard, the Supervisory Board decided to reconfirm for the 2010 financial year the following remunerations for the members of the Board of Management:

- for “Executive” board members, an annual remuneration for the 2010 financial year of EUR 50,000.00 gross, subject to the provisions made for individual members according to their respective contractual arrangements and with the remuneration given in respect of the effective duration of their office;



- for “Non-Executive” board members, an annual remuneration for the 2010 financial year of EUR 100,000.00 gross, to be paid according to the effective duration of their office;
- an attendance fee of EUR 600.00 gross for participation in meetings of the Board of Management, without prejudice to the attendance criteria established for individual members under specific contractual agreements.

Within the context of the adopted policy of reducing the remuneration of the members of the Group’s administrative bodies, the Supervisory Board decided to pay the Chairman of the Board of Management an annual remuneration of EUR 400,000.00 for the 2010 financial year.

The table below shows the remunerations paid during the 2009 financial year – for any reason and in any form, as stated in the explanatory notes to the Issuer’s accounts for the 2009 financial year – to members of the Issuer’s Board of Management and Supervisory Board, as well as to its managers with strategic responsibilities.

**2009 FINANCIAL**

**YEAR**

Person	Description of office	Term of office	Remuneration (thousands of euros)					Other remunerations (3)
			Emoluments for the office (1)	Non-monetary benefits (2)	Bonuses and other incentives	Reason		
Surname, first name	Office held					Amount	Reason	
<b><u>SUPERVISORY BOARD</u></b>								
Carlo Fratta Pasini	Chairman, Supervisory Board	2007-2009	593	(x1)(x2)(x3)	-	-	-	
Dino Piero Giarda	Acting Vice Chairman, Supervisory Board	2007-2009	523	(x1)(x2)(x3)	-	-	-	
Maurizio Comoli	Vice Chairman, Supervisory Board	2007-2009	334	(x2)(x3)(x4)(x5 <sup>1</sup> )(x6)	-	-	-	
Marco Boroli	Member, Supervisory Board	2007-2009	130	(x2)	-	-	-	
Giuliano Buffelli	Member, Supervisory Board	2007-2009	232	(x4)(x5 <sup>2</sup> )(x6)	-	-	-	
Guido Duccio Castellotti	Member, Supervisory Board	2007-2009	138	(x2)	-	-	-	
Costantino Coccoli	Member, Supervisory Board	2008-2010	138	(x2)(x3)	-	-	-	
Gabriele Camillo Erba (*)	Member, Supervisory Board	2009-2011	92	(x4)	-	-	57 (d)	
						5	(d1)	
Gianni Filippa (*)	Member, Supervisory Board	2009-2011	89	(x1)	-	-	-	
Andrea Guidi (*)	Member, Supervisory Board	2009-2011	89	(x1)	-	-	-	
Pietro Manzonetto	Member, Supervisory Board	2007-2009	242	(x5 <sup>3</sup> )(x6)	-	-	-	
Maurizio Marino	Member, Supervisory Board	2007-2009	139	(x2)	-	-	-	
Mario Minoja	Member, Supervisory Board	2007-2009	240	(x5)(x6)(x7)	-	-	-	
Gian Luca Rana	Member, Supervisory Board	2008-2010	132	(x2)(x3)	-	-	-	
Claudio Rangoni Machiavelli	Member, Supervisory Board	2007-2009	212	(x5)(x6)	-	-	-	
Fabio Ravanelli	Member, Supervisory Board	2008-2010	181	(x1)(x5 <sup>4</sup> )(x6)	-	-	-	
Alfonso Sonato	Member, Supervisory Board	2008-2010	223	(x5)(x6)	-	-	69 (e)	
Angelo Squintani	Member, Supervisory Board	2008-2010	136	(x1)(x2)	-	-	-	
Sandro Veronesi (*)	Member, Supervisory Board	2009-2011	89	(x1)	-	-	-	
Tommaso Zanini (*)	Member, Supervisory Board	2009-2011	90	(x1)	-	-	-	
<b><u>BOARD OF MANAGEMENT</u></b>								
Vittorio Coda	Chairman, Board of Management	2007-2009	600	(x8)	-	-	-	
Pier Francesco Saviotti	Acting Vice Chairman, Board of Management	2008-2010	1,700		51 (a)	-	-	
Franco Baronio	Member, Board of Management and General Manager	2007-2009 until 30/01/2009	50	(x8)	36 (b)	-	630 (f)	
							(f1)	
Alfredo Cariello	Member, Board of Management	2009	100	(x8)	-	-	319 (g)	
							(g1)	
Aldo Civaschi (**)	Member, Board of Management	2009	34		-	-	-	
Luigi Corsi	Member, Board of Management	2007-2009	116		-	-	-	
Domenico De Angelis	Member, Board of Management	2009	50	(x8)	45 (b)	-	803 (h)	
							(h1)	
							(h2)	
Maurizio Di Maio	Member, Board of Management	2009	50	(x8)	65 (b)	-	767 (i)	
							(i1)	
Enrico Maria Fagioli Marzocchi	Member, Board of Management	Until 01/02/2009	-	(x8)	-	-	53 (l)	
							(l1)	
							(l2)	
							(l3)	
Maurizio Faroni	Member, Board of Management	2009	50	(x8)	27 (c)	-	793 (m)	
							21 (m1)	
							(m2)	
Massimo Minolfi	Member, Board of Management and General Manager	Until 8/4/2009	14	(x8)	7 (c)	-	2,729 (n)	
							(n1)	
							(n2)	
Giorgio Papa (***)	Member, Board of Management	2009	-	(x9)	16 (c)	-	159 (o)	
							(o1)	
Roberto Romanin Jacur	Member, Board of Management	2007-2009	116		-	-	-	
Andrea Sironi	Member, Board of Management	2008-2009	114		-	-	29 (p)	
Other managers with strategic responsibilities (****)	Other managers with ongoing strategic responsibilities	Indefinite duration -			189 (b)	-	1,727 (q)	
							35 (q1)	

- (\*) Appointed by the General Meeting of 25 April 2009.
- (\*\*) Appointed by the Supervisory Board on 15 September 2009.
- (\*\*\*) Appointed by the Supervisory Board on 28 July 2009.
- (\*\*\*\*) Remunerations are shown for the entire 2009 financial year for the Heads of the Operations, Legal & Compliance and Human Resources departments, and for the manager responsible for the preparation of accounting documents. For the Heads of Corporate, Retail and Credits they are shown from 17 September 2009 and for the Heads of Group Audit Services and Risk Management from 10 December 2009.
- (1) Amount includes the respective emoluments approved by the General Meeting or the Supervisory Board, emoluments pursuant to Article 2389 of the Civil Code, and attendance fees.
- (x1) Amount includes remuneration as a member of the Management Monitoring Committee.
- (x2) Amount includes remuneration as a member of the Appointments and Remunerations Committee.
- (x3) Amount includes remuneration as a member of the Strategy Committee.
- (x4) Amount includes remuneration as a member of the Budget Committee.
- (x5) Amount includes remuneration as a member of the Control Committee.
- (x5<sup>1</sup>) Amount includes remuneration as a member of the Control Committee until 15 June 2009.
- (x5<sup>2</sup>) Amount includes remuneration as Secretary of the Control Committee.
- (x5<sup>3</sup>) Amount includes remuneration as Chairman of the Control Committee.
- (x5<sup>4</sup>) Amount includes remuneration as a member of the Control Committee from 16 June 2009.
- (x6) Amount relating to daily fees for participation in meetings of the Control Committee, the Board of Management and the Boards of Directors of Group companies.
- (x7) Amount includes remuneration and attendance fees for the duties carried out in the Supervisory Body pursuant to Legislative Decree 231/2001.
- (x8) The amount relating to attendance fees for participation in the Board of Management was passed on to Banco Popolare.
- (x9) The remuneration as a member of the Board of Management was passed on to Banco Popolare, as this office forms part of his contractual duties.
- (2) Estimated value:
- (a) amount includes accommodation, accident insurance and medical assistance;
- (b) amount includes car, accommodation, pension fund, medical assistance fund and accident insurance;
- (c) amount includes car, accommodation, pension fund, medical assistance fund and accident insurance.
- (3) Reason for sums being paid:
- (d) for the office of Chairman of the Board of Statutory Auditors of Banca Popolare di Verona – SGSP S.p.A. from 25 April 2009 to 31 December 2009;
- (d1) for the office of Regular Auditor of Società Gestione Crediti BP from 25 April 2009 to 31 December 2009;
- (e) for the office of Regular Auditor of Aletti & C Banca di Investimento Mobiliare S.p.A. for the 2009 financial year;
- (f) amount includes gross remuneration and termination benefits;
- (f1) for the offices of Managing Director for the 2009 financial year and member of the Executive Committee of BPV-SGSP S.p.A. until 30 June 2009, Director of Aletti & C. Banca di Investimento Mobiliare S.p.A. until 09/04/2009 and Director and member of the Executive Committee of Credito Bergamasco S.p.A. until 18 April 2009, the remunerations were passed on to Banco Popolare;
- (g) Managing Director of Cassa di Risparmio di Lucca Pisa Livorno for the 2009 financial year (amount includes car);
- (g1) for the offices of Director and member of the Executive Committee of BPV – SGSP S.p.A. until 28 April 2009, and of Vice Chairman of Cassa di Risparmio di Lucca Pisa Livorno from 14 April 2009 to 31 December 2009, the remunerations were passed on to Banco Popolare;
- (h) amount includes gross remuneration and termination benefits (of which EUR 211,000 gross as contractual loyalty bonus, payable only at 31 December 2013, tied and conditional upon continued employment with the company and without prejudice to the possibility of earlier use to acquire shares and bonds to be placed in a suitable securities deposit account, also tied);
- (h1) for the offices of Managing Director for the 2009 financial year and member of the Executive Committee of BNP until 6 July 2009, Director of Aletti & C. Banca di Investimento Mobiliare until 9 April 2009, Director for the 2009 financial year and member of the Executive Committee until 17 July 2009 of Banca Popolare di Lodi, the remunerations due were passed on to Banco Popolare;

- (h2) for the offices of Chairman of the Supervisory Board of Banco Popolare Croatia until 20 July 2009, of Banco Popolare Hungary until 3 November 2009, of Banco Popolare Ceska Republica until 26 June 2009 and of Auto Trading Leasing IFN until 16 October 2009, no remuneration is provided for;
- (i) amount includes gross remuneration and termination benefits (of which EUR 211,000 gross as contractual loyalty bonus, payable only at 31 December 2013, linked to and conditional upon continued employment with the company and without prejudice to the possibility of earlier use to acquire shares and bonds to be placed in a suitable securities deposit account, also tied);
- (i1) for the offices of Managing Director and member of the Executive Committee of Credito Bergamasco until 03/02/2009, Managing Director for the 2009 financial year and member of the Executive Committee until 17 July 2009 of Banca Popolare di Lodi, the remunerations due were passed on to Banco Popolare;
- (l) Managing Director and member of the Executive Committee of Efibanca until 1 February 2009 (amount includes car and accommodation).
- (l1) For the offices of Chairman of Efimmobiliare S.p.A. and Director of Efigestioni SGR S.p.A. in liquidation until 30 January 2009, no remuneration is provided for.
- (l2) Director of Partecipazioni Italiane S.p.A. until 30 January 2009.
- (l3) Director of Bormioli Rocco e Figlio S.p.A. until 30 January 2009.
- (m) Amount includes gross remuneration and termination benefits (of which EUR 211,000 gross as contractual loyalty bonus, payable only at 31 December 2013, linked to and conditional upon continued employment with the company and without prejudice to the possibility of earlier use to acquire shares and bonds to be placed in a suitable securities deposit account, also tied);
- (m1) Managing Director of Banca Aletti & C. S.p.A. until 9 April 2009.
- (m2) For the offices of Chairman of Aletti Gestielle Alternative,<sup>(46)</sup> Director of Valori Finanziaria S.p.A. until 7 April 2009, Director for the 2009 financial year and Vice Chairman from 27 April 2009 and member of the Executive Committee until 30 June 2009 of Efibanca, Director of Aletti Gestielle SGR S.p.A., Director for the 2009 financial year and member of the Executive Committee until 6 July 2009 of BPN, Director and member of the Executive Committee of Credito Bergamasco, Director, Vice Chairman and member of the Executive Committee of Banca Italease. The remunerations were passed on to Banco Popolare.
- (n) Payments include gross remuneration until 8 April 2009 and sums arising from termination of the working relationship.
- (n1) For the offices of Vice Chairman and member of the Executive Committee of Efibanca until 8 April 2009, Managing Director and member of the Executive Committee of Banca Popolare di Lodi until 8 April 2009, Director of Bp RE and of Cassa di Risparmio di Lucca Pisa Livorno until 8 April 2009, Vice Chairman of Banca Italease until 8 April 2009, the remunerations due were passed on to Banco Popolare;
- (n2) For the offices of member of the Supervisory Board of Banco Popolare Croatia, of Banco Popolare Hungary and of Banco Popolare Ceska Republica until 8 April 2009, and of Auto Trading Leasing IFN until 23 January 2009, no remuneration is provided for.
- (o) Amount includes gross remuneration and termination benefits for the office of General Manager of Credito Bergamasco from 28 July 2009 (date of appointment as member of the Board of Management of Banco Popolare).
- (o1) For the offices of Director for the 2009 financial year and member of the Executive Committee until 6 July 2009 of BPN, and of Director until 8 April 2009 of SGS BP, the remuneration due was passed on to Banco Popolare.
- (p) Director and Vice Chairman of Aletti & C. Banca di Investimento Mobiliare S.p.A. from 9 April 2009;
- (q) Total gross remuneration, taking account of the appointment cited in note \*\*\*\* (including termination benefits, company bonus and, for a manager, a contractual loyalty bonus of EUR 64,000, payable only at 31 December 2013, tied and conditional upon continued employment with the company and without prejudice to the possibility of earlier use to acquire shares and bonds to be placed in a suitable securities deposit account, also tied).
- (q1) For office held in a Group company.

## **15.2 Amounts set aside or accumulated by the Issuer or by other Group companies for the payment of pensions, termination indemnities or similar benefits**

At 31 December 2009, the total of the amount set aside for the payment of pensions, termination indemnities and similar benefits to employees of the Group who are also members of the Board of Management (5 directors) and senior managers of Banco Popolare (9 persons: Senior Managers, Heads of Administration and Budget, Group Audit and Risk Management) stands at EUR 332,539.

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<sup>(46)</sup> See footnote no. 1.

## **CHAPTER XVI – PROCEDURES OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

### **16.1 Term of office of members of the Board of Management and members of the Supervisory Board**

For the expiry dates of the offices of members of the Board of Management and the Supervisory Board, see the information contained in Section One, Chapter XIV, Paragraphs 14.1.1 and 14.1.2 of the Prospectus.

### **16.2 Contracts of employment signed with the Issuer by members of the Board of Management and members of the Supervisory Board which provide for termination benefits**

At the Prospectus Date, there are no employment contracts signed with the Issuer or with Group companies by the members of the Board of Management or the members of the Supervisory Board which provide for termination benefits, except for the agreements with the following Directors with regard to the Board of Management:

Domenico De Angelis, Maurizio Di Maio, Maurizio Faroni:

- in the event of interruption or termination of the employment relationship, which will entail the automatic revocation of any administrative office conferred, on the unilateral and unjustified initiative of Banco Popolare, a fixed notice period of 24 months shall be observed.

### **16.3 Information on Internal Committees**

The Issuer's Supervisory Board – in relation to the powers granted to it, its composition and the characteristics of its members – has decided to establish within its framework, in conformity with Article 41.4 of the Articles of Association and the recommendations contained in the Code of Self-governance, the following specific Committees with functions of proposal, consultation and control:

- Appointments and Remunerations Committee (comprising 8 members);
- Control Committee (comprising 6 members);
- Strategy Committee (comprising 5 members);
- Management Monitoring Committee (comprising 7 members);
- Budget Committee (comprising 4 members).

These Committees, which are given functions of consultation, proposal and investigation, have been established in order to allow the Supervisory Board to make its decisions with greater knowledge of the issues involved.

The activities of the Committees are documented in the respective minutes taken by the Secretary, who is appointed by each Committee and may or may not be one of its members.

#### *Appointments and Remunerations Committee*

In conformity with Article 41.4.2 of the Articles of Association, Article 13 of the Code of Self-governance adopted by Banco Popolare and Article 1 of the specific Regulations approved on 16 June 2009, the Appointments and Remunerations Committee comprises 8 members, including, by law, the Chairman of the

Supervisory Board and the Vice Chairmen. Its members are chosen in such a manner as to represent overall the configuration and composition of the Supervisory Board. A majority of them must satisfy the independence requirements.

In observance of these criteria, the Supervisory Board, at its meeting of 26 April 2010, appointed the following persons for the 2010 financial year and more specifically until the approval of the 2010 financial statements: Carlo Fratta Pasini, Guido Castellotti, Maurizio Comoli, Gianni Filippa, Maurizio Marino, Enrico Perotti, Gian Luca Rana and Angelo Squintani. In conformity with Article 3.1. of the specific Regulations, the Chairmanship of the Committee is entrusted to the Acting Vice Chairman of the Supervisory Board, namely Guido Castellotti.

The Appointments and Remunerations Committee has duties of consultation and/or proposal with regard to the appointments and remunerations of the corporate bodies of Banco Popolare and of the Group, as set out below. In particular, the Committee:

With regard to remuneration:

- has duties of consultation and proposal in matters concerning the remunerations of members of the business, including those of Group companies;
- has duties of consultation in matters concerning the determination of criteria for the remuneration of the management of Banco Popolare and of the Group;
- has duties of consultation in remuneration policies relating to employees and associates not linked to Banco Popolare or to Group companies by relationship of subordinate employment;
- proposes to the Supervisory Board the remunerations of the members of the Board of Management, including those invested with particular roles;
- has duties of consultation on the systems of remuneration, incentivisation and retention of the Group's management personnel, employees or groups of employees;
- monitors the evolution and application over time of the Group's incentivisation and retention plans approved by the competent corporate bodies;
- regularly evaluates the criteria used for the remuneration of the senior managers of the Group, oversees their application on the basis of the information supplied by the Managing Director and makes general recommendations to the Supervisory Board in this regard;
- expresses its opinion to the Supervisory Board on the non-binding proposals to be presented to the Shareholders' Meeting regarding the annual remunerations of the Chairman, the Vice Chairmen and Supervisory Board members who are attributed with particular roles, duties, powers or functions by the Articles of Association or by the Supervisory Board;
- carries out investigation activities with regard to the remuneration of the General Manager and managers of Banco Popolare.

With regard to appointments:

- proposes to the Supervisory Board the candidates for appointment to the Supervisory Board and Management Board of Banco Popolare;
- expresses its opinion to the Supervisory Board on the names of the candidates to be appointed as non-executive Directors and/or non-executive Chairmen of the banks and principal non-banking subsidiaries of the Group;
- carries out investigation activities with regard to the appointment and removal of the General Manager and managers of Banco Popolare.

The Committee may also, if requested by the Supervisory Board, provide guidance concerning the names of the candidates for appointment as Statutory Auditors (regular or alternate) of the Group's banks and principal non-banking subsidiaries and concerning the names of the non-executive Vice-Chairmen of the Group's banks and principal non-banking subsidiaries, as well as carrying out any other tasks requested by the Supervisory Board within the sphere of the Committee's responsibilities.

Control Committee

The Supervisory Board, at its meeting of 26 April 2010, decided to appoint the following directors as members of the Control Committee for the 2010 financial year, and more specifically until the approval of the 2010 accounts: Giuliano Buffelli, Gabriele Camillo Erba, Pietro Manzonetto, Claudio Rangoni Machiavelli, Fabio Ravanelli and Alfonso Sonato. The Control Committee appointed its own Chairman pursuant to Article 41.4.3 of the Articles of Association, naming Pietro Manzonetto, who was chosen from the Directors originating in the historical area different from that of the Chairman of the Supervisory Board.

The Control Committee has the duties envisaged by the regulatory provisions, the Articles of Association and the code of self-governance adopted by Banco Popolare. In particular, the Committee has duties of investigation and reporting within the framework of the powers reserved to the Supervisory Board with regard to supervision as provided for by the Articles of Association and by current legislation.

In addition to assisting the Supervisory Board in the performance of its duties, the Control Committee:

- evaluates the efficiency and adequacy of the system of internal controls, with particular reference to the control of risks, the functioning of the internal audit and the computerised accounting system;
- oversees the system of internal controls and its conformity with the requirements established by legislation;
- verifies the correct conduct of the activity of strategic and management control carried out by the Company on the companies of the Group;
- oversees the overall adequacy of the system of risk management and control, acquiring to this end appropriate knowledge of the systems adopted, their concrete functioning and their capacity to cover all aspects of business operations, with particular regard to organisational and quantitative aspects of determining capital requirements, and also ensures that the process of determining internal capital (ICAAP) is adequate and in conformity with the rules on prudential supervision;

- expresses its opinion on proposals for the appointment and removal of the Internal Control Officer, as well as on proposals for determining the remuneration due to that person;
- supports the Supervisory Board in making its proposal for the appointment of the Executive Director responsible for overseeing the functionality of the internal control system, as well as for the appointment and removal of the Internal Control Officer and the Compliance Manager;
- examines the regular reports prepared by the Internal Control Officer and by the Internal Control, Risk Management and Compliance Managers, makes observations on the same and proposes to the Supervisory Board any decisions to be taken;
- expresses its opinion on the procedures of approval and conduct of the operations carried out by the Company or its subsidiaries with related parties, as well as on the specific operations (or on the criteria for identifying them) which, in the application of those procedures, must be approved after hearing the opinion of the Committee;
- at the request of the Executive Director responsible for overseeing the functionality of the internal control system, expresses opinions on specific aspects pertaining to the identification of the principal business risks and the design, creation and management of the internal control system;
- collaborates with the Supervisory Board, together with the Budget Committee, on the preparation of a report on supervisory activities carried out, to be submitted to the General Meeting;
- carries out the additional duties entrusted to it by the Supervisory Board;
- gives a summary report to the Supervisory Board at each meeting, through its Chairman, on the activities carried out, and compiles an appropriate report, at least every six months, on the activities carried out and on the adequacy of the internal control system.

#### Strategy Committee

In accordance with Article 41.4.5 of the Articles of Association, on 16 June 2009 the Supervisory Board established the Strategy Committee, comprising 5 members including, by law, the Chairman of the Supervisory Board and the Vice Chairmen. Its members are chosen in such a manner as to represent overall the configuration and composition of the Supervisory Board. A majority of them must satisfy the independence requirements.

In observance of these criteria, the Supervisory Board, at its meeting of 14 May 2010, appointed the following persons for the 2010 financial year and more specifically until the approval of the 2010 financial statements: Carlo Fratta Pasini, Guido Castellotti, Maurizio Comoli, Costantino Coccoli and Gian Luca Rana. In conformity with Article 3.1 of the specific Regulations, the Chairmanship of the Committee is entrusted to the Chairman of the Supervisory Board, namely Carlo Fratta Pasini.

The Strategy Committee, which carries out duties of investigation and consultation, formulates proposals to the Supervisory Board in the fulfilment of its mission and the exercising of its powers of strategic guidance.

In particular, it assists the Supervisory Board:

- in presenting its guidelines to the Board of Management in order for the latter to prepare proposals relating to the strategic operations identified in the Articles of Association;



- in examining the proposals presented by the Board of Management concerning these guidelines, in relation to industrial, financial and budgetary matters;
- in examining the proposals presented by the Board of Management on strategic operations to be submitted for deliberation by the Supervisory Board in accordance with Article 41.2 of the Articles of Association.

The Committee also formulates proposals to the Supervisory Board concerning the activity of management control of Banco Popolare, with particular reference to the consistency of that activity with the strategies and the general guidelines approved by Supervisory Board, as well as concerning the appropriateness of management choices with regard to the pursuit of objectives of profitability and optimal use of the corporate capital.

#### Management Monitoring Committee

In June 2008 the Supervisory Board decided, in conformity with the then current Article 41.4.4 of the Articles of Association, to establish a specific committee called the “Management Monitoring Committee”.

The Committee, with duties of consultation, proposal and investigation, supports the Supervisory Board in examining information on the management of Banco Popolare and the companies of the Group, verifying, in particular, that the results pursued are consistent with the objectives of profitability and optimal use of the corporate capital.

The Committee also carries out the additional duties entrusted by the Supervisory Board, preparing reports on matters of particular importance.

The aforesaid Committee comprises seven (7) directors including, by law, one of the Presidents of the Supervisory Board.

For the 2010 financial year, and more precisely until the approval of the 2010 financial statements, the Committee comprises the following persons: Enrico Perotti (Chairman), Carlo Fratta Pasini, Gianni Filippa, Dino Piero Giarda, Andrea Guidi, Sandro Veronesi and Tommaso Zanini.

#### Budget Committee

In accordance with Article 41.4.5 of the Articles of Association, on 16 June 2009 the Supervisory Board established the Budget Committee, comprising four (4) directors including, by law, one of the Chairmen of the Supervisory Board.

In observance of these criteria, the Supervisory Board, at its meeting of 26 April 2010, appointed the following persons for the 2010 financial year and more specifically until the approval of the 2010 financial statements: Maurizio Comoli, Giuliano Buffelli, Gabriele Camillo Erba and Tommaso Zanini.

The Budget Committee appointed Maurizio Comoli as its Chairman.

The Budget Committee has the task of supporting, with functions of consultation and proposal, the Supervisory Board in its responsibilities arising from the Articles of Association and from primary and secondary legislative sources, and in particular:

- evaluates, together with the responsible manager and the auditing firm, the correct application of accounting standards and their homogeneity for the purposes of preparing the individual and consolidated accounts;
- analyses the matters falling within its sphere of competence associated with the preparation of the annual accounts, consolidated accounts and interim reports;
- oversees, with regard to the aspects falling within its sphere of competence, the adequacy of the internal control system and the administration/accounting system, as well as the reliability of that system in correctly representing the management facts;
- oversees the adequacy of the administrative and accounting procedures prepared by the manager responsible for drawing up the corporate accounting documents for the preparation of the annual accounts and consolidated accounts, as well as any other communication of a financial nature;
- evaluates the proposals formulated by the auditing firm in order to obtain appointment to carry out the related task, the working plan prepared for the audit, and the results set out in the report and in any letter of suggestions;
- examines aspects of interest concerning the conduct of the audit process, exchanging with the auditing firm data and information for the performance of the respective tasks;
- supports the Supervisory Board in the formulation of its opinion on the appointment and removal of the manager responsible for preparing the corporate accounting documents and on the determination of the associated powers, means and remunerations;
- collaborates with the Supervisory Board, together with the Control Committee, in preparing the report to be submitted to the Code of Self-governance on the supervisory activity carried out.

In addition to the duties set out above, the Committee is responsible for carrying out the additional tasks entrusted to it by the Supervisory Board.

#### **16.4 Adoption of rules on corporate governance**

Since its constitution on 1 July 2007, Banco Popolare has subscribed to the code of self-governance, adopting by a decision of the Board of Management and the Supervisory Board wording which incorporates almost all the provisions contained in the Code of Self-governance, adapting this wording to the new “dualistic” system of administration and control characterised by the presence of a Supervisory Board and a Board of Management, the provisions of which concerning the Board of Statutory Auditors and the Board of Directors are applied and incorporated.

The code of self-governance of Banco Popolare revises and extends the corporate governance principles applicable to Italian listed companies, including in the light of the requirements notified by the participants in the market, the evolution of best practices and the changed legislative context.

Banco Popolare has a governance system which takes account of the principles contained in the code of self-governance, the recommendations formulated by Consob in this regard, and its own nature as a cooperative company and co-operative bank strongly rooted, including at Group level, in the territory concerned. The governance system adopted by Banco Popolare is also in line with the best practices found at national and international level, the aim of which is to ensure the adequate distribution of responsibilities and powers through a correct balance between functions of management and control.

In an order dated 5 August 2004 the Minister of Economy, as Chairman of the CICR (*Comitato Interministeriale per il Credito ed il Risparmio = Interministerial Committee for Credit and Savings*), at the proposal of Banca d'Italia, pursuant to Articles 53, 67, 107 and 114-*quater* of the Consolidated Banking Act, issued general criteria and guidelines concerning the organisation and corporate governance of banks, the financial intermediaries figuring in the special list given in Article 107 of the TUB, and IMELs (*Istituti di Moneta Elettronica Europeo – European Electronic Money Companies*). In application of the powers thus attributed, on 4 March 2008 Banca d'Italia issued “Disposizioni di vigilanza in materia di organizzazione e governo societario delle banche” (*Supervisory provisions concerning banks’ organization and corporate governance*) (hereinafter, the “**Provisions**” or the “**Supervisory Provisions**”), indicating the essential features of corporate governance for sound and prudent management.

The regulatory measure takes its cue from the reform of company law, with particular regard to the option allowed to companies of adopting systems of administration and control other than the traditional kind. This measure takes account of the most recent changes in the legislative framework concerning corporate governance and organisational arrangements, arising from the implementation of the law on the protection of savings and the adoption of the new prudential regulations for banks, as well as the principles and guidelines developed nationally and internationally in this regard.

Banco Popolare, in the light of the Provisions, has taken a number of measures to adapt its Articles of Association, decided by the Extraordinary Shareholders’ Meeting of 3 May 2008, 25 April 2009 and 30 January 2010. In addition, the Extraordinary Shareholders’ Meeting of 11 December 2010 approved the measures to adapt the Articles of Association in order to incorporate the provisions of Legislative Decree no. 27 of 27 January 2010 (implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies) and of Legislative Decree no. 39 of 27 January 2020 (implementation of Directive 2006/43/EC on statutory audits of annual and consolidated accounts).

Banco Popolare has adopted a governance system devoted to the various responsibilities towards partners, shareholders, investors and all stakeholders.

In order to establish an appropriate foundation for its strategic and business objectives, Banco Popolare has adopted a corporate governance system adapted to the business circumstances, capable of combining a solid management and governance unit with representation of the original banking components and the principles of economic democracy characteristic of the popular credit model.

The features of this system are seen, within the context of the regulatory options, in the “dualistic system”, and particularly in the manner in which functions of both control and strategic supervision are attributed to the Supervisory Board, clearly and distinctly separate from functions of management, pursuant to Articles 2409-*octies et seq.* of the Civil Code.

This model also, in defining the differences between the management body and the body responsible for control, strengthens the protection against potential risks of conflict of interest and facilitates the maintenance of a correct inter-functional dialectic.

The choice of the dualistic system also appeared to be particularly suitable for companies with a widely-held corporate capital (so-called public companies). This system allows greater control by the company's owners – of which the Supervisory Board is a direct expression – over the top managers, who are subject to supervision by a permanent, professional body representing the ownership. At the same time, it prevents the possibility of management choices being “captured” by the interests of families and businesses in the chosen local communities (the local stakeholders characteristic of the popular credit model).

The role attributed by Banco Popolare's Articles of Association to the Supervisory Board, situated at the centre of the internal dialectic within the Company, emphasises the distinction between the functions of control and strategic supervision on the one hand and the function of management on the other, allowing optimal delineation of the roles and responsibilities of the corporate bodies and helping to ensure sound and prudent management.

In particular, the Supervisory Board, which has a number of powers and responsibilities typical of the Shareholders' Meeting, functions and powers of the Board of Statutory Auditors and a set of important, so-called “high administration” responsibilities, carries out an equally valuable function of direction and control with regard to the management of the Company, substantially broader in scope than that of the Board of Statutory Auditors, but without degenerating into a purely “censorious” function. The activity of supervision and control, especially when associated, in terms of organic authority, with the function of strategic supervision, is manifested not only in the power of subsequent verification of the conformity of management acts with the legal and statutory paradigm and with the parameters within which the principle of management diligence is organised (adequacy of the accounting and IT system, efficiency of controls, etc.), but also in the prior determination of the business macro-choices and in the related power to verify their compliance, simultaneously authorising the extraordinary operations of major importance.

Without prejudice to the principle of collegiality in the performance of functions and responsibilities, the Articles of Association of Banco Popolare provide for the Supervisory Board to establish within its framework, including in conformity with the recommendations contained in the Code of Self-governance, specific Committees with functions of proposal, consultation and control. In particular, the Articles of Association provide for the establishment of the Appointments and Remunerations Committee, the Control Committee and the Strategy Committee, and also specify the power of the Supervisory Board to establish additional Technical Committees or Commissions with functions of consultation, verification or control: these Committees must constitute the *longa manus* of the Supervisory Board for the correct deployment of the governance Plan of Banco Popolare. In particular, the following are established: (i) a Budget Committee, with powers of consultation, investigation and proposal in relation to the annual and consolidated accounts, as well as the interim statements and reports prepared by the Company; (ii) a Management Monitoring Committee, which supports, with functions of consultation, proposal and investigation, the Supervisory Board in examining information on the management of Banco Popolare and the companies of the Group, verifying, in particular, that the results pursued are consistent with the objectives of profitability and optimal use of the corporate capital.

In addition, Banco Popolare:

- in July 2007 approved the “*Regulations for the management and communication to the public of corporate and/or insider information*” aimed at making explicit certain rules of conduct to be followed in relation to different types of information and the various occasions and procedures for its diffusion to the public in compliance with the principles of confidentiality, propriety and transparency. The Board of Management and the Supervisory Board therefore defined, within the aforementioned Regulations, a *Procedure for the management of corporate information and insider information*, which governs internally certain aspects introduced by the TUF of the implementation regulations issued by Consob. Within this context, a *Register of persons who, due to their work or professional activities or due to the functions performed, have access to insider information* was also established;
- with regard to Internal Dealing, which is governed at legislative level, Banco Popolare has chosen nevertheless to adopt its own regulations, approved by decisions of the Supervisory Board and the Board of Management respectively on 3 July and 10 July 2007, intended to govern internal organisational procedures;
- with the aim of having an adequate system of internal control for the management of business risks, the code of self-governance adopted by the Issuer entrusts the Supervisory Board with the task of defining the guidelines for the system of internal control and for regular verification of the adequacy of the system, the Board of Management with exclusive responsibility for the policy of risk management and internal controls, the Executive Director with the task of overseeing the functionality of the internal control system, and the Group’s Audit Department with the conduct of that control activity;
- Banco Popolare’s *Organisational, Management and Control Model pursuant to Legislative Decree 231/2001* has the objective of standardising models and protocols within the Group. In line with the plan for the migration of the IT system and the integration of structures, the organisational models have been harmonised, and all the banks and companies of the Group have been required to adopt the new model objective. In order to provide specialist operational support to the Supervisory Bodies that have been established at Banco Popolare and at the individual Group companies, the Audit, Compliance and Governance Office has been established within the Group’s Audit Department;
- in accordance with the code of self-governance adopted by the Issuer, the Board of Management, on the instructions of the Supervisory Board, takes measures designed to ensure that operations in which a board member has an interest, whether on his/her own behalf or that of third-parties, and those carried out with related parties (as defined by IAS24) are conducted transparently and in accordance with criteria of substantial and procedural correctness;
- in June 2008 the Board of Management approved a framework resolution concerning the obligations of members of the Company (pursuant to Article 136 of the TUB) and the interests of Directors (Article 2391 of the Civil Code);
- after hearing the non-binding opinion of the Supervisory Board, the Board of Management appoints and removes the Manager responsible for the preparation of corporate accounting documents as mentioned in Article 154-*bis* of the TUF; the Articles of Association of Banco Popolare govern not only, the matters falling to the responsibility of the Responsible Manager, but also the necessary requirements for holding that office.

Banco Popolare pays particular attention to the continuous management of relations with shareholders, institutional investors and operators in the national and international financial community, as well as to ensuring the systematic diffusion of high-quality, exhaustive and timely information on the activities, results and strategies of the Group, including in the light of the instructions given in this regard by the Consob, the principles expressed in the code of self-governance, national and international best practices. The task of building and managing relations with the financial community in a professional manner is attributed to the Investor Relations Department.

For more information about the corporate governance system of Banco Popolare, see the annual report – relating to the 2009 financial year – on corporate governance and ownership structures, filed in accordance with the legal requirements and available on the Issuer's website ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as the website of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

## CHAPTER XVII – EMPLOYEES

### 17.1 Number of employees

At 30 September 2010, the Group had a total of 20,500 employees (including Banca Italease), of whom 19,947 are in Italy and 553 in other countries.

The table below shows the total number of persons employed by the Group at 30 September 2010 and at 31 December 2009, 2008 and 2007, with an indication of those employed in Italy and those employed in other countries.

	30 September 2010	2009	2008	2007
Italy	19,947	20,003	19,698	20,909
Other countries	553	572	674	546
<b>Total</b>	<b>20,500</b>	<b>20,575</b>	<b>20,372</b>	<b>21,455</b>

The tables below show the composition of the employees of the Group at 30 September 2010 and at 31 December 2009, 2008 and 2007, broken down by type of post and sex for employees in Italy and by sex only for those in other countries.

	30 September 2010			2009		
	Men	Women	Total	Men	Women	Total
Executives	312	23	335	306	22	328
Managers	5,854	1,960	7,814	5,850	1,896	7,746
Prof. staff	5,884	5,914	11,798	5,996	5,933	11,929
Other countries	180	373	553	165	407	572
<b>Total</b>	<b>12,230</b>	<b>8,270</b>	<b>20,500</b>	<b>12,317</b>	<b>8,258</b>	<b>20,575</b>

	2008			2007		
	Men	Women	Total	Men	Women	Total
Executives	319	23	342	350	18	368
Managers	5,644	1,711	7,355	5,915	1,650	7,565
Prof. staff	6,086	5,915	12,001	6,714	6,262	12,976
Other countries	218	456	674	169	377	546
<b>Total</b>	<b>12,267</b>	<b>8,105</b>	<b>20,372</b>	<b>13,148</b>	<b>8,307</b>	<b>21,455</b>

The average number of temporary employees (fixed-term contracts, entrance contracts, apprenticeships) at 30 September 2010 was 616. The average number of employees on staff leasing contracts at 30 September 2010 was 224.

On 11 December 2010, an agreement was formalised between the Issuer and the employee representatives aimed at reducing Group staff during 2011 by 500 units overall, to be pursued through termination incentive packages with resources meeting retirement requirements, participation in the solidarity fund and non-replacement of turnover. The agreement provides that any departures exceeding participation in the agreed 500 persons shall be rebalanced by hiring new employees. Lastly, the stabilisation of approximately 500 independent contractors already in service with the Group was achieved by changes into fixed-term contracts.

## **17.2 Shareholdings, stock option plans and stock grant plans**

### ***Stock option plan***

At its meeting of 23 October 2001, the Board of Directors of Banca Popolare di Verona – Banco S. Geminiano e S. Prospero approved the general outlines of a stock option plan to be reserved for the management of the Bank and the Group, with the Board of Directors having the power, pursuant to Article 2443 of the Civil Code, to increase the share capital on one or more occasions in order to service the approved plan.

This decision was then ratified by the Extraordinary Shareholders' Meetings of Banca Popolare di Verona – Banco S. Geminiano e S. Prospero and Banca Popolare di Novara held on 9 March 2002 for the merger, which resulted in the constitution of BPVN. These Meetings consequently delegated to the Board of Directors of BPVN the power to carry out a capital increase, exclusively in order to service the plan, for a maximum nominal amount of EUR 26,431,362 through the issuance of a maximum of 7,342,045 ordinary shares.

In conformity with the above-mentioned delegated powers, the regulations governing the BPVN stock option plan were approved on 2 July 2002. The plan is intended to encourage the integration of the management within a “team” spirit, focusing their attention on the Group’s strategic objectives, to increase the Group’s ability to retain higher-value human resources and to attract the best talents present on the market. The plan provides for the granting of registered rights, personal and non-transferable, to subscribe to newly issued ordinary shares of Banco Popolare, to those executives who, in the unquestionable judgement of the Board of Directors, can have a significant impact on the success and results of Banco Popolare and of the Group. The plan is based around three annual granting cycles. The options granted may be exercised retrospectively after a period of three years from the time of their granting and within the three succeeding years, provided they are employees of any one of the companies of the Group at the strike date. The strike price of the options is set at a level not less than the greater of the normal value and the par value of the share. The normal value is represented by the arithmetical average of the prices recorded on the Milan Stock Exchange in the period between the date of the granting of the options and the same day of the calendar month preceding such granting.

Again on 2 July 2002, confirmation was given of the validity of the previous granting, on 26 January 2002, of a total of 2,668,000 options to the executives of Gruppo Banca Popolare di Verona – Banco S. Geminiano e S. Prospero, and therefore of the elimination of the condition precedent applicable to the effectiveness of that granting. These options therefore continue to be effective vis-à-vis BPVN by virtue of the one-for-one swap ratio between the shares of Banca Popolare di Verona – Banco S. Geminiano e S. Prospero and the shares of BPVN. The strike price of these options remains that fixed at the time of their original granting, at EUR 11.248 per share. On the same date, approval was given to the completion of the first granting cycle, allocating a further 1,122,000 options with a strike price of EUR 13.4 per share.

In the second granting cycle, which took place in the 2003 financial year, 1,241,000 new options were allocated at an average strike price of EUR 10.55, while 823,500 options were cancelled due to the fact that the executives to whom they had been granted had left the business.

During the course of the 2004 financial year, a further 2,572,000 new options were granted at an average strike price of EUR 13.73, while the total number of those cancelled, again due to the resignation of the executives to whom they had been granted, was 21,000.



In May 2005, a total of 1,020,500 rights were exercised; during the course of the financial year, a total of 70,000 rights were cancelled, and no new allocations were made.

The vesting period for the second *tranche* of the plan expired during the course of the 2006 financial year, and consequently from 1 June to 30 June 2006 (the calendar month following the month in which the Shareholders' Meeting was held) these options could be exercised by the beneficiaries, as well as the remaining unexercised options of the first *tranche*. On this occasion a total of 2,392,500 rights were exercised and 2,392,500 shares were issued on 3 July 2006 in relation to the exercised rights.

During the course of the 2006 financial year, a total of 28,000 rights were cancelled, and no new allocations were made.

Finally, the vesting period for the third *tranche* of the plan expired during the first half of 2007, and consequently these options were exercised by the beneficiaries, as were the remaining unexercised options of the first and second *tranches*. On this occasion a total of 1,086,250 rights were exercised, and 1,086,250 shares were issued on 19 June 2007 in relation to the exercised rights.

During the course of the 2007 financial year, no rights were cancelled and no new allocations were made.

With the approval of the merger between BPVN and BPI, by means of the constitution of Banco Popolare Società Cooperativa, on 10 March 2007 the Shareholders' Meetings of BPVN and BPI gave the Board of Management the power to carry out a capital increase for the new Banco Popolare to service the stock option plan, for a maximum number of shares corresponding to the number of rights allocated and not yet exercised at that date.

In the strike period of 2008 (June 2008, the calendar month following the month in which the Shareholders' Meeting was held), no beneficiaries of the stock options in existence exercised the related rights, and therefore it was not necessary to carry out any consequent capital increase.

In particular, cancellation was made of 55,000 rights pertaining to the first *tranche* which had not been exercised by 30 June 2008 as provided for by the regulations.

During May 2009 (i.e. during the strike period corresponding to the month following the month in which the Shareholders' Meeting was held), no beneficiaries of the stock options exercised the related rights, and therefore it was not necessary to carry out a capital increase.

As a result of the above, in the 2009 financial year, a total of 647,500 rights were cancelled in relation to the first and second *tranches*, which under the regulations were exercisable by 31 May 2009.

### ***Stock grant plan***

Within the context of the completion of the merger between BPVN and BPI, and as an integral part of the same, authorisation was given to the Board of Management of Banco Popolare, pursuant to Articles 2357 and 2357-ter of the Civil Code, to purchase, subject to compliance with the limit imposed by Article 2357, paragraph 1 of the Civil Code, a maximum of 660,000 ordinary shares of Banco Popolare, representing 0.10% of that company's share capital, to be used for the incentivisation scheme in favour of the directors, executives, managers and employees of Banco Popolare and its subsidiaries pursuant to Article 2359 of the Civil Code, selected from among the directors, executives, managers or employees of Banco Popolare or

from among new executives or employees of the Group (most of whom were not beneficiaries of the existing stock option plan), by means of free allocation to those parties.

The aims of the retention and incentivisation plan include, among others:

- encouraging the integration of the management within a “team” spirit, focusing their attention on the strategic objectives of the Banco Popolare Group;
- correlating the overall income obtainable by top managers with the value of Banco Popolare over the long term;
- increasing the capacity for employee retention (holding on to key personnel) by reducing the likelihood of valuable personnel resigning from the Group;
- improving the Group’s competitiveness in the employment market by making it as attractive as possible to the best talents present on the market.

The plan provides for the free allocation of a determined number of ordinary shares of Banco Popolare, with a five-year lock-up period.

The associated regulations also provide that, in the event of termination of the working relationship due to resignation or dismissal, the beneficiary loses all rights, with the consequence that the allocations concerned are regarded as immediately revoked, without any right to compensation or indemnity of any kind to the beneficiary. In the event of consensual termination of the working relationship with Banco Popolare – for example, retirement or expiry of a fixed-term contract – the Board of Management, at the proposal of the Appointments and Remunerations Committee established within the Supervisory Board, has the power to grant to the beneficiary, in derogation of the above provisions, the right to the allocation of shares. In the event of the death of the beneficiary, his/her heirs and legatees retain the right to the allocation of shares.

At the end of August 2008, following a favourable opinion from the Appointments and Remunerations Committee, the Board of Management launched the stock grant plan aimed at the directors, executives, managers and employees of Banco Popolare and its subsidiaries:

- authorising the purchase of the entire quantity of 660,000 ordinary shares of Banco Popolare (the purchases were made up to 19 November 2008, at an average price of EUR 8.43);
- allocating, as a first *tranche* in December 2008, a total of 327,550 Banco Popolare shares to 73 identified beneficiaries.

### ***2009 and 2010 company bonus***

At its meetings of 30 March 2010 and 7 April 2010, the Board of Management approved a plan for the allocation of Banco Popolare ordinary shares to employees of the Group within the context of the company bonus provided for by the “Contratto Collettivo Nazionale di Lavoro del Settore del Credito” [*National Collective Agreement for the Credit Sector*] (“CCNL”) for the 2009 and 2010 financial years, as well as the share purchase programme relating to the plan. The Ordinary Shareholders’ Meeting of 24 April 2010 approved the plan and the authorisation given to the Board of Management to purchase treasury shares to service the plan.

The plan is aimed at all employees of Banco Popolare and of the banks and companies belonging to the Group that apply the CCNL, except for the members of the Board of Management of Banco Popolare. Certain employees and beneficiaries of the plan, as well as performing managerial duties connected with their posts, also hold offices on administrative bodies of companies that are subsidiaries of the Issuer.

Each participating employee who retains the shares for a period of three years from the date of their receipt, as well as enjoying exemption from tax and social security contributions relief on the portion not exceeding the threshold of EUR 2,065.83 per year, is paid an additional quantity of shares equal to 5% of the monetary value of the bonus paid in shares. These shares too are exempt from tax and social security contributions for the portion not exceeding the threshold of EUR 2,065.83 per year, provided they are not sold before a period of three years has elapsed from the date of their receipt.

The shares used to service the plan are purchased by Banco Popolare on the regulated market, in accordance with Article 2357 of the Civil Code and Article 144-*bis* of the Regulations for Issuers, as well as the provisions of Regulation (EC) 2273/2003 of 22 December 2003.

In June 2010, Banco Popolare purchased 1,255,500 Banco Popolare ordinary shares to service the awarding of the bonus for the 2009 financial year (for a total price of EUR 5,511,219). At 17 June 2010, Banco Popolare directly holds 1,587,950 ordinary shares (0.25% of the share capital).

#### **S.I. Pre.**

For information about the S.I. Pre, see Section One, Chapter XIV, Paragraph 14.4 of the Prospectus.

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The table below shows the holdings in the share capital of the Issuer and of Group companies and the warrants held directly at 30 November 2010 by members of the Supervisory Board and the Board of Management and by executives with strategic responsibilities. With reference to the BP shares held by members of the Supervisory Board, ownership of Banco Popolare shares constitutes, pursuant to Article 38 of the Articles of Association, a precondition for eligibility to be a member of the Supervisory Board.

SHARE OWNERSHIP at 30 NOVEMBER 2010		Shares, convertible bonds and warrants held at 31-12-2009		Shares, convertible bonds and warrants bought		Shares, convertible bonds and warrants sold		Shares, convertible bonds and warrants held at 30-11-2010		
Name	Company in which shares are held	Direct		Direct		Direct		Direct		
		holding	Indirect	holding	Indirect	holding	Indirect	holding	Indirect	
<b><u>SUPERVISORY BOARD</u></b>										
Carlo Fratta Pasini	Banco Popolare – shares	175,119	42,119	-	-	-	-	175,119	42,119	
	Credito Bergamasco – shares	200	-	-	-	-	-	200	-	
	Banco Popolare – CBs			43,779	10,529	-	-	43,779	10,529	
Guido Duccio Castellotti	Banco Popolare – shares	5,000	5,000	5,000	-	-	-	10,000	5,000	
	Banco Popolare – CBs			2,500	1,250	-	-	2,500	1,250	
Maurizio Comoli	Banco Popolare – shares	46,500	104,040	106	-	-	-	46,606	104,040	
	Banco Popolare – CBs			11,625	26,010	-	-	11,625	26,010	
Marco Boroli (*)	Banco Popolare – shares	128,549	-	-	-	-	-	128,549	-	
	Banco Popolare – CBs			25,637	-	-	-	25,637	-	
Giuliano Buffelli	Banco Popolare – shares	1,000	116,430	-	-	-	-	1,000	116,430	
	Credito Bergamasco – shares	30	500	-	-	-	-	30	500	
	Banco Popolare – CBs				2,760	-	-	-	2,760	
Pietro Buzzi (from 24 April 2010)	Banco Popolare – shares	2,969	-	-	-	-	-	2,969	-	
	Banco Popolare – CBs			741	-	-	-	741	-	
Costantino Coccoli	Banco Popolare – shares	1,560	-	-	-	-	-	1,560	-	
	Banco Popolare – CBs			390	-	-	-	390	-	
Gabriele Camillo Erba	Banco Popolare – shares	107	-	-	-	-	-	107	-	
	Banco Popolare – CBs			26	-	-	-	26	-	
Gianni Filippa	Banco Popolare – shares	9,552	250	-	-	-	-	9,552	250	
	Banco Popolare – CBs			2,388	62	-	-	2,388	62	
Dino Piero Giarda	Banco Popolare – shares	13,223	15,000	-	-	-	-	13,223	15,000	
	Banco Popolare – warrant	2,100	-	-	-	-	-	2,100	-	
	Banco Popolare – CBs			3,305	3,750	-	-	3,305	3,750	
Andrea Guidi	Banco Popolare – shares	1,293	150	-	-	-	-	1,293	150	
	Banco Popolare – CBs			323	-	-	-	323	-	
Pietro Manzonetto	Banco Popolare – shares	52	-	-	-	-	-	52	-	
Maurizio Marino	Banco Popolare – shares	6,177	10,553	-	-	-	-	6,177	10,553	
	Banco Popolare – CBs			1,544	1,888	-	-	1,544	1,888	
Mario Minoja (**)	Banco Popolare – shares	1,033	-	-	-	-	-	-	1,033	
	Banco Popolare – CBs			258	-	-	-	258	-	
Enrico Perotti (from 24 April 2010)	Banco Popolare – shares	305	1,800	1,000	-	-	-	1,305	1,800	
	Banco Popolare – CBs			76	450	-	-	76	450	
Gian Luca Rana	Banco Popolare – shares	1,500	1,000	-	-	-	-	1,500	1,000	
	Banco Popolare – CBs			375	250	-	-	375	250	
Claudio Rangoni Machiavelli	Banco Popolare – shares	240,000	8,220	-	-	-	-	240,000	8,220	
	Credito Bergamasco – shares	200	-	-	-	-	-	200	-	
	Banco Popolare – CBs			60,000	2,055	-	-	60,000	2,055	
Fabio Ravanelli	Banco Popolare – shares	30,000	-	-	-	-	-	30,000	-	
	Banco Popolare – CBs			7,500	-	-	-	7,500	-	
Alfonso Sonato	Banco Popolare – shares	13,601	250	-	-	-	-	13,601	250	
	Banco Popolare – CBs			3,400	62	-	-	3,400	62	
Angelo Squintani	Banco Popolare shares	3,443	-	-	-	-	-	3,443	-	
	Banco Popolare – warrant	1,410	-	-	-	-	-	1,410	-	
	Banco Popolare – CBs			860	-	-	-	860	-	
Sandro Veronesi	Banco Popolare – shares	21,600	-	120,000	-	-	-	141,600	-	
	Banco Popolare – CBs			5,400	-	-	-	5,400	-	
Tommaso Zanini	Banco Popolare – shares	19,500	3,500	7,500	-	-	-	27,000	3,500	
	Banco Popolare – CBs			5,750	875	-	-	5,750	875	
<b><u>BOARD OF MANAGEMENT</u></b>										
Vittorio Coda	Banco Popolare – shares	13,330	400	-	-	-	-	13,330	400	
	Banco Popolare – CBs			3,335	100	-	-	3,335	100	
Pier Francesco Saviotti	Banco Popolare – shares	41,293	-	-	-	-	-	41,293	-	
	Banco Popolare – CBs			10,500	-	-	-	10,500	-	
Franco Baronio (***)	Banco Popolare – shares	38,513	43	-	-	-	-	38,513	43	
	Banco Popolare – CBs			9,628	-	-	-	9,628	-	
	Credito Bergamasco – shares	100	-	-	-	-	-	100	-	

SHARE OWNERSHIP at 30 NOVEMBER 2010		Shares, convertible bonds and warrants held at 31-12-2009		Shares, convertible bonds and warrants bought		Shares, convertible bonds and warrants sold		Shares, convertible bonds and warrants held at 30-11-2010		
Name	Company in which shares are held	Direct		Direct		Direct		Direct		
		holding	Indirect	holding	Indirect	holding	Indirect	holding	Indirect	
Alfredo Cariello	Banco Popolare – shares	4,700	-	-	-	-	-	4,700	-	
	Banco Popolare – CBs			1,175	-	-	-	1,175	-	
Aldo Civaschi	Banco Popolare – shares	-	-	6,000	-	-	-	6,000	-	
	Credito Bergamasco – shares	2	-	-	-	-	-	2	-	
	Banco Popolare – CBs			1,500	-	-	-	1,500	-	
Luigi Corsi	Banco Popolare – shares	2,120	-	-	-	-	-	2,120	-	
	Banco Popolare – warrant	1,503	-	-	-	-	-	1,503	-	
	Banco Popolare – CBs			530	-	-	-	530	-	
Domenico De Angelis	Banco Popolare – shares	105,915	25	-	-	-	-	105,915	25	
	Credito Bergamasco – shares	50	-	-	-	-	-	50	-	
	Banco Popolare – CBs			26,478	6	-	-	26,478	6	
Maurizio Di Maio	Banco Popolare – shares	169,985	-	-	-	-	-	169,985	-	
	Banco Popolare – CBs			42,500	-	-	-	42,500	-	
Maurizio Faroni	Banco Popolare – shares	100,780	500	-	-	-	-	100,780	500	
	Banco Popolare – CBs			25,195	-	-	-	25,195	-	
Leonello Guidetti (from 14 September 2010)	Banco Popolare – shares	18,462	-	-	-	-	-	18,462	-	
	Banco Popolare – CBs			4,231	-	-	-	4,231	-	
Giorgio Papa (****)	Banco Popolare – shares	46,845	250	-	-	-	-	46,845	250	
	Credito Bergamasco – shares	200	-	-	-	-	-	200	-	
	Banco Popolare –			11,700	60	-	-	11,700	60	
Bruno Pezzoni (*****)	Banco Popolare – shares	5,900	400	464	-	-	-	6,364	400	
	Banco Popolare – CBs			1,475	100	-	-	1,475	100	
Roberto Romanin Jacur	Banco Popolare – shares	26,000	32,069	-	-	-	-	26,000	32,069	
	Banco Popolare – CBs			6,500	6,500	-	-	6,500	6,500	
Andrea Sironi	Banco Popolare – shares	-	-	1,000	-	-	-	1,000	-	
	Banco Popolare –			250	-	-	-	250	-	
<i>Key Executives</i>										
Marco Berlanda	Banco Popolare – shares	2,200	-	464	-	-	-	2,664	-	
	Banco Popolare – CBs			550	-	-	-	550	-	
Carlo Bianchi (from 1 July 2010)	-	-	-	-	-	-	-	-	-	
Pietro Gaspardo	Banco Popolare – shares	500	-	464	-	-	-	964	-	
	Banco Popolare – CBs			125	-	-	-	125	-	
Fabrizio Marchetti	Banco Popolare – shares	8,590	100	464	-	499	-	8,555	100	
Lucio Menestrina	Banco Popolare – shares	10,000	-	5,464	-	5,000	-	10,464	-	
	Banco Popolare – CBs			2,500	-	-	-	2,500	-	
Carlo Palego	-	-	-	-	-	-	-	-	-	
Ottavio Rigodanza	Banco Popolare – shares	67,870	39,500	464	-	-	-	68,334	39,500	
	Banco Popolare – CBs			16,967	9,875	-	-	16,967	9,875	
Roberto Speziotto	Banco Popolare – shares	14,500	-	464	-	-	-	14,964	-	
	Banco Popolare – CBs			750	-	-	-	750	-	
Gianpietro Val	Banco Popolare – shares	10,000	-	-	-	-	-	10,000	-	
	Banco Popolare – CBs			2,500	-	-	-	2,500	-	

Note: all shares are wholly owned.

(\*) Marco Boroli's mandate as a member of the Supervisory Board expired on 24 April 2010

(\*\*) Marco Minoja resigned with effect from 14 April 2010

(\*\*\*) Franco Baronio resigned with effect from 14 September 2010

(\*\*\*\*) Giorgio Papa's mandate as a member of the Board of Management expired on 26 April 2010

(\*\*\*\*\*) Bruno Pezzoni was appointed as a member of the Board of Management on 26 April 2010, and from 1 January 2010 to 30 June 2010 was also head of the Credit Department, with a key executive role

The table below shows the options and shares allocated to certain members of the Board of Management and to certain executives with strategic responsibilities in implementation of the stock option plan and the stock grant plan.

<b>Name</b>	<b>Post</b>	<b>Stock Option (expiry May 2010) (strike price 13.64)</b>	<b>Stock Grant (lock up December 2013)</b>
Domenico De Angelis	Member of the Board of Management	85,000	-
Maurizio Di Maio	Member of the Board of Management	40,000	-
Maurizio Faroni	Member of the Board of Management	48,750	-
Giorgio Papa	Member of the Board of Management	50,000	7,500
Fabrizio Marchetti	Head of Corporate Department	20,000	5,000
Bruno Pezzoni	Head of Credit Department	-	5,000
Ottavio Rigodanza	Head of Operations Department	65,000	7,500
Roberto Speziotto	Head of Human Resources Department	-	7,500
Gianpietro Val	Head of Administration and Budget Department	39,000	-

### **17.3 Description of any agreements concerning employee holdings in the share capital of the Issuer**

Except as provided for in Paragraph 14.4, with regard to the S.I.Pre. scheme, and in Paragraph 17.2 above, there are no other agreements concerning employee holdings in the share capital of Banco Popolare.

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## CHAPTER XVIII – PRINCIPAL SHAREHOLDERS

### 18.1 Shareholders holding equity interests exceeding 2% of the share capital

At 31 December 2010, the shareholders who, according to the shareholders' register and the other information available to the Issuer, hold a number of ordinary shares of the Issuer representing an equity interest exceeding 2% of the share capital are as follows: Blackrock Inc., with a holding of 3.533%, Norges Bank, with a holding of 2.082%, and UBS AG, with a holding of 3.328% (of which 2.430% without voting rights) divided into 0.900% as a borrower, 1.774% as lender and 0.654% as full owner (See Section One, Chapter XVIII, Paragraph 18.1 of the Prospectus).

Since the Company is a *banca popolare* (co-operative bank), under the provisions of Article 30 of the Consolidated Banking Act and Article 16 of the Articles of Association, no person may hold shares exceeding 0.50% of the Issuer's share capital, and any excess must be sold within one year of objection by the Company. This limit does not apply to undertakings for collective investment in securities, which are subject to the limits provided for by the regulations of each individual undertaking (see Article 30, paragraph 3 of the Consolidated Banking Act).

### 18.2 Other voting rights held by the principal shareholders

At the Prospectus Date, the Issuer has issued only ordinary shares, and no shares have been issued with voting rights or any other characteristics differing from those of the ordinary shares.

In this regard it is noted that, in conformity with Article 30 of the Consolidated Banking Act, Article 23 of the Articles of Association stipulates that each shareholder has a single vote, regardless of the number of shares held.

### 18.3 Indication of the controlling entity according to Article 93 of the Consolidated Banking Act

At the Prospectus Date, the Issuer is not directly or indirectly controlled by any entity pursuant to Article 93 of the Consolidated Banking Act.

### 18.4 Agreements that might give rise to a change in the control structure of the Issuer

To the Issuer's knowledge, at the Prospectus Date, there are no agreements in existence according to Article 122 of the Consolidated Finance Act that might give rise at a later date to a change in the control over the Issuer.

## CHAPTER XIX – RELATED PARTY TRANSACTIONS

The information on related-party transactions, as they are defined by the standards adopted pursuant to Regulation (EC) no. 1606/2002, can be obtained from the Interim Report as at 30 September 2010, on page 95, the 2010 Half-Year Report, on page 92, the 2009 Annual Financial Report (notes to the financial statements, Part H from page 368 to page 630), the 2008 Annual Financial Report (notes to the financial statements, Part H from page 354 to page 666), and the 2007 Financial Statements (notes to the financial statements, Part H from page 311 to 595).

For ease of reference, the tables below show the consolidated financial dealings as at 30 September 2010, 30 June 2010, 31 December 2009, 2008 and 2007 with companies subject to considerable influence, jointly controlled, managers with strategic responsibilities, supervisory bodies and other related parties.

(in thousands of euros)	30/09/2010	30/06/2010	31/12/2009	31/12/2008	31/12/2007	Change 30/09/2010 Vs. 2009	Change 2009/2008	Change 2008/2007
Due from banks	259,035	169,174	885,617	2,950,914	2,765,604	-70.75%	-69.99%	6.70%
Loans to customers	1,998,622	2,107,530	2,366,101	5,751,142	3,025,712	-15.53%	-58.86%	90.08%
Other financial assets	31,284	28,233	147,395	4,566	45,099	-78.78%	3,128.1%	-89.88%
Other assets	24,843	102,259	29,445	92,589	30,503	-15.63%	-68.20%	203.54%
<b>Total asset items</b>	<b>2,313,784</b>	<b>2,407,196</b>	<b>3,428,558</b>	<b>8,799,211</b>	<b>5,866,918</b>	<b>-32.51%</b>	<b>-61.04%</b>	<b>49.98%</b>
Due to banks	191,058	95,237	64,345	445,942	493,601	196.93%	-85.57%	-9.66%
Due to customers	746,596	725,858	666,903	203,588	394,037	11.95%	227.57%	-48.33%
Other financial liabilities	175,143	374,176	1,062,173	330,902	429,562	-83.51%	220.99%	-22.97%
Other liabilities	8,128	119,939	13,425	1,994	21,969	-39.46%	573.27%	-90.92%
<b>Total liability items</b>	<b>1,120,925</b>	<b>1,315,210</b>	<b>1,806,846</b>	<b>982,426</b>	<b>1,339,169</b>	<b>-37.96%</b>	<b>83.92%</b>	<b>-26.64%</b>
<b>Guarantees issued and commitments</b>	<b>108,491</b>	<b>177,821</b>	<b>215,024</b>	<b>643,733</b>	<b>221,542</b>	<b>-49.54%</b>	<b>-66.60%</b>	<b>190.57%</b>

Exposures with the Banca Italease Group (including cash, endorsement, and bond loans) went from EUR 2,956 million at 31 December 2007 (compared to an agreed limit of EUR 4,526 million) to EUR 3,459 million at 31 December 2008 (compared to an agreed limit of EUR 5,678 million) including exposures of EUR 2,984 million in cash loans, EUR 427 million in endorsement loans and EUR 48 million in bond loans, respectively. The following conditions have been applied to existing transactions since 2008: Euribor 3 months + 50 b.p. for cash loans, Euribor 3 months + 80 b.p. for pool loans, and Euribor 3 months + 45 b.p. for guarantees and other endorsement loans.

Starting on 31 December 2009, as a result of the acquisition of control of the Banca Italease Group, following completion of the Tender Offer that took place in July 2009, due to banks have shown an appreciable reduction.

On 30 November 2010, the Board of Management approved procedures for related-party transactions pursuant to Article 4 of the regulations on related-party operations adopted by the Consob through Resolution no. 17221 of 12 March 2010. The procedures will apply from 1 January 2011.

The incidence of related-party transactions on the Group's cash flows is not represented, insofar as the Issuer considers it to be of scant additional informational value for the periods considered, compared to what has already been published in the Group's consolidated Annual Financial Reports, half-year financial reports and interim reports on transactions.



The Issuer avails itself of the regime of incorporation by reference of the abovementioned documents pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation 809/2004/EC. These documents were published previously and filed with the Consob and are available to the public on the Issuer's website ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as at the offices of the Issuer and of Borsa Italiana.

## **CHAPTER XX – FINANCIAL INFORMATION CONCERNING THE ISSUER’S ASSETS AND LIABILITIES, FINANCIAL STANDING AND PROFITS AND LOSSES**

### **20.1 Financial information for the financial years ending on 31 December 2009, 2008 and 2007**

Information relating to the equity and economic and financial standing of the Issuer and of the Group for the financial years 2009, 2008 and 2007 can be obtained from the 2009 Annual Financial Report, the 2008 Annual Financial Report and the 2007 Annual Report.

The presentation of the data is influenced by changes occurring in the scope of the Banco Popolare Group during the 2007 - 2010 period, as described in Section One, Chapter III, of the Prospectus (including, in particular, as will be recalled, the Merger dating from 1 July 2007 and the acquisition of control of Banca Italease – consolidated in full as of 1 July 2009 – and the consequent Banca Italease Group Reorganisation). It should be noted that, in light of such changes, the comparability of the data could be limited.

The Issuer avails itself of the system of inclusion by reference of the abovementioned documents pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation 809/2004/EC. These documents were published previously and filed with the Consob and are available to the public on the Issuer’s website ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as at the offices of the Issuer and of Borsa Italiana.

For the sake of convenience in consulting the Group individual and consolidated financial statements included for reference in the Prospectus, a table is shown below indicating the pages of the main sections thereof.

	<b>Consolidated financial statements</b>			<b>Individual financial statements</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Report on Operations	21	19	19	397	429	379
Balance Sheet	170	149	125	466	501	449
Income Statement	171	150	126	467	502	450
Statement of change in shareholders’ equity	173	151	127	469	503	451
Cash Flow Report	175	153	129	470	504	452
Accounting standards	178	156	132	474	509	456
Independent Auditors’ Report	165	143	119	461	495	443
Notes to the Financial Statements	177	155	131	473	507	455

Shown below are the consolidated economic and financial figures for the 2009, 2008 and 2007 financial years.

The tables below show the Group's consolidated income balance sheet.

<b>Assets</b> <i>(thousands of euros)</i>	<b>31/12/2009</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
<b>10</b> Cash and cash equivalents	580,798	710,004	692,029
<b>20</b> Financial assets held for trading	11,930,649	10,033,368	10,039,860
<b>30</b> Financial assets measured at fair value through profit and loss	183,526	311,375	888,437
<b>40</b> Financial assets available for sale	2,056,466	1,625,154	1,812,657
<b>50</b> Financial assets held to maturity	306,240	530,296	712,527
<b>60</b> Due from banks	9,566,348	12,480,432	14,189,365
<b>70</b> Loans to customers	95,350,225	81,026,194	84,551,034
<b>80</b> Hedging derivatives	130,758	92,881	43,741
<b>90</b> Fair value change of financial assets in macro fair value hedge portfolio	7,267	9,142	(4,227)
<b>100</b> Investments in associates and companies subject to joint control	1,637,221	1,457,405	870,477
<b>110</b> Reinsurer technical reserves	-	-	-
<b>120</b> Property and equipment	1,442,462	1,329,149	1,505,608
<b>130</b> Intangible assets	5,294,942	5,333,248	6,433,928
Of which: goodwill	4,474,030	4,469,851	5,454,708
<b>140</b> Tax assets	2,358,414	2,681,931	1,786,491
a) current	249,737	833,006	725,046
b) pre-paid	2,108,677	1,848,925	1,061,445
<b>150</b> Non-current assets held for sale and discontinued operations	1,915,762	186,691	880,524
<b>160</b> Other assets	2,948,013	3,568,189	3,990,290
<b>Total</b>	<b>135,709,091</b>	<b>121,375,459</b>	<b>128,392,741</b>

<b>Liabilities and shareholders' equity</b> <i>(thousands of euros)</i>	<b>31/12/2009</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
<b>10</b> Due to banks	8,420,417	8,345,499	13,107,806
<b>20</b> Due to customers	53,191,863	51,351,055	51,126,139
<b>30</b> Debt Securities issued	25,227,520	24,252,656	30,151,847
<b>40</b> Financial liabilities held for trading	3,878,649	3,374,818	3,124,621
<b>50</b> Financial liabilities designated at fair value through profit and loss	26,763,737	17,525,901	11,951,082
<b>60</b> Hedging derivatives	168,456	49,985	33,551
<b>70</b> Fair value change of financial liabilities in macro fair value hedge portfolios	41,518	70,555	(43,663)
<b>80</b> Tax liabilities	731,499	1,306,794	1,201,048
a) current	41,353	661,279	447,727
b) deferred	690,146	645,515	753,321
<b>90</b> Liabilities associated with assets held for sale and discontinued operations	960,065	22,561	416,158
<b>100</b> Other liabilities	2,738,251	3,619,925	4,987,143
<b>110</b> Employee termination indemnities	415,688	417,746	436,982
<b>120</b> Provisions for risks and charges	1,059,216	850,305	825,239
a) retirement benefits and similar commitments	244,280	185,815	188,069
b) other provisions	814,936	664,490	637,170
<b>130</b> Technical reserves	-	-	-
<b>140</b> Valuation reserves	35,720	(8,825)	141,953
<b>150</b> Shares redeemable	-	-	-
<b>160</b> Equity instruments	1,452,534	2,534	2,534
<b>170</b> Reserves	2,622,787	2,968,874	2,752,729
<b>180</b> Share premium reserve	4,880,038	4,880,035	4,880,023
<b>190</b> Capital	2,305,736	2,305,735	2,305,733
<b>200</b> Treasury shares (-)	(31,014)	(30,966)	(28,163)
<b>210</b> Minority interests	579,373	403,644	402,756
<b>220</b> Net income (loss) for the period	267,038	(333,372)	617,223
<b>Total</b>	<b>135,709,091</b>	<b>121,375,459</b>	<b>128,392,741</b>

Income statement items (thousands of euros)	2009	2008	2007
<b>10</b> Interest and similar income	4,098,864	6,199,444	4,582,419
<b>20</b> Interest and similar expenses	(2,130,069)	(3,941,067)	(2,767,830)
<b>30 Interest margin</b>	<b>1,968,795</b>	<b>2,258,377</b>	<b>1,814,589</b>
<b>40</b> Fee and commission income	1,361,451	1,211,036	1,174,507
<b>50</b> Fee and commission expense	(133,876)	(150,027)	(152,533)
<b>60 Net fee and commission incomes</b>	<b>1,227,575</b>	<b>1,061,009</b>	<b>1,021,974</b>
<b>70</b> Dividends and similar income	560,693	447,999	138,617
<b>80</b> Profits (losses) on trading	(69,398)	(522,804)	46,559
<b>90</b> Fair value adjustment in hedge accounting	(8,264)	(3,620)	(199)
<b>100</b> Profits (Losses) on disposal or repurchase of:	31,799	32,567	143,338
a) loans	1,426	(15,482)	398
b) financial assets available for sale	8,589	49,531	140,382
c) financial assets held to maturity	6	5	-
d) financial liabilities	21,778	(1,487)	2,558
<b>110</b> Profits (losses) on financial assets and liabilities designated at fair value	(308,301)	199,117	172,919
<b>120 Net interest and other banking income</b>	<b>3,402,899</b>	<b>3,472,645</b>	<b>3,337,797</b>
<b>130</b> Net losses/recoveries on impairment of:	(872,144)	(1,354,096)	(452,189)
a) loans	(823,050)	(1,140,579)	(343,845)
b) financial assets available for sale	(29,251)	(176,492)	(108,078)
c) financial assets held to maturity	-	(23,575)	-
d) other financial assets	(19,843)	(13,450)	(266)
<b>140</b> Net income from banking activities	2,530,755	2,118,549	2,885,608
<b>150</b> Net premiums			
<b>160</b> Balance of other income/ expenses from the insurance operation			
<b>170 Net income from banking and insurance activities</b>	<b>2,530,755</b>	<b>2,118,549</b>	<b>2,885,608</b>
<b>180</b> Administrative expenses	(2,604,945)	(2,705,918)	(2,092,809)
a) personnel expenses	(1,624,672)	(1,629,784)	(1,369,577)
b) other administrative expenses	(980,273)	(1,076,134)	(723,232)
<b>190</b> Net provisions for risks and charges	33,730	(204,422)	(106,421)
<b>200</b> Net adjustments to/recoveries on property and equipment	(109,978)	(126,086)	(79,370)
<b>210</b> Net adjustments to/recoveries on intangible assets	(109,556)	(136,896)	(72,591)
<b>220</b> Other operating income (expenses)	564,154	856,285	334,864
<b>230 Operating expenses</b>	<b>(2,0226,595)</b>	<b>(2,317,037)</b>	<b>(2,016,327)</b>
<b>240</b> Profits (Losses) on investments in associates and companies subject to joint control	76,236	(271,410)	259,882
<b>250</b> Net result from fair-value valuation of property and equipment and intangible assets	-	-	-
<b>260</b> Impairment of goodwill	-	(485,776)	-
<b>270</b> Profits (Losses) on disposals of investments	112,487	397,368	19,947
<b>280 Income (loss) before tax from continuing operations</b>	<b>492,883</b>	<b>(558,306)</b>	<b>1,149,110</b>
<b>290</b> Tax on income from continuing operations	(229,099)	139,867	(504,886)
<b>300 Income (loss) after tax from continuing operations</b>	<b>263,784</b>	<b>(418,439)</b>	<b>644,224</b>
<b>310</b> Income (Loss) after tax from discontinued operations and non-current assets held for sale	(5,845)	116,281	15,081
<b>320 Net income (loss) for the period</b>	<b>257,939</b>	<b>(302,158)</b>	<b>659,305</b>
<b>330</b> Net income (loss) for the period attributable to minority interest	9,099	(31,214)	(42,082)
<b>340 Parent Company's net income (loss) for the period</b>	<b>267,038</b>	<b>(333,372)</b>	<b>617,223</b>

## 20.2 Annual reports for the financial years ending on 31 December 2009, 2008 and 2007

Please see Section One, Chapter XX, Paragraph 20.1, of the Prospectus.

## **20.3 Audit of the annual financial information for previous financial years**

### ***20.3.1 Audit of information concerning previous financial years***

The 2009 Annual Financial Report, approved by the Supervisory Board on 30 March 2010, was audited by the Independent Auditors, which issued their report without qualifications on 6 April 2010.

The 2008 Annual Financial Report, approved by the Supervisory Board on 24 March 2009, was audited by the Independent Auditors, which issued their report without qualifications on 7 April 2009.

The 2007 Annual Report, approved by the Supervisory Board on 29 March 2008, was audited by the Independent Auditors, which issued their report without qualifications on 15 April 2008.

### ***20.3.2 Other information contained in the Prospectus checked by the auditors***

The Interim Report on operations as at 30 September 2010, approved by the Issuer's Board of Management on 12 November 2010, has been reviewed by the Independent Auditors, which issued their report without qualifications on 9 December 2010.

The 2010 Half-Year Report, approved by the Issuer's Board of Management on 27 August 2010, has been reviewed by the Independent Auditors, which issued their report without qualifications on 27 August 2010.

### ***20.3.3 Indications of financial information contained in the Prospectus not extracted from audited financial statements***

The Prospectus does not contain financial information that has not been extracted from audited financial statements.

## **20.4 Date of the latest financial information**

The most current economic and financial data included in the Prospectus and audited refers to the 2009 Annual Financial Report.

The most current economic and financial data included in the Prospectus that have been reviewed refer to the Interim Report on operations as at 30 September 2010.

## **20.5 Financial information for the quarter ending on 30 September 2010 and for the half-year ending on 30 June 2010**

The information relating to the economic and financial situation of the Issuer and the Group for the quarter ending on 30 September 2010 and for the half-year ending on 30 June 2010 are obtainable from the Interim Report on operations as at 30 September 2010 and the 2010 Half-Year Report, respectively. The Issuer avails itself of the system for inclusion by reference of such documents pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation 809/2004/EC. Both of the documents mentioned have been published previously and filed with Consob and are available to the public on the Issuer's website ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as at the offices of the Banca d'Italia and the Borsa Italiana.

For the sake of convenience in consulting the Interim Report on operations as at 30 September 2010 and the 2010 Half-Year Report, included by reference in the Prospectus, a table is shown below indicating the pages of the main sections thereof.

	Pages	
	30 September 2010	30 June 2010
Interim report on consolidated operations	11	11
Consolidated Income Statement	42	40
Consolidated Balance Sheet	43	41
Statement of change in shareholders' equity	45	43
Consolidated Cash Flow Report	46	44
Independent Auditors' Report		101

The table below shows the Group's balance sheet as at 30 September 2010 and 30 June 2010.

<i>Assets (thousands of euros)</i>	30/09/2010	30/06/2010
<b>10</b> Cash and cash equivalents	464,917	477,449
<b>20</b> Financial assets held for trading	11,870,857	12,694,938
<b>30</b> Financial assets designated at fair value through profit and loss	174,605	241,056
<b>40</b> Financial assets available for sale	2,581,548	2,491,888
<b>50</b> Financial assets held to maturity	234,889	220,083
<b>60</b> Due from banks	8,205,539	8,879,050
<b>70</b> Loans to customers	96,141,655	96,156,575
<b>80</b> Hedging derivatives	283,316	141,795
<b>90</b> Fair value change of financial assets in macro fair value hedge portfolios	16,989	15,162
<b>100</b> Investments in associates and companies subject to joint control	1,632,684	1,622,115
<b>120</b> Property and equipment	2,307,629	2,138,117
<b>130</b> Intangible assets	5,173,721	5,283,258
<i>Of which: goodwill</i>	4,407,565	4,474,030
<b>140</b> Tax assets	2,571,434	2,554,665
a) current	242,941	210,715
b) deferred	2,328,493	2,343,950
<b>150</b> Non-current assets held for sale and discontinued operations	2,060,137	1,767,445
<b>160</b> Other assets	2,635,000	3,021,186
Provisional goodwill	-	-
<b>Total</b>	<b>136,354,920</b>	<b>137,705,537</b>

<b>Liabilities and shareholders' equity</b> ( <i>thousands of Euros</i> )		<b>30/09/2010</b>	<b>30/06/2010</b>
<b>10</b>	Due to banks	10,094,199	10,864,835
<b>20</b>	Due to customers	49,995,498	52,259,253
<b>30</b>	Debt securities issued	24,025,916	23,153,809
<b>40</b>	Financial liabilities held for trading	4,254,717	4,221,670
<b>50</b>	Financial liabilities designated at fair value through profit and loss	28,058,968	28,097,185
<b>60</b>	Hedging derivatives	210,470	206,708
<b>70</b>	Fair value changes of financial liabilities in macro fair value hedge portfolios	11,230	16,177
<b>80</b>	Tax liabilities	767,204	725,040
	a) current	174,767	107,783
	b) deferred	592,437	617,257
<b>90</b>	Liabilities associated with non-current assets held for sale and discontinued operations	1,157,488	1,139,585
<b>100</b>	Other liabilities	4,499,324	3,753,201
<b>110</b>	Employee termination indemnities	405,988	415,066
<b>120</b>	Provisions for risks and charges	772,646	804,431
	a) retirement benefit and similar commitments	251,108	246,516
	b) other provisions	521,538	557,915
<b>140</b>	Valuation reserves	-16,928	-33,546
<b>160</b>	Equity instruments	1,483,145	1,483,176
<b>170</b>	Reserves	2,601,095	2,569,112
<b>180</b>	Share premium reserves	4,880,038	4,880,038
<b>190</b>	Capital	2,305,736	2,305,736
<b>200</b>	Treasury shares (-)	-30,944	-31,151
<b>210</b>	Minority interests	412,052	438,289
<b>220</b>	Net income (loss) for the period	467,078	436,923
	<b>Total</b>	<b>136,354,920</b>	<b>137,705,537</b>

Income statement items (thousands of euros)	30/09/2010	30/06/2010
<b>10</b> Interest and similar income	2,812,393	1,905,192
<b>20</b> Interest and similar expense	-1,452,227	-964,274
<b>30 Interest margin</b>	<b>1,360,166</b>	<b>940,918</b>
<b>40</b> Fee and commission income	1,050,923	716,258
<b>50</b> Fee and commission expense	-94,649	-63,116
<b>60 Net fee and commission incomes</b>	<b>956,274</b>	<b>653,142</b>
<b>70</b> Dividends and similar income	<b>328,761</b>	308,878
<b>80</b> Profits (losses) on trading	-235,875	-339,377
<b>90</b> Fair value adjustment in hedge accounting	-11,807	82
<b>100</b> Profits (Losses) on disposal or repurchase of:	15,542	2,685
a) loans	-742	5,914
b) financial assets available for sale	1,880	787
c) financial assets held to maturity	-8	-92
d) financial liabilities	14,412	-4,007
<b>110</b> Profits (losses) on financial assets and liabilities designated at fair value	298,891	306,213
<b>120 Net interest and other banking income</b>	<b>2,711,952</b>	<b>1,872,541</b>
<b>130</b> Net losses/recoveries on impairment of:	<b>-639,977</b>	-416,414
a) loans	-602,441	-386,701
b) financial assets available for sale	-26,653	-19,846
c) financial assets held to maturity	-	-
d) other financial transactions	-10,883	-9,867
<b>140 Net income from banking activities</b>	<b>2,071,975</b>	<b>1,456,127</b>
<b>170 Net income from banking and insurance activities</b>	<b>2,071,975</b>	<b>1,456,127</b>
<b>180</b> Administrative expense:	-1,934,375	-1,313,784
a) personnel expense	-1,204,937	(815,200)
b) other administrative expense	-729,438	-498,584
<b>190</b> Net provisions for risks and charges	-12,955	(23,501)
<b>200</b> Net adjustments/recoveries on property and equipment	-81,178	(52,199)
<b>210</b> Net adjustments/recoveries on intangible assets	-57,879	(40,321)
<b>220</b> Other operating income (expenses)	366,578	247,614
<b>230</b> Operating expenses	<b>-1,719,809</b>	<b>-1,182,191</b>
<b>240</b> Profits (Losses) on investments in associates and companies subject to joint control	35,026	24,945
<b>260</b> Impairment of goodwill	-	-
<b>270</b> Profits (Losses) on disposals of investments	7,736	7,535
<b>280</b> Income (loss) before tax from continuing operations	<b>394,928</b>	<b>306,416</b>
<b>290</b> Taxes on income from continuing operations	93,134	133,539
<b>300</b> Income (loss) after tax from continuing operations	<b>488,062</b>	<b>439,955</b>
<b>310</b> Income (Losses) after tax from discontinued operations	-8,037	2,877
<b>320</b> Net income (loss) for the period	<b>480,025</b>	<b>442,832</b>
<b>330</b> Net income (loss) for the period attributable to minority interests	-12,947	-5,909
<b>340</b> Parent Company's net income (loss) for the period	<b>467,078</b>	<b>436,923</b>

## 20.6 Dividend policy

Pursuant to Article 6 of the Articles of Association, sharing in the equity and profits is proportional to the shares owned.

Pursuant to Articles 18 and 53 of the Articles of Association, dividends not collected within five years of the date on which they became due and payable remain assigned to the Company, increasing the statutory reserve.



Pursuant to Article 20, item 4) of the Articles of Association, the distribution of profits shall be decided by the Ordinary Shareholders' Meeting of the Company, upon approval of the financial statements by the Supervisory Board or by the Ordinary Shareholders' Meeting itself in cases of lack of approval by the Supervisory Board or when at least 1/3 of the members comprising the Board of Management or the Supervisory Board so request.

Pursuant to Article 52 of the Articles of Association, the net income resulting from the approved financial statements shall be allocated within the limit provided for to the reserves set by law in a portion not less than 10% of the statutory reserve and in any additional portion to other reserves created on a voluntary basis. The remaining profit is to be assigned, according to Shareholders' Meeting resolution to the shareholders as a dividend, or to possibly create and/or increase other reserves or funds however named or to other purposes defined by the said Meeting.

During the year, the distribution of interim dividends may be decided in observance of what is provided for by current regulations.

As a people's credit institution, the Company pays special attention to the territory where the subsidiary banks operate and where the Group's distribution network is present. Pursuant to Article 4-*bis* of the Articles of Association, especially with regard to small and medium-sized enterprises, as well as cooperatives, the Company, in observance of its own institutional purposes, grants shareholder customers, including through subsidiaries, favourable terms for the enjoyment of some services.

In particular, banks whose entire capital is held directly Banco Popolare, may allocate the share of the profits provided for by their respective Articles of Association to assistance, charity and the public interest, within the limits of an overall amount determined annually by the Shareholders' Meeting of Banco Popolare.

This overall amount is distributed among support initiatives in the territories with the greatest presence based on the portions indicated below:

- 8/24 to initiatives to support the civil and social fabric in the territory of Lodi and in the territory of reference of Banca Popolare di Lodi;
- 6/24 initiatives to support the civil and social fabric in the territory of Novara and the territory of reference of Banca Popolare di Novara;
- 1/24 to initiatives to support the Fondazione di Culto Banco S. Geminiano e S. Prospero;
- 9/24 to initiatives to support the civil and social fabric in the territory of Verona and in the territory of reference of Banca Popolare di Verona – S. Geminiano e S. Prospero.

On 5 May 2007, the Ordinary Shareholders' Meeting of BPVN approved the distribution of a unitary dividend of EUR 0.83 for each of the 375,328,315 BPVN shares, for a total of EUR 311,522,501.

On 10 March 2007, the Extraordinary Shareholders' Meeting of BPI resolved, in the context of the merger between BPVN and BPI, to distribute to the former BPI shareholders and the holders of 2000/2010 Bonds an extraordinary dividend of EUR 2.17 per share subject to the effectiveness of the said merger and the non-occurrence, as of 30 June 2007, of negative events such as to impact the size of the reserves. On 5 July 2007, the aforesaid conditions having been met, this extraordinary dividend in the overall amount of EUR 1,440.7 million was put up for payment.

On 3 May 2008, the Ordinary Shareholders' Meeting of the Issuer approved the distribution of a unit dividend of EUR 0.03 for each of the 640,481,325 Banco Popolare shares, for a total of EUR 19,244,440. Again, on the same date, the Shareholders' Meeting approved a partial distribution of the extraordinary reserve available, assigning to each share a dividend of EUR 0.57 for an overall amount of EUR 365,074,355.

On 25 April 2009, the Ordinary Shareholders' Meeting of the Issuer approved covering the losses for the year ending on 31 December 2008 equal to EUR 493,900,970 by using the statutory reserve for EUR 254,757,661 and reserves of retained earnings from previous years available for EUR 239,143,309.

On 24 April 2010, the Ordinary Shareholders' Meeting of the Issuer approved the distribution of a unit dividend of EUR 0.08 for each of the 640,482,201 Banco Popolare shares, for a total of EUR 51,238,576.

## **20.7 Legal and arbitration proceedings**

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

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

### Claw-back action brought by the Italgest Bankruptcy against BPVN

In November 2004, the Court of Naples issued a judgment on first instance concerning the claw-back action brought by the Italgest Bankruptcy against BPVN. The Judge on first instance ordered BPVN to pay the Italgest Bankruptcy the amount of EUR 129.2 million plus interest and legal expenses. Banco Popolare filed an appeal (still pending) against that judgment. It is to be noted that the actual potential liability cannot, in any case, exceed the net amount of the bankruptcy's liabilities, as already determined. The valuation of the bankruptcy's assets is currently underway.

The Italgest Bankruptcy also brought an action against BPVN aimed at a declaration of its alleged responsibility, including pursuant to Article 2049 of the Civil Code, in contributing to the situation of insolvency by having maintained credit authorisations in the name of Italgest. The damages claimed are equal to the bankruptcy's entire liabilities, as existing at the time when the claim was filed (ITL 107 billion, equal to EUR 55,260,888.21). The Issuer deems that the action is groundless, supported in this by criminal judgments acquitting BPVN employees and ordering employees of Municipalities holding Treasury accounts (representing loans corresponding to approximately 72% of the bankrupt's admitted liabilities), as well as the denial of the preliminary motions brought by the opposing party aimed at demonstrating the extent of the claimed damage suffered. In relation to these claims, Banco Popolare has not deemed to set aside any provisions, consistent with defence counsel opinion.

The overall amount of credits admitted as part of the bankrupt's liabilities totals EUR 59.5 million. It is to be noted that several lawsuits objecting to the list of creditors vis-à-vis the Municipalities are pending, concerning the degree of preference of the credits admitted. In addition, Banco Popolare has filed against Municipalities that are Treasury account holders other actions for revocation pursuant to Article 102 of the Insolvency Act (now Article 98), with the lack of liability of BPVN officers being ascertained in criminal court, on the one hand, and the criminal liability of a large number of Municipal officers, on the other. In these revocation proceedings, on orders from the Panel, the Delegated Judge has ordered the receivership to

take part in them, requesting in turn the revocation of the credits. The revocation requests brought until now concern credits entered under the bankrupt's liabilities in the overall amount of approximately EUR 44.7 million. The Court of Naples, ruling on the requests put forth against the Municipalities of Boscoreale and Sant'Anastasia, rejected the claims with judgments filed on 5 October 2010 and 12 October 2010.

On 22 May 2007, a proposed arrangement with creditors was submitted concerning the Italgas Bankruptcy. The receivership, the Ministry of Economy and Finance and Banca della Campania S.p.A. filed appeals before the Court of Cassation against the decree by the Court of Appeals of Naples of 24 April 2009, filed on 19 May 2009, which, in amending the decree of the Court of Naples, approved the creditors' agreement. The creditors' agreement proponent resisted the three appeals, asking that the opposing party's appeal be declared inadmissible and, in any case, be rejected and that the Court of Appeal's decree be upheld, upon joinder of the appeals. In the proceeding instituted with the appeal by the receivership, it also put forth an exception, arguing the receivership's lack of standing. Banco Popolare and the Municipality of Calvizzano, in turn, resisted the appeals with several counter-appeals. The Municipality of Boscoreale filed a belated third-party intervention, requesting the granting of the appellants' appeals. The creditors' agreement proponent also resisted that belated appeal. All the proceedings are awaiting the appointment of the Judge Rapporteur who will write the opinion and the setting of the hearing for discussion.

#### Area S.p.A. Litigation

In July and September 2009, Banco Popolare and Banca Popolare di Lodi were sued, together with other defendants, before the Court of Milan, with separate writs of summons by two different groups of former small shareholders of Area S.p.A.

In the first lawsuit, 43 plaintiffs request that the defendants be ordered to pay for alleged damages suffered quantified at EUR 13,150,000.00. The supposed liability purportedly derives from an alleged agreement between BPI and Banca Intesa S.p.A., which allegedly entailed, among other things, the exclusion of minority shareholders of Area S.p.A., depriving them of their holding without granting them any right and, in particular, of the payment that would have been owed if they had been able to exercise the right of withdrawal as a result of the merger of Area S.p.A. into Bipielle Investimenti S.p.A.

In the second lawsuit, 76 plaintiffs request that Banco Popolare, Banca Popolare di Lodi and Mr. Fiorani be ordered – upon ascertainment of alleged personal criminal liability of Mr Fiorani and liability by the two banks pursuant to Article 5 of Legislative Decree no. 231/2001 – to pay compensation for the alleged damage suffered quantified at EUR 25,200,000.00, putting forward the same arguments set forth in the previous case.

On 20 January 2010, in a different proceeding, having the same object as those mentioned above, and brought against Intesa Sanpaolo S.p.A., BPL (and Mr. Fiorani) was summoned for the purpose of obtaining an extension to third-party defendants as well of the effects of the judgment to come about between Intesa Sanpaolo S.p.A. and the plaintiffs.

Banco Popolare and Banca Popolare di Lodi consider the plaintiffs' claims as unfounded and therefore have not set aside provisions.

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

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

The claim seeks the ascertainment of alleged gross liability and compensation for the consequential damage allegedly caused by the conduct of Banca Popolare di Lodi to the plaintiffs during the 2005 –2007 period, in relation to unfounded allegations, widely disseminated in the media as well, against Mr Aiello.

The sum requested for compensation of the damage, both pecuniary loss and otherwise, is EUR 10 million.

Banca Popolare di Lodi believes that it does not need to make any allocation for the time being to the provision for risks and charges.

Cirio

With regard to the criminal proceeding underway at the Court of Rome following the financial collapse of the Cirio group, the summoning of Banco Popolare and Banca Popolare di Lodi as civil parties was authorised. Specifically, Banco Popolare and Banca Popolare di Lodi have been summoned to answer for the civil consequences relating to compensation of the damage, due to facts for which former BPI officers are charged. These former officers are accused, in collusion with directors of other banking institutions and some members of the Cirio group, of offences of fraudulent insolvency (relating to the repayment of a loan) and aggravated fraud (in relation to the placement of Cirio bonds).

Banca Popolare di Lodi has set aside prudentially the amount of EUR 5,400,000.00, equivalent to the value of Cirio bonds placed.

In addition, Cirio Finanziaria S.p.A., under extraordinary administration, on 15 - 19 April 2004 sued BPI, together with other individuals and banks, arguing that a complex programme of transactions was devised for transfers of shareholdings and/or business units between the Cirio group and the Parmalat group, for the purpose, among others, of transferring the “risk of indebtedness” initially assumed by the banks to the “Cirio Group.” On 18 June 2007, the Court of Rome rejected the plaintiffs’ claim for ascertainment of the nullity of the alleged agreement; instead, it granted the claim for ascertainment of liability and for jointly and severally, ordering compensation of the damage suffered by Cirio limited to some defendants, other than BPI; lastly, it rejected the rescindment and unjust enrichment actions brought, among others, against BPI. On 18 March 2009, Banco Popolare (as successor in interest to BPI following the Merger) entered an appearance in the appeal and, in that instance, Cirio Finanziaria S.p.A., under extraordinary administration, requested that Banco Popolare be ordered to repay the amount of EUR 26 million and, upon ascertainment of its joint liability for the unlawful act committed by another defendant, it be ordered to pay compensation for damages of no less than EUR 250 million. On 10 November 2009, the Court of Appeals of Rome held the case to be ripe for a decision and remitted it for closing arguments on 11 November 2014.

It is not possible to assess the possible risks accurately, in terms of liability, for the Banco Popolare Group, which at the Prospectus Date has not made any allocation to the provision for risks and charges in relation to this matter.

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Parmalat S.p.A. under extraordinary administration versus Gian Paolo Zini litigation – BPI as third-party defendant

In a writ of summons dated 21 July 2004, Parmalat Finanziaria S.p.A. (“**Parmalat Finanziaria**”) and Parmalat S.p.A. (“**Parmalat**”) sued a series of parties, including former corporate representatives of the aforesaid companies.

Against all the defendants, Parmalat Finanziaria and Parmalat brought an action for compensation of damages, arguing that the defendants – for various reasons – were responsible for the companies’ collapse. Hence the request for damages of EUR 2.63 billion for Parmalat and EUR 9.27 billion for Parmalat Finanziaria.

In a summons for third-party defendants, one of the defendants summoned a series of parties, including BPI, asking that their joint and several liability in respect of the plaintiffs’ claims be ascertained.

In a statement dated 4 January 2005, BPI moved for the denial of the claim due to its lack of standing as a defendant, as well as denial of all the opposing party’s claims on the merits.

At the panel discussion hearing held on 26 May 2006, the Panel, noting that Parmalat S.p.A. under extraordinary administration appeared as a civil party in a criminal court for the same matters claimed by in the lawsuit *de quo* (thus transferring the civil action to criminal court), found for (i) the extinguishment of the action brought in civil court by Parmalat S.p.A. under extraordinary administration and (ii) stayed the civil lawsuit in question, deciding that it could continue between the successor (new Parmalat S.p.A. which did not appear as a civil party in criminal court), the defendants and the third-party defendants (including BPI), only after the outcome of the criminal proceeding.

It is to be noted that the defendant that summoned BPI has been convicted, together with the other parties, by the Criminal Court of Parma, following an abbreviated proceeding and against which judgment an appeal before the Court of Appeals of Bologna is pending.

Currently, the civil proceeding is stayed while awaiting the outcome of the criminal case.

In the spring of 2007, following the plea bargains in the Parmalat criminal proceeding against some defendants (which do not include the defendant that summoned Banco Popolare as a third-party defendant), Parmalat S.p.A. under Extraordinary Administration and Parmalat Finanziaria under Extraordinary Administration requested postponement of the civil trial by means of a motion for resumption before the Civil Court of Parma against the same defendants.

Specifically, since the pending criminal proceedings against the party that requested the summoning of Banco Popolare have not yet been decided, because an appeal against the conviction on first instance was filed, the Civil Court of Parma has upheld the stay of the civil proceeding against the same party and third-party defendants summoned by it.

The competent administrative bodies have decided that no allocation to the provision for risks and charges needs to be made as it is not possible to predict what the activity that will need to occur in the above civil trial will be, if any.

Penalty proceeding for violation of anti-money laundering regulations.

In October 2008, the Verona Treasury Police notified Banco Popolare, as jointly liable party, of two records of violation of the regulations for reporting suspicious transactions attributed to two employees who succeeded each other as managers of the Sommacampagna (VR) Branch, between 2003 and 2007, which could entail an administrative penalty of a significant overall amount. The task of assisting Banco Popolare in the proceeding was entrusted to an expert attorney and an allocation of EUR 4,926,290.93, equal to 50% of the maximum overall penalty amount, was made.

Challenge of the Banca Italease 2006 Annual Report

With reference to the lawsuit challenging the Banca Italease annual report for the year ended on 31 December 2006, the exchange of briefs phase prior to the setting of the first hearing has been completed. On 14 January 2009, the Consob in fact notified the petition for setting the hearing limited to the following violations: “incorrect valuation and recognition of structured OTC derivatives entered into with customers” and “lack of information in the financial statements on the type of OTC derivatives and inherent risks.”

Subsequently, on 30 April 2009, the Court of Milan issued a judgment granting the grounds for the challenge relating to the valuation and representation of OTC derivatives and, consequently, voids the resolution approving the individual financial statements as at 31 December 2006 and, for the same reasons, declares the non-conformity of the consolidated financial statements as at 31 December 2006.

The Court’s decision is open to revision in the next stages of the case and does not entail effects on the representation of the equity, economic and financial standing contained in the consolidated half-yearly report at 30 June 2009 and in the individual and consolidated financial statements for the years ended on 31 December 2007 and 31 December 2008 of Banca Italease.

Banca Italease filed an appeal against the decision of the Court of Milan, and the Court of Appeals of Milan set the first hearing for 13 April 2010, adjourned until 19 February 2013.

Banca Italease has not made any allocation to the provision for risks and charges relating to the challenging of the 2006 financial statements.

Criminal proceedings concerning Banca Italease

The criminal proceedings concern alleged offences of falsification of financial statements (in relation to the financial statements of Banca Italease for the year 2006), market manipulation, obstructing performance of the supervisory duties of Banca d’Italia and the Consob, false auditing, fraud involving Banca Italease (i) as civilly liable for the cases concerning offences for which former corporate representatives are charged (Mr Massimo Faenza and Mr Antonio Ferraris); (ii) as civil party appearing against the said defendants and (iii) as administratively liable pursuant to Legislative Decree 231/2001 with reference to the alleged offences for which the aforesaid defendants are charged.

As administratively liable party, on 3 November 2010, Banca Italease was found guilty with an order to pay the pecuniary fine of EUR 1,885,800 with simultaneous seizure of an amount equal to EUR 64,200,000, plus interest calculated as at 16 April 2007 (date of approval of the financial statements of Banca Italease for the year 2006). Banca Italease is waiting to find out the grounds for the guilty verdict to file an appeal: neither the pecuniary administrative penalty, nor the seizure will be enforced until the judgment becomes res

judicata. Based on reasoned opinions by external advisers, the potential liability has been classified as possible; currently no allocation has been deemed necessary.

At the Prospectus Date, Banca Italease has not been notified of any official communication about the instigation of other criminal proceedings.

#### Egerton Capital Limited

In a summons served on 14 March 2008, Egerton Capital Limited, in representation of six investment funds, sued Banca Italease requesting damages of EUR 105,000,000 for investments made in Banca Italease shares during the period from January to May 2007. Specifically, the plaintiff argued, as the basis for its claim for compensation, alleged unlawful conduct by Banca Italease consisting of having concealed from the market, through the dissemination of annual reports, interim reports, as well as the January 2007 information prospectus relating to a capital increase, the existence of considerable high-risk activity by Banca Italease in complex derivatives, moreover conducted unlawfully from several points of view.

In a judgment dated 22 July 2010, the Court of Milan, granting the plaintiff's claim almost in its entirety, ordered Banca Italease to pay the amount of EUR 79,853,059.31 for damages, making it responsible for litigation expenses of EUR 495,000.00.

In a summons notified on 28 July 2010, Banca Italease filed an appeal against the above judgment, as well as recourse to obtain the immediate stay of the enforcement of the judgment.

The Court of Appeals of Milan, in a ruling by the Presiding Judge dated 30 July 2010, upheld by the Panel dated 27 August 2010, granted the appeal filed by Banca Italease for the obtainment of the immediate stay of the enforcement of the judgment on first instance. The claim filed by the opposing party, requesting revocation of the stay ruling, was denied as inadmissible, in a ruling filed on 8 November 2010.

The first hearing for appearance in the Appeals case has been set for 1 February 2011. In the provision for other legal risks, Banca Italease has made the due allocations on account of the applicable accounting standards and the determination of which was deemed consistent also due to the consonant opinion of external legal counsel, considering the status of the dispute and its possible development.

#### Kevios

In a summons notified on 18 December 2009, Kevios S.p.A. summoned Banca Italease before the Court of Milan, putting forth a claim for damages due to abuse of economic dependency and breach of contract. The request for compensation amounts to EUR 64 million. The first hearing is set for 8 February 2011 for discussion of admission of evidence, with assignment of the parties for the filing of preliminary briefs pursuant to Article 183, paragraph 6, Code of Civil Procedure.

Banca Italease entered an appearance, disputing the plaintiff's claims in full, deeming them unfounded, and has not made any allocation on the balance sheet.

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

The case, which includes a *petitum* of approximately EUR 46 million, concerns the operations of the BPVN Salerno branch with regard to operations carried out by the bank in connection with the granting of farm loans to the plaintiff. Specifically, the plaintiff argues that it was induced to subscribe Banco Popolare bonds to secure the loan amounts disbursed and, therefore, the bank allegedly abused its dominant position

violating the rules on mandates, contrary as well to Consob regulations. In addition, the plaintiffs complain of damage due to a report to the Risk Office, a fact which allegedly caused misrepresentation of the company's true conditions. The case is in the preliminary phase. No allocation to the provision for risks and charges has been deemed necessary for this dispute.

**Dispute relating to non-admission of loan to Immobiliare Valadier S.r.l. among bankruptcy liabilities**

With regard to the exclusion from bankruptcy liabilities of the preferred loan in the amount of EUR 76.6 million held by Banca Popolare di Lodi with Immobiliare Valadier S.r.l., declared bankrupt by the Court of Rome in January 2008, in view of a mortgage loan granted in 2006, by decision dated 14 October 2009, the Court of Rome, granting the grounds of Banca Popolare di Lodi, admitted that loan to the liabilities of the proceeding, ordering the bankrupt to reimburse litigation expenses. On 12 November 2009, the Bankruptcy of Immobiliare Valadier S.r.l. filed an appeal in the Court of Cassation against the above decision and Banca Popolare di Lodi has filed a counter-appeal. Banca Popolare di Lodi has not decided to enter specific impairments in relation to the case pending before the Court of Cassation, except those relative to the realisation timing, taking into account as well the positive outcome of the appeal.

In addition, the Receivership of the Valadier Bankruptcy, served a summons on 24 November 2008 suing Banca Popolare di Lodi to ascertain and declare the simulation of the mortgage contract and the consequent ordering of reimbursement of the overall sum of EUR 9.7 million received by Banca Popolare di Lodi as repayment of the mortgage instalments or pre-amortisation instalments, plus interest and adjustments. In a judgment dated 2 November 2010, the Court of Rome declared the lawsuit inadmissible in terms of the claims of simulation, ordinary claw-back, and nullity pursuant to Article 38 Consolidated Banking Act of the mortgage contract challenged, due to violation of the principle of "ne bis in idem" (i.e. for the same matter already decided in favour of BPL in the case of objection to the list of creditors, now pending before the Court of Cassation). The Court also rejected the claim, pursuant to Article 44 of the Insolvency Act, of ineffectiveness of the payment of EUR 1,282,550.00 as repayment of mortgage instalments, ordering the bankruptcy also to reimburse litigation expenses.

***Risks related to ascertainment notices issued and reports of findings notified by the Tax Authorities***

In 2010 and in the previous years, the Tax Authorities have carried out several audit activities relating to Banco Popolare and Group companies. These activities concerned the determination of the taxable income declared and the method of application of the tax rules both to ordinary operations, as well as to extraordinary operations. As a result of such activities, Banco Popolare and the subsidiaries are involved in a series of disputes.

The disputes in question concern both the claims put forth by the State Tax Authorities with the ascertainment notices received until now, which amount overall to EUR 730 million (greater tax ascertained and respective penalties), as well as those treasury claims, in terms of greater tax owed, which can be inferred from ascertainment records received, which can be estimated at approximately EUR 833 million, for a maximum potential risk of EUR 1,563 million (which estimate does not include any claim for interest and, where not inferrable from the ascertainment records received, possible penalties).

Potential liabilities classified as probable amount overall to approximately EUR 25 million and are hedged in full by allocations to provisions.



Residual potential liabilities amounting to EUR 1,538 million have been classified as possible. In that valid and well-founded reasons for challenging the claims put forth by the Tax Authorities are deemed to exist, as supported for reason external opinions. As provided for in the relevant accounting standard, no allocations to provisions have been made for the potential liabilities classified as possible.

In September 2010, contacts were begun with the top management of the Revenue Agency in order to verify the possibility and the advisability of coming to an out-of-court settlement of some of the disputes concerning companies in the Banca Italease Group.

These contacts were begun for the sole purpose of verifying the possibility of eliminating or at least reducing the situation of uncertainty deriving from the existence of disputes of such a considerable amount. This is insofar as this situation of uncertainty is deemed to be a highly negative element in terms of a proper assessment of the full potential of the Banco Popolare Group.

It should be noted that the contacts begun are in an altogether preliminary phase and that, therefore, to date no elements have emerged that could modify the classification and valuation of the potential liabilities described above.

The disputes begun with Banco Popolare concern only the companies whose merger gave rise to Banco Popolare, as described below.

#### BPVN

In 2007, a payment notice was received relating to entry in the outstanding tax roll of EUR 3.7 million for IRAP production tax, penalties and interest for the year 2003. The treasury claim refers to the IRAP rate applicable to the value of net production deriving from the activity engaged in within the territory of the Veneto Region in the increased amount of 5.25%, instead of the ordinary amount of 4.25%. The aforesaid notice was challenged before the Provincial Tax Court, which granted the appeal and voided the entry in the outstanding tax roll and the payment notice. In 2008, the Tax Authorities filed an appeal against the aforesaid judgment before the Regional Tax Court, which in 2009 partially granted the complaint, deeming the rate of 4.75% applicable.

An appeal against that judgment has been filed before the Court of Cassation.

In 2008, a similar payment notice of EUR 4.8 million for the 2004 tax year was received. The treasury claim refers to an IRAP production tax rate applicable to the value of net production deriving from the activity engaged in within the territory of the Veneto Region (rate of 5.25% instead of 4.25%) and of the Tuscany Region (rate of 4.40% instead of 4.25%) with the respective penalties and interest. The notice was challenged before the Provincial Tax Court, which in 2008 granted the appeal, consequently voiding the entry in the outstanding tax roll and the respective notice. In 2009, the Tax Authorities filed an appeal against the aforesaid decision before the Regional Tax Court, which partially denied the appeal in question. An appeal has been filed before the Court of Cassation.

In 2009, a further payment notice of EUR 6.5 million for the 2005 tax year was received. The treasury claim refers to the IRAP production tax applicable to the net production value deriving from the activity engaged in within the territory of the Veneto Region (rate of 5.25% instead of 4.25%) with the respective penalties and interest. An appeal was filed before the Provincial Tax Court, which denied the appeal. An appeal has been filed.

In 2010, another payment notice of EUR 7.0 million for the 2006 tax year was received. The treasury claim refers to the IRAP production tax applicable to the net production value deriving from the activity engaged in within the territory of the Veneto Region (rate of 5.25% instead of 4.25%) with the respective penalties and interest. An appeal was filed before the Provincial Tax Court.

The potential liabilities deriving from such disputes have been classified as possible.

#### BPI

A lawsuit is pending before the Milan Regional Tax Court concerning the greater value attributed by the Lodi Revenue Agency to a business unit sold in 2004 between Banca Eurosystemi S.p.A. (subsequently merged by incorporation into BPI) and BPI. The greater registration tax ascertained in the adjustment notice amounts to EUR 7 million. The judge on first instance denied the appeal filed. An appeal was filed and the Regional Tax Court denied it in a decision filed on 14 July 2010, notified on 30 October 2010. Although grounds exist for filing an appeal before the Court of Cassation, the liability has been classified as probable and such an amount has been debited to the income statement.

An appeal was filed before the Regional Tax Court on the judgment by the Pisa Provincial Tax Court, which denied the motion against the registration tax settlement notice relative to the requalification as sale of a business unit of the sale of securities made in 2002 between Cassa di Risparmio di Pisa S.p.A. (now Cassa di Risparmio di Lucca Pisa Livorno) and BPI.

Payment was made on the payment notice of EUR 14.5 million relating to the entry on the outstanding tax roll made by the Revenue Agency (Local Office of Pisa) pending trial. The amount paid was posted as a credit since the potential liability is nevertheless deemed as possible and not as probable.

#### Banca Popolare di Crema

In January 2010, the Tax Police Unit of the Cremona Finance Police completed a tax audit for purposes of indirect tax and VAT against Banca Popolare di Crema for the 2008 tax year. From the standpoint of reducing the disputes in existence, the treasury claims amounting overall to EUR 0.3 million were determined pursuant to Article 5-bis of Legislative Decree no. 218/97, submitting a motion for acceptance to the ascertainment record.

#### Banca Popolare di Cremona

Disputes are pending before the Central Tax Court concerning IRPEG corporate income tax and ILOR local income tax for the 1978, 1979, 1980 and 1982 tax years and disputes on alternate tax returns for the years 1982 and 1983. The treasury claims amount overall to approximately EUR 1 million. The outcome of the dispute was favourable on both the first and the second instance.

In July 2010, the Revenue Agency, Lombardy Regional Office, completed a tax audit for the 2007 and 2008 tax years concerning income tax, VAT and the IRAP regional tax on production activity, for a total, including penalties and interest, of EUR 0.7 million. From the standpoint of reducing the dispute, the treasury claims were defined pursuant to Article 5-bis of Legislative Decree No. 218/97 by filing a motion of acceptance of the ascertainment record.

Banca Caripe

In November 2010, the Finance Police, Pescara Tax Police Unit, gave notice of an ascertainment record for the 2007 and 2008 tax years. Non-deductible costs were questioned for IRES income tax and IRAP production tax purposes in violation and wrong application of Article 109 of the Consolidated Income Tax Law for deduction of negative income components not belonging to that tax year and for posting of costs for the provision of services belonging to the next tax year. The total tax ascertained amounts to approximately EUR 1 million. From the standpoint of reducing the dispute, the treasury claims were defined pursuant to Article 5-*bis* of Legislative Decree No. 218/97 by submitting a petition for acceptance of the ascertainment record.

Bp RE

A lawsuit is pending before the Court of Cassation on tax settlement and penalty determination notices concerning the requalification as sales of business units of a series of real estate contributions to Cassa di Risparmio di Lucca Pisa Livorno. The outcome of the dispute has been negative on both the first and second instances.

Payment was made – of a total of EUR 16.4 million (plus penalties of EUR 5 million) – on payment notices relative to entry on the outstanding tax role made by the Revenue Agency (Local Office of Pisa) pending trial. With reference to the greater tax claimed, even though an appeal has been filed before the Court of Cassation, it was deemed that the liability should be classified as probable and it was consequently recognised on the books in a manner consistent with that classification. With reference instead to the penalties claimed, a separate appeal was filed before the Provincial Tax Court to request restitution, at the same time recognising a credit of the same amount.

A trial is pending relative to the tax settlement and penalty determination notice concerning the contribution of a business unit to Reti Bancarie Holding S.p.A. (formerly Banco di Chiavari e della Riviera Ligure) and containing an overall tax claim of EUR 13.6 million. The Milan Provincial Tax Court granted the motion in full. The Revenue Agency has filed an appeal. The Milan Provincial Tax Court confirmed the first judgment in its judgment of 14 December 2010. The potential liability is classified as possible.

On 25 May 2010, an ascertainment record was received by Bp RE relating to the year 2007 containing reinstatement for taxation of Bp RE for IRES corporate tax of a tax basis of EUR 6.2 million and for IRAP production tax of a tax basis of EUR 6.4 million. The reinstatements primarily concern land depreciation for tax purposes and real estate valuations made in 2005, which real estate properties were partially sold in 2007.

On 9 April 2010, Basileus S.r.l, a company sold on 7 October 2008, received an ascertainment record for the year 2005.

Considering that, in the contract for sale of the Basileus S.r.l. equity investment, Bp RE granted the buyer a guarantee that held the buyer harmless against any disputes that might emerge from the determination of the tax years open at the time of sale, the potential liability is borne by Bp RE.

The ascertainment record refers to documentary, accounting and non-accounting research, whereby the auditors obtained data, information and documents concerning the activity engaged in during the year 2005, examining in-depth each aspect concerning the type of economic operations carried out, with particular reference to the sales of equity investments during the year being audited. The maximum potential liability

that could result in the event that the dispute should have a negative final outcome is estimated at approximately EUR 13 million and, at the Prospectus Date, it is qualifiable as possible.

In the second half of 2010, Bp RE acquired control of Mariner S.r.l. Also during 2010, Mariner S.r.l. was served notice of an ascertainment record by the Revenue Agency – Lombardy Regional Office. The disallowances concern the years 2005 and 2006. The amount of tax owed (income tax, production tax and VAT) amounts to approximately EUR 7 million. The liability has been classified by the company as possible.

#### Banca Popolare di Novara

On 21 October 2009, BPN received an ascertainment record issued by the Revenue Agency – Central Ascertainment Department, in conclusion of targeted tax audit operations for the 2004 tax year. The subject of the audit was a carry-over transaction.

In the aforesaid ascertainment record, the Revenue Agency charges Banca Popolare di Novara with having erroneously applied the provisions contained in Article 109, paragraph 8, of the Consolidated Income Tax Act (TUIR), obtaining, through the carry-over transaction an extra return for no economic reason other than the obtainment of tax advantages. With reference to the abovementioned record, at the end of December 2009, three ascertainment notices were received. Specifically, BPN receive an ascertainment notice relative to the IRAP production tax, year 2004, for EUR 1.7 million, interest of EUR 0.2 million and penalties of EUR 1.7 million; and an ascertainment notice for IRES corporate tax, year 2004, for EUR 12.2 million, interest of EUR 1.6 million and penalties of EUR 12.2 million. The latter notice was notified also to Banco Popolare as consolidating entity and to BPN in copy.

In June, Equitalia notified the following to BPN:

- a payment notice of EUR 1 million overall containing entry on the outstanding tax role (provisionally pursuant to Article 15 of Decree of the President of the Republic 602/1973) made by the Piedmont Regional Office of half of the IRAP production tax ascertained and the respective interest, plus collection costs. The payment notice in question has been paid.
- a payment notice for EUR 7.3 million overall relative to entry on the outstanding tax roll (again provisionally pursuant to Article 15 of Decree of the President of the Republic 602/1973) of half of the IRES corporate tax ascertained by the Veneto Regional Office and the respective interest, plus collection costs. This notice has been suspended.

Motions have been filed before the tax judge against the above notices. The potential liability is deemed possible.

On 28 December 2010, a notice of ascertainment was served regarding the VAT treatment of commissions paid during 2005 to Banca Popolare di Novara for service as depositary bank. The ascertained VAT amounts to EUR 1.7 million, while the penalties amount to EUR 2.1 million.

#### Aletti Fiduciaria

On 29 December 2010, Banco Popolare (as consolidating entity) and subsidiary Aletti Fiduciaria were served a tax assessment notice under shareholder responsibility pursuant to Article 36, paragraph 3, of Presidential Decree No. 602/1973. The assessment concerns failure to pay tax owed by a company in liquidation, the

units of which were managed in trust by Aletti Fiduciaria on behalf of one of its customers. The claim amounts to EUR 7.9 million, plus interest of EUR 0.9 million.

### Banca Italease

The appeal filed by the Revenue Agency before the Court of Cassation concerning the greater IRPEG corporate income tax and ILOR local income tax ascertained of EUR 32.4 million – plus administrative penalties for EUR 32.4 million – for the 1995, 1996 and 1997 tax years – is pending. On second instance, the Financial Administration lost on all counts.

As far as the dispute relative to the greater IRPEG and IRAP of EUR 4.4 million – plus a similar amount for administrative penalties – ascertained for the year 1998, the Regional Tax Court partially granted the Revenue Agency's appeal. An appeal was submitted before the Court of Cassation against that judgment by both parties to the proceeding.

In 2008, payment was made on the notice for EUR 1.3 million issued following the aforesaid judgment by the court of second instance. Following payment, a credit was registered for this amount.

In 2008, following audits made in respect of the other parties, two ascertainment notices were served for the 2003 and 2004 tax years, whereby the Tax Authorities dispute the wrong application of VAT in two leasing transactions. Specifically, the challenge is to the application of tax exemption rules, following the declaration of intent, and to the financial leasing instalments for a contract involving a real estate property.

On 8 February 2010, the judgment of the Milan Provincial Tax Court was filed, which partially granted the company's appeal for the year 2003 and denied the appeal for the year 2004. From the analysis made, there are valid reasons for filing an appeal against the judgment denying the appeal in that it disregards the jurisprudential direction of the Supreme Court on the legal qualification of leasing.

The greater tax ascertained in EUR 0.2 million, plus EUR 0.4 million for penalties and interest.

In 2009, a notice of ascertainment was received for 2004, which transposed in full the disputes of the tax audit conducted from November 2007 – July 2008, concerning the application of special VAT and reproduces similar challenges already sent to all companies in the nautical leasing sector. The greater VAT ascertained is EUR 0.2 million, plus EUR 0.3 million for interest and penalties.

For the portion not yet ascertained, the amount raised in the ascertainment record is EUR 1.9 million for greater tax and EUR 2.4 million for penalties.

On the same date, a notice of ascertainment was also received for IRES corporate tax and IRAP production tax again with reference to 2004 in a modest amount. An appeal was filed against the notices of ascertainment.

Again in 2009, a tax collection notice was received for EUR 34.1 million overall, as a result of failure by the Revenue Agency to detect tax payments made for the year 2005. The Milan Provincial Tax Court granted the appeal filed against the aforesaid notice.

Again in 2009, mortgage and property tax settlement notices for the year 2006 were notified. The taxes paid were equal to EUR 3 million and EUR 0.2 million in fines. The appeal was accepted by the Provincial Tax Court. An appeal was filed in turn by the tax authorities.

On 18 December 2009, the Milan Revenue Agency notified Banca Italease of an ascertainment notice as a result of the preliminary activity carried out on real estate leasing transactions of a significant amount, carried out between the years 2005 and 2007 and also including an ascertainment of a small amount in relation to personal property leasing transactions. It is noted that the disputes continued therein concern both VAT as well as direct tax and their overall amount is equal to EUR 340.4 million for non-deductible VAT and greater direct tax, plus penalties and interest, which will be quantifiable only upon the issuance of the ascertainment notice.

On 23 June 2010, the Revenue Agency's Central Ascertainment Office notified Italease Network <sup>(47)</sup> of an ascertainment record following the preliminary activity begun on 27 March 2008, on real estate leasing -- years 2005, 2006 and 2007. The greater tax claims amount overall to EUR 21.1 million.

The potential liabilities for the aforesaid disputes have been classified as possible.

On 20 December 2010, Banca Italease was served notice, as the company absorbing Italease Network, of an ascertainment record concerning an audit begun at the beginning of December regarding two specific leasing contracts. The total greater tax claimed amounts to EUR 0.2 million.

On 24 December 2010, Banca Italease was served notice of an ascertainment regarding VAT for the 2001 tax year. The greater tax claims amount to EUR 0.2 million, plus penalties of EUR 0.5 million.

Also on 24 December 2010, Banca Italease was served notice as the company absorbing Italeasing S.p.A. of ascertainment concerning VAT and IRAP regional production tax for the year 2005. The greater taxes claimed amount to EUR 9.4 million, plus penalties of EUR 25.9 million.

#### Factorit

In 2008 and 2009, two ascertainment notices were served concerning value-added tax for the years 2003 and 2004, respectively. The greater VAT ascertained is EUR 1.7 million plus EUR 2.3 million for interest and penalties for 2003 and EUR 2.3 million plus EUR 3.1 million for interest and penalties for 2004. The appeals filed against the above notices are pending before the Provincial Tax Court.

Payment notices were served for EUR 2.3 million overall, as a result of entry on the outstanding tax roll of 50% of the tax ascertained. Staying of the payment notices was granted. On 26 February 2010, the judgment of the Milan Provincial Tax Court was filed, which granted the company's appeal.

The Revenue Agency filed an appeal before the Regional Tax Court.

On 18 June 2009, a general audit was begun by the Finance Police on Factorit for VAT purposes for the years 2005 until the start date. The audit was completed on 13 October 2009.

An ascertainment record was issued with observations based primarily on the assumption that the transactions subject to adjustment did not have their cause in a loan but in credit management activity. The greater VAT proposed for reinstatement is EUR 40.5 million for the years 2005 to 2009, plus penalties and interest, which will be quantifiable only upon the issuance of the ascertainment notice.

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<sup>(47)</sup> See footnote no. 5.

With reference to this last ascertainment record, an ascertainment notice for 2005 of EUR 5.6 million and penalties of EUR 1.8 million has been received. Therefore, the tax not yet ascertained amounts to EUR 34.9 million.

The potential liabilities for the above disputes have been classified as possible.

#### Mercantile Leasing

In 2008, an ascertainment notice was served relating to value-added tax for 2003 as a result of the audit carried out on some nautical leasing transactions. The greater VAT ascertained is equal to EUR 1.4 million, plus EUR 1.9 million for interest and penalties. The Florence Provincial Tax Court granted the appeal only partially. The appeal against the judgment on first instance is pending.

In 2009, two ascertainment notices were served regarding IRES, IRAP and VAT for 2004 and 2005 as a result of the audit made on some real estate leasing and nautical leasing transactions. Greater overall tax of EUR 138 million was ascertained, plus interest of EUR 15 million and penalties of EUR 309 million. The appeals filed before the tax judge against such ascertainment notices are pending. The portion not yet ascertained, referring to 2006 and 2007, is equal to EUR 10.9 million approximately for VAT and EUR 3.6 million for direct tax.

In October 2010, an ascertainment record was notified concerning reinstatement for taxation of direct tax for 2007 and VAT for 2005, 2006 and 2007 with reference primarily to nautical leasing, the objective non-deductibility of the purchase of residential real estate and the sale for foreign parties of early redemption options. The greater VAT claimed amounts to EUR 6.2 million, while the direct tax amounts to EUR 0.2 million.

The potential liabilities for the above disputes have been classified as possible.

On 16 December 2010, Mercantile Leasing and Banca Italease, as consolidating entity, were served a notice of ascertainment concerning the 2005 tax year. The increase taxes claimed (IRES) amount to EUR 2.7 million. On 21 December 2010, a separate notice of ascertainment was served on the same parties imposing overall penalties of EUR 4 million.

On 23 December 2010, a notice of ascertainment was served on Mercantile Leasing and on Banca Italease, as consolidating entity, for the 2005 tax year. The notice of ascertainment transposes the disputes already set forth in the ascertainment record served in October 2010 as mentioned above. The increased tax claims amount to EUR 0.6 million, plus penalties of EUR 0.8 million.

#### Italease Gestione Beni

With reference to the audit begun in May 2009 by the Revenue Agency, on 17 December 2009, the Milan Revenue Agency completed the inquiries for 2006, proceeding with notification of the respective dispute record, which concerns disputes on direct tax and, for a limited amount, on VAT. The overall amount of the above observations amounts to approximately EUR 1.6 million for greater tax, plus penalties and interest, which will be quantifiable only upon the issuance of the notice of ascertainment.

On 9 February 2010, a dispute report was served regarding 2005. The greater tax claimed amounts overall to EUR 7.1 million.

The potential liabilities for the above disputes have been classified as possible.

## **20.8 Significant changes in the Issuer's financial or commercial standing since 30 September 2010**

With reference to subsequent events after 30 September 2010, the following is noted.

For the transactions in the context of the Banca Italease Group Reorganisation and the issuance of financial instruments under the Group's EMTN Programme and Covered Bond Programme, please see Section One, Chapter V, Paragraph 5.1.5, of the Prospectus.



## CHAPTER XXI – ADDITIONAL INFORMATION

### 21.1 Share capital

#### 21.1.1 Share capital subscribed and paid-up

As at 31 December 2010, the share capital of the Issuer was EUR 2,305,742,421.60, fully subscribed and paid-up, divided into 640,484,006 ordinary shares with no par value.

#### 21.1.2 Shares not representing the share capital

As at the Prospectus Date, the Issuer has not issued any shares, ordinary or otherwise, that do not represent the share capital.

#### 21.1.3 Treasury shares

As at 31 December 2010, the Issuer holds 369,207 treasury shares.

#### 21.1.4 Amount of convertible bonds, exchangeable bonds or bonds with warrant

At the Prospectus Date, the Convertible Bond is in existence, the issuance of which was decided by the Board of Management, following approval by the Supervisory Board, in implementation of the mandate awarded to the Board of Management by the Extraordinary Shareholders' Meeting of Banca Popolare held on 30 January 2010, for a nominal value of EUR 996,386,475.15, represented by 162,014,061 Bonds, each with a nominal value of EUR 6.15, convertible in one Banca Popolare ordinary share per each Convertible Bond presented for conversion.

#### 21.1.5 Existence of any purchase rights and/or obligations on authorised capital that has not been issued or commitments to increase capital

On 11 December 2010, the Extraordinary Shareholders' Meeting of the Company resolved:

- *“to vest the Board of Management, pursuant to Article 2443 of the Civil Code, with the power to issue shares on one or more occasions, after prior favourable opinion of the Supervisory Board, against payment, in one or more tranches, within 24 months of the date of this resolution, for a total maximum amount of EUR 2 billion, including any share premium, through the issue of ordinary shares to be offered against payment in option to shareholders and holders of bonds under the “Banca Popolare 2010/2014 4.75%” convertible bond programme, giving the Board of Management the broadest possible powers to decide, on a case-by-case basis, in compliance with the above mentioned restrictions, the procedure, terms and conditions of the operation, including the share issue price (inclusive of any share premium), and dividend rights; the share issue price, if the circumstances so require, may be equal to the theoretical ex-right price (TERP) of Banca Popolare ordinary shares, calculated according to current methodologies and based on the arithmetic mean of official prices reported over a period of at least 3 days of open trading before the issue price is fixed and discounted by an amount to be defined by the Board of Management based on the market conditions prevailing at the time of the actual launch of the issue, on the stock market performance of Banca Popolare ordinary shares and on the general market practice for similar operations, provided that, in any case, the implicit post-capital increase minimum accounting par value of EUR 2.00 is complied with.”*

See Section One, Chapter XXI, Paragraph 21.1.7 and Section Two, Chapter IV, Paragraph 4.1.6 and Chapter V, Paragraph 5.1 of the Prospectus.

#### **21.1.6 Information regarding the capital of any group members offered in option**

At the Prospectus Date, no capital of companies in the Banco Popolare Group is being offered in option, either conditionally or unconditionally.

#### **21.1.7 Share capital growth over the last three financial years**

The share capital of BPVN – equal to EUR 1,342,568,934.00 on 1 January 2006, represented by 372,935,815 ordinary shares with a par value of EUR 3.60 each – was increased through the resolution of 3 July 2006 by a total of 2,392,500 shares as a result of the exercise of options to service the stock option plan by their holders, and at 31 December 2006 amounted to a total of EUR 1,351,181,934.00, represented by 375,328,315 shares with a par value of EUR 3.60 each.

The share capital of BPI – equal to EUR 1,456,497,609.00 on 1 January 2006, represented by 485,499,203 ordinary shares with a par value of EUR 3.00 each – changed during 2006 as a result of the following operations:

- capital increase by EUR 317,387,700.00, through the issue of 105,795,900 shares with a par value of EUR 3.00 each, subscribed following an offer in option;
- capital increase for the purposes of the merger by absorption of Bipielle Investimenti S.p.A. and Reti Bancarie S.p.A. into Banca Popolare Italian Soc. Coop., for a total of EUR 273,496,308.00, through the issue of 91,165,436 shares with a nominal value of EUR 3.00 each (in particular, EUR 193,791,750.00 for the purposes of the Reti Bancarie S.p.A. share swap and EUR 79,704,558.00 for the Bipielle Investimenti S.p.A. share swap);
- reduction of share capital by EUR 300,000.00 through the cancellation of 100,000 shares due to repayment of shares as a result by the dissolution of the company relationship.

At 31 December 2006, the share capital was therefore equal to EUR 2,047,081,617.00, represented by 682,360,539 shares at EUR 3.00 each.

In the first half of 2007:

- following the exercise of 1,086,250 rights under the stock option plan, the Board of Directors of BPVN resolved on 19 June 2007 to increase the share capital by EUR 1,351,181,934.00 to EUR 1,355,092,434.00 by issuing 1,086,250 ordinary shares with the par value of EUR 3.60 each;
- following the partial conversion of the Prestito Obbligazionario Convertibile BPI 4,75% 2000/2010 IT0001444360, BPI issued 300 shares with a par value of EUR 900.00.

Following the merger between BPVN and BPI, on 1 July 2007 Banco Popolare was established, with a share capital of EUR 2,305,728,126.00 (fully subscribed and paid-up), represented by 640,480,035 ordinary shares with a par value of EUR 3.60 each.

At 31 October 2007, as a result of the exercise of 3,000 “Banco Popolare Prestito Obbligazionario Convertibile (“TFD”) 4,75% 2000/2010” bonds, 1,290 ordinary shares were issued and the share capital increased to EUR 2,305,732,770.00, represented by 640,481,325 shares.

The share capital of Banco Popolare – on 1 January 2008 equal to EUR 2,305,732,770.00, represented by 640,481,325 ordinary shares with a par value of EUR 3.60 each – was increased during 2008 by a total of 722 shares as a result of the exercise of options to service the stock option plan by their holders as well as the exercise of 1,373 warrants by their holders, and at 31 December 2008 amounted to a total of EUR 2,305,735,369.20, represented by 640,482,047 shares with a par value of EUR 3.60 each.

The share capital of Banco Popolare – on 1 January 2009 equal to EUR 2,305,735,369.20, represented by 640,482,047 ordinary shares with a par value of EUR 3.60 each – was increased during 2009 by a total of 154 shares as a result of the exercise of 294 warrants by their holders, and at 31 December 2009 amounted to a total of EUR 2,305,735,923.60, represented by 640,482,201 shares with a par value of EUR 3.60 each.

At 11 December 2010, the Extraordinary Shareholders’ Meeting resolved to cancel the par value of Banco Popolare shares, provided that the “implicit accounting value” of the shares could not be less than the minimum value of EUR 2.00.

On 31 December 2010, the share capital of Banco Popolare was increased by a total of 1,672 shares as a result of the exercise of 3,178 warrants by the respective holders, and at 31 December 2009 amounted to a total of EUR 2,305,742,421.60, represented by 640,484,006 ordinary shares with no par value.

For further information on the evolution of the share capital, see Section One, Chapter XXI, Paragraph 21.1.5 and Section Two, Part V, Paragraph 5.1.2 of this Prospectus.

## **21.2 Memorandum of Association and Articles of Association**

### ***21.2.1 Company purpose and aims of the Issuer***

The Issuer’s company purpose is defined by Article 4 of the Articles of Association, which states that:

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

*The Company may undertake any other transaction that is instrumental or, in any case, connected to the achievement of its corporate purpose. In order to achieve its objectives, the Company may join associations and consortia. The Company, as a bank exercising management and coordination control over the Banco Popolare Banking Group, pursuant to Article 61, paragraph four, of Legislative Decree No. 385 of 1 September 1993, issues directives to the companies of the Group, including for the purpose of implementing instructions issued by Supervisory Authorities and in the interest of Group stability.*

### **21.2.2 Summary of the provisions of the Issuer's Articles of Association regarding the members of the Board of Management and the Supervisory Board**

The main provisions of the Articles of Association regarding the members of the Board of Management and the Supervisory Board are given below. For further information please see the Articles of Association, which are available on the Issuer's website ([www.bancopopolare.it](http://www.bancopopolare.it)) and the applicable laws.

#### Board of Management

The functions of the Board of Management are set forth in Article 33 of the Articles of Association, on which basis the Board of Management operates the business in conformity with the general strategic and planning guidelines approved by the Supervisory Board.

To this end, and without prejudice to the competences of the Supervisory Board, the Board of Management carries out all operations that are required, useful or, in any case, appropriate to achieve the company's objective, be they ordinary or extraordinary business transactions, therein including the power to release or reduce mortgages, even in case of partial payment of the loan, also by way of delegated officers.

Without prejudice to the competences and powers of the Supervisory Board referred to in Article 41 of the Articles of Association, and in addition to matters that by law cannot be delegated, the following matters are the exclusive competence of the Board of Management:

- a) The formulation of proposals on general and strategic planning guidelines and the risk management policy of the Company and the Group, to be submitted to the Supervisory Board for approval.
- b) Industrial and financial planning, Company and Group budgets, as well as development plans for the Company and Group branch networks (including any general changes), to be submitted to the Supervisory Board for authorisation pursuant to Article 41.2 of the Articles of Association.
- c) The implementation of risk management and internal controls.
- d) Continuous assessment of the efficiency and overall effectiveness of the risk management and control system.
- e) On the proposal of the Supervisory Board, pursuant to Article 41.2, paragraph 3 of the Articles of Association, the appointment and removal of the Managing Director and the granting, amendment or revocation of their powers.
- f) The granting of special duties or delegated powers to one or more Directors and the definition thereof;
- g) On the proposal of the Managing Director and in consultation with the Supervisory Board pursuant to Article 41.2, paragraph 4, letter b) of the Articles of Association, the appointment and removal of one or more General Managers and Company managers and the determination of their powers and remuneration.
- h) The purchase or sale of stakes of such significance as to give rise to changes in the scope of the banking Group, subject to the authorisation of the Supervisory Board in the cases set out in Article 41.2, paragraph 2, of the Articles of Association.

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- i) The assessment of the adequacy of the Company's organisational, administrative and accounting structure.
  - j) The definition of criteria for the coordination and management of Group companies and criteria for the implementation of instructions issued by the Banca d'Italia.
  - k) Subject to prior consultation with the Supervisory Board, the appointment and removal of the Manager responsible for preparing the Company's accounting documents pursuant to Article 154-*bis* of the TUF and definition of their relevant powers, methods and remuneration, and the appointment and removal of the Head of the Internal Audit Department, the Compliance Manager, and the Head of the Risk Management Department.
  - l) The appointment and removal of department heads pursuant to applicable laws or regulations.
  - m) The preparation of the annual report, draft consolidated financial statements, the compilation and approval of interim reports (half-yearly financial reports and quarterly management statements) required by the regulations in force at that time.
  - n) Share issues delegated pursuant to Article 2443 of the Civil Code and the issue of convertible bonds delegated pursuant to Article 2420-*ter* of the Civil Code, excluding, in any case, the power to adopt the resolutions indicated in paragraphs 4 and 5 of Article 2441 of the Civil Code.
  - o) The obligations of the Board of Management as provided for by Articles 2446 and 2447 of the Civil Code.
  - p) The preparation of merger or demerger plans.
  - q) The approval and amendment of its own regulations on information flows and main internal regulations for which it is responsible.
  - r) Transactions to be submitted for the approval of the Supervisory Board pursuant to Article 41.2 of the Articles of Association.
  - s) The definition of criteria to identify transactions with related parties that must be reserved to the Board of Management's competence, without prejudice to the provisions of Article 41.2 of the Articles of Association.
  - t) Notwithstanding the provisions of Article 41.2, paragraph 1, letters d) and e) of the Articles of Association, the appointment of members to corporate boards of subsidiary banks and of the main non-banking subsidiaries of the Group.
  - u) With the exception of the cases indicated in Article 41.2, paragraph 2, letters f) and g) of the Articles of Association, the determination of the vote to be cast at Shareholders' meetings of subsidiary banks and the main non-banking subsidiaries of the Group convened to consider amendments to the Articles of Association, and the prior approval of amendments of the Articles of Association of Group companies when the resolution falls under the competence of a body other than the Shareholders' meeting;
  - v) In consultation with the Supervisory Board, recommendations to banks in the territory and the main non-banking companies of the Group.

The Board of Management is also vested with the exclusive competence, pursuant to Article 2436 of the Civil Code, to adopt resolutions on mergers and demergers in the cases provided for by Articles 2505 and 2505-*bis* of the Civil Code; to adopt resolutions on mergers and demergers and those resolutions involving banking companies directly or indirectly controlled by the Company, as provided for by Article 41.2, paragraph 2, letter d) of the Articles of Association, adopted following the authorisation of the Supervisory Board.

In accordance with Article 34 of the Articles of Association, the Board of Management shall report to the Supervisory Board at its first subsequent meeting, and, in any event, at least once a month, on activities performed and the most significant financial and operating transactions conducted by the Company or by the companies of the Group.

The Board of Management shall report on the transactions in which its members have an interest, on their own behalf or on behalf of third parties, specifying their nature, terms, origin and scope.

Without prejudice to the regulations on information flows between the Board of Management and the Supervisory Board, the Board of Management shall also make a thorough report to the Supervisory Board any time it is requested to do so, and, in any event, at least once a month, on all matters relating to planning, business development, main data on operating performance for the period, industry comparative data and risk positions.

#### *Procedures for appointing the Board of Management*

The Board of Management is composed of 12 members appointed by the Supervisory Board, including a Chairman and a Managing Director, who also assumes the role of Vice Chairman.

The Supervisory Board shall select a majority of the members of the Board of Management from among the senior managers of the Company or of companies directly or indirectly controlled by it, or from among individuals who, although not directly connected to the Company or its subsidiaries, perform their professional activities mainly and continuously with the Company or with companies directly or indirectly controlled by it (the “**Executive Directors**”).

The other Directors, who shall constitute at least 1/3 of the members of the Board of Management, may not receive delegated powers or individually perform functions relating to corporate management, even in a de facto sense (the “**Non-Executive Directors**”). At least one of the Non-Executive Directors must possess the independence requirements established for auditors by Article 148, paragraph 3, of the TUF.

Members of the Board of Management shall remain in office, as determined by the Supervisory Board, for a period not exceeding three financial years, expiring on the date of the meeting of the Supervisory Board convened to approve the financial statements for the last year of their appointment or, in the cases provided by Article 20, paragraph 3, no. 3) of the Articles of Association, at the date of the Shareholders’ meeting convened to approve the financial statements relating to the last year of their appointment. Members of the Board of Management may be re-elected.

#### *Supervisory Board*

Pursuant to Article 41.1 of the Articles of Association, the competences of the Supervisory Board cover all supervisory matters established by the applicable laws in force. In particular, the Supervisory Board shall supervise: observance of the law and of the Memorandum of Association; compliance with the principles of

correct administration; the suitability of the Company's organisational structure for the matters that come within its competence, internal audit and administrative-accounting systems, and the reliability of the latter to give a fair representation of operations; the procedures for the full implementation of corporate governance rules provided for by codes of conduct prepared by management companies of regulated markets or by trade associations with which the Company declares its compliance in its public reports; and the suitability of the instructions given by the Company to its subsidiaries, pursuant to existing laws. The Supervisory Board also assesses the level of efficiency and adequacy of the internal audit system, in particular risk control, internal audit operations and the accounting information system. The Supervisory Board supervises this system and its compliance with the requirements established by law. It shall also verify the correct implementation of the strategic and management control activities carried out by the Company on companies belonging to the Group.

The Supervisory Board exercises control on operating performance and management efficiency, including monitoring and assessing whether management decisions are suitable to achieve corporate profitability and value growth goals and their consistency with the targets set by programmatic instruments and in planning documents approved by the Supervisory Board.

As well as the control and active supervisory functions referenced above and the other functions legally reserved to its competence, pursuant to Article 41.2 of the Articles of Association, the Supervisory Board:

- a) Approves general programmatic and strategic guidelines and policies for the assumption and management of risk for the Company and the Group proposed by the Board of Management, communicating them to the Board of Management for implementation and verifying their implementation, without prejudice in all cases to latter's responsibility for its actions;
- b) Approves industrial and/or financial plans, budgets and plans to expand the Company's or the Group's territorial networks (including any general changes) prepared by the Board of Management, without prejudice in all cases to latter's responsibility for its actions;
- c) Approves the Company's corporate governance plan.
- d) Appoints, on approval of the Appointments and Remuneration Committee, candidates for positions as Non-Executive Directors and/or Chairmen and Vice-Chairmen without operational roles for the banks and the main non-banking subsidiaries of the Group. Non-Executive Directors are understood to be Directors who are not managers of the Company and its subsidiaries, and who in any case do not perform operating roles within the Group and do not personally perform, even *de facto*, functions relating to the management of these banks and companies, it being clarified that: (a) with regard to candidates for appointments as Non-Executive Directors of Banca Popolare di Verona – S.Geminiano e S.Prospiero and Credito Bergamasco, candidates must usually be chosen from amongst residents in the provinces of BPVN's Historic Area, and with regard to Banca Popolare di Verona – S.Geminiano e S.Prospiero, from those who are resident or domiciled (but, in any case, resident in a province of the BPVN's Historic Area) in the Provinces of Veneto and Emilia Romagna; (b) with regard to candidates for appointments as Non-Executive Directors of Banca Popolare di Lodi. and Banca Popolare di Novara, candidates for Banca Popolare di Lodi. must usually be chosen from those who are resident or domiciled in the Provinces of the BPI's Historic Area, and, in the case of Banca Popolare di Novara, usually from those who are resident or domiciled in Piedmont, Liguria and Valle d'Aosta and the adjacent provinces of Lombardy;

- e) Appoints candidates to office on the Board of Statutory of Auditors (statutory and alternate) for the banks and the main non-banking subsidiaries of the Group;
- f) Formulates the guidelines to determine the compensation of the representatives of Group companies, on proposal of the Appointments and Remuneration Committee;
- g) Approves the regulation of information flows with the corporate boards;
- h) May also present its own policy to the Board of Management in order to formulate proposals on the strategic operations listed hereunder regarding the Group as a whole, including with regard to the exercise of management and coordination activities; it also adopts resolutions, as provided below, authorising the Board of Management to undertake such activities. In particular, with regard to and in the interests of Group stability, the Supervisory Board:
  - i) Authorises purchases, sales, assignments or disposals in general (including where undertaken in one or more *tranches*) of stakes, businesses or business divisions, including the block sale or purchase of assets or legal relationships by the Company or by directly or indirectly controlled companies in cases where such transactions have a total value exceeding 5% of the consolidated regulatory capital of the Company as stated in the latest duly approved consolidated financial statements;
  - ii) Authorises investments, disinvestments or the assumption of commitments in general, by the Company and directly or indirectly controlled companies, which involve commitments for the Company of a total value exceeding, for each transaction, 5% of the consolidated regulatory capital of the Company as stated in the latest duly approved consolidated financial statements;
  - iii) Authorises the Company and directly or indirectly controlled companies to enter into commercial, collaboration and/or Shareholders' agreements lasting in excess of three years that involve the assumption of commitments of a total amount exceeding 5% of the consolidated regulatory capital of the Company as stated in the latest duly approved consolidated financial statements;
  - iv) Approves resolutions on mergers and demergers concerning banking companies directly or indirectly controlled by the Company, as well as mergers and demergers concerning other companies where the total value of the transaction exceeds 5% of the consolidated regulatory capital of the Company as stated in the latest duly approved consolidated financial statements;
  - v) Authorises the sale or total or partial assignment to third parties (including, by way of example, the creation of liens or property rights on shares) of stakes held by the Company in Banca Popolare di Verona – S. Geminiano e S. Prospero and/or in Banca Popolare di Lodi and/or in Banca Popolare di Novara;
  - vi) Authorises the casting of votes at Shareholders' Meetings of Banca Popolare di Verona – S. Geminiano e S. Prospero, Banca Popolare di Lodi and Banca Popolare di Novara, convened to approve capital increases by payment or by contribution in kind, or the issue of convertible bonds or warrants, excluding the right of option;
  - vii) Authorises the casting of votes at Shareholders' Meetings of Banca Popolare di Verona – S. Geminiano e S. Prospero, Banca Popolare di Lodi and Banca Popolare di Novara convened to



decide on the merger, transformation, demerger, early dissolution, amendment of the Company purpose, changes to the Company name or transfer of the registered office outside the province of Verona, Lodi or Novara (as applicable), amendments to provisions of the Articles of Association regarding the composition and appointment of management and control bodies, the transfer of the banking enterprise or of a substantial part thereof to third parties not belonging to the banking enterprise's Group or the transfer outside the provinces of Verona, Lodi or Novara (as applicable) of either the General Office, if any, or of the Central Office.

- viii) Authorises resolutions of the Board of Management regarding the issue of hybrid debt instruments, excluding resolutions necessary to ensure conformity with the instructions of the Supervisory Authority on matters of stability;
- ix) Authorises changes to the organisational structure of the Group when such changes significantly and structurally affect the pre-existing organisational structure;
- i) Formulates proposals for the Board of Management regarding the appointment and removal of the Managing Director and the granting, amendment or revocation of their powers;
- j) Expresses its favourable opinion on the issue of new shares, on the existence of legal requirements and requirements as per the Articles of Association for the admission of a Shareholder to the Company, on the convocation of Extraordinary Shareholders' Meetings and on meetings called to appoint or remove Supervisory Board members;
- k) Expresses its opinion on the appointment and removal of the manager responsible for preparing the Company's accounting documents pursuant to Article 154-*bis* of the Consolidated Finance Act and on the definition of their powers, methods and compensation; on the existence of legal requirements and requirements as per the Articles of Association for the exclusion of a Shareholder from the Company; without prejudice to the provisions of Article 41.3, letter e), of the Articles of Association regarding remuneration, incentive and loyalty schemes for the Group's management, employees or groups of employees, ensuring that such systems take account of risk containment policies and are consistent with the long-term objectives and internal audit systems of the Company and the Group;
- l) Expresses its opinion on the appointment, removal, powers and remuneration of the General Manager or General Managers and the top managers of the Company, including the Heads of the Internal Audit Department, the Compliance Managers and the Heads of the Risk Management Department;
- m) Approves, without prejudice to the provisions of Article 20, paragraph 3, no. 3 of the Articles of Association, the financial statement and the consolidated financial statement; formulates the proposal for the distribution of profits for submission to the Shareholders' Meeting pursuant to the Civil Code, as well as the dividend policies of Group companies; authorises treasury share purchase plans;
- n) Approves its own general regulations, those provided by Article 32.3 of the Articles of Association and those concerning its information flows;
- o) Formulates guidelines on expenditure and social accountability policies for the purposes of welfare, charity and public interest, in accordance with the provisions of Article 4-*bis* of the Articles of Association, ensuring compliance with these policies;

- p) Appoints and removes the Chairman and Board of Management members on the proposal of the Appointments and Remuneration Committee, by the majorities described in Article 41.5 of the Articles of Association;
- q) Determines, on the proposal of the Appointments and Remuneration Committee and without prejudice to the provisions of Article 20, paragraph 3, No. 6, of the Articles of Association, remuneration for Board of Management members, including those occupying particular posts, and approves remuneration policies for employees and contractors who are not directly employed by the Company;
- r) Decides on the establishment or closure of branch offices;
- s) Decides on share capital reductions in the event of the withdrawal of a Shareholder;
- t) Approves proposals to amend the Articles of Association to be submitted to the Shareholders' Meeting and decides on the adaptation of the Articles of Association to legal provisions;
- u) Exercises the powers indicated in Article 151-*bis* of the Consolidated Finance Act under the terms and provisions established therein. Such powers may be exercised on an individual basis, including by individual Supervisory Board members. Requests for information addressed in writing to the Board of Management, must adequately specify the subject matter of the information requested. In the event that the request originates from a Control Committee member, it can also be made during the meeting of the Board of Management at which the member participates, in accordance with the provisions of the appropriate regulations provided in Article 32.3 of the Articles of Association;
- v) Brings liability actions against Board of Management Members;
- w) Reports, in writing, to the Shareholders' Meeting convened pursuant to Article 2364-*bis* of the Civil Code on supervisory activities undertaken, omissions and unlawful acts, and to any other Shareholders' Meeting convened in ordinary or extraordinary session in relation to matters that it considers within the scope of its responsibilities;
- x) Approves policies concerning cultural initiatives and the image of the Company and the Group, with special reference to the promotion of historical, archaeological and artistic heritage, verifying that the planned activities are consistent with the objectives assumed;
- y) Approves the notice provided by Article 103, paragraph 3 of Consolidated Finance Act;
- z) Exercises any other power provided for by the regulations in force at that time or by the Articles of Association.

*Procedures for appointing the Supervisory Board*

The Supervisory Board comprises 20 Directors appointed by the Shareholders' Meeting from among the Shareholders with the requisite professionalism, good character and independence set forth by law and the applicable regulations, of whom:

- i. 8 shall be chosen from among Shareholders residing in the provinces of Lombardy (other than Brescia, Bergamo and Mantua), Tuscany, Liguria, Lazio, Abruzzo, Sicily and the province of Bologna (Imola area) ("**BPI's Historic Area**").

- ii. 12 shall be chosen from among the Shareholders residing outside of BPI's Historic Area, in particular the provinces of Veneto, Emilia – Romagna (other than Bologna, Imola area), Piedmont and Valle d'Aosta (“**BPVN's Historic Area**”)

In any event, at least (i) 5 Directors shall always be chosen from among Shareholders residing or domiciled in the province of Lodi, and in any case residing in a province of BPI's Historic Area; (ii) 5 from among Shareholders residing or domiciled in the province of Verona, and in any case residing in a province of BPVN's Historic Area; and (iii) 3 from among Shareholders residing or domiciled in the province of Novara, and in any case residing in a province of Piedmont or Valle d'Aosta.

Furthermore, at least three Directors must be enrolled in the register of auditors held by the Ministry of Justice and must have practised as certified auditors for at least three years. At least eight Directors must meet the independence requirements provided for by Borsa Italiana's code of self-governance.

The requirements for enrolment in the register of auditors and the independence requirement under Borsa Italiana's code of self-governance may be met by the same Director.

The Minority Director is appointed in accordance with the relevant legal and regulatory provisions. The application of the provisions of Articles 39.2 to Article 39.4 of the Articles of Association must, in any case, allow for at least one Director to represent Minority Shareholders that are not connected, even indirectly, with the Shareholders that presented or voted for the list that won the most votes, pursuant to the applicable regulations at the time. To this end, where necessary, the candidate who obtained the lowest quotient to be elected shall be replaced by the candidate who attained the next lowest quotient who was on the list and is in possession of the characteristics indicated above.

The requirements established at the first paragraph of Article 39.1 of the Articles of Association for the presentation by Shareholders of the lists of candidates apply insofar as they are compatible with the legal and regulatory provisions in force at the time.

The Supervisory Board Members shall remain in office for three financial years, their term of office expiring at the date of the subsequent Shareholders' Meeting provided for by paragraph two of Article 2364-*bis* of the Civil Code, and they may be re-elected.

Supervisory Board Members are elected on the basis of lists submitted directly or, together with the Supervisory Board, by at least 500 Shareholders with voting rights, irrespective of the total percentage of share capital they hold, or by Shareholders who, individually or jointly, hold a stake representing at least 0.50% of the Company's share capital.

Under penalty of inadmissibility:

- a) Candidate lists must be arranged in numerical sequence and, on penalty of invalidity, must be submitted at the Company's registered office at least fifteen days before the date of the first convocation of the Shareholders' Meeting. In order to provide evidence of the number of shares necessary to present the lists, Shareholders must sign the list and present a copy of the certificates issued in accordance with the applicable laws and regulations in force. The signature of each presenting Shareholder must be certified as required by law or the Shareholder must sign before a duly authorised employee of the Company or of the Group banks;

- b) In accordance with the provisions of Article 38.1.1 of the Articles of Association, in the event that five Supervisory Board members are to be elected, lists shall provide for the first candidate on the list to be designated among Shareholders residing in BPVN's Historic Area (residing or domiciled in the province of Verona), the second in BPI's Historic Area (residing or domiciled in the province of Lodi), the third in BPVN's Historic Area (residing or domiciled in the province of Novara), the fourth in BPI's Historic Area and the fifth in BPVN's Historic Area. In the event that ten Supervisory Board Members are to be elected, the first candidate on the list shall be designated among Shareholders residing in BPVN's Historic Area (residing or domiciled in the province of Verona), the second in BPI's Historic Area (residing or domiciled in the province of Lodi), the third in BPVN's Historic Area (residing or domiciled in the province of Novara), the fourth in BPI's Historic Area, the fifth and sixth in BPVN's Historic Area, the seventh in BPI's Historic Area, the eighth in BPVN's Historic Area, the ninth in BPI's Historic Area and the tenth in BPVN's Historic Area;
- c) Each Shareholder may present and vote for one single list of candidates, including when voting by proxy or through a fiduciary company. Shareholders belonging to the same company group and Shareholders who adhere to a Shareholders' agreement regarding shares in the Company may not present or vote for more than one list, including when voting by proxy or through a trust company; Each candidate may be presented in one list only, on penalty of ineligibility;
- d) Lists must contain at least two names and, in any case, a number of candidates equal to the number of Directors to be elected.
- e) Together with each list and within the same term provided for their submission, candidates must provide exhaustive information on their personal and professional characteristics together with their declarations of acceptance of candidature, declaring under their own responsibility that there are no grounds for ineligibility and incompatibility, that they meet the requirements prescribed by law, regulations and self-governance provisions for the office of Supervisory Board members, and indicating the administration and control offices held in other companies.

In the event that on the date of expiry of the term indicated above, only one list is submitted, or lists are presented by Shareholders that on the basis of the applicable regulations in force at the time are deemed to be connected, the Company shall immediately make an announcement, sent to the market management company and at least two press agencies, and then proceed in accordance with the law.

In the event that more than one list is presented, on conclusion of the voting process, Supervisory Board Members representing the majority of members to be elected, and belonging to the list which received the most votes, shall be elected first, on the basis of the progressive order in which they are listed.

Subsequently, and until the total number of Directors to be elected is reached, the other candidates will be elected, drawn proportionally from all the lists that have received votes. To this end, the votes received by each list are successively divided by one, two, three, four and so on according to the number of Directors still to be elected, except for votes obtained from the majority list that are divided into two, three, four and so on, according to the remaining number of Directors to be elected. The quotients thus obtained are progressively assigned to candidates of each of the said lists still not elected pursuant to the provisions of the preceding paragraph, according to the order of each respective list. The quotients thus assigned to the candidates in the various lists are ranked in a single list of decreasing order: the candidates with the highest quotients shall be elected in addition to the Directors already elected pursuant to the preceding paragraph.

Without prejudice to the foregoing, in order to comply with the provisions of Articles 38.1.1 and 38.1.2 of the Articles of Association concerning the composition of the Supervisory Board and the origin of its members, if by applying the above criteria a candidate obtaining the quotient entitling them to be elected, in accordance with the order of the list to which they belong, does not reside in the reference area in accordance with the sequence defined in Article 39.1 letter (b) of the Articles of Association, the following candidate belonging to the same list and residing in the required area shall be elected, provided that if, by applying the above criteria it is not possible to complete the number of Directors to be elected, the additional mechanism described herein shall be applied.

Should more than one candidate obtain the same quotient, the candidate who belongs to the list from which no other or the least Directors have been elected shall be elected.

In the event that no list has yet elected a Director or all lists have elected the same number of Directors, within said lists the candidate belonging to the list that received the most votes shall be elected. In the event of a tie of votes and quotients, a second ballot of the entire Shareholders' Meeting shall be held, and the candidate who receives the simple majority of votes shall be elected, without prejudice to the provisions of Articles 38.1.1 and 38.1.2 of the Articles of Association on the composition of the Supervisory Board and the origin of its members.

If, following voting, an insufficient number of Directors who meet the independence requirements established by applicable laws or regulations and/or the requirements of Articles 38.1.1, 38.1.2 and 38.1.3 of the Articles of Association are elected, the candidate receiving the lowest quotient and who does not meet the above requirements shall be excluded. The excluded candidate shall be replaced by the following candidate possessing the necessary requirements on the same list as the excluded candidate. If necessary, this procedure shall be repeated until all Directors have been elected. In the event that, having adopted the above criteria, it has not been possible to complete the number of Directors, the remaining Directors shall be elected by the Shareholders' Meeting, by the resolution adopted by the simple majority on the proposal of Shareholders present, without prejudice to compliance with the provisions of Articles 38.1.1 and 38.1.2 of the Articles of Association on the composition of the Supervisory Board and the origin of its members.

### ***21.2.3 Rights and privileges connected to the shares***

At the Prospectus Date, the Issuer has only issued ordinary shares. Pursuant to Article 17 of the Articles of Association, the shares are registered and cannot be pledged or placed under any other lien without authorisation from the Board of Management.

Pledges and any other liens are only enforceable towards the Company after they have been recorded in the shareholders' register. In any event, in cases of pledge or usufruct of shares, the voting rights at the Shareholders' Meetings are reserved for the Shareholder.

Shares are transferable by the methods established by law. Until a share transferee is admitted as a registered Shareholder, it may only exercise economic rights.

As the Company is a co-operative bank, each share owned does not represent a voting right. Rather, those Shareholders with voting rights pursuant to the provisions of the Articles of Association may exercise only one vote each, irrespective of how many shares they hold.

By contrast, interests in the Company's equity and profits are proportionate to the amount of shares held. In the event that the 0.50% limit provided for in Article 30 of the Consolidated Banking Act is exceeded and the surplus shares are not disposed of within one year of the complaint, property rights accrued until the transfer of the shares shall be acquired by the bank. For further information on profit sharing and the dividend policy, please see Section One, Chapter XX, Paragraph 20.7, of this Prospectus.

#### ***21.2.4 Provisions on amendments to Shareholders' rights, as provided for in the Articles of Association or by law***

The Articles of Association do not include any special condition for amending Shareholders' rights, other than those set forth by law. Pursuant to Article 14 of the Articles of Association, Shareholders may withdraw in all cases permitted by law.

Pursuant to Article 2437 of the Civil Code, Shareholders who did not approve resolutions on the following issues have the right to withdraw:

- Amendment of the corporate object, where this allows for a significant change in the Company's activities;
- Transformation of the Company;
- Transfer the Company's headquarters abroad;
- Revocation of the state of liquidation;
- Removal of one or more of the causes for withdrawal referred to in Article 2437, paragraph 2 of the Civil Code, or in the Articles of Association.
- Amendment of the criteria to determine share value in the event of withdrawal;
- Amendments to the Articles of Association regarding voting or participation rights.

Any agreement intended to remove the right of withdrawal or make it more onerous in the above cases shall be considered null.

Furthermore, pursuant to Article 2437-*quinquies* of the Civil Code, Shareholders who did not approve the resolution leading to the exclusion of shares from the listing also have the right to withdraw.

The withdrawal must see all owned shares and shall confer entitlement to a liquidation for shares in accordance with the procedures indicated at Article 13 of the Articles of Association, unless otherwise provided by law.

#### ***21.2.5 Provisions relating to the Shareholders' Meetings of the Issuer, as provided for in the Articles of Association or by law***

Below are the main provisions of the Articles of Association containing the regulations for the Ordinary and Extraordinary Shareholders' Meetings of the Issuer. For further information, please see the Articles of Association, which are available on the Issuer's website ([www.bancopopolare.it](http://www.bancopopolare.it)) and the applicable laws.

Pursuant to Article 20 of the Articles of Association, the Ordinary Shareholders' Meeting:

- 1) Appoints the number of Supervisory Board Members specified in the Articles of Association and removes them, determines their remuneration and elects a Chairman and Vice-Chairmen, of whom one shall be an Acting Vice-Chairman, in accordance with the procedures indicated in Article 39 of the Articles of Association;
- 2) Establishes the responsibilities of Supervisory Board Members and, pursuant to Articles 2393 and 2409-*decies* of the Civil Code, also establishes the responsibilities of the Board of Management Members, without prejudice to the concurrent competence of the Supervisory Board, pursuant to Article 41.3, letter j) of the Articles of Association;
- 3) Approves the financial statements in the event of non-approval by the Supervisory Board or upon request of at least 1/3 of the Board of Management members or Supervisory Board members;
- 4) Approves the destination and distribution of profits;
- 5) Appoints and revokes the auditing firm;
- 6) Adopts resolutions on the approval of remuneration policies and plans based on financial instruments for the Directors on the Board of Management;
- 7) Establishes the remuneration for particular positions held by Supervisory Board members.
- 8) Adopts resolutions on other matters reserved to its competence by law or by the Articles of Association.

The Extraordinary Shareholders' Meeting shall adopt resolutions on amendments to the Articles of Association, on the appointment, removal, replacement and powers of liquidators and on any other matter reserved to its competence by law and not otherwise provided for in the Articles of Association.

The Shareholders' Meeting shall be held at the Company's registered office or another place in Verona, with the exception of Annual Shareholders' Meetings convened to approve the distribution of year-end profit or loss, the annual appointment of Supervisory Board Members to be elected due to expiry of the term and, within the limits set forth in Article 20 (3), to approve the financial statements. In such cases the meeting shall be held alternately in Verona and in Lodi. Through a resolution adopted with the majority referred to in Article 41.5 of the Articles of Association, the Supervisory Board may convene the aforementioned annual Ordinary Shareholders' Meetings to take place in Verona, Lodi or Novara, including consecutively.

Extraordinary Shareholders' Meetings and Ordinary Shareholders' Meetings other than those indicated in the preceding paragraph are convened and meet at the Company's registered office or at another place in Verona.

The Shareholders' Meeting is convened by the Board of Management whenever it deems it appropriate or, in conformity with the provisions of Article 2367 of the Civil Code, upon written request from at least 1/20 of the Shareholders with voting rights or by the Supervisory Board in accordance with Article 151-*bis* of the Consolidated Finance Act. Shareholders' signatures must be certified by a notary or by duly authorised employees of the Company. Entitlement to exercise rights is proven by filing a copy of the certification issued by the intermediary in accordance with the applicable laws and regulations in force.

In the event of resolutions that come within the competence of the Extraordinary Shareholders' Meeting, or that concern the appointment or replacement of Supervisory Board Members, the Meeting is convened by the Board of Management, on approval of the Supervisory Board.

Without prejudice to the power to call meetings established by other provisions of law, the Shareholders' Meeting may also be convened by the Supervisory Board or by at least two of its members, upon prior communication to the Chairman of the Board of Management, in accordance with the law.

In accordance with the methods, terms and limits established by law, no less than 1/40 of the total number of Shareholders with voting rights may file a written request to add further items to the Meeting's agenda, as specified in the relevant notice of meeting. Shareholders' signatures must be certified by a notary or by duly authorised employees of the Company. Entitlement to exercise rights is proven by filing a copy of the certification issued by the intermediary in accordance with the applicable laws and regulations in force.

The Ordinary Shareholders' Meeting must be convened at least once per year, not later than 120 days after the end of the financial year.

The Shareholders' Meeting is convened at the locations specified in Article 21 of the Articles of Association by way of notice indicating the date, time and place of the meeting, as well as its agenda of topics to be discussed, to be published in conformity with the terms and procedures provided for by the applicable laws in force, in at least one national daily newspaper.

The notice of meeting may also provide for a third call of the Extraordinary Shareholders' Meeting.

In order to attend a Shareholders' Meeting and to exercise voting rights, Shareholders must have been listed in the Shareholders' register for at least 90 days.

Holders of voting rights may participate in Shareholders' Meetings in accordance with the applicable laws and regulations in force, provided that at least 2 business days prior to the date of the first convocation, the Company has received notification from the intermediary appointed pursuant to Article 2370 of the Civil Code and any other legal and regulatory provisions.

A Shareholder is entitled to one vote only, irrespective of the number of shares held.

A Shareholder may be represented pursuant to written proxy granted to another Shareholder entitled to participate in the Shareholders' Meeting, provided the latter is not a Supervisory Board member or Board of Management member, a Company employee, a member of the administrative or auditing boards, an employee of companies directly or indirectly controlled by the Company, and that the other grounds for incompatibility established by law do not apply to him/her.

Proxies are only valid for one Shareholders' Meeting and related calls only, and cannot be granted without indicating the name of the proxy.

Ordinary and Extraordinary Shareholders' Meetings are valid at the first call when at least 1/10 of Shareholders with voting rights are present, either personally or by proxy.

At the second and third call, an Ordinary Shareholders' Meeting is valid irrespective of the number of Shareholders in attendance. An Extraordinary Shareholders' Meeting is valid when at least 1/200 of Shareholders with voting rights are present, either personally or by proxy.



Resolutions are approved by an absolute majority of votes; in the event of a tied vote, the proposal is considered rejected. Only resolutions concerning appointments to Company positions are adopted by relative majority.

In any event, and without prejudice to any other mandatory legal provisions, resolutions concerning or involving a change to the Company name or the Company's purpose, the transformation of the Company, the transfer of its registered offices, the early dissolution of the Company, the abrogation or amendment of Article 21 of the Articles of Association, the removal or amendment of rules governing the following three matters must be adopted with the favourable vote of at least 1/50 of all Shareholders with voting rights: (i) the competences and composition of the Supervisory Board and the Board of Management, (ii) procedures for the appointment of Supervisory Board members and Board of Management members, and (iii) the amendment or abrogation of this sentence, and/or of the decision-making quorum established herein.

However, resolutions regarding or involving a change to the Company name, or regarding the amendment of regulations governing (i) the competences and composition of the Supervisory Board and the Board of Management and (ii) procedures for the appointment of Supervisory Board members and Board of Management members, shall require the favourable vote of 1/100 of all Shareholders with voting rights if the proposal to amend the Articles of Association has been approved by the Supervisory Board with the favourable vote of 2/3 of its members.

Voting shall take place by non-secret vote.

Resolutions to be adopted in order to comply with directives issued by supervisory authorities for the purposes of stability, or those concerning amendments to the Articles of Association necessary in order to render them compliant with mandatory legal or regulatory directives, must be passed by an absolute majority of the Shareholders' Meeting. In such cases, the provisions of the last paragraph of Article 41.5 of the Articles of Association shall apply to resolutions coming within the competence of the Supervisory Board.

#### ***21.2.6 Provisions of the Articles of Association that could delay, postpone or prevent amendments to the Issuer's control structure***

In accordance with Article 30, paragraph 1, of the Consolidated Banking Act, each Shareholder is entitled to one vote only, irrespective of the number of shares held.

In accordance with Article 30, paragraph 2, of the Consolidated Banking Act, no Shareholder in a co-operative bank may hold shares in the Company exceeding 0.50% of the share capital. As soon as Banco Popolare detects that the said limit has been exceeded, it shall notify the Shareholder of the violation. Excess shares must be disposed of within one year of the complaint, after which the relevant property rights accrued until their disposal are acquired by Banco Popolare itself.

In accordance with Article 30, paragraph 3, of the Consolidated Banking Act, the aforementioned prohibition does not apply to undertakings for collective investment in securities, for which the limits established in each of their own regulations are held valid.

Banco Popolare's status as a co-operative bank regulated by Article 29 of the Consolidated Banking Act provides that all decisions on whether to accept applications for admission as a Shareholder shall be made by the Board of Management of Banco Popolare, on with the prior favourable opinion of the Supervisory Board. See the provisions of Article 10 of the Articles of Association regarding this matter.

**21.2.7 Obligations to inform the public of significant stakes**

The Articles of Association of Banco Popolare do not provide any special provisions on obligations to provide information on holdings in the Issuer's share capital. The obligation to inform the public of the number of shares held applies to stakes above the level established by law.

**21.2.8 Changes to the share capital**

The Articles of Association of the Issuer do not provide any conditions regarding changes to the share capital and the rights associated with the shares that are more restrictive than the provisions of the law.

## **CHAPTER XXII – IMPORTANT CONTRACTS**

Except as described in Section One, Chapter V, Paragraph 5.1.5 and Chapter XX, Paragraph 20.9 of this Prospectus, in the two years preceding the Prospectus Date, the Group has not entered into any important contracts other than those concluded within the normal course of its business.

At the Prospectus Date, the Issuer and the Group companies have not entered into any important contracts, other than those contracts entered into within the normal course of their business, which contain provisions pursuant to which these entities have assumed an obligation or claimed a significant right for the Group.

## **CHAPTER XXIII – INFORMATION FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTERESTS**

### **23.1 Expert reports**

Excluding the market sources indicated in the Summary Note in Section One, Chapter VI of the Prospectus and the reports of the Independent Auditors, this Prospectus does not contain any opinions or reports attributed to experts.

### **23.2 Information from third parties**

This Prospectus does not contain any further information from third parties, other than the information indicated in above paragraph 23.1.

## **CHAPTER XXIV – DOCUMENTS AVAILABLE TO THE PUBLIC**

As long as the Prospectus is valid, copies of the following documents can be consulted at the registered offices of the Issuer and the website of the Issuer ([www.bancopopolare.it](http://www.bancopopolare.it)), as well as the website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)):

- Memorandum of Association of the Issuer;
- Articles of Association of the Issuer;
- 2009 Annual Financial Report, accompanied by the Independent Auditors' report;
- 2008 Annual Financial Report, accompanied by the Independent Auditors' report;
- 2007 Financial Statements, accompanied by the Independent Auditors' report;
- Interim Report on operations as at 30 September 2010. The Independent Auditors' report is attached to the Prospectus;
- 2010 Half-Year Report, accompanied by the Independent Auditors' report.

**CHAPTER XXV – INFORMATION ON EQUITY HOLDINGS**

For further information regarding this Chapter, please see Section One, Chapter VII, Paragraph 7.2, of this Prospectus.

**SECTION TWO**

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**CHAPTER I – PARTIES RESPONSIBLE**

**1.1 Parties Responsible for the Prospectus**

See Section One, Chapter I, Paragraph 1.1 of the Prospectus.

**1.2 Declaration of responsibility**

See Section One, Chapter I, Paragraph 1.2 of the Prospectus.

## **CHAPTER II – RISK FACTORS**

For a detailed description of the risk factors specific to the Issuer, the market in which it operates and the financial instruments involved in the Offering, see Section One, Chapter IV of the Prospectus.

## CHAPTER III – FUNDAMENTAL INFORMATION

### 3.1 Declaration regarding working capital

Pursuant to Regulation 809/2004/EC and in light of the definition of working capital – as the means whereby the Issuer obtains the liquid resources necessary for satisfying maturing bonds – contained in the “Recommendations for uniform implementation of the regulations of the European Commission on information prospectuses” of the CESR (Committee of European Securities Regulators), the Issuer considers that the working capital is sufficient for meeting its current needs and those of the Group for the 12 months after the Prospectus Date.

### 3.2 Own funds and indebtedness

The following table shows total direct deposit and net interbank deposits at 30 September 2010.

<b>TOTAL FUNDING AND NET INTERBANK</b>	<b>30/09/2010</b>
Due to customers	49,995,498
Debt securities issued	24,025,916
Financial liabilities designated at fair value through profit and loss	28,058,968
<b>Total direct funding</b>	<b>102,080,382</b>
Due to banks	10,094,199
Due from banks	8,205,539
<b>Net interbank</b>	<b>-1,888,660</b>

<b>GROUP EQUITY</b>	<b>30/09/2010</b>
(thousands of Euros)	
Capital	2,305,736
Share premium reserve	4,880,038
Reserves	2,601,095
Treasury shares	-30,944
Valuation reserve	-16,928
Equity instruments	1,483,145
Net income (loss) for the period for the Group	467,078
<b>Total</b>	<b>11,689,220</b>

The Issuer represents that on 31 October 2010, except as described above with reference to indebtedness, there have been no significant changes in the information regarding own funds and indebtedness.

For further information on the Banco Popolare Group’s own funds and indebtedness, refer to Section One, Chapter X, of the Prospectus.

### 3.3 Interests of individuals and legal entities participating in the Offering

The Issuer is not aware of any significant interests by individuals or legal entities with regard to the Offering.

### 3.4 Reasons for the Offering and use of the proceeds

The Capital Increase is aimed at strengthening the capital resources of the Banco Popolare Group, at the same time affording the Group the possibility of positioning itself favourably in the market and seizing opportunities deriving from future economic growth.

The proposed Capital Increase would, in fact, allow the group to strengthen capital ratios, which on 30 June 2010 stood at 6.1% in terms of the Core Tier 1 Ratio, at 7.6% in terms of the Tier Ratio and at 10.3% in terms of the Total Capital Ratio.

The proposed strengthening of capital will contribute to put the Group in a position to meet needs deriving from future repayment of the Tremonti Bonds for EUR 1.45 billion, which repayment the Issuer believes could take place, if the Offering is successful, during the first half of 2011.

In addition, the increase in capital coefficients as a result of the Capital Increase will enable the Group to get ahead on compliance with the stricter capital requirements for banks in the process of being introduced (Basel III).

Additionally, by consolidating its capital profile, Banco Popolare would also manage to strengthen its competitive position within the domestic financial market. The availability of adequate capital resources is a condition for being able to further increase Banco Popolare's penetration in areas covered by its Network Banks. A higher capital profile would in fact allow for enhancing the Group's competitiveness, improving its market position.

The achievement of the proposed strengthening of capital will give more flexibility in determining whether to convert the POC, which would be for all purposes an additional buffer of usable capital given a not altogether favourable macroeconomic context or new, stricter regulatory requirements. This is also in consideration of the outcome of actions underway concerning the possible disposal of non-core assets.

The net proceeds of the Offering, in the event of full subscription, are estimated at approximately EUR 1.939 million. The overall amount of expenses, including the commissions of guarantee associations, is estimated at approximately EUR 49 million.

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## CHAPTER IV – INFORMATION REGARDING FINANCIAL INSTRUMENTS

### 4.1 Information regarding BP Shares

#### 4.1.1 Description of BP Shares

The BP Shares that are the object of the Offering are the maximum 1,122,980,404 BP Shares, with regular right and enjoyment, deriving from the Capital Increase.

The BP Shares will have ISIN Code IT0004231566, i.e. the same ISIN code assigned to the Banco Popolare ordinary shares currently outstanding and will be issued with coupon no. 5 onwards.

The Option Rights for the subscription of BP Shares are assigned ISIN code IT0004677206.

#### 4.1.2 Law on the basis of which the BP Shares shall be issued

The BP Shares will be issued according to Italian law.

#### 4.1.3 Characteristics of the BP Shares

The BP Shares shall be registered, freely transferable, with no nominal value, with regular enjoyment as of the date of their issuance and subject to the dematerialisation rules set forth in Article 83-*quinquies* and Article 83-*sexies* of the Consolidated Finance Act and the respective regulations for implementation and shall be admitted to the centralised management system managed by Monte Titoli.

#### 4.1.4 Issue currency

The BP Shares will be denominated in Euro.

#### 4.1.5 Description of the BP Shares

The BP Shares will have the same characteristics and will confer the same administrative and property rights as the Banco Popolare shares outstanding on the date of their issuance.

Banco Popolare shares are admitted to listing on the MTA. The BP Shares shall be traded electronically as provided for by Article 2.4.1 of the Stock Exchange Regulations, on the same market where Banco Popolare shares are traded at the time of issuance.

Specifically, the BP Shares are ordinary, registered, freely transferable and indivisible, and they confer on each shareholder, regardless of the number of BP Shares owned, a single vote at the Issuer's ordinary and extraordinary shareholders' meetings.

Summarised below are some provisions of the Articles of Association relative to acquiring the status of Shareholder and the property rights associated with the BP Shares. The Articles of Association are incorporated in the Prospectus by way of reference, pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation 809/2004/EC, and are available to the public at the registered office, as well as on the website [www.bancopopolare.it](http://www.bancopopolare.it).

#### Acquisition of the status of Shareholder

Pursuant to Articles 7 and 8 of the Articles of Association, individuals may be admitted as Shareholders, with the exception of those prohibited, disqualified, bankrupt or who have borne a conviction entailing

prohibition, albeit temporarily, from public office. Legal entities, companies of any type, consortia, associations and other collective entities may acquire status as shareholders of the Company, provided that they appoint an individual authorised to represent them in writing.

Pursuant to Article 9 of the Articles of Association, anyone who intends to become a Shareholder must exhibit a written document to the Board of Management containing the general identifying particulars, address, citizenship and any other information and/or declaration required by law or required by the Company in general. For purposes of admission as a Shareholder, submission of certification attesting to ownership of at least 150 shares shall be required, reservation made of the Supervisory Board's option to reduce that limit by a maximum of 50% for less well-off classes and for predetermined periods.

Pursuant to Article 10 of the Articles of Association, refusal of admission as a Shareholder for anyone who is regularly the owner of Company shares shall only have the effect of not allowing for the exercise of rights other than property rights.

Pursuant to Articles 10 and 11 of the Articles of Association, status as a Shareholder is acquired, following notice to the interested party of the admission resolution, with entry in the register of Shareholders.

#### Economic rights

Pursuant to Article 52 of the Articles of Association, the net profit resulting from the approved financial statements is to be allocated to legal reserve, within the limits provided for, in a portion of no less than 10% to the statutory reserves and in any lower portion to other reserves created voluntarily.

The remaining profit shall be allocated, by resolution of the Shareholders' Meeting, to the shareholders as a dividend, or to possibly create and/or increase other reserves or provisions however named or for other purposes defined by the Shareholders' Meeting.

During the year, the distribution of interim dividends may be resolved in compliance with applicable regulatory provisions.

Classes of shares other than ordinary shares do not exist.

#### **4.1.6 Resolutions and authorisations**

The Extraordinary Shareholders' Meeting of the Issuer held on 11 December 2010 resolved, among other things, to:

- (i) grant the authority to the Board of Management, pursuant to Article 2443 of the Civil Code, to increase the share capital, upon a favourable opinion by the Supervisory Board, for consideration and in *tranches*, one or more times, within a period of 24 months from the date of this resolution, in an overall maximum divisible amount of EUR 2 billion, including any share premium, by issuing ordinary shares to be offered for payment in option to shareholders and bondholders of the "Banco Popolare 2010/2014 4.75%" convertible bond, with all the broadest authority for the Board of Management to stipulate, from time to time, observing the abovementioned limits, the methods, terms and conditions of the transaction, including the issue price for the new shares (including any premium) and enjoyment; the issue price, if the conditions allow, may be equal to the theoretical ex right price (TERP) of the ordinary shares of Banco Popolare, calculated according to current methodologies and based on the arithmetic mean of the official prices posted in a period of at least 3 stock market days prior to the determination of the issue price and discounted to the extent to be stipulated by the Board

of Management based on prevailing market conditions at the time of the actual launch of the transaction, market quotes for the ordinary Banco Popolare share, as well as market practice for similar transactions; subject to, in any case, observance of the minimum implied accounting value after the capital increase of EUR 2.00;

- (ii) grant the Management Board and through it to the Chairman and to the Managing Director, including severally, each and every broad power to see to what is necessary for the implementation of the resolutions, as well as for performing the necessary formalities in order for all the resolutions adopted to obtain legal approval and in general all that is pertinent for complete execution of the said resolutions, with each and every power necessary and appropriate for such purpose, none excluded or excepted, including that of making any non-substantial nature amendments, corrections or addenda to the resolutions as necessary for recording at the Register of Companies, including in relation to any instructions for the Supervisory Authority, including the tasks of filing the articles of association updated in relation to the execution of the capital increase at the competent Register of Companies;

On 14 December 2010, the Issuer's Board of Management, in performance of the power conferred, resolved, upon the Supervisory Board's favourable opinion, among other things, to increase the share capital as follows: (A) the increase of the share capital will take place for an overall amount of EUR 2,000,000,000 (two billion), including any premium, by the issuance for consideration of ordinary shares with regular enjoyment to be offered in option to those who are shareholders of the Company on the start date of the subscription period, proportionately to the number of shares owned and/or under the same terms and conditions to holders of the convertible "Banco Popolare 2010/2014 4,75%" bond based on the conversion ratio provided for in Article 5, paragraph two, of the POC regulations, more specifically, the increase will take place for an overall amount of EUR 2,000,000,000 (two billion) or for the immediately lower overall amount determined by the Board of Management for the sole purposes of achieving the exact ratio due as an option, with the issuance of a number of shares and a nominal amount to be identified by the Board of Management – in the forms referred to in the last paragraph of Article 2443 of the Civil Code – taking into account, among other things, that the price that will be established by the Board of Management for each share, in observance of the authority from the shareholders' meeting, and, in any case, subject to compliance with the minimum implicit accounting value post execution of the capital increase of EUR 2.00; (B) the unit issue price of the shares, the number thereof and any other characteristic of the increase, not definitely established at today's meeting, shall be approved by the Board of Management at a meeting to be called in the days immediately prior to the start of the offer in option or, in the event of issuance of the shares in several tranches, at several meetings to be called in the days immediately prior to the start of each offer in option, upon the favourable opinion of the Supervisory Board, and in the manner referred to in Article 2443, last paragraph, of the Civil Code, it being noted that at such time(s), the implicit accounting value of the shares post execution of the capital increase and the option ratio will be determined, as will the deadline for subscription of the newly issued shares, with the specification that, if not fully subscribed by the date or dates thus set, the capital shall nevertheless be understood to be increased by an amount equal to the subscriptions gathered.

On 12 January 2010, the Board of Management, upon a favourable opinion by the Supervisory Board, thus resolved to: (i) increase the share capital by a maximum overall amount of EUR 1,987,675,315.08 in a single *tranche* to be entirely allocated to the share capital, by the issuance of a maximum of 1,122,980,404 BP Shares and (ii) establish the option ratio of 7 BP Shares for every 5 Banco Popolare ordinary shares and/or Convertible Bonds held.

*Adjustments and corrections of financial instruments issued by Banco Popolare*

With reference to the Banco Popolare stock grant plan, no adjustments have been made to the number of shares assigned to beneficiaries (see Article 13 of the respective regulations).

With reference to the Tremonti Bonds, it is noted that the prospectus signed by the Ministry of Economy and Finance for the issuance of the securities provided that “*if an event occurs during the life of the Securities such that Borsa Italiana S.p.A. publishes an adjustment coefficient to be applied to derivatives traded on the IDEM market having the share as underlying, the Conversion Ratio shall be modified by the application of the same coefficient announced by Borsa Italiana S.p.A.*”. (“**coefficient K**”).

#### **4.1.7 Date of issuance of the BP Shares**

The BP Shares subscribed by the end of the Offer in Option will be credited to the accounts of the intermediaries belonging to the centralised management system managed by Monte Titoli at the end of the accounting day on the last day of the Option Period and therefore they will be available by the next following settlement day.

The BP Shares subscribed by the end of the Offer on the Stock Exchange will be credited to the accounts of the intermediaries belonging to the centralised management system managed by Monte Titoli at the end of the accounting day on the last day of exercise for the Option Rights and will therefore be available from the next following settlement day.

#### **4.1.8 Restrictions on the free transferability of BP Shares**

There are no restrictions on the free transferability of the BP Shares under the law, the Articles of Association or deriving from the conditions of issue.

#### **4.1.9 Public tender offers and/or residual offers**

As from the time of subscription of the BP Shares, the Shares will be subject to the rules provided for in the Consolidated Finance Act (TUF) and the respective regulations for implementation, including the Regulations for Issuers, on financial instruments listed and traded on regulated markets, with special reference to the rules set forth on the subject of mandatory tender offers (Article 106 TUF), sell-outs (Article 108 TUF) and squeeze-outs (Article 111 TUF).

#### **4.1.10 Public tender offers on shares of the Issuer in the previous and current year**

In the previous year and in the current year, no public buy-out or exchange offers have been tendered on Banco Popolare ordinary shares, nor has the Issuer ever acquired the status of tenderer in such transactions.

#### **4.1.11 Tax treatment of the Shares**

The information described below summarises certain aspects of the tax treatment specific to the acquisition, holding and disposal of the BP Shares, pursuant to current Italian tax laws and relative to specific classes of investors.

The following is not intended as an exhaustive analysis of all the tax consequences of the acquisition, holding and disposal of the BP Shares for all possible classes of investors.



The tax treatment specific to the acquisition, holding and disposal of the BP Shares, described below, is based on current law and existing practice on the Prospectus Date, notwithstanding the fact that these remain subject to possible changes that could even have retroactive effects and is therefore a mere introduction to the subject.

Investors are accordingly urged to consult their advisors on the tax treatment specific to the acquisition, holding and disposal of the BP Shares and to verify the nature and origin of the sums received as distributions on such shares of the Issuer (dividends or reserves).

#### ***A) Definitions***

For purposes of this Paragraph 4.1.11 the terms defined shall have the meaning shown below.

“**Shares**”: the BP Shares of the Issuer;

“**Disposal of Qualified Holding**”: disposal of shares, other than savings shares, rights or securities whereby shares can be acquired, which exceed the limits within a time period of twelve months, for Qualified Investment status. The twelve-month time period runs as of the time when the securities and rights held represent a percentage of voting rights or equity interest greater than the above limits. For rights or securities whereby investments can be acquired, the percentage of voting rights or equity interest potentially associated with the investments are taken into account;

“**Unqualified Investments**”: shareholdings in companies listed on regulated markets other than Qualified Holdings;

“**Qualified Investments**”: shareholdings in companies listed on regulated markets consisting of the possession of investments (other than savings shares), rights or securities, whereby the said investments can be acquired, which represent overall a percentage of voting rights exercisable at ordinary shareholders’ meetings greater than 2% or a stake or equity interest greater than 5%.

#### ***B) Tax treatment of dividends***

The dividends allotted to Shares of the Issuer shall be subject to the tax treatment normally applicable to dividends paid by public limited companies residing in Italy for tax purposes.

The following different methods of taxation are provided for different classes of recipients.

##### *(i) Individuals residing in Italy for tax purposes not engaging in business activity*

Dividends paid to individuals, residing in Italy for tax purposes, on shares owned outside of engaging in business and constituting Unqualified Investments, entered in the centralised deposit system managed by Monte Titoli (such as the Issuer’s shares), are subject to alternate tax at the rate of 12.50%, with compulsory compensation, pursuant to Article 27-ter, Presidential Decree (D.P.R.) no. 600 of 29 September 1973 (“**DPR 600/1973**”); there is no obligation for shareholders to include dividends collected on their income tax return. This alternate tax is applied by the resident parties at which the securities are deposited, belonging to the centralised deposit system managed by Monte Titoli, as well as by means of a tax representative appointed in Italy (specifically a bank or a securities brokerage firm resident in Italy, a permanent establishment in Italy of non-resident banks or investment firms, or a centralised financial instrument management company authorised pursuant to Article 80 of the TUF), by non-resident parties (depositories) that belong to the Monte Titoli System or to foreign centralised deposit systems belong to the Monte Titoli System.

Following the entry into force of Legislative Decree no. 213 of 24 June 1998 on the dematerialisation of securities, this method of taxation is the treatment ordinarily applicable to shares traded on Italian regulated markets, such as the Issuer's shares.

Dividends paid to individuals residing in Italy for tax purposes on shares owned outside of engaging in business and constituting Qualified Investments are not subject to any tax withholding or alternate tax on the condition that at the time of receipt, the beneficiaries declare that the profits collected are from holdings pertaining to Qualified Investments.

These dividends are considered partially in the shareholder's overall taxable income.

The Decree of the Minister of Economy and Finance of 2 April 2008 ("**Ministerial Decree of 2 April 2008**") – implementing Article 1, paragraph 38 of Law no. 244 of 24 December 2007 ("**2008 Finance Law**") – redetermined the percentage for consideration as income at 49.72%. This percentage applies to dividends made up of profits generated by a company as of the year after the current one at 31 December 2007. The previous percentage for consideration as income, equal to 40%, remains in force for profits generated until the current year at 31 December 2007. In addition, as of the distribution resolutions subsequent to the one concerning the profit for the current year at 31 December 2007, for purposes of taxing the recipient, the dividends distributed are considered as made up primarily of profits generated by the company until that date.

*(ii) Individuals residing in Italy for tax purposes not engaging in business activity who hold holdings under asset management rules*

Dividends paid to individuals residing in Italy for tax purposes on shares owned outside of engaging in business and constituting Unqualified Investments, included in an asset management account kept at an authorised broker, with regard to which the option is exercised for the asset management rules set forth in Article 7 of Legislative Decree no. 461/1997, are not subject to any tax withholding or alternate tax and are considered in the accrued annual operating profit, subject to alternate tax of 12.50%.

*(iii) Individuals residing in Italy for tax purposes engaging in business activity*

Dividends paid to individuals residing in Italy for tax purposes on shares of the company are not subject to any tax withholding or alternate tax on the condition that at the time of receipt, the beneficiaries declare that the profits collected are from holdings pertaining to the business activity. These dividends are considered partially in determining the shareholder's overall taxable income. Ministerial Decree of 2 April 2008 – implementing Article 1, paragraph 38 of the 2008 Finance Law – redetermined the percentage to be considered for the determination of income at 49.72%. This percentage is applied to dividends made up of profits generated by the company as of the year subsequent to the current year at 31 December 2007. The previous percentage for consideration as income, equal to 40%, remains applicable for profits generated until the current year at 31 December 2007. In addition, as of the distribution resolutions after the one concerning the profits for the current year at 31 December 2007, for purposes of the recipient's taxation, the dividends distributed are considered as primarily made up of profits generated by the company until that date.

*(iv) General partnerships, simple commandite partnerships, simple partnerships and the like as referred to in Article 5 of Presidential Decree no. 917 of 22 December 1986 (hereinafter the "**TUIR**"), (including organisations without legal entities made up of individuals for associations of artists and professionals)*

*companies and entities as referred to in Article 73, paragraph one, letters a) and b), residing for tax purposes in Italy*

Dividends received by general partnerships, simple commandite partnerships and simple partnerships and the like as referred to in Article 5 of the TUIR, companies and entities referred to in Article 73, paragraph one, letters a) and b) of the TUIR, or by a public limited company or private company limited by shares, limited-liability companies, public and private entities with the exclusive or primary object of engaging in commercial activities (so-called commercial entities), residing for tax purposes in Italy are not subject to any tax withholding or alternate tax in Italy and considered in the determination of the recipient's overall taxable income, to be subject to taxation according to the ordinary rules, under the following terms:

1. distributions in favour of IRPEF (individual income tax) taxpayers (general partnerships, simple commandite partnerships, simple partnerships) are considered partially in the determination of the recipient's overall taxable income; Ministerial Decree of 2 April 2008 – implementing Article 1, paragraph 38 of the 2008 Finance Law – redetermined the percentage to be considered in the determination of income at 49.72%. This percentage is applied to dividends made up of profits generated by the company as of the year after the current one at 31 December 2007. The previous percentage for consideration in the determination of income, equal to 40%, remains applicable to profits generated until the current year at 31 December 2007. In addition, as of the resolution distributions subsequent to the one concerning the profit for the current year at 31 December 2007, for purposes of the recipient's taxations, the dividends distributed are considered primarily as made up of products generated by the company until that date.
2. Distributions in favour of IRES (corporate income tax) taxpayers (public limited companies, limited-liability companies, private companies limited by shares and commercial entities) are considered in determining the recipient's overall taxable income limited to 5% of the amount thereof, or for the entire amount if from securities held for trading by taxpayers that apply IAS/IFRS international accounting standards.

For some types of companies and under certain conditions, the dividends obtained are also considered in determining the relative net value of production, subject to the regional tax on production activities (IRAP).

*(v) Entities referred to in Article 73(1), letter: c) of the TUIR, residing for tax purposes in Italy*

Dividends received by the entities referred to in Article 73, paragraph one, letter c) of the TUIR, or public and private entities residing for tax purposes in Italy other than companies without the exclusive or main object of engaging in commercial activities, are not subject to any tax withholding or alternate tax in Italy and are considered in determining the overall income subject to IRES limited to 5% of the amount thereof.

*(vi) Exempt parties*

For shares, such as the Shares issued by the Issuer, entered in the centralised deposit system managed by Monte Titoli, the dividends received by residents exempt from corporate income tax (IRES) are subject to alternate tax at a rate of 27% applied by the resident party (belonging to the centralised deposit system managed by Monte Titoli) at which the Shares are deposited or by a tax representative appointed in Italy by the non-resident party (depository) belong to the Monte Titoli System or to foreign centralised deposit systems belonging to the Monte Titoli System.

*(vii) Italian pension funds and Italian UCITS*

The profits received by (a) Italian pension funds subject to the rules referred to in Article 17, Legislative Decree no. 252 of 5 December 2005 (“**Decree 252**”), and (b) Italian undertakings for collective investment in transferable securities subject to the rules set forth in Article 8, paragraphs 1 to 4 of Legislative Decree 461/1997 (“**UCITS**”), are not subject to tax withholding or to alternate tax. Such profits are to be considered, according to ordinary rules, in determining the overall accrued annual operating profit subject to alternate tax at the rate of 11%, for the aforesaid pension funds, and at a rate generally of 12.5% for UCITS. With reference to unit investment trusts or investment companies with variable capital (SICAV) residing in Italy with at least 100 participants – except in the event that the units or shares of the aforesaid entities held by qualified investors, other than individuals, are greater than 50% – alternate tax of 12.50% applies to the portion of the operating profit other than that attributable to “qualified” investments (which, to the contrary, are subject to alternate tax of 27%). For these purposes, capital or equity interests with voting rights in companies traded on regulated markets greater than 10% are considered “qualified” (in computing this percentage, rights, whether representative of securities are not, which allow for acquiring capital or equity interests with voting rights are to be considered).

*(viii) Italian real estate investment trusts*

Pursuant to Decree Law no. 351 of 25 September 2001 (“**Decree 351**”), passed into law with amendments by Law no. 410 of 23 November 2001 and as a result of the amendments made by Article 41-*bis* of Decree Law no. 269 of 30 September 2003, passed into law with amendments in Law 326/2003 (“**Decree 269**”), distributions of profits received by real estate investment trusts incorporated pursuant to Article 37 of the TUF or Article 14-*bis* of Law no. 86 of 25 January 1994 (“**Law 86**”), are not subject to tax withholding or to alternate tax and do not discount any tax for such funds.

*(ix) Parties not residing for tax purposes in Italy that hold Shares through a permanent establishment within the country*

The distribution of profits received by parties not residing in Italy that hold the investments through a permanent establishment in Italy to which the investments is actually connected, are not subject to any withholding in Italy nor to alternate tax and they are considered in determining the overall income of the permanent establishment to be subject to tax according to ordinary rules at 5% of the amount thereof, or for the entire amount if relative to securities held for trading by parties that apply IAS/IFRS international accounting standards. If the distributions are attributable to a holding not connected to a permanent establishment in Italy of the non-resident recipient, please see what is set forth in the next paragraph.

*(x) Parties not residing for tax purposes in Italy that do not hold Shares through a permanent establishment within the country*

Dividends deriving from shares or similar securities entered in the centralised deposit system managed by Monte Titoli (such as the Issuer’s shares), received from parties not residing for tax purposes in Italy, devoid of a permanent establishment within the country to which the holding is attributable are subject, in theory, to alternate tax of 27%, reduced to 12.50% for profits paid on savings shares, pursuant to Article 27-*ter* of Presidential Decree no. 600/1973. This alternate tax is applied by resident parties at which the securities are deposited belonging to the centralised deposit system managed by Monte Titoli, as well as by a tax representative appointed in Italy (specifically a bank or securities brokerage firm residing in Italy, a permanent establishment in Italy of non-resident banks or investment companies, or a centralised financial

instrument management company authorised pursuant to Article 80 of the TUF), by non-resident parties belonging to the Monte Titoli System or to foreign centralised deposit systems belonging to the Monte Titoli System.

Shareholders not residing in Italy for tax purposes, other than holders of savings shares, are entitled to reimbursement, in view of a reimbursement request to be submitted according to the legal conditions and time periods, up to the amount of 4/9 of the alternate tax incurred in Italy pursuant to Article 27-ter, of the tax that they demonstrate having paid abroad on a final basis on the same profits, upon exhibition of the respective certification from the foreign tax office to the competent Italian tax authorities.

As an alternative to the abovementioned reimbursement, parties residing in countries where conventions to avoid double taxation are in force may request the application of the alternate tax on dividends to the (reduced) extent provided for by the convention applicable from time to time. For this purpose, parties at which shares are deposited, belonging to the centralised deposit system managed by Monte Titoli, must obtain the following in a timely manner:

- a declaration from the non-resident party that is the actual beneficiary of the profits, showing the said party's identifying particulars, the existence of all the conditions to which the application of the convention-related rules is subject and any elements necessary for determining the amount of the rate applicable pursuant to the convention;
- a certification from the competent tax authority of the country where the actual beneficiary of the profits resides, showing residence in the said country pursuant to the convention.

This certification shall be effective until 31 March of the year after in which it was submitted.

The Italian Financial Administration has agreed furthermore with the financial administrations of some foreign countries on a special form aimed at ensuring more efficient and easier reimbursement or partial or complete exemption from the tax withholding applicable in Italy. If the documentation is not submitted to the depositary before the dividends are put up for payment, alternate tax is applied at a rate of 27%. In that case, however, the actual beneficiary of the dividends may request reimbursement from the Financial Administration of the difference between the alternate tax applied and the rate applicable pursuant to the convention by means of a specific reimbursement request, accompanied by the documentation mentioned above, to be submitted according to the legal terms and conditions.

In the event that the recipients and beneficiaries of the dividends are companies or entities (i) that reside for tax purposes in one of the Member States of the European Union or in one of the Member States of the Agreement on the European Economic Area and included in the list to be prepared with the appropriate Decree of the Ministry of Economy and Finance pursuant to Article 168-bis of the TUIR and (ii) subject there to corporate income tax, such parties may benefit from the application of an alternate tax on dividends at the reduced rate of 1.375% of the respective amount. Until the said Decree is issued by the Ministry of Economy and Finance, Member States of the Agreement on the European Economic Area relevant for purposes of the application of the tax at the abovementioned rate of 1.375% are those included in the list referred to in the Decree of the Finance of 4 September 1996 as subsequently amended. Pursuant to Article 1, paragraph 68 of the 2008 Finance Law, the alternate tax of 1.375% is applied only to dividends deriving from profits made as of the year after the current one on 31 December 2007. For purposes of the application of alternate tax at the rate of 1.375%, non-resident beneficiaries must make a specific timely request to the

share depositary required to withhold the alternate tax, accompanied by a suitable certification of residence and tax status issued by the competent authorities in the country to which they belong.

In the event that the recipients and beneficiaries of the dividends are pension funds incorporated in one of the Member States of the European Union or in one of the Member States of the Agreement on the European Economic Area and included in the list to be prepared with a specific Decree of the Ministry of Economy and Finance pursuant to Article 168-*bis* of the TUIR, such parties may benefit from the application of the alternate tax on dividends at the reduced rate of 11% of the respective amount. Until the said Decree is issued by the Ministry of Economy and Finance, Member States of the Agreement on the European Economic Area relevant for purposes of the application of the tax at the abovementioned rate of 11% are those included in the list referred to in the Decree of the Ministry of Finance of 4 September 1996 as subsequently amended. For purposes of the application of the alternate tax at the rate of 11%, non-resident pension funds must submit a specific timely request to the share depositary required to withhold alternate tax, accompanied by suitable documentation.

Pursuant to Article 27-*bis* of Presidential Decree 600/1973, approved in the implementation of Directive no. 435/90/EEC of 23 July 1990, in the event that dividends are received by a company (a) that is in one of the forms provided for in the annex to the said Directive no. 435/90/EEC, (b) that is a resident for tax purposes in a Member State of the European Union without being considered, pursuant to a convention on dual taxation of income with a third State, as residing outside of the European Union, (c) that is subject, in the State of residence, without the possibility of making use of option or exemption regimes that are not limited territorially or by time, to one of the taxes indicated in the annex to the said Directive and (d) that holds a direct stake in the Issuer of no less than 10 per cent of the share capital, for an uninterrupted period of at least one year, that company is entitled to request reimbursement from the Italian tax authorities of the alternate tax applied to the dividends received by it. For that purpose, the non-resident company must produce certification, issued by the competent tax authorities in the foreign State, attesting to the fact that the non-resident company meets the abovementioned requirements, as well as the documentation attesting to the existence of the abovementioned conditions. In addition, as clarified by the Italian tax authorities, upon the occurrence of the abovementioned conditions and as an alternative to the submission of a reimbursement request after distribution of the dividend, provided that the minimum period of one year for holding the stake in the Issuer has already elapsed at the time of the distribution of the said dividend, the non-resident company may request directly from the depositary intermediary the non-application of the alternate tax by submitting to the intermediary in a timely manner the same documentation mentioned above. With regard to non-resident companies that are direct or indirect subsidiaries of parties not residing in States of the European Union, the abovementioned rules for reimbursement or non-application of the alternate tax may be invoked only subject to the said companies demonstrating that they were not incorporated for the exclusive or primary purpose of benefiting from the rules in question.

Dividends belonging to international entities or organisations enjoying tax exemption in Italy by law or under international agreements enforceable in Italy are not subject to alternate tax.

*(xi) Distribution of reserves pursuant to Article 47, paragraph five, of the TUIR*

The information provided in this Paragraph summarises the tax rules applicable to distribution by the Issuer – at a time other than a reduction of excess capital, withdrawal, exclusion, redemption or liquidation – of Capital Reserves as referred to in Article 47, paragraph five, of the TUIR, or, among other things, of reserves or other provisions created with issue premiums, with matching interest paid by subscribers, with

contributions made by shareholders to sinking funds or capital accounts or with tax-exempt monetary revaluation balances (hereinafter also “**Capital Reserves**”).

- (a) Individuals not engaging in business activity residing in Italy for tax purposes

Regardless of shareholders’ meeting resolutions, the sums received by individuals residing in Italy for tax purposes not engaging in business activity as a distribution of capital reserves are profits for the recipients within the limits and to the extent that there are earnings for the year and retained earnings for the distributing company (except for the portion thereof set aside as eligible for holdover tax relief). Depending on whether holdings that are unqualified and/or unrelated to the company are involved, sums qualified as earnings are subject to the same rules as mentioned above for dividends. Sums received as distribution from Capital Reserves, minus any amount qualifiable as earnings, based on what was stated above, reduce the cost recognised for tax purposes of the holding by the same amount. It follows that, at the time of subsequent disposal, the taxable capital is calculated from the difference between the sale price and the cost recognised for tax purposes of the holding reduced by an amount equal to the sums received as distribution from capital reserves (net of any amount that may be qualified as earnings). According to the interpretation made by the Financial Administration itself, the sums received as distribution from Capital Reserves constitute earnings for the portion in excess of the cost for tax purposes of the holding, being subject to the rules described above for dividends.

- (b) General partnership, simple commandite partnership and the like as referred to in Article 5 of the TUIR, associations, companies and entities referred to in Article 73, paragraph one, letters a) and b) of the TUIR and individuals engaging in business activity, residing for tax purposes in Italy

For individuals engaging in business activity, general partnerships, simple commandite partnerships and the like (excluding simple partnerships) as referred to in Article 5 of the TUIR, companies and entities referred to in Article 73, paragraph one, letters a) and b) of the TUIR, residing for tax purposes in Italy, the sums received as distribution from Capital Reserves constitute earnings within the limits and to the extent that there are earnings for the year and retained earnings (except portions thereof set aside for holdover tax relief) of the company making the disbursement. Sums qualified as earnings must be subject to the same rules as described above for dividends. Sums received as distribution from Capital Reserves, net of any amount that qualifies as earnings, reduce the cost recognised for tax purposes of the holding by the same amount. Sums received as distribution from Capital Reserves constitute capital gains for the portion in excess of the cost for tax purposes of the holding and as such are subject to the rules described in Paragraph C below.

- (c) Italian pension funds and Italian UCITS (investment funds and investment companies with variable capital)

Based on a systematic interpretation of the rules, the sums received by UCITS (investment funds, investment companies with variable capital) and Italian pension funds subject to the rules set forth in Article 17 of Decree 252 as distribution from Capital Reserves must be considered in determining the accrued net operating profit for the tax year in which the distribution took place, subject to alternate tax generally of 12.50% (11% in the case of the said pension funds). Even the value of the holdings at the end of the said tax year must be included in the calculation of the annual operating profit. With reference to resident unit investment trusts or investment companies with variable capital with at least 100 participants – except for the case in which the units or shares of the said organisations held by

qualified investors other than individuals are greater than 50% – the alternate tax of 12.50% applies on the portion of operating profit other than that attributable to “qualified” holdings (which, to the contrary, is subject to alternate tax of 27%). For these purposes, capital or equity interests with voting rights in companies traded on regulated markets greater than 10% are considered “qualified” (in computing this percentage, rights, whether represented by securities or not, which allow for acquiring capital or equity interests with voting rights are taken into account).

- (d) Parties not residing for tax purposes in Italy devoid of permanent establishments within the country

For parties not residing in Italy for tax purposes (whether individuals or corporations), devoid of a permanent establishment in Italy to which the holding is attributable, the tax nature of the sums received as distribution from Capital Reserves is the same as that described for individuals residing for tax purposes in Italy. As per what was described for individuals and corporations residing for tax purposes in Italy, the sums received as distribution from Capital Reserves, net of any amount that may qualify as earnings, reduce the cost recognised for tax purposes of the holding by an equal amount.

- (e) Parties not residing for tax purposes in Italy equipped with a permanent establishment within the country

Relative to non-resident parties that hold the holding through a permanent establishment in Italy to which the holding is actually connected, such sums must be considered in the determination of the income of the permanent establishment according to the tax rules provided for the companies and entities referred to in Article 73, paragraph one, letters a) and b) of the TUIR, residing in Italy for tax purposes.

If the distribution from Capital Reserves derives from a holding not connected to a permanent establishment in Italy of the non-resident recipient, please refer to what was stated in the previous Paragraph under (d).

### ***C. Tax rules for capital gains deriving from the disposal of shares***

- (i) Individuals residing for tax purposes in Italy not engaging in business activity*

Capital gains, other than those obtained in engaging in commercial businesses, made by individuals residing in Italy by the disposal for consideration of equity interests, as well as of securities or rights whereby the said interests can be acquired, are subject to different tax rules depending on whether it is a Disposal of Qualified Holdings or not.

#### Disposal of Qualified Holdings

Capital gains deriving from the Disposal of Qualified Holdings obtained outside of engaging in commercial businesses by individuals residing for tax purposes in Italy must be considered in determining the taxable income of the recipient partially. Ministerial Decree of 2 April 2008 – implementing Article 1, paragraph 38 of the 2008 Financial Law – redetermined the percentage to be considered in determining income at the rate of 49.72%. This percentage applies to capital gains made as of 1 January 2009. The previous percentage to be considered in determining income, equal to 40%, continues to apply for capital gains from acts of realisation carried out prior to 1 January 2009, but for which payment is received in whole or in part as of the same date. For such capital gains, taxation takes place at the time of the annual income tax return.



### Unqualified Holdings

Capital gains, not obtained in engaging in commercial businesses, made by individuals residing in Italy for tax purposes through disposal for consideration of holdings (as well as securities or rights through which holdings can be acquired) that do not qualify as Disposal of Qualified Holdings are subject to alternate tax of 12.5%. The taxpayer may choose one of the following methods of taxation:

- (a) Taxation based on the income tax return. The capital gains and losses made during the year are to be indicated in the return. Alternate tax of 12.5% is determined at that time on the capital gains net of the respective losses and is paid within the deadlines provided for the payment of income tax owed based on the return. Excess losses, provided that they are stated on the income tax return, may deducted up to the amount of the respective capital gains of the same nature made in subsequent tax years, but not beyond the fourth one. The criterion of the return is compulsory in the event that the party does not choose any of the two regimes mentioned in items (b) and (c) below.
- (b) Asset administration regime (optional). This regime may apply subject to (i) the Shares being deposited at resident banks or securities brokerage firms or other resident parties identified with specific ministerial decrees and (ii) the shareholders chooses (with signed notice sent to the broker) the asset administration regime referred to in Article 6 of Legislative Decree no. 461/1997. In the event that the party chooses that regime, alternate tax at the rate of 12.5% is determined and paid at the time of the individual disposal by the intermediary at which the shares are deposited in custody or under administration on each capital gain made. Any losses may be offset in the same account computing the amount computing the amount of losses as a decrease up to the amount of the capital gains made in subsequent transactions carried out during the same tax year or in subsequent tax years, but not beyond the fourth. If the custody or administration account is closed, any losses may be deducted, no later than the fourth tax year after realisation, from the capital gains made in another asset administration account in the name of the same parties in which the original account or deposit was in, or they may be deducted on the income tax return. If the asset administration regime is chosen, the taxpayer is not required to include the said capital gains and/or losses on their income tax return.
- (c) Asset management regime (optional).

A precondition for the choice of this regime (as referred to in Article 7 of Legislative Decree no. 461/1997) is the conferral of an asset management mandate to an authorised broker. Under this regime, alternate tax of 12.5% is applied by the broker at the end of each tax year on the increase in the value of assets managed accrued during the tax year, even if not received, net of income subject to withholding, exempt income or in any case not subject to tax, income that must be considered in determining the taxpayer's overall income, proceeds deriving from units of Italian unit investment trusts subject to alternate tax as referred to in Article 8 of Legislative Decree 461/1997. Under the asset management regime, capital gains on Unqualified Holdings must be considered in determining the increase in assets managed accrued during the tax year, subject to alternate tax of 12.5%. The negative operating profit obtained during a tax year may be computed as a decrease against operating profit for the next for tax years for the entire amount allowable in each of them. If the management account is closed, the negative operating profit accrued (appearing on a specific certification issued by the manager) may be deducted, no later than the fourth tax year after which they accrued, from the capital gains made in another account to which the asset management regime applies, or used (in the allowable amount) in another account for which the asset management regime has been chosen, provided that the account or deposit

in question is in the name of the same parties that the original account or deposit was in, or they may be deducted by the same parties in the income tax return, according to the same rules applicable to excess losses as mentioned in item (a) above. In the event of choosing the asset management regime, the taxpayer is not required to include capital gains and/or losses in his income tax return.

*(ii) Individuals engaging in business activity, general partnerships, and simple commandite partnerships*

Capital gains made by individuals engaging in business activity, general partnerships, simple commandite partnerships and the like as referred to in Article 5 of the TUIR by disposal for consideration of shares must be considered for the full amount in determining the taxable business income, subject to taxation in Italy according to ordinary rules. As clarified by the Financial Administration, negative income elements made by individuals engaging in business, general partnerships, simple commandite partnerships and the like as referred to in Article 5 of the TUIR by disposal for consideration of Shares are fully deductible from the disposing party's taxable income. However, if the conditions set forth in items (a), (b), (c) and (d) of the paragraph below are met, capital gains must be considered partially in determining taxable business income. Ministerial Decree of 2 April 2008 – implementing Article 1, paragraph 38 of the 2008 Financial Law – redetermined the percentage to be considered in determining income at 49.72%. This percentage applies to capital gains made as of 1 January 2009. Losses made on holdings with the requirements set forth in items (a), (b), (c) and (d) of the paragraph below are deductible partially similarly to what is provided for the taxation of capital gains.

For purposes of determining capital gains and losses relevant for tax purposes, the cost for tax purposes of the shares disposed is assumed net of the depreciation deducted in previous tax years.

*(iii) Companies and entities referred to in Article 73(1), letters a) and b), of the TUIR*

Capital gains made by the companies and entities referred to in Article 73(1), letters a) and b), of the TUIR, or by public limited companies and private companies limited by shares, limited-liability companies, public and private entities with the exclusive or primary object of engaging in commercial activity, by the disposal for consideration of Shares must be considered in their full amount in determining the taxable business income. However, pursuant to Article 87 of the TUIR, capital gains made on shares in companies and entities indicated in Article 73 of the TUIR need not be considered in determining taxable income in that they are 95% exempt if the said shares meet the following requirements:

- (a) uninterrupted possession as of the first day of the twelfth month prior to the one in which the disposal took place, considering the shares or units most recently acquired as the ones disposed of first;
- (b) classification under financial fixed assets on the first financial statements prepared during the period of possession;
- (c) tax residence of the company held in a State or territory mentioned in the Decree of the Minister of Economy and Finance issued pursuant to Article 168-*bis* of the TUIR, or, alternately, demonstration, following exercise of an appeal according to the terms of paragraph 5, letter b) of Article 167 of the TUIR, that from the start of the period of possession, no effect was obtained from the holdings of localising income in States or territories other than those identified in the same decree pursuant to Article 168-*bis* of the TUIR;

- (d) the subsidiary company engages in a commercial business according to the definition set forth in Article 55 of the TUIR; however, this requirement is not relevant for holdings in companies with securities traded on regulated markets.

At the time of realising the capital gains, the requirements mentioned in items (c) and (d) must exist without interruption at least from the start of the third tax year prior to the said realisation. Disposals of shares or units belonging to the financial fixed assets class and those belong to the current assets class are to be considered separately with reference to each class. Given the abovementioned requirements, losses made on the disposal of holdings are not deductible from business income.

For purposes of determining capital gains and losses relevant for tax purposes, the cost for tax purposes of the shares disposed of is assumed net of depreciation deducted in previous tax years. Losses and negative differences between income and costs on shares that do not meet the requirements for exemption are not relevant up to the non-taxable amount of dividends, or their interim amounts, received during the thirty-six months prior to their realisation/obtainment. This provision (i) applies with reference to shares acquired in the 36 months prior to realisation/obtainment, provided that the conditions set forth in items (c) and (d) above are met, but (ii) it does not apply to taxpayers that prepare financial statements based on the international accounting standards mentioned in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002.

With regard to losses deductible from business income, it must also be noted that, pursuant to Article 5-*quinqüies*, paragraph 3, of Decree Law no. 203 of 30 September 2005, passed into law as amended by Law no. 248 of 2 December 2005, if the amount of the said losses deriving from transactions on shares traded on regulated markets is greater than EUR 50,000.00, including as a result of several transactions, the taxpayer must notify the Revenue Agency of the transaction dates and notices. The details of the notices that are to be reported, in addition to the terms and procedural methods for such reports, are contained in the Revenue Agency regulation of 29 March 2007 (published in Official Gazette no. 86 of 13 April 2007). In the event of a lacking, incomplete or untruthful report, the losses made will not be deductible for tax purposes.

For purposes of the deductibility of capital losses – as a result of the provisions of Article 1, paragraph 4, of Decree Law No. 209 of 24 September 2002 – it is also to be recalled that with regard to capital losses in an overall amount greater than EUR 5,000,000.00, deriving from the disposal of equity investments comprising financial fixed assets other than those meeting the requirements provided for the application of the participation exemption rules (Article 87, paragraph 1, TUIR), made also as a result of several acts of realization, the Revenue Agency must be informed of the dates and notices (as provided for in the Revenue Agency Regulation of 22 May 2003) necessary for purposes of allowing for ascertainment of the conformity of the disposal transactions with the provisions of Article 37-*bis* of Presidential Decree No. 600/1973. It is noted that Article 1, paragraph 62, of Law No. 244 of 2007 has stipulated that, for taxpayers who prepare financial statements based on international accounting standards, as of the 2008 tax year, this reporting obligation does not apply.

For some types of companies and under certain conditions, the capital gains made by the said parties by disposal of shares must be considered also for determining the respective net production value, subject to the regional tax on production activities (IRAP).

*(iv) Entities referred to in Article 73(1), letter. c) of the TUIR, and simple and equalised partnerships, pursuant to Article 5 of the TUIR (including associations without legal entities made up of individual persons for exercising associations for the arts and professions) residing for tax purposes in Italy*

Capital gains made, outside of business activity, by resident non-commercial entities and resident simple partnerships are subject to taxation under the same rules provided for capital gains made by individuals on holdings held on a non-business basis.

*(v) Italian pension funds and Italian UCITS*

Capital gains on shares held by Italian pension funds subject to the regime pursuant to Article 17 of Decree 252 and by UCITS subject to the rules pursuant to Article 8, paragraphs 1 to 4 of Legislative Decree 461/1997 (investment funds and investment companies with variable capital SICAV), are included in the calculation of accrued annual operating profit subject to alternate tax at a rate of 11% for the said pension funds and at a rate generally of 12.5% for UCITS. With reference to resident unit investment trusts or investment companies with variable income with less than 100 participants – except for the case in which the units or shares of the said organisations held by qualified investors, other than individuals, are greater than 50% -- the alternate tax of 12.5% applies on the portion of the operating profit attributable to “unqualified” holdings. On the portion of the operating profit accrued in each year attributable to “qualified” holdings held by the said parties, alternate tax is owed instead at the rate of 27%. For these purposes, capital or equity interests with voting rights in companies traded on regulated markets greater than 10% are considered as “qualified” (in computing this percentage, rights, whether represented by securities or not, allowing for the acquisition of capital or equity interests with voting rights are considered “qualified”).

*(vi) Italian unit investment trusts*

Pursuant to Decree Law 351/2001, and as a result of amendments made by Article 41-*bis* of Decree Law 269/2003, income, including capital gains from the disposal of shares, obtained by unit investment trusts incorporated pursuant to Article 37 of the TUF and Article 14-*bis* of Law 86/1994, are not subject to income tax for the said trusts.

*(vii) Parties not residing in Italy for tax purposes, with a permanent establishment within the country*

For non-resident parties that hold the holding through a permanent establishment in Italy to which the holding is actually connected, the capital gains made by disposal of the holding must be considered in determining the income of the permanent establishment according to the tax rules provided for capital gains made by the companies and entities referred to in Article 73(1), letters a) and b) of the TUIR, residing for tax purposes in Italy. If the holding is not connected to a permanent establishment in Italy of the non-resident party, please see what is stated in the paragraph below.

*(viii) Parties not residing in Italy for tax purposes, devoid of a permanent establishment within the country*

- Unqualified Holdings

Capital gains made by parties not residing in Italy for tax purposes, devoid of a permanent establishment in Italy (through which the holdings are held), deriving from the disposal for consideration of holdings that does not qualify as Disposal of Qualified Holdings in Italian companies traded on regulated markets (such as the Issuer) are not subject to taxation in Italy, even if held there. For purposes of benefiting from this tax exemption in Italy, shareholders not residing in Italy for tax purposes to which the asset administration

regime applies or that have chosen the asset management regime referred to in Articles 6 and 7 of Legislative Decree 461/1997 may be requested by the Italian broker to submit a self-certification attesting to lack of residence in Italy for tax purposes.

- **Qualified Holdings**

Capital gains made by parties not residing in Italy for tax purposes, devoid of a permanent establishment in Italy (through which the holdings are held), deriving from a Disposal of Qualified Holdings must be considered in determining the taxable income in Italy of the recipient according to the same rules provided for individuals residing in Italy not engaging in business activity. Such capital gains are subject to taxation only at the time of the annual income tax return, since they may not be subject either to the asset administration regime or to the asset management regime. The provisions provided for in international conventions against double taxation continue to apply, where applicable, if more favourable. For purposes of benefiting from the most favourable convention-related rules that may apply, shareholders not residing in Italy for tax purposes to which the asset administration regime applies or that have chosen the asset management regime pursuant to Articles 6 and 7 of Legislative Decree 461/1997 may be requested by the Italian broker to submit appropriate documentation, including a certificate of residence issued by the competent foreign tax authorities.

#### ***D. Tax on stock-exchange contracts***

Pursuant to Article 37 of Decree Law no. 248 of 31 December 2007 passed into law by Law no. 31 of 28 February 2008, the tax on stock-exchange contracts pursuant to Royal Decree no. 3278 of 30 December 1923 was repealed.

As a result of the repeal of the tax on stock exchange contracts, under the rules in effect on the date of publication of this Prospectus, instruments involving the trading of securities discount the registration tax as follows: (i) public instruments and authenticated private instruments discount the registration tax in the fixed amount of EUR 168; (ii) private instruments that are not authenticated discount the registration tax in the fixed amount of EUR 168 only in “case of use” or as a result of voluntary registration.

#### ***E. Inheritance and gift tax***

Decree Law no. 262 of 3 October 2006, passed into law as amended by Law no. 286 of 24 November 2006, instituted inheritance and gift tax on transfers of property and rights due to death, donation or without consideration and the creation of restrictions on use. To the extent not provided for by paragraph 47 to 49 and 51 to 54 of Article 2 of Law no. 286 of 2006, the provisions set forth in Legislative Decree no. 346 of 31 October 1990 apply to the extent compatible in the draft in force on 24 October 2001.

For residents, the inheritance and gift tax is applied to all property and rights transferred, wherever they exist. For non-residents, the inheritance and gift tax is applied exclusively to property and rights existing within Italy. In any case, shares of companies that have their legal or administrative headquarters or main object in Italy are considered as existing in Italy.

*a) Inheritance tax*

Pursuant to Article 2, paragraph 48 of Law no. 286 of 24 November, transfers of property and rights due to death are subject to inheritance tax under the following rates to be applied on the overall net amount of the property:

- (i) for property and rights devolving to the spouse and straight-line relatives, the rate is 4%, with a deductible of EUR 1,000,000 for each beneficiary;
- (ii) for property and rights devolving to other straight-line relatives and kinsmen up to the fourth degree, as well as collateral kinsmen up to the third degree, the rate is 6% (with a deductible of EUR 100,000 only for brothers and sisters);
- (iii) for property and rights devolving to other parties, the rate is 8% (with no deductible).

If the beneficiary has a handicap recognised as severe pursuant to Law no. 104 of 5 February 1992, the inheritance tax applies exclusively to the portion of the share or the bequest that exceeds the amount of EUR 1,500,000.

*b) Gift tax*

Pursuant to Article 2, paragraph 49 of Law No. 286 of 24 November 2006, for gifts and acts of transfer without consideration of property and rights and the creation of restrictions of use on property, the gift tax is determined by the application of the following rates to the overall amount of the property and rights net of any costs encumbering the beneficiary, or if the gift was made jointly to several parties or if one single act includes several acts of disposition in favour of different parties, on the overall amount of the shares of property or rights attributable to them:

- (i) in case of a gift or transfer without consideration to the spouse or straight-line relatives, the gift tax applies at a rate of 4% with a deductible of EUR 1,000,000 for each beneficiary;
- (ii) in case of gift or transfer without consideration to other relatives up to the fourth degree and straight-line kinsmen, as well as collateral kinsmen up to the third degree, the inheritance tax [sic] applies at a rate of 6% (with a deductible of EUR 100,000 only for brothers and sisters);
- (iii) in case of a gift of transfer without consideration, the inheritance tax [sic] applies at a rate of 8% (with no deductible).

If the beneficiary has a handicap recognised as severe pursuant to Law no. 104 of 5 February 1992, the gift tax applies exclusively to the portion of the share that exceeds the amount of EUR 1,500,000.

## CHAPTER V – CONDITIONS OF THE OFFER

### 5.1 Conditions and statistics relating to the Offer, expected timetable and subscription methods of the Offer

#### 5.1.1 Conditions which the Offer in Option is subject to

The Offer in Option is not subject to any conditions.

#### 5.1.2 Total amount of the Offer in Option

The Offer for a total maximum value of EUR 1,987,675,315.08 has, as its object, a maximum of 1,122,980,404 BP Shares deriving from the Capital Increase.

The BP Shares will be offered, in option, to the shareholders of the Issuer and to Bondholders at the Offer Price of the BP shares, equal to EUR 1.77 per BP Share, in an option ratio of 7 BP Shares for every 5 Banco Popolare ordinary shares and/or Bonds held.

The table below summarises the principal Offer information.

<b>PRINCIPAL INFORMATION</b>	
Number of BP Shares offered in option	maximum number 1,122,980,404
Option ratio	7 BP shares for every 5 shares and/or Convertible Bonds
Offer Price	EUR 1.77
Total value of the increase in capital	EUR 1,987,675,315.08
Number of Issuer shares in circulation at the Prospectus Date	640,484,006
Number of Issuer shares in case of full subscription of the capital increase	1,763,464,410
Post offer share capital in case of full subscription of the capital increase	EUR 4,293,417,736.68
Percentage of BP Shares of the total of Issuer ordinary shares in case of full subscription	63.68

#### 5.1.3 Validity period of the Offer in Option and subscription methods

The Option Period runs from 17 January 2011 until 11 February 2011 both (inclusive). The Option Rights, which provide the right to subscribe for BP Shares, must be exercised, subject to forfeiture, during the Option Period through depositary intermediaries belonging to the centralised management system that are required to give instructions to Monte Titoli by 3:30 p.m. on the last day of the Option Period. Therefore, subscribers must submit an appropriate subscription request under the terms and conditions that their intermediary has informed them of to ensure observance of the abovementioned deadline.

A facsimile of the subscription form will be also available from the Issuer's offices, on request, for the intermediaries.

The timetable for the Offer is approximate and could be subject to changes if events and circumstances, beyond the control of the Issuer, occur, including volatile conditions in the financial markets, which could adversely affect the successful outcome of the Offer. The public will be notified of any changes during the Option Period through a special announcement to be published through the same methods as the Prospectus.

The subscription form will contain at least the Offer identification elements and the following information, reproduced in a font that it is easy to read:

- (i) the notification that the participant is entitled to receive a free copy of the Prospectus;
- (ii) an express reference to the “Risk Factors” chapter in the Prospectus.

The Option Rights will be negotiable on the Stock Exchange from 17 January 2011 to 4 February 2011, both inclusive.

The Option Rights can be exercised by holders of Banco Popolare ordinary shares and Bondholders, deposited at an authorised intermediary participating to the Monte Titoli management system and the dematerialisation scheme.

Participation in the Offer in Option cannot be subject to any conditions and is irrevocable, except as provided by law.

Option Rights not exercised within the Option Period will be offered by the Company on the Stock Exchange within the month after the end of the Option Period, for at least five days on the open market, pursuant to Article 2441, paragraph 3, of the Civil Code (“**Offer on the Stock Exchange**”). The public will be informed of the opening and closing dates of the period of the Offer on the Stock Exchange through suitable notices.

The Company is not responsible for any delays due to authorised intermediaries in executing the arrangements of applicants in relation to participation in the Offer. The check on the regularity and participation received by authorised intermediaries will be performed by the intermediaries.

The table below contains the approximate timetable for the Offer:

<b>APPROXIMATE TIMETABLE FOR THE OFFER</b>	
Start of the Option Period and trading period for Option Rights	17 January 2011
Last day for trading of Option Rights	4 February 2011
End of Option Period and end of BP Shares subscription	11 February 2011
Notification of Offer results	Within five working days from the end of the Option Period

#### ***5.1.4 Cancellation and suspension of the Offer in Option***

The Offer in Option will become irrevocable on the date the related notice is deposited at the Verona Business Register, pursuant to Article 2441, paragraph 2, of the Civil Code.

If the Offer in Option is not implemented at the terms set out in the Prospectus, the public will be notified, according to the methods pursuant to Article 66, paragraphs 2 and 3, of the Regulations for Issuers, on or before the stock exchange business day prior to the day set for the start of the Option Period and, subsequently, through notice published in at least one national daily newspaper and, at the same time, sent to the Consob.

#### ***5.1.5 Description of the possibility of reducing the subscription and repayment methods for the excess amount paid by the subscribers***

Participants in the Offer are not allowed to reduce their subscription, even partly.



### **5.1.6 Minimum and/or maximum subscription amount**

The Offer in Option is addressed to shareholders of the Company and Bondholders with an option ratio of 7 BP Shares for every 5 Banco Popolare ordinary shares and/or Bonds held.

There are no minimum or maximum subscription quantities.

### **5.1.7 Possibility of withdrawing and/or cancelling the subscription**

Participation in the Offer in Option is irrevocable, except as provided by the law. Subscribers therefore do not have the right to withdraw their subscription for the BP Shares, except in case of revocation pursuant to Article 95-*bis*, paragraph 2 of the TUF, i.e. if a supplement to the Prospectus is published while the Offer is pending pursuant to Article 94, paragraph 7 of the TUF.

### **5.1.8 Methods and terms for payment and delivery of the BP Shares**

Full payment for the BP Shares should be made at the time of actual subscription with the authorised intermediary where the subscription request has been made by exercising the Option Rights. The Issuer has no plans to charge subscribers any additional contributions or expenses.

The BP Shares subscribed by the end of the Option Period will be credited to the accounts of the intermediaries participating in the centralised management system operated by Monte Titoli at the end of the accounting day on the last day of the Option Period and they will therefore be available from the next settlement day.

The BP Shares subscribed by the end of the Offer on the Stock Exchange will be credited to the accounts of the intermediaries participating in the centralised management system operated handled by Monte Titoli at the end of the accounting day on the last day for exercising Option Rights and they will therefore be available from the next settlement day.

### **5.1.9 Publication of the Offer results**

Because this is an offer in option, the entity required to notify the public and the Consob of the results of the Offer is the Issuer.

The results of the Option at the end of the Option Period will be made public within 5 working days from the end of the Option Period, by suitable communication means.

Within the month following the end of the Option Period, pursuant to Article 2441, paragraph 3 of the Civil Code, the Issuer will offer any Option Rights not exercised at the end of the Option Period on the Stock Exchange. By the day prior to the start of any Offer on the Stock Exchange, the number of Option Rights not exercised that will be offered on the Stock Exchange should be published in at least one national daily newspaper, pursuant to Article 2441, paragraph 3 of the Civil Code, along with the dates of the trading sessions on which the Offer on the Stock Exchange will be made.

Notification of the final results of the Offer will take place within five working days of the end of the Offer on the Stock Exchange, pursuant to Article 2441, paragraph 3 of the Civil Code, through a special announcement.

### **5.1.10 Procedure for exercising pre-emption rights, for trading of the Option Rights and for handling Option Rights not exercised**

The Issuer's Articles of Association make no provision for pre-emption rights for BP Shares.

The Option Rights must be exercised, or else they will expire, during the Option Period from 17 January 2011 to 11 February 2011, both inclusive. The Option Rights will be tradeable on the MTA from 17 January 2011 to 4 February 2011, inclusive.

Option Rights not exercised by 11 February 2011, inclusive, will be offered by the Issuer on the MTA pursuant to Article 2441, paragraph 3 of the Civil Code.

## **5.2 Distribution and assignment plan**

### **5.2.1 Offer in Option recipients and markets**

The BP shares will be offered in option to the shareholders of the Issuer and to Bondholders in the ratio of 7 BP Shares for every 5 Banco Popolare ordinary shares and/or Bonds held.

The Offer is promoted exclusively in Italy on the basis of the Prospectus. The Prospectus does not constitute an offer of financial instruments in the United States of America, Canada, Japan and Australia or in other foreign countries in which the Offer is not permitted in the absence of specific authorisation in compliance with the applicable laws or an exemption under the applicable laws (collectively, "**Other Countries**").

In particular, the Offer is not addressed, directly or indirectly, and cannot be accepted, directly or indirectly, in or from the United States of America, Canada, Japan and Australia, as well as in or from the Other Countries, via the services of every regulated market of the United States of America, Canada, Japan and Australia as well as the Other Countries, or via postal services or through any other means of communication or national or international business involving the United States of America, Canada, Japan and Australia, as well as the Other Countries (including, by way of example, and without any limits action, the postal service, fax, telex, electronic mail, telephone and internet and/or any other electronic means or IT support). Similarly, agreements made through these services, means or instruments will not be accepted. Neither the Prospectus nor any other document regarding the Offer will be sent and should not be sent or otherwise forwarded, made available, distributed or transmitted to or from the United States of America, Canada, Japan and Australia, as well as to or from the Other Countries; this restriction also applies to the holders of Banco Popolare shares with an address in the United States of America, Canada, Japan and Australia, as well as the Other Countries, or to persons that the Banco Popolare or its representatives are aware of being fiduciaries, delegates or trustees in possession of BP Shares on behalf of these holders.

Those who receive these documents (including, amongst others, custodians, delegates and fiduciaries) must not distribute, send or transmit any of them in or from the United States of America, Canada, Japan and Australia, as well as in or from the Other Countries, neither via the postal services nor through any other means of communication or national or international business involving the United States of America, Canada, Japan and Australia, or the Other Countries (including, by way of example and without any limitation, the postal system, fax, telex, electronic post, telephone and the internet and/or any other electronic means or IT support).

The distribution, sending or transmission of these documents in or from the United States of America, Canada, Japan and Australia, as well as in or from the Other Countries, or via the services of every regulated

market of the United States of America, Canada, Japan and Australia as well as the Other Countries, or via postal services or through any other means of communication or national or international business involving the United States of America, Canada, Japan and Australia, as well as the Other Countries (including, by way of example and without any limitation, the postal service, fax, telex, electronic mail, telephone and internet and/or any other electronic means or IT support) will not allow acceptance of requests to participate on the Offer on the basis of such documents.

The BP Shares and related Option Rights have not been registered, nor will they be registered pursuant to the United States Securities Act of 1933 as amended, nor pursuant to the regulations in force in Canada, Japan and Australia or in Other Countries and, as a result, they cannot be offered or delivered either directly or indirectly in the United States of America, Canada, Japan, Australia or in the Other Countries.

### ***5.2.2 Commitment to subscribe to BP Shares***

None of the current shareholders of the Issuer or the Bondholders has undertaken to subscribe to the BP Shares that are the object of the Offer in Option.

To the knowledge of the Issuer, none of the shareholders or members of the Board of Management and the Supervisory Board, or the senior managers have expressed any intent as to subscription to the BP Shares to which they are entitled in relation to the shares and Bonds that they own.

### ***5.2.3 Information to be communicated before the assignment***

Given the nature of the Offer, there are no plans to notify the subscribers before the assignment of the BP Shares.

### ***5.2.4 Procedure for notifying subscribers of the amount assigned***

The notification of the assignment of BP Shares will be made by the authorised intermediaries participating in the management system operated by Monte Titoli.

### ***5.2.5 Over-allotment and greenshoe***

This arrangement does not apply to the Offer.

## **5.3 Fixing the Offer Price**

### ***5.3.1 Offering Price***

The Offer Price of the BP Shares is EUR 1.77 for each BP Share and was set by the Board of Management on 12 January 2011. The Issuer does not expect the subscribers to pay any additional charges or expenses.

### ***5.3.2 Reasons for the exclusion of the Option Right***

The BP Shares are offered in option to Banco Popolare shareholders and Bondholders, pursuant to Article 2441, paragraph 1 of the Civil Code, and therefore there are no limitations to the option rights of those who are entitled to them.

### ***5.3.3 Possible difference between the Price of the BP Shares and the price of the shares paid for during the course of the previous year or to be paid by members of the administrative, management and supervisory bodies or by persons closely connected***

Except for purchases made and notified to the market in compliance with the regulations in force and the instructions in the table in Section One, Chapter XVII, Paragraph 17.2 of the Prospectus, as far as the Issuer is aware members of the Board of Management and the Supervisory Board, senior managers and persons closely connected to them have not purchased Company shares, during the course of the previous year, at a price that is different from the Offer Price of the BP Shares.

## **5.4 Placing and Subscription**

### ***5.4.1 Instructions for those responsible for the placement the Offer in Option and placement agents***

Because it is offer in option, there is no placement agent or placement syndicate.

### ***5.4.2 Name and address of the bodies responsible for financial services and depositaries***

The applications for the Offer in Option are collected by authorised intermediaries participating in the centralised management system operated by Monte Titoli.

### ***5.4.3 Subscription commitments***

On 24 October 2010 Mediobanca and Merrill Lynch International signed a pre-guarantee contract, as Joint Global Coordinators and Joint Bookrunners, to guarantee the subscription of BP shares under the usual terms and conditions for this type of transaction and up to a maximum amount of EUR 2 billion. The number of these shares will correspond to any Option Rights that are not exercised at the end of the Offer on the Stock Exchange. Within the guarantee consortium, coordinated and directed by Mediobanca and Merrill Lynch International, Credit Suisse, Deutsche Bank and Goldman Sachs will take the role of Joint Bookrunners, while Banco Santander, Crédit Agricole CIB, Equita SIM, ING, Keefe, Bruyette & Woods, MPS Capital Services, RBC Capital Markets, The Royal Bank of Scotland and Société Générale Corporate & Investment Banking will take the role of Co-Lead Managers.

The guarantee agreement, which will be entered into before the publication of the Prospectus, will be in line with market practice and will include the commitment of the financial institutions taking part in the guarantee consortium (the “**Guarantors**”) to underwrite the BP shares corresponding to any Option Rights that are not exercised at the end of the Offer on the Stock Exchange up to a maximum sum of EUR 2 billion. It will also include the customary clauses governing the effectiveness of the guarantee commitment, and it will give the Joint Bookrunners the right to revoke the guarantee commitment of the Guarantors upon the occurrence of, inter alia, events that could prejudice the successful outcome of the Offering (material adverse change or force majeure), or if there is serious violation by the Company of the commitments undertaken or the representations given in the guarantee agreement.

With the guarantee agreement, the Company will undertake to the Joint Bookrunners, for a period of 180 days as of the date of execution of the agreement, that with the specific exception of (i) transactions resolved and described in Article 6 of the Articles of Association and (ii) mandatory transactions on share capital pursuant to the applicable regulations, it will not make further issues of shares or other financial instruments convertible into shares or that, in any case, give the right to acquire and/or subscribe for shares of the

Company, without the prior written consent of the Joint Bookrunners (which consent may not be unreasonably denied).

**5.4.4 Date on which the subscription and guarantee agreement has been or will be executed**

The guarantee agreement will be executed before the publication of the Prospectus.

## **CHAPTER VI – LISTED MARKET**

### **6.1 Listed markets**

Banco Popolare shares are listed on the MTA.

In accordance with the provisions of Article 2.4.1 of the Stock Exchange Regulation, the BP Shares will be traded electronically on the same market in which the Banco Popolare ordinary shares are negotiated at the time of issue, i.e., the MTA.

### **6.2 Other markets on which the shares or other financial instruments of the Issuer are negotiated**

At the Prospectus Date, the Company's shares and Bonds are not listed on any other regulated market except the MTA.

### **6.3 Contextual private placement of the Offer**

This arrangement does not apply the Offer.

### **6.4 Commitment of the intermediaries in the secondary market operations**

This arrangement does not apply the Offer.

### **6.5 Stabilisation**

There are no plans for any stabilisation activities by the Issuer or anyone instructed by it.

## **CHAPTER VII – SELLING SHAREHOLDERS**

### **7.1 Selling Shareholders**

The BP Shares are offered directly by the Issuer. Therefore, for the information regarding the Company, see the data and information provided in the Prospectus.

### **7.2 Financial instruments offered for sale by each of the Selling Shareholders**

Taking the nature of the Offer into consideration, this arrangement does not apply.

## **CHAPTER VIII – EXPENSES RELATED TO THE OFFER**

### **8.1 Total net proceeds and estimate of total expenses related to the Offer**

The net proceeds from the Capital Increase, if fully subscribed, net of expenses, are estimated to be approximately EUR 1.939 million. The total amount of expenses, including the guarantee commissions, is estimated to be a maximum of approximately EUR 49 million.



**CHAPTER IX – DILUTION****9.1 Amount and percentage of the dilution**

The BP Shares are offered in option to all the shareholders of the Issuer and to all the Bondholders and therefore there are no dilutive effects in terms of percentage stake in the fully diluted share capital (calculated assuming full conversion of the Bonds and full subscription of the Capital Increase) for the Issuer's shareholders and the Bondholders who decide to subscribe to the Offer to the extent entitled. On the other hand, with reference to the percentage in the actually-issued share capital held, the shareholders who decide to subscribe to the Offer for their entire entitlement will suffer a maximum dilution of approximately 12.86% if the Bondholders decide to subscribe in full the Option Rights assigned to them.

The Issuer's shareholders who decide not to subscribe to the Offer could see their investment in the actually-issued capital diluted by a maximum percentage of approximately 63.68%.

On the other hand, taking into consideration the fully-diluted capital percentage holding (calculated with reference to the situation before the Offer, assuming full conversion of the Bonds on the basis of the current conversion ratio and, with reference to the post-Offer situation, assuming full subscription of the Capital Increase), the shareholders and the Bondholders who decide not to subscribe to the Offer for the portion of their entitlement could see their stake in the fully-diluted capital by a maximum percentage of approximately 58.32%.

## **CHAPTER X – ADDITIONAL INFORMATION**

### **10.1 Consultants attached to the issue**

Section Two of the Prospectus does not mention consultants linked to the Offer.

### **10.2 Other information subject to auditing**

Section Two of the Prospectus does not contain additional information to that contained in Section One, which have been audited or subject to limited review.

### **10.3 Expert opinions or reports**

Section Two of the Prospectus does not contain any expert opinions or reports.

### **10.4 Information from third-parties**

Section Two of the Prospectus does not contain any information from third-parties.

## 10.5 Issuer's ratings and financial instruments

The Issuer has been awarded ratings by the following international agencies:

Ratings Agency	Short Term loans	Long Term loans (*) (outlook)	Other ratings
Fitch Ratings	F2 <sup>(48)</sup>	A- <sup>(49)</sup> (negative)	Individual: C <sup>(50)</sup>
Moody's Investors Service	Prime-1 <sup>(52)</sup>	A2 <sup>(53)</sup> (negative)	Support: 2 <sup>(51)</sup>
Standard & Poor's	A-2 <sup>(55)</sup>	A- <sup>(56)</sup> (negative)	BFSR: D+ <sup>(54)</sup> -

(\*) The ratings for long-term loans see senior loans.

The credit ratings awarded to Banco Popolare constitute an evaluation by important rating agencies of the capacity of Banco Popolare to meet its financial commitments, including those relating to debts.

On 7 May 2010, Fitch Rating removed the negative rating watch assigned to the Banco Popolare (placed under observation on 2 November 2009) confirming it at (A-) (which denotes the expectation of a low credit risk) with a negative outlook, and also confirmed the short term rating at F2 (which indicates the capacity of the Issuer to pay its financial commitments in the short-term on time).

On 10 March 2010, Standard & Poor's, the credit rating firm, confirmed the long-term rating of the Banco Popolare Group, which it placed under observation on 17 December 2009, confirming it at (A-) with a negative outlook, and also, confirmed the short term rating at (A-2) (which indicates a satisfactory capacity of the Issuer to meet its financial commitments, although the Issuer is susceptible to adverse economic conditions).

<sup>(48)</sup> According to the Fitch Ratings scale, the rating "F2" indicates that the issuer has the ability to make the payment for their financial commitments in the short-term on time.

<sup>(49)</sup> According to the Fitch Ratings scale, the rating "A" denotes a low credit risk. The ability to pay for financial commitments is considered high, in spite of the fact that this ability could be strongly affected by changes in the economic situation and economic conditions, if related to that of subjects featuring a higher rating. The "-" sign indicates a negative sub-category of category A.

<sup>(50)</sup> According to the "Individual" ratings (specific to banks), a "C" rating indicates a bank that is sufficiently sound, which may, however, have certain critical profiles. There could be some concerns about the capacity to generate profits, the soundness of the balance sheet, the franchise, the management, the operating environment or the prospects.

<sup>(51)</sup> According to the rating "Support" (indicative of the rating of potential guaranteed subjects), the rating "2" indicates a bank where there is a strong probability that it might be guaranteed by third-parties. The potential guarantor is, in turn, given a high rating and has a high propensity to provide a guarantee for the bank in question.

<sup>(52)</sup> According to Moody's Investors Service ratings, the rating "Prime-1" indicates that the issuer has a high capacity to pay their commitments in the short-term.

<sup>(53)</sup> According to Moody's Investors Service ratings, the rating "A" indicates a medium-high credit score with a consequently low credit risk. There are three sub-levels within level A (from the best 1, to the worst 3).

<sup>(54)</sup> According to the BFSR ratings (Bank Financial Strengths Ratings, in other words ratings indicating the financial strength of the banks), the rating "D" indicates a bank with a modest intrinsic financial capacity, which could, at times, require outside support. These instructions may be limited by one or more of the following factors: weak and limited financial basics, insufficient financial basics from one or more aspects or an unpredictable or unstable operating environment. The "+" sign indicates a positive sub-category of category D.

<sup>(55)</sup> According to the ratings of Standard & Poor's, the rating "A-2" indicates that, although the issuer is susceptible to adverse economic conditions, the capacity of the issuer itself to meet its financial commitments is satisfactory.

<sup>(56)</sup> According to the Standard & Poor's ratings, the rating "A" indicates a high capacity of the issuer to meet their financial commitments. However, the issuer is, to some extent, more exposed to the negative effects of changes in the economic climate or conditions, compared with creditors which have a higher credit rating. In any case, the capacity of the creditor to meet their financial commitments remains high. The "-" sign indicates a negative sub-category of category A.

On 1 July 2009 and 28 September 2010, Moody's Investors Service confirmed the A2 rating with a stable outlook in relation to the Issuer's long term debt, as well as the improved payment capacity of the Issuer to pay their commitments in the short term. On 28 September 2010, Moody's Investors Service changed the deposit ratings outlook from "stable" to "negative" and the Bank Financial Strengths Rating (BFSR) was lowered from (C-) to (D+).

## INDEPENDENT AUDITORS' REPORT ON THE INTERIM REPORT AT 30 SEPTEMBER 2010



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**Auditors' review report on the interim condensed consolidated financial statements  
(Translation from the original Italian text)**

To the Management Board of  
Banco Popolare Società Cooperativa

1. We have reviewed the interim condensed consolidated financial statements of Banco Popolare Società Cooperativa and its subsidiaries (the "Banco Popolare Group") as of and for the nine months ended September 30, 2010, comprising the balance sheet, the statement of income, comprehensive income, changes in shareholders' equity and cash flows and the related explanatory notes. Management Board of Banco Popolare Società Cooperativa is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review. These interim condensed consolidated financial statements were prepared for the purposes of their inclusion in the Prospectus to be prepared in relation to the rights offering of Banco Popolare Società Cooperativa.
2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report issued on April 6, 2010. With respect to comparative data of the interim condensed consolidated financial statements of the corresponding period of the prior year, we did not review those information and, accordingly, we do not express any conclusion on them.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Banco Popolare Group as of and for the nine months ended September 30, 2010, prepared for the purposes of their inclusion in the Prospectus, are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, December 9, 2010

Reconta Ernst & Young S.p.A.  
Signed by: Marco Bozzola, partner

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