PROSPECTUS

in accordance with article 70, paragraph 4, of the Regulations approved by Consob Resolution No. 11971 of 14 May 1999, as amended, concerning the

MERGER

of

BANCO POPOLARE DI VERONA E NOVARA

Limited Liability Cooperative Company

and

BANCA POPOLARE ITALIANA - BANCA POPOLARE DI LODI

Cooperative Company

by incorporation of

BANCO POPOLARE

Cooperative Company

Soc.coop. a r.l. (Limited Liability Cooperative Company) – Head offices in Verona, Italy, Piazza Nogara 2 – Share capital on 3 July 2006: Euro 1,351,181,934.00, fully paid in
Tax code, VAT and reg. no. in the Verona Register of Companies: 03231270236
Registered in the Bank Register under no. 5519 and registered in the Register of Cooperative Companies under no. A163121
Member of the Interbank Fund for the Protection of Deposits
Parent Bank of the Gruppo Bancario Banco Popolare di Verona e Novara – Registered in the Register of Banking Groups

EXTRAORDINARY AND ORDINARY MEETING OF THE SHAREHOLDERS

NOTICE OF CALL

A norma dell'art. 25 dello Statuto sociale, l'Assemblea straordinaria ed ordinaria dei Soci è indetta in prima convocazione per il giorno di venerdì 9 marzo 2007, alle ore 9, presso la sede sociale (Piazza Nogara n. 2) per trattare il seguente

AGENDA

EXTRAORDINARY PART

1) Approval of the Plan for the merger of Banca Popolare Italiana Soc. Coop. and Banco Popolare di Verona e Novara S.c. a r.l. in accordance with articles 2501 and ff. of the Italian Civil Code by incorporation of "Banco Popolare Società Cooperativa". This Plan, in addition to the share swap ratio, also includes the following:
   – the application for admission to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. of the shares of common stock to be issued by Banco Popolare Società Cooperativa, as well as of the convertible bond issue ("Prestito Obbligazionario Convertibile 4,75% 2000/2010 – ISIN IT0001444360") and the 2005/2010 Warrants for shares of common stock of Banca Popolare Italiana Soc. Coop. ("Warrant azioni ordinarie Banca Popolare Italiana Soc. Coop. 2005/2010 – ISIN IT0003872279") which have already been issued. The relative obligations will be assumed by Banco Popolare Società Cooperativa by effect of the merger;
   – the Articles of Association of Banco Popolare Società Cooperativa (to be formed), which call for the adoption of a dualistic system;
   – the identification of the members of the Supervisory Board, the Board of Arbitrators, and the auditing firm for the aforementioned Banco Popolare Società Cooperativa (to be formed);
   – the authorisation to purchase treasury shares and the relative Incentive and Loyalty Plan for executive directors, managers and employees of Banco Popolare.
   Ensuing and related resolutions.
2) Extension of the term of office of the outgoing Directors, who will continue to serve as currently constituted until the merger has been concluded.

ORDINARY PART

1) Proposal to authorise the purchase and disposal of treasury shares; ensuing and related resolutions; delegation of powers.

In the event that attendance of the shareholders' meeting is not sufficient to reach a quorum, in accordance with article 25, paragraph two, of the Articles of Association, a second call of the meeting shall be convened on **Saturday 10 March 2007 at 9:30 a.m. in Verona, Italy, to be held at Pavilion No. 9 of the Conference Centre of the Ente Autonomo Fiere di Verona, Viale del Lavoro 8**, in order to discuss the agenda set out above pursuant to articles 27 and 28 of the Articles of Association.

Shareholders may participate in the meeting if they have been registered in the Shareholders' Register *for at least of 90 days* and if Banco has been served "notice" by their intermediary on their behalf as required by article 2370 of the Italian Civil Code and Consob Resolution No. 11768/98, as amended, *a minimum of 2 working days prior to the date on which the first call of the meeting is scheduled*, i.e. by Wednesday 7 March 2007.
Shareholders whose shares are already on deposit under the custody and administration of Banco, Banca Popolare di Novara, or another Group bank, and whose shares are consequently already in electronic format, must nonetheless request that "notice" be served and receive a copy thereof, which shall function as a ticket authorising their admission to the Meeting.
Shareholders whose shares are on deposit with other authorised intermediaries must request that said intermediaries serve the "notice" provided in the aforementioned Consob Resolution, obtaining a copy thereof.
Shareholders whose shares have not yet been converted to electronic format must deliver said shares to Banco or another authorised intermediary so that the same may be converted and then request that the "notice" of participation in the Meeting be served.
In accordance with the Articles of Association, shares for which "notice" has been served may not be withdrawn before the Meeting is held. All Shareholders are entitled to a single vote. Shareholders have the right to be represented at the Meeting by another Shareholder who is not also a director, statutory auditor or employee of the Bank, and to whom the other legally established grounds for incompatibility do not apply, by means of duly constituted power of attorney, with a signature authenticated by an employee of Banco, Banca Popolare di Novara S.p.A., or a public official. Each shareholder may only represent a single shareholder by power of attorney, except in cases of legal representation. In order to permit the Chairman to establish that the powers of attorney are valid in accordance with article 29 of the Articles of Association, interested Shareholders are kindly asked to submit said powers of attorney to the central or local Offices of Banco by 5 March 2007.
Powers of attorney submitted subsequent to the above deadline or during the Meeting itself must nonetheless be duly constituted and authenticated according to the aforementioned conditions.

The documents indicated in article 2501 septies of the Italian Civil Code shall be kept on file at the head offices and Borsa Italiana S.p.A. for the legally required period and made available to the shareholders and the general public. In the ten days leading up to the Meeting, the Prospectus indicated in article 70 of Consob Regulation No. 11971/99, as amended, shall also be made available to the general public at the head offices and Borsa Italiana S.p.A. The Directors' Report concerning the other issues on the agenda shall also be made available to the shareholders and the general public at the head offices and Borsa Italiana S.p.A. within the legally allotted deadline.
The aforementioned documentation shall also be published on the website maintained by Banco: www.bpv.it.
The Shareholders shall be able to obtain a copy thereof once it has been filed.

Verona, 31 January 2007

on behalf of THE BOARD OF DIRECTORS
The Chairman
(Carlo Fratta Pasini)

Published in accordance with the Articles of Association in the Official Journal of the Republic of Italy – Part II of Issue No. 15 of 6/2/2007 (S-939)

BANCA POPOLARE ITALIANA

BANCA POPOLARE ITALIANA Società cooperativa
Head offices in Lodi, Italy - Via Polenghi Lombardo 13
Share capital: Euro 2,047,081,617.00, fully paid in
Tax code and registration in the Lodi Register of Companies: 00691360150
Parent Bank of
Gruppo creditizio Banca Popolare Italian

CALL TO MEETING

The Bank's Shareholders are hereby called to **an extraordinary and ordinary Meeting** to be held on first call on 9 March 2007 at 9:30 a.m. at the Registered Offices (Lodi - Via Polenghi Lombardo 13), and, if necessary, with second call on

SATURDAY 10 MARCH 2007

at 9:30 a.m. at the "Palacastellotti" in Lodi, Via Giuseppe Piermarini, to discuss the following:

AGENDA

Extraordinary Part

1) Annulment of the resolution indicated in item 5 on the agenda for the extraordinary Meeting of the Bank's shareholders held on 3 March 2003, as amended by the resolution indicated in item 6 on the agenda for the extraordinary Meeting held on 2 June 2005, concerning the issue of subordinated convertible bonds with a total face value of no more than € 1.5 billion and concurrent increase of share capital exclusively to service the conversion of bonds. Ensuing and related resolutions.
2) Approval of the Plan for the merger of Banca Popolare Italiana Soc. Coop. and Banco Popolare di Verona e Novara S.c. a r.l in accordance with articles 2501 and ff. of the Italian Civil Code by incorporation of "Banco Popolare Società Cooperativa". This Plan, in addition to the share swap ratio, also includes the following:
   – the application for admission to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. of the shares of common stock to be issued by Banco Popolare Società Cooperativa, as well as of the convertible bond issue ("Prestito Obbligazionario Convertibile 4,75% 2000/2010 – ISIN IT0001444360") and the **2005/2010 Warrants for shares of common stock of Banca Popolare Italiana Soc. Coop. ("**Warrant azioni ordinarie Banca Popolare Italiana Soc. Coop. 2005/2010 – ISIN IT0003872279"). The relative obligations will be assumed by Banco Popolare Società Cooperativa by effect of the Merger;
   – the Articles of Association of Banco Popolare Società Cooperativa (to be formed), which call for the adoption of a dualistic system;
   – the identification of the members of the Supervisory Board, the Board of Arbitrators, and the auditing firm for the aforementioned Banco Popolare Società Cooperativa (to be formed);
   – the authorisation to purchase treasury shares and the relative Incentive and Loyalty Plan for executive directors, managers and employees of Banco Popolare.
   Ensuing and related resolutions.

Ordinary Part

1) Extraordinary allocation of part of the share premium reserve to the shareholders of Banca Popolare Italiana Soc. Coop. Ensuing and related resolutions.
2) Proposal to authorise the purchase and disposal of treasury shares; ensuing and related resolutions; delegation of powers.
   Shareholders may participate in the Meeting if they have been registered in the shareholders' register for at least of 90 days and if the Bank has been served "notice" on their behalf by the intermediaries who hold their accounts as required by article 34 bis of Consob Resolution No. 11768/98 a minimum of 2 working days prior to the date on which the first call of the Meeting is scheduled (article 23 of the Articles of Association), i.e. by midnight on Wednesday 7 March 2007. It is understood that shares already on deposit with Banca Popolare Italiana shall be considered as such for the purposes of notice of participation in the Meeting as well.

Shareholders whose shares have not yet been converted to electronic format must deliver said shares to an authorised intermediary with sufficient time for the same to be converted and then request that the notice of participation in the Meeting be served.
Shareholders must furthermore present a specific admission card that may be collected at the Head Offices and all Branches:
– until 4:00 p.m. of Thursday 8 March 2007
and, in the event of 2^{nd} call
– until 4:00 p.m. of Friday 9 March 2007.
All shareholders may be represented by another shareholder who is not a Director, Statutory Auditor or Employee of the Company (or Subsidiary thereof) and who is authorised to participate in the Meeting. Each shareholder may only represent one other shareholder, except for cases of legal representation. Shareholders may not be represented by non-shareholders, even if said party is endowed with a general power of attorney (article 23 of the Articles of Association).
Non-shareholders may not participate as representatives of one or more legal entities, companies of any kind, consortia, associations and other shareholder entities by virtue of a special power of attorney.
Legal representation must be documented by a certification issued by a public entity, public official, or a notary. The documentation concerning the issues on the Agenda shall be kept on file at the head offices and Borsa Italiana S.p.A. for the period required by applicable law. The following specific documents shall be made available to the general public at Head Offices and Borsa Italiana S.p.A.:
a) the documentation indicated in article 2501 septies, numbers 1 and 3, of the Italian Civil Code, at least thirty days prior to the meeting;
b) the report indicated in article 73 of the Issuer Regulations at least fifteen days prior to the meeting (Consob Resolution No. 11971 of 14 May 1999, as supplemented and amended) ;
c) the prospectus indicated in article 70, paragraph 4 of the Issuer Regulations, at least ten days prior to the meeting.

The Shareholders shall be able to obtain a copy thereof.
The above documentation shall also be made available on the Bank's website (www.bancapopolareitaliana.it) and that of Borsa Italiana S.p.A. (www.borsaitaliana.it).
Please note that registration of Shareholders will begin at 8:00 a.m. of Saturday 10 March 2007 in the event the second call of the Meeting is held.

Lodi, 7 February 2007.

on behalf of THE BOARD OF DIRECTORS
The Chairman
(prof. Dino Piero Giarda)

KEY FIGURES

BPVN - BPI GROUP

Key figures as at 30 June 2006

	BPVN Group	BPI Group	Cancellations	Adjustments due to merger	BPVN-BPI pro-forma figures
Income statement figures *(in millions of euro)*					
Net interest income	646.8	401.0	-	-20.0	1,027.8
Net fees	439.8	200.7	-	-	640.5
Operating costs	615.4	458.3	-	-	1,073.7
EBITDA	645.2	261.6	-	-18.6	888.2
Profit for the year	397.4	92.0	-	-11.2	478.2
Balance sheet and cash flow figures *(in millions of euro)*					
Financial assets held for trading	8,080.8	4,394.1	-	-1.2	12,473.7
Loans to customers	44,640.2	27,570.8	-	-	72,211.0
Total assets	65,285.3	45,874.8	-202.6	4,427.2	115,384.7
Direct deposits (*)	44,656.1	33,804.0	-	-	78,460.1
Indirect deposits	73,650.7	31,390.3	-	-	105,041.0
- Assets under management	30,531.9	17,840.1	-	-	48,372.0
- Assets under administration	43,118.8	13,550.2	-	-	56,669.0
Shareholders' equity	4,169.4	2,809.6	-	2,916.6	9,895.6
Organisational figures					
Number of employees	12,610	8,347	-	-	20,957
Number of bank branches	1,205	978	-	-	2,183

(*) This item includes sums due to customers, outstanding securities, and liabilities measured at fair value.

Share indices as at 30 June 2006

	BPVN Group	BPI Group	Cancellations	Adjustments due to merger	BPVN-BPI pro-forma figures
Number of shares (*)	372,935,815	485,399,203		-279,457,647	578,877,371
Earnings per share	1.08	0.35	-	0.04	0.97
Majority-interest earnings per share	1.07	0.19	-	0.04	0.83
Group shareholders' equity per share	11.18	5.79	-	-10.44	17.09
Dividend per share	0.35	-	-	-	0.35
Cash flow per share (**)	0.93	0.03	-	-0.36	0.61

For further information concerning the preparation of pro-forma figures, the reader is referred to section 5 of this Prospectus.
(*) The number of BPVN and BPI shares refers to outstanding shares on 30/06/2006.
(**) Net profit, including minority interests and depreciation and amortisation.

TABLE OF CONTENTS

DEFINITIONS

As an aid for the reader, the following list provides a summary of the main definitions contained in this Prospectus.

"**Banca Popolare Italiana**" or "**BPI**" refers to Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop., with registered offices in Lodi, Italy, Via Polenghi Lombardo 13.

"**Banco Popolare**" or **"Banco"** refers to Banco Popolare Società Cooperativa, with registered offices in Verona, Italy, Piazza Nogara 2, the company created by the merger of Banco Popolare di Verona with Novara S.c. a r.l. and Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.

"**Banco Popolare di Verona e Novara**" or "**BPVN**" refers to Banco Popolare di Verona e Novara S.c. a r.l., with registered offices in Verona, Italy, Piazza Nogara 2.

"**BAPV**" refers to Banca Antoniana Popolare Veneta S.p.A.

"**Borsa Italiana**" refers to Borsa Italiana S.p.A.

"**ICC**" refers to the Italian Civil Code approved by Royal Decree No. 262 of 16 March 1942, as amended.

"**Consob**" refers to the Commissione Nazionale per le Società e la Borsa ("National Commission for Companies and the Stock Exchange", a regulatory agency of the Italian government).

"**Credit Suisse**" refers to Credit Suisse Securities (Europe) Limited, advisor to Banco Popolare di Verona e Novara S.c. a r.l.

"**Prospectus**" refers to this prospectus.

"**Merger**" refers to the merger of Banco Popolare di Verona e Novara S.c. a r.l. and Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop. through the incorporation of Banco Popolare Società Cooperativa.

"**Goldman Sachs**" refers to Goldman Sachs International, advisor to Banco Popolare di Verona e Novara S.c. a r.l.

"**Banca Popolare Italiana Group**" or "**BPI Group**" refers to Banca Popolare Italiana Group, which comprises Banca Popolare Italiana and the companies directly or indirectly controlled by the latter in accordance with article 2359 of the Italian Civil Code and article 93 of the Consolidated Finance Act.

"**BPVN Group**" refers to Banco Popolare di Verona e Novara Group, which comprises Banco Popolare di Verona e Novara S.c. a r.l. and the companies directly or indirectly controlled by the latter in accordance with article 2359 of the Italian Civil Code and article 93 of the Consolidated Finance Act.

"**BL**" or "**Bankruptcy Law**" refers to Italian Royal Decree No. 267 of 16 March 1942, as amended.

"**Savings Law**" refers to Italian Law No. 262 of 28 December 2005 governing savings and financial market regulations.

"**Mediobanca**" refers to Mediobanca – Banca di Credito Finanziario S.p.A., advisor to Banca Popolare Italiana - Banca Popolare di Lodi Soc. Coop.

"**New BPL**" refers to "**Banca Popolare di Lodi S.p.A.**", to be formed.

"**New BPV-SGSP**" refers to "**Banca Popolare di Verona–S. Geminiano e S. Prospero S.p.A.**", to be formed.

"**CBI**" refers to the convertible bond issue "**Banca Popolare di Lodi Prestito Obbligazionario Convertibile 4,75% 2000/2010 – ISIN IT0001444360**" ("2000/2010 4.75% Banca Popolare di Lodi Convertible Bond Issue – ISIN IT0001444360").

"**Plan for the Merger**" refers to the plan for the merger drawn up in accordance with article 2501 ter of the Italian Civil Code and approved by the Boards of Directors of Banco Popolare di Verona e Novara S.c. a r.l. and Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop. on 13 December 2006.

"**Issuer Regulations**" refers to the Regulations implementing Italian Legislative Decree No. 58 of 24 February 1998, governing issuers (enacted by Consob resolution No. 11971 of 14 May 1999, as amended).

"**Rothschild**" refers to Rothschild Italia S.p.A., advisor to Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.

"**CBA**" or "**Consolidated Banking Act**" refers to Italian Legislative Decree No. 385 of 1 September 1993, as amended.

"**FCA**" or "**Consolidated Finance Act**" refers to Italian Legislative Decree No. 58 of 24 February 1998, as amended.

"**Warrant**" refers to the "**Warrant azioni ordinarie Banca Popolare Italiana Soc. Coop. 2005/2010**" ("2005/2010 Warrant for shares of common stock of Banca Popolare Italiana Soc. Coop.") issued by Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop.

INTRODUCTION

This document (the “**Prospectus**”) was drafted and is being published jointly by Banco Popolare di Verona e Novara S.c. a r.l. (hereinafter also referred to as “**Banco Popolare di Verona e Novara**” or “**BPVN**”) and Banca Popolare Italiana – Banca Popolare di Lodi Soc. Coop. (hereinafter also referred to as “**BPI**”), referred to collectively as the “**Banks**” or the “**Companies**”, in order to provide the Companies’ shareholders and the market at large with thorough, detailed information regarding the merger of the two Companies (the “**Merger**”). The Merger, which was approved by resolution of the Companies’ Boards of Directors on 13 December 2006, shall be submitted for the approval of an extraordinary Meeting of the shareholders of said Companies, which will be held with first call on 9 March 2007 and second call on 10 March 2007.

The Prospectus, which was drafted according to the methods provided in schedule 3B indicated in paragraph four of article 70 of the Regulations approved by Consob Resolution No. 11971 of 14 May 1999, as amended, (the “**Issuer Regulations**”), was disclosed to Consob – Commissione Nazionale per le Società e la Borsa – and Borsa Italiana S.p.A., and is available to the public, both in Italian and translated into English, at the head offices of Banco Popolare di Verona e Novara in Verona, Italy, Piazza Nogara 2, the head offices of Banca Popolare Italiana in Lodi, Italy, Via Polenghi Lombardo, 13, at the offices of Borsa Italiana S.p.A. in Milan, Italy, Piazza Affari 6, and on the websites maintained by BPVN (www.bpv.it) and BPI (www.bancapopolareitaliana.it).

PART 1 - INTRODUCTORY REMARKS

This Prospectus does not constitute an appeal to the investing public. The following sections set out the main risk factors and uncertainties surrounding the merger described in this Prospectus with the potential to have a significant impact on the activity of Banco Popolare.
The risk factors described in these introductory remarks must be interpreted together with the information provided in the Prospectus. References to chapters and paragraphs indicate the chapters and paragraphs of this Prospectus.

1.1 RISK FACTORS ASSOCIATED WITH THE INTEGRATION OF BPVN AND BPI

1.1.1 Legislation applicable to the Merger described in this Prospectus

The Merger described in this Prospectus is governed by the provisions of articles 2501 and ff. of the Italian Civil Code and articles 70 and 90 of the Issuer Regulations. The provisions of articles 56 and 57 of Italian Legislative Decree No. 385 of 1 September 1993, the “Consolidation Act on Banking and Credit Laws” (hereinafter also referred to as the “**Consolidated Banking Act**” or “**CBA**”), also apply.
The Bank of Italy authorised the Merger by Provision No. 96622 issued on 26 January 2007. The Plan for the Merger was consequently registered in the Verona Register of Companies on 27 January 2007 as required by article 57, paragraph 2, of the CBA.

1.1.2 Legislation applicable to the successor

A new text of the Articles of Association, which is attached to this Prospectus, shall be submitted for the approval of the extraordinary Meeting of the Banks’ shareholders called to approve the Plan for the Merger. Among its other provisions, this new text involves the adoption of a dualistic direction and control system in accordance with the dictates of articles 2409 octies and ff. ICC.

1.1.3 Risks and uncertainties surrounding the execution of the Merger

The Merger is contingent upon the condition that authorisation be granted as required by article 16 of Italian Law No. 287 of 10 October 1990 (“Regulations for the Protection of Competition and the Market”).
The Merger of BPVN and BPI is a preliminary stage in the process of fully integrating the banking groups controlled by the two Banks. Said groups previously operated autonomously and independently.
In line with the business plan approved by the two Banks’ Boards of Directors on 13 December 2006, integration will consequently require coordination of the management, strategies, and operations of the various entities involved.
One of the consequences of the Merger is the need for convergence of information systems and operating models towards a single reference model. This process involves risks typically associated with business combinations, including the risk that the integration process will not be completed on schedule and as planned. However, it should be noted that both BPVN and BPI have managed various significant processes of this kind over the last few years, thereby acquiring the specific required skills.
In the interest of minimising risks associated with platform integration, a specific planning structure has been conceived to ensure the quality of supervision of the migration of administrative customer data, and processes aimed at mitigating operational risks will be put into practice, including, for example:
– the adoption of testing/simulation procedures for each individual migration event geared towards preventing and properly responding to any critical issues;
– the adoption of balancing and certification processes for migrated customer data.

1.1.4 Projected figures referred to in this Prospectus

Some figures provided in chapters III and VI of this Prospectus refer to estimates and projections concerning Banco Popolare di Verona e Novara S.c. a r.l., Banca Popolare Italiana Soc. Coop., and their combined activities upon conclusion of the Merger. This information is to be considered as indication

only and is not representative of factual data; it includes financial projections and estimates and the relevant underlying assumptions, statements concerning plans, objectives and expectations regarding future transactions, products and services, and forecasts of trends in income statement and balance sheet data over the coming financial years. Projections and estimated figures are generally identified by expressions such as "according to projections", "it is believed", "it is possible", and "it is expected that", in addition to statements that may be considered "projections" due to the context in which they are used. Although the management of Banco Popolare di Verona e Novara S.c. a r.l. and Banca Popolare Italiana Soc. Coop. consider the expectations reflected in these projections and estimates to be reasonable, investors and shareholders of Banco Popolare di Verona e Novara S.c. a r.l. and Banca Popolare Italiana Soc. Coop are advised that such figures are subject to risks that are often difficult to foresee and are generally beyond the control of Banco Popolare di Verona e Novara S.c. a r.l. and Banca Popolare Italiana Soc. Coop., and which could potentially lead to results and developments that differ substantially from those explicitly or implicitly described or calculated in the projections and estimates in question. Said risks and uncertainties also extend to issues discussed and identified in the public documents sent to Consob by Banco Popolare di Verona e Novara S.c. a r.l. and Banca Popolare Italiana Soc. Coop. Except for as provided by applicable law, neither Banco Popolare di Verona e Novara S.c. a r.l. nor Banca Popolare Italiana Soc. Coop. shall be obliged to update such estimates and projections in any manner.
The auditing firm Reconta Ernst & Young S.p.A. issued a specific report on audits performed on said figures. A copy of this report is attached to this Prospectus.

1.1.5 Risk factors associated with pro-forma figures

This Prospectus contains the consolidated pro-forma figures as at 30 June 2006, which were prepared in order to render the merger retroactively effective by simulating that said merger had taken place on 1 January 2006 for income-statement purposes and on 30 June 2006 for balance-sheet purposes.

Given that these representations are built on assumptions, the risk remains that the historical figures would not necessarily have matched the pro-forma figures had the merger actually taken place on the dates chosen as points of reference for the preparation of pro-forma figures instead of on the dates it actually occurred. Furthermore, pro-forma figures do not reflect prospective figures since the former are prepared in such a way as to represent solely those effects of the merger that may be isolated and objectively measured, without considering the Merger's potential effects in relation to changes in management policy and operating decisions subsequent to the Merger. Lastly, considering the difference in the intended use of pro-forma figures as compared with historical financial statement figures and the differing methods with which the effects on the balance sheet and income statement are calculated, the pro-forma balance sheet and the pro-forma income statement as at 30 June 2006 must be considered and interpreted separately from the historical figures, i.e. without trying to establish accounting relationships between said sets of data.

1.2 RISK FACTORS ASSOCIATED WITH THE BUSINESS SECTOR

1.2.1 Risks associated with competition

The BPI Group and the BPVN Group operate in the main segments of the credit and financial intermediation. In this connection, it should be noted that the Italian banking sector is currently in the midst of a consolidation phase characterised by a high level of competition due to the following factors: the ratification in Italy of European Community Directives aimed at liberalising the banking sector in the European Union; the deregulation of the banking sector throughout the European Union, and especially in Italy, which offered incentives for competition in the traditional banking sector, resulting in a gradual reduction in the spread between lending and borrowing rates; the tendency of the Italian banking system to focus on commission revenues, leading to stronger competition in the asset management sector and investment banking services; changes to certain Italian laws governing taxation and banking; the introduction of services significantly shaped by technological innovation, such as Internet Banking and Phone Banking. Furthermore, foreign banks are expanding their operations in Italy, especially in the corporate banking sector.

Increased competition could have negative effects on the profitability of the two Groups even after the integration process has been concluded.

1.2.2 Risks associated with the legislative context

The activity of the BPI Group and the BPVN Group is regulated principally by Italian and European Union legislation governing the banking and finance sector. It may not be ruled out that new laws and regulations will be adopted in the future entailing an increase in operating costs and negatively effecting the activities, results and prospects of the two Groups.

1.3 RISK FACTORS ASSOCIATED WITH BANCO POPOLARE DI VERONA E NOVARA AND THE GROUP TO WHICH IT BELONGS

1.3.1 Risks associated with bankruptcy revocatory actions brought against BPVN

Banco Popolare di Verona e Novara is currently a party to certain revocatory actions brought as part of bankruptcy proceedings. The Bank had set aside provisions of € 113.8 million (gross of the discounting effect) in relation to said actions at 30 September 2006. The main revocatory actions brought against BPVN are indicated below.

<u>Revocatory action brought against the former Banca Popolare di Novara S.c. a r.l. by the Italgest Bankruptcy</u>

In November 2004 the Court of Naples handed down a sentence of first instance on the above revocatory action. The Judge of first instance sentenced Banco Popolare di Verona e Novara to pay the amount of € 129.2 million, plus interest and legal fees, to the bankruptcy proceedings. It should be noted that the effective potential liability will under no circumstances exceed the net amount of the bankruptcy liabilities. Valuation of the bankruptcy assets has not yet been concluded. The sum total of the debts admitted to constitute the bankruptcy liabilities, net of the debt owed to Banco Popolare di Verona e Novara, which is included in said liabilities, stands at € 51.3 million of already admitted debt, whereas a late petition for admission of a further € 9 million is still pending. It should be pointed out that various decisions are still pending regarding disputes of liabilities towards the Municipalities with regard to the level of priority of the admitted debt. Furthermore, BPVN has filed an equal number of revocatory actions in accordance with article 102 of the B.L. (now article 98) against the Municipalities holding Treasury securities (which represent approximately 80% of the debts admitted to bankruptcy liabilities) subsequent to the decision in criminal proceedings absolving BPVN officers of liability and assigning criminal liability to most of Municipal officers. By provision of the Panel of Judges, the Deputy Judge in the above revocatory proceedings has ordered that the receivership be admitted to said proceedings and in its turn lodged a petition for the revocation of the debts. The revocation petitions that have been lodged to date concern debts admitted to bankruptcy liabilities totalling € 44,754,463.67. In response to the momentarily unfavourable developments in the litigation in question, BPVN has filed an appeal.

The Italgest Bankruptcy has also brought a suit against Banco Popolare di Verona e Novara, the purpose of which is to secure a decision assigning liability to the latter also in accordance with article 2049 ICC, alleging that BPVN and its officers were complicit in bringing about insolvency by maintaining the credit line extended to Italgest. Damages are claimed for an amount equal to the sum total of the bankruptcy liabilities as determined at the time when the petition was lodged (107 billion Italian lira, or € 55,260,888.21). It is our opinion that this suit is without foundation (the proceedings are still in the court of first instance), an opinion which was borne out by the sentences handed down in the criminal proceedings acquitting the BPVN employees and convicting the Municipal employees. BPVN has decided not to set aside any provisions in response to the damages claimed in said proceedings. This decision is partly founded on consideration of the fact that should the latter suit be affirmed in whole or in part, the amount of bankruptcy assets would be increased accordingly, resulting in a reduction of the sums that may effectively be revoked.

<u>Revocatory action brought against the banking system by the Extraordinary Administration of Parmalat S.p.A.</u>

Towards the end of FY 2004, the Extraordinary Administration of Parmalat S.p.A. brought a revocatory class action against all of the banks that had engaged in dealings with Parmalat S.p.A. The revocatory

action dealt with all repayment programmes for exposures to Parmalat S.p.A. and extended the period of scrutiny to 18 December 2002. The total amount claimed from Banco Popolare di Verona e Novara is more than € 170 million, and approximately € 185 million for the entire BPVN Group. BPVN management believes that this revocatory action is without foundation. In the case at hand, in fact, no winding-up for irreversible insolvency ever occurred.
Banco Popolare di Verona e Novara has taken all necessary legal steps to defend its rights.

1.3.2 Other main disputes brought against Banco Popolare di Verona e Novara

<u>Claim for damages lodged by Consorzio Lazio di Mutualità fra Cooperative Edilizie di Abitazione and other limited liability cooperative companies (S.c. a r.l.) in administrative compulsory winding-up</u>

Consorzio Lazio di Mutualità fra Cooperative Edilizie di Abitazione and other limited liability cooperative companies in administrative compulsory winding-up filed suit against Banco Popolare di Verona e Novara and Banca Popolare di Novara S.p.A. by notice served in 2005 in the name and on behalf of an alleged group of companies including certain cooperative companies such as Palocco 84 S.c. a r.l. and Cynthia S.c. a r.l., in which it is asserted that beginning in 1997 the former Banca Popolare di Novara S.c. a r.l. continued to disburse loans to the companies belonging to said group, especially the two companies indicated above, notwithstanding an alleged awareness that the borrowers were insolvent. It is deduced from this circumstance that BPN thereby created misleading expectations of group solvency in third parties, allowing the group to continue its operations and consequently increase its liabilities. Consorzio has claimed damages of € 46.4 million. Banco Popolare di Verona e Novara and Banca Popolare di Novara appeared before the court in the proceeding and motioned for the opposing party's petitions to be rejected as inadmissible, furthermore asserting that they lacked any grounds in material fact or law.
As matters stand, it is our opinion that these proceedings will not entail liabilities for BPVN and therefore no provisions have been set aside.

<u>Risks associated with penalty proceedings conducted by the Supervisory Authorities</u>

On 28 and 29 April 2006 Consob served BPVN and some of its representatives with notice of a provision disputing the intermediation operations carried out by Banco Popolare di Verona e Novara on behalf of its customers from 1 January to 31 December 2001. The dispute concerns alleged inadequacies in procedures relating to the provision of investment services and alleged omissions in disclosures to investors.
On 23 June 2006, by virtue of the extension granted to file its defence pleadings, Banco Popolare di Verona e Novara served Consob with notice of its pleadings concerning the alleged violations on its own account and on behalf of the affected company representatives.
On 24 November 2006 Consob served BPVN and the affected company representatives with notice of the initiation of the preliminary investigation phase in the penalty proceedings, and on 28 December 2006, BPVN lodged additional defence briefs with Consob on its own account and on behalf of the affected company representatives.
It should be noted that the charges set forth in the proceedings described above have been brought in accordance with article 195, paragraph 9, of the CFA by virtue of BPVN's role as entity to which the alleged offenders belonged, resulting in its full liability for the payment of any penalties imposed upon the conclusion of the administrative proceedings.
Should BPVN be called to pay penalties imposed by Consob, it would be required to attempt to recover said sums from the offenders in accordance with article 195, paragraph 9, of the CFA.

1.4 RISK FACTORS ASSOCIATED WITH BANCA POPOLARE ITALIANA AND THE GROUP TO WHICH IT BELONGS

The remarks contained in this section regarding Banca Popolare Italiana represent an update of the following:

– the remarks set out in the prospectus for 105,795,900 shares of common stock in Banca Popolare Italiana - Banca Popolare di Lodi Soc. Coop. on option to shareholders and convertible bondholders and admission of said shares to listing on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. Said prospectus was filed with Consob on 28 June 2006 subsequent to the permission granted in note no. 6055461 of 27 June 2006 (the "**Prospectus**");

– the remarks contained in the prospectus in accordance with article 70, paragraph 4, of the regulations adopted by Consob resolution no. 11971 of 14 May 1999, as amended, concerning the merger of Reti Bancarie S.p.A. and Bipielle Investimenti S.p.A. into Banca Popolare Italiana - Banca Popolare di Lodi Soc. Coop., filed with Consob on 17 July 2006;
– the remarks contained in the basic prospectus for the Bond Issue Programmes named "Banca Popolare Italiana Obbligazioni a Tasso Fisso", "Banca Popolare Italiana Obbligazioni a Tasso Variabile", "Banca Popolare Italiana Obbligazioni a tasso Misto" and "Banca Popolare Italiana Obbligazioni Tasso Fisso a Cedola Crescente" filed with Consob on 3 October subsequent to permission granted in note no. 6077229 of 27 September 2006.

1.4.1 Risks associated with the failure of the BPI Group to acquire the Group controlled by Banca Antoniana Popolare Veneta S.p.A

As part of the BPI Group's development strategy, BPI's Board of Directors met on 29 April and 12 May 2005 and approved a plan to acquire a controlling stake in Banca Antoniana Popolare Veneta S.p.A. ("**BAPV**"), which would have led to the creation of Italy's fifth-largest banking group.
However, the necessary conditions for the execution of the acquisition plan by the BPI Group and BAPV subsequently failed to occur.
The following paragraphs outline the main risk factors associated with the failure to proceed with the aforementioned acquisition plan.

Risks associated with the possibility of administrative liability being assigned to BPI in accordance with Italian Legislative Decree No. 231 of 2001 deriving from activities carried out in relation to the BAPV affair.
The Public Prosecutor's Office of Milan and Rome have launched investigations into the BAPV affair in order to determine and assign criminal liability to BPI's management bodies and other entities. In conducting the aforementioned investigations, the Public Prosecutor's Office of Milan ordered assessments aimed at determining whether BPI was administratively liable in accordance with articles 25 ter and 25 sexties of Italian Legislative Decree No. 231 of 2001 for alleged offences committed by BPI's management bodies
The investigations conducted as part of the proceedings pending in the Public Prosecutor's Office of Milan were concluded on 15 February 2007 when notice of conclusion of investigation was served on the investigated parties in accordance with article 415 bis of the Italian Code of Penal Procedure.
The investigated parties are suspected of the following offences:

- "manipulation of the market", provided for in article 185 of the CFA;
- "false statements in company disclosures", provided for in article 2621 ICC;
- "obstruction of supervision", provided for in article 2638 ICC;
- "false statements in a prospectus", provided for in article 2623 ICC;
- "aggravated embezzlement", provided for in article 646 of the Italian Penal Code;
- "money laundering", provided for in article 648 of the Italian Penal Code;
- "unfaithfulness subsequent to provision or promise of benefits", provided for in article 2634 ICC;
- "aggravated fraud", provided for in article 640 of the Italian Penal Code.

In the notice of conclusion of investigation, BPI is accused of the administrative offence provided for in articles 25 ter and 25 sexties of Italian Legislative Decree No. 231 of 2001 for failing to adopt and effectively implement company organisation and management models suitable to prevent the offences allegedly committed by management bodies.
Considering the risk associated with the application of the fines indicated above, when drawing up its half-year report as at 30 June 2005, BPI set aside a preliminary sum of € 25 million to a provision for risks; this amount was calculated according to a weighted assessment of possible outcomes of the proceedings.
It must also be noted that paragraph 1 of article 19 of Italian Legislative Decree No. 231 of 2001 states that "*in the event of conviction, the price or profit of the offence shall be seized from the guilty party, except*

insofar as it may be returned to the damaged party." Article 19 of Italian Legislative Decree No. 231 of 2001 further states that "*when it is not possible to seize the assets in accordance with paragraph 1, the seizure shall instead apply to sums of money, assets or other compensation of equivalent worth to the price or profit of the offence*".

In this regard, it must be observed that following the release of the seizure of BPI's stake in the share capital of BAPV ordered by the Public Prosecutor's Office on 22 December 2005, the capital gain on the sale (€ 94,237,412.83) was paid to a current account held by BPI but subject to restrictions made available to the Public Prosecutor's Office in accordance with the BPI's statement agreeing to said restrictions in the petition for release from seizure lodged with the Public Prosecutor's Office on 3 December 2005. However, in this connection, it must be stated that, as indicated in the petition for release from seizure, BPI's willingness to subject the capital gain to restrictions ordered by the Public Prosecutor's Office of Milan is not to be interpreted as an advance acceptance of liability on the part of BPI in relation to an alleged offence that to date has only been formulated in a precautionary measure, i.e. the aforementioned seizure order.

As matters stand, BPI wishes to make it known that it believes that it is difficult to estimate the degree of probability of application of the seizure of the capital gain and the ensuing charge, partly due to the uncertainty surrounding the establishment of the costs (totalling € 90 million) that may be deducted from said capital gain.

In the 2005 financial statements the allocation to the provision for risks was increased to € 94.3 million.

1.4.2 Risks associated with penalty proceedings conducted by the Supervisory Authorities

On 25 July 2005, Consob served BPI with notice of a provision bringing charges against it in relation to the circumstances established in the Consob resolution passed on 10 May 2005. Said circumstances specifically concern:

(a) the shareholders' agreement entered into by BPI, on the one hand, and Emilio Gnutti, Fingruppo Holding S.p.A., G.P. Finanziaria S.p.A. ("**G.P. Financial Holding**"), Tiberio Lonati, Fausto Lonati, Ettore Lonati, and Danilo Coppola (through Finpaco Project S.p.A. and Tikal Plaza S.A.), on the other; this agreement governs the joint purchase of shares of common stock in BAPV and the joint exercise of a controlling influence over said bank;

(b) the exercise of voting rights at the meeting of BAPV shareholders held on 30 April 2005 by the entities indicated in (a) above.

The charges relate to the failure to disclose the alleged agreement described under (a) above and the exercise of the voting rights for the shares governed by said agreement by the parties thereto; according to the arguments put forward by Consob, these rights should have been extinguished in accordance with article 122, paragraph 4, of the CFA. On 19 October 2005 Consob served BPI with notice of additional provisions bringing charges relating to the circumstances established in the Consob resolution passed on 22 July 2005. Said circumstances specifically concern:

(a) the shareholders' agreement entered into by BPI and Magiste International S.A. governing the joint purchase of shares of common stock in BAPV and the joint exercise of a controlling influence over said bank;

(d) the acquisition of BAPV shares by BPI through intermediaries, the Generation Fund ("**GF**") and Active Fund ("**AF**"), which obtained holdings of 3,770,000 and 450,000 shares of BAPV stock, respectively.

The charges brought in the aforementioned provision concern the failure to disclose the alleged shareholders' agreement between BPI and Magiste International S.A. (constituting a violation of article 122, paragraphs 1 and 5, of the CFA), the failure to disclose shareholdings indirectly possessed by BPI through alleged intermediation by GF and AF (constituting a violation of articles 120 and 115 of the CFA), and the exercise of voting rights associated with BAPV shares for which notice was omitted in violation of article 120, paragraph 5, of the CFA.

On 23 December 2005, Consob served BPI with notice of its provision dated 22 December 2005, concerning the indictment of BPI for the alleged violation of articles 95, 102, 103, 106 and 114 of the CFA on the basis of the establishment of the circumstances set forth in sections (c) and (d) and further circumstances in relation to violations of regulations governing tender and share exchange offers, violations of regulations governing solicitation of investments, and disclosures to the public.

It should be noted that the charges set forth in the three provisions described above have been brought against BPI in accordance with article 195, paragraph 9, of the CFA by virtue of BPI's role as entity to which the alleged offenders belonged, resulting in its full liability for the payment of any penalties imposed upon the conclusion of the administrative proceedings. It should also be noted that if called on to pay penalties imposed by Consob, BPI is required to attempt to recover said sums from the offenders in accordance with article 195, paragraph 9, of the CFA.

It must be clarified that in correspondence dated 18 January 2006, Consob indicated that the obligations ensuing from the administrative penalties applicable to the alleged violations set out in the aforementioned provisions dated 25 July 2005, 19 October 2005, and 22 December 2005 may be fulfilled through the payment of a sum equal to twice the minimum amount of the penalty established for said violations on the date they occurred, resulting in total penalties of € 41,312, € 433,776 and € 5,457,424, respectively.

With regard to the proposed settlement:

- the amount of € 41,312 relating to the provision dated 25 July 2005 has already been paid in full by two representatives of the company, resulting in the conclusion of the related penalty proceedings;
- € 216,888 of the amount of € 433,776 relating to the provision dated 19 October 2005 has already been paid by a representative of the company, resulting in the conclusion of the penalty proceedings concerning said company representative;
- € 4,196,920 of the amount of € 5,457,424 relating to the provision dated 22 December 2005 has already been paid by company representatives, partly through advances provided by BPI, resulting in the full conclusion of the penalty proceedings concerning one company representative and partial conclusion of penalty proceedings concerning the other company representatives.

On 18 December 2006, Consob served BPI with notice of the imposition of administrative fines in accordance with articles 191, 192, 193 and 195 of the CFA, ordering BPI in its capacity of jointly liable party pursuant to article 195 of the CFA to pay a total amount of € 5,394,637.00 as penalties assessed for natural persons with the obligation to recover said sums from the persons on whom they were imposed. The above amount refers to the charges set forth in the provision dated 22 December 2005 that have not yet been settled by payment by the offenders.

On 22 December 2006, BPI resolved to file a petition in the Court of Appeals of Milan appealing against the imposition of the administrative fines described above. Notice of appeal was served on 18 January 2007.

On 9 June 2005, the Bank of Italy served BPI with notice of a provision indicting BPI on charges related to the circumstances established by Consob by resolution passed on 10 May 2005 and illustrated under letters a) and b) of CBA, accusing BPI of violations of articles 19 and 53 of the CFA and the relevant implementation provisions contained in the Banking Supervisory Instructions issued by the Bank of Italy (the "**Supervisory Instructions**").

On 21 December 2005, the Bank of Italy informed BPI that further penalty proceedings had been opened in response to deficiencies in the Bank's internal organisational and controls relating to improper functioning of the lending process. However, in the above provision, the Bank of Italy also ordered pursuant to applicable Supervisory Instructions that the aforementioned penalty proceedings be suspended effective from 21 December 2005 in light of the investigations being conducted at the time.

On 2 August 2005, the Bank of Italy served BPI with notice of a provision indicting BPI on charges related to the establishment of a temporary misalignment between the bank's firm-wide overall minimum regulatory capital that occurred "from the last ten days of April to 30 June 2005 at least" according to the representations of the Authority. According to the arguments advanced by the Bank of Italy, the above circumstance, which may be attributed to the methods through which the capital enhancement plan was carried out, allegedly constitutes a violation of article 53, paragraph 1, section a) of the Consolidated Banking Act and the associated implementation provisions contained in Title IV of the Supervisory Instructions.

In the aforementioned provision, the Bank of Italy also alleges the omission of disclosure to the Bank of Italy of the granting of the put option on shares of the subsidiary Bipielle Investimenti to Deutsche Bank AG London Branch ("**Deutsche Bank**").

According to the arguments advanced by the Bank of Italy, the above circumstance allegedly constitutes a violation of article 51 of the CBA and the associated implementation provisions contained in Title IV of the Supervisory Instructions.

On 9 August 2005 the Bank of Italy served BPI with notice of a provision indicting BPI on charges related to the circumstances established by Consob by resolution passed on 22 July 2005 and illustrated in sections a) and b), accusing BPI of alleged violation of article 20, paragraph 2, and article 24 of the CBA and the associated implementation provisions contained in the Supervisory Instructions.

On 12 January 2006 the Bank of Italy informed BPI that additional penalty proceedings had been initiated against the manager of the Finance Department at that time for improper underwriting of hedge fund units, and against members of the Executive Committee when the offences were committed for failure to comply with provisions governing loan management in connection with the credit line extended to Garlsson Real Estate S.A. However, in the above provision, the Bank of Italy also ordered, pursuant to the Supervisory Instructions in force, that the aforementioned penalty proceedings be suspended effective from 12 January 2006 in light of the investigations being conducted at the time. It should be noted that the charges set forth in the three provisions described above were brought against BPI in accordance with article 145 of the CBA by virtue of its capacity as party jointly liable for the payment of penalties imposed on company representatives upon the conclusion of administrative proceedings. It should also be noted that if called on to pay any penalties imposed by the Bank of Italy, BPI is required to attempt to recover said sums from the offenders in accordance with article 145 of the CFA. On 8 February 2006, the Bank of Italy served BPI with notice of Decree No. 42 of 2006 of the Ministry of Economy and Finance. As proposed by the Bank of Italy, said Decree ordered, pursuant to article 145 of the CBA, that a total of € 791,645.00 in administrative penalties be applied to parties including members of BPI's Board of Directors and Board of Statutory Auditors at the time that the improper conduct occurred in relation to the penalty proceedings initiated on 9 June 2005 and 9 August 2005 following circumstances established by the Consob resolutions dated 10 May 2005 and 22 July 2005.

Said improper conduct consists of the following specific items:

(i) the acquisition of the control of BAPV by BPI without having obtained prior authorisation;

(ii) the acquisition of significant stakes in BAPV stock by BPI without having obtained prior authorisation;

(iii) the failure to disclose a shareholders' agreement governing the joint purchase of shares of common stock in BAPV entered into on 18 April 2005 between BPI, Tibero, Fausto and Ettore Lonati, Danilo Coppola (through Finpaco Project S.p.A. and Tikal Plaza S.A.), Emilio Gnutti, Fingruppo Holding and G.P. Finanziaria;

(iv) the failure to disclose a shareholders' agreement concerning the joint purchase of shares of common stock in BAPV entered into on 10 March 2005 between BPI and Magiste International S.A.;

(v) possession by BPI of a stake in BAPV capital exceeding the authorised amount by means of the intermediation of GF and AF without having obtained prior authorisation.

The company representatives on whom penalties were imposed lodged an appeal against Ministerial Decree No. 42 of 2006 in the Court of Appeals of Rome. BPI did not lodge an appeal on its own account. The penalties imposed on the members of the Board of Statutory Auditors were suspended.

Legal proceedings are still pending. In its aforementioned correspondence dated 8 February 2006, the Bank of Italy also stated that the investigation of two additional cases of improper conduct, of which BPI representatives and the manager of the Finance Area at that time had already been accused, concerning anomalous loan management methods and the underwriting of hedge fund shares, respec-

tively, had been postponed in order to permit assessment in conjunction with other disciplinary proceedings that had already been initiated against BPI representatives concerning the bank's organisational and capital structure.
On 1 August 2006, the Bank of Italy served BPI with notice of Executive Board Resolution No. 125 of 2006, ordering the imposition of a total of € 710,157 in administrative fines on the members of the bank's Board of Directors and Board of Statutory Auditors on the date when the alleged misconduct occurred in accordance with article 144 of the CBA. The Supervisory Authority alleged that the following specific violations had occurred:

1) failure to comply with compulsory minimum regulatory coefficients over a period running from the last ten days of April 2005 to 30 June 2005 (article 53, paragraph 1, of Italian Legislative Decree No. 385 of 1993 and Title IV, Chapter 2, of the Supervisory Instructions);
2) lack of correspondence between the notices provided to the Bank of Italy and actions taken in executing various operations geared towards enhancing regulatory capital (article 51 of Italian Legislative Decree No. 385 of 1993 and Title IV, Chapter 2, of the Supervisory Instructions);
3) failure to disclose to the Bank of Italy the put option granted to Deutsche Bank (article 51 of Italian Legislative Decree No. 385 of 1993 and Title IV, Chapter 2, of the Supervisory Instructions).

The Supervisory Body consequently ordered a total of € 710,157 in administrative fines pursuant to article 144 of the CBA.
BPI contested Bank of Italy Resolution No. 125 of 2006 with the Civil Court of Appeals of Rome.
Legal proceedings are still pending.

1.4.3 Risks associated with other penalty proceedings conducted by the Supervisory Authorities

On 2 August 2006 the Bank of Italy served BPI with notice of the initiation of penalty proceedings in connection with a series of violations detected during regulatory inspections conducted from 20 June 2005 to 11 May 2006.
More specifically, the Bank of Italy provided 25 observations containing a series of remarks that may lead to the imposition of penalties on members of the bank's Board of Directors and Board of Statutory Auditors in office at the time of the detected violations upon the conclusion of penalty proceedings in accordance with the procedure set forth in article 24, paragraph 1, of Italian Law No. 262 of 28 December 2005.
By resolution approved by its Board of Directors on 27 September 2006, BPI proceeded to inform the Bank of Italy of its own counter-arguments against the observations within the allotted limit.
The proceedings are still pending.

1.4.4 Risks associated with the Barilla-Kamps position and the relevant litigation

Banca Popolare Italiana Group, along with certain financial partners, provided the Barilla Group with support in the form of shareholdings and financing for its project of international expansion in the bakery sector through the acquisitions of the Kamps Group and the Harry's Group (2002 - 2003).
These shareholdings were recognised at their historical cost until the end of 2004. Upon first-time adoption of IFRS (1 January 2005), specifically IAS 39, the shareholdings in the Kamps Group and the Harry's Group were written down for a total amount of € 32.5 million.
At a later date, considering that the difficult financial situation of Kamps had become more obvious in the second half of 2005, BPI proceeded to write down the shareholding for an additional € 9.6 million. Furthermore, an overall total of € 97 million of adjustments were made to loans.
The agreements between the Barilla Group and its financial partners grant the latter a put option on the shares owned directly and indirectly by all Financial Partners in Finba Bakery Holding Gmbh and Finbakery Netherlands BV should certain conditions occur, such as the failure of the latter two companies to obtain a listing.
Contractual agreements set the strike price at the value of the investment plus a spread on the Euribor rate. It should be noted that in April 2006 Barilla Holding S.p.A. disputed certain aspects of the established contractual agreements, specifically the efficacy of the put option.

In 2006 BPI and the Barilla Group initiated a series of legal proceedings in court and through arbitration concerning the interpretation of the contractual agreements between the parties and the accounting treatment to be applied to the transaction. More specifically, BPI initiated the arbitration procedure set out in the agreements entered into with Barilla with the aim of establishing the validity of the put option and the occurrence of the conditions upon which the latter was contingent according to the agreements in effect. In turn, the Barilla Group, in addition to opposing BPI in the arbitration procedure, initiated two separate legal proceedings: (i) contestation of financial statements (Court of Lodi, General Register No. 2648 of 2006), in which the applicant petitions that the shareholders' resolution approving BPI's 2005 statutory financial statements be declared without effect and that BPI's 2005 consolidated financial statements be declared non-compliant with regulations governing the criteria for the preparation thereof due to alleged defects in the criteria adopted by BPI in its accounting treatment of its shareholdings in Kamps and Harry's, and, by way of subordinate request, that BPI be ordered to compensate the applicant for damages (to be settled in a separate proceeding) in accordance with articles 2377 and 2043 and/or 2049 of the Italian Civil Code; and (ii) a lawsuit aimed at establishing the invalidity and inefficacy of the arbitration clauses contained in the contractual agreements governing the acquisition of Kamps and Harry's. In preparing its quarterly report as at 30 September 2006, BPI deemed that it did not run the risk of incurring losses beyond those that had already been booked. However, the Board of Directors cannot exclude the possibility that it may become necessary to subject the entire affair to renewed scrutiny and investigation in the light of the further development of proceedings, specifically relating to its evaluation of the risk of incurring further losses beyond those that have already been booked.

The BPI Group's overall risk exposure to the Barilla Group totalled € 796 million at 30 September 2006, of which € 788 million (net of 2006 interest currently being capitalized) refer to the financial support provided for the acquisition of Kamps and Harry's (source: global risk position).

1.4.5 Risks associated with the Magiste Group's debt exposure to BPI

The Magiste Group's debt exposure to BPI consists mainly of four debts (in addition to other lesser amounts) referring to Magiste S.p.A., Magiste International S.A., Garlsson Real Estate S.A. and Magiste Real Estate S.p.A. (for further details, the reader is referred to Section One, Chapter 20, Paragraph 20.3 of the Prospectus).

1) On 28 September 2005, following the expiration of certain forward foreign exchange transactions (USD-euro), Magiste S.p.A. was informed of the closing of said transactions, resulting in a negative balance of the USD account of USD 74,444,602.25 on said date, and a negative balance of the euro account of € 1,040,997 on the same date. In the same letter, Magiste S.p.A. was asked to pay back these debt exposures.

On 14 October 2005, since no payment had been received from Magiste S.p.A., BPI proceeded to execute the surety provided by Bipielle Bank Suisse guaranteeing the debt exposure of Magiste S.p.A. for a total amount of € 64 million. It should be noted that Bipielle Bank Suisse itself had provided said surety on the engagement of Magiste International S.A. (parent company of Magiste S.p.A.), the latter having deposited 7,937,371 shares in Banca Popolare Italiana with Bipielle Bank Suisse to secure said surety. Following the execution of said guarantee, Bipielle Bank Suisse proceeded to pay BPI approximately € 54 million, claiming that the remaining sum of approximately € 10 million was not due since the agreements between Bipielle Bank Suisse and BPI had limited the amount due under the surety to a sum equating to the proceeds from the sale of said 7,937,371 BPI shares (€ 54 million).

On 29 December 2005, BPI proceeded to send Magiste S.p.A. an explicit notice of default for the residual debt outstanding on that date (USD 9,826,970.14 and € 1,222,126.62).

2) The debt owed by Magiste International S.A. consists of BPI's credit exposure deriving from the loan of € 730 million it disbursed on 3 August 2005.

It had been agreed that this sum be secured by securities worth 110% the amount disbursed; on 4 August 2005 pledges were provided consisting of "S&PMIB40" securities, shares in Magiste Real Estate S.p.A. and quotas of Tundra S.r.l. The securities used to secure said exposure were as follows: 4,000,000 shares of Magiste Real Estate S.p.A., 100% of the share capital of Tundra S.r.l., 8,421,606 shares of

common stock in Monte dei Paschi di Siena, 99,906,610 shares of common stock of RCS Mediagroup (of which 5,234,116 were seized by the Public Prosecutor's Office of Rome on 10 February 2006), and 10,175,000 shares of common stock of Capitalia.
In letters dated 10 and 12 August 2005, BPI informed Magiste International S.A. that the value of the "S&PMIB40" securities pledged had decreased considerably, thereby resulting in a reduction of the guarantee to less than the aforementioned 110%, and that by virtue of the pledge agreement BPI was proceeding to reduce the loan from € 730 million to € 665 million in proportion to the reduction in the guarantees.
Magiste International S.A. did not supplement the guarantees following the aforementioned letters. In the absence of further guarantees, BPI became entitled to immediate collection of a certain sum of € 65 million (the difference between € 730 million and € 665 million), whereas the outstanding credit line was to expire on 7 November 2005.
On 14 October 2005, after inconclusive contact with its debtor's representatives and lawyers, BPI proceeded to set off its higher credit of € 65 million against a counter-credit of Magiste International S.A. (deriving from the positive balance of a current account held by the latter) of € 60,100,808.96.
On 29 December 2005, BPI proceeded to send Magiste International S.A. an explicit notice of default for the residual debt outstanding on that date (€ 681,658,040 in connection with the loan, plus accrued interest, and an additional € 643,807.04 on the negative balance of a current account).
On 28 February 2006, BPI sent Magiste International S.A. a specific advance notice of its intention to proceed with the sale of the aforementioned 8,421,606 shares of common stock of Monte dei Paschi di Siena and 10,175,000 shares of common stock of Capitalia, which had been pledged to BPI. In March 2006, BPI proceeded to sell the aforementioned shares of common stock of Monte dei Paschi di Siena and Capitalia for a total amount of € 101,060,537.61, and to sell 454,000 shares in BPI owned by Magiste International S.A., for a total amount of € 4,102,096.91 (in accordance with article 7 of the Articles of Association, which states that shareholders' shares shall always be considered bound to guarantee all obligations of any sort that the shareholders have towards the company), for a total amount of € 105,162,635.52 (net of expenses).
3) Garlsson Real Estate S.A. owes BPI a total of approximately € 100 million, plus interest, in relation to a loan granted by BPI to said Garlsson Real Estate S.A. on 20 June 2005 (with maturity on 20 September 2005).
This loan was secured by a pledge on 9,674,000 shares of common stock of Capitalia (of which 8,253,146 shares were seized by the Public Prosecutor's Office of Rome on 19 December 2005) and 8,876,260 shares of common stock of RCS Mediagroup.
On 29 December 2005, BPI proceeded to send Garlsson Real Estate S.A. an explicit notice of default for the residual debt outstanding on that date (€ 102,160,899).
On 28 February 2006, BPI sent Garlsson Real Estate S.A. a specific advance notice of its intention to proceed with the sale of 1,420,854 shares of common stock of Capitalia, which had been pledged and had not been seized. During the first few days of March 2006, BPI proceeded with the sale of the aforementioned shares in Capitalia for a total amount of € 9,067,648.10 (net of expenses).
4) The debt owed by Magiste Real Estate S.p.A. consists of BPI's credit exposure deriving from a current account overdraft for approximately € 10 million.
On 29 December 2005, BPI proceeded to send Magiste Real Estate S.p.A. an explicit notice of default for the residual debt outstanding on that date (€ 10,386,963.88, plus € 8,822.65).
It should be noted that on 31 March 2006 the debt exposure of Magiste S.p.A., Magiste International S.A., Garlsson Real Estate S.A., and Magiste Real Estate S.p.A. came to a total of € 692,974,704.23, value adjustments made to said debt exposure totalled € 150,281,000, and the balance net of value adjustments was € 542,693,704.23.
On 23 March 2006, the BPI's Board of Directors resolved to execute the pledge provided by Magiste International S.A. and Garlsson Real Estate S.A. on a total of 103,548,754 shares of RCS Mediagroup common stock. It accordingly authorised the company's Managing Director to proceed with the sale of the aforementioned shares, further resolving that BPI was itself authorised to acquire said shares of RCS Mediagroup common stock.

On 18 May 2006, BPI then lodged a petition with the Public Prosecutor's Office of Rome to release the seizure of 8,253,146 shares of Capitalia common stock and 5,234,116 shares of RCS Mediagroup common stock. On 26 May 2006 the Public Prosecutor's Office of Rome granted the petition to release seizure lodged by BPI as limited to the 5,234,116 shares of RCS Mediagroup common stock and denied the request to release the seizure of the 8,253,146 shares of Capitalia common stock.

On 30 May 2006, BPI engaged Credit Suisse Securities (Europe) Limited to act as sole bookrunner and proceed with the placement of 108,782,870 shares of RCS Mediagroup common stock, equating to 14.847% of RCS common stock, for the sum total of the shares of RCS Mediagroup common stock provided to BPI as a pledge by Magiste International S.A. and Garlsson Real Estate S.A.

The placement was concluded on 31 May 2006 at a price of € 4.51 per share. Upon conclusion of the placement, BPI had been assigned 33,215,924 shares, equating to 4.53% of RCS common stock. The remaining 75,566,946 shares, equating to 10.31% of RCS common stock, were assigned to unrelated institutional investors, or entities that otherwise may be considered qualified operators in accordance with applicable regulations. The transfer of the shares to their respective purchasers took place on 5 June 2006.

The placement of the shares of RCS Mediagroup common stock was also exposed to certain legal risks, mainly relating to the possibility that precautionary legal proceedings may be initiated concerning the sale, as well as the assumption that once the Magiste group companies have been declared bankrupt, proceedings may be initiated to revoke or at least dispute the validity of the sale of the shares. BPI has obtained releases from all of the assignees of the placement in relation to any damages, costs, fees, or expenses that the latter may incur due to any lawsuits, petitions, investigations or proceedings of any sort aimed at recovering the shares or the equivalent value.

It should be noted that upon the conclusion of the placement of shares of RCS Mediagroup common stock, the debt exposure of Magiste S.p.A., Magiste International S.A., Garlsson Real Estate S.A., and Magiste Real Estate S.p.A. came to a gross total of € 202,538,100.41; accordingly, value adjustments were made to the 2005 financial statements for a total of € 150,281,000, resulting in a total residual balance of € 52,257,100.41.

It should also be noted that in June 2006 Magiste International S.A., Garlsson Real Estate S.A., Magiste Real Estate S.p.A. and Magiste S.p.A. proposed an agreement, which was then accepted by BPI in June 2006, aimed at defining all of Magiste Group's debts to BPI. For further details, the reader is referred to the discussion in Section One, Chapter 20, Paragraph 20.3 of the Prospectus; it should be emphasised, however, that the settlement agreement contains a condition precedent requiring composition with creditors by Magiste International, and subsequent approval of this procedure. In January 2007, however, Magiste International S.A. was declared bankrupt. Consequently, the contents of the aforementioned agreement are currently to be considered void.

In consideration of the foregoing, it may not be excluded that revocatory actions will be initiated regarding the deeds of pledge signed on 4 August 2005 for the "S&PMIB40" securities, shares in Magiste Real Estate S.p.A. and quotas in Tundra S.r.l. Nor may it be excluded that other proceedings may be initiated against BPI. BPI Board of Directors shall examine the possibility that it may become necessary to subject the entire affair to renewed scrutiny and investigation, specifically as concerns its evaluation of the risk of incurring further losses beyond those that have already been booked.

1.4.6 Risks associated with the write-down of Hopa securities in portfolio

BPI holds 101,019,756 shares, equating to 7.4% of the share capital of Hopa S.p.A. Recent valuations in connection with the possibility that Hopa may be involved in extraordinary transactions have established the minimum value per share to be Euro 1. A valuation of Hopa stock along these lines would result in a devaluation of BPI's shareholding in Hopa S.p.A., the impact of which may be estimated at a maximum of € 80 million on the income statement, and a negative impact of approximately € 46 million on shareholders' equity compared to the figure from the last quarterly report, considering that in the 2006 half-yearly report the Board had already proceeded to adjust the carrying value of the shares, entering the lower value to a specific shareholders' equity reserve as the change in the fair value of the shares.

1.4.7 Risks associated with pending litigations

BPI and the Group companies are involved in a number of legal proceedings, some of which relate to the Group's ordinary operations. A summary of the main legal proceedings with the most significant risk profiles is provided in the following section. For further details, the reader is referred to Section One, Chapter 20, Paragraph 20.3 of the Prospectus.

It should be noted that € 256 million in provisions for risks and charges is disclosed in the quarterly report as at 30 September 2006, the uses of which include coverage of the following risks: approximately € 94 million in charges for legal risks associated with the BAPV transaction, approximately € 20 million in charges for legal risks associated with the Viatel litigation, and the remainder in charges associated with minor lawsuits and litigations.

The Giovanni Cerea litigation

On 23 January 2001, Dr. Giovanni Cerea filed a civil suit in the Civil Court of Milan in which he petitioned the court to sentence BPI to pay him € 38.5 million in compensation for a mandate that the plaintiff alleges he received from BPI concerning the acquisition of a controlling stake in Banca Popolare di Cremona. The plaintiff further claimed compensation for damages ensuing from the non-performance of the alleged obligation to appoint said Dr. Cerea to the Board of Directors of Banca Popolare Italiana e di Crema subsequent to the take-over bid and the unjustified annulment of the additional mandate concerning the Banca Popolare di Cremona. The plaintiff submits that the above damages may be quantified as follows: in relation to the company appointments, at an amount equal to the compensation that the plaintiff would have received, plus a further sum (to be calculated according to fairness) as compensation for the loss of prestige that the plaintiff would have received from filling said positions; in relation to the mandate concerning the acquisition of Banca Popolare di Cremona, to the extent of 10% of the value of the latter bank upon completion of the acquisition, plus VAT and accessory charges. BPI appeared before the court in the proceeding and contested all of the applicant's claims, asserting them to be unfounded and specious, and submitting a counterclaim that Dr. Cerea be sentenced to compensate BPI for damages caused by vexatious litigation.

On 2 January 2002, Mr. Ernesto Preatoni and Parin S.r.l. were admitted to the proceeding and submitted claims against both the plaintiff and the defendant.

In judgment no. 7332 of 2004, the Judge of first instance accepted the arguments BPI had advanced in its defence, denied all of the claims made by the plaintiff and third parties admitted to the proceeding, and sentenced the latter to reimburse BPI for the legal expenses.

This decision was appealed by all of the losing parties, who in July 2004 served BPI with notice of two summons in appeal for full reform of judgment no. 7332 of 2004 justified by the same arguments advanced in support of their claims in the trial of first instance.

These lawsuits, which were filed separately, were then joined before the Court of Appeals of Milan, Section II, which at the hearing held on 8 February 2005 remanded the case for a pre-trial evidentiary hearing.

On 8 June 2005, BPI, on the one hand, and Parin S.r.l. and Mr. Preatoni, on the other, signed an out-of-court settlement according to which Parin S.r.l. and Mr. Preatoni withdrew the suit and waived the underlying claims (compensation for damages and nullity of take-over bid), and BPI on its part waived its claims for compensation of damages against Parin S.r.l. and Mr. Preatoni. According to the above agreement, BPI paid a sum of € 200,000.00 to Parin S.r.l. and Mr. Preatoni and agreed to indemnify the latter up to a maximum amount of € 53,209.68 should they be sentenced to pay Dr. Cerea legal expenses in relation to the proceedings of first instance and appeal. The sum owed as legal expenses was requested in the first half of 2006 directly by Dr. Cerea; that same year Parin S.r.l. asked BPI to pay legal expenses as provided in the aforementioned agreement. It should be noted that under the settlement described above, Parin and Preatoni waived their claims against Dr. Cerea as well, who in turn has agreed to withdraw the suit against the former: in sentence no. 2392 of 2005, the Court of Appeals therefore declared the suit and the proceedings between Preatoni, Parin and BPI (on the one hand) and Preatoni, Parin, and Cerea (on the other) concluded. The only proceedings that are currently still open are those between BPI and Dr. Cerea, the hearing for which is scheduled for 27 March 2007, with the consequence that the legal defence fees incurred by Preatoni and Parin are now due according to the settlement. As

for the aforementioned pending litigation between BPI and Cerea before the Court of Appeals, the pre-trial evidentiary hearing has been scheduled for 27 March 2007.
Given the uncertainty surrounding the outcome of the process (which prevents the company from making predictions), BPI has decided not to make any allocations to the provision for risks and charges in this connection on the basis of international accounting standards.

Litigation in connection with Cirio Finanziaria S.p.A. in Extraordinary Administration

In 2004 Cirio Finanziaria S.p.A. in extraordinary administration filed suit against BPI, Capitalia S.p.A. ("**Capitalia**"), Banca di Roma S.p.A. ("**Banca di Roma**"), Banca Intesa S.p.A. ("**Banca Intesa**"), and Dr. Cragnotti in the Court of Rome. In these proceedings Cirio Finanziaria S.p.A. made the following claims on BPI:

1) as the main claim, the reimbursement of the sum of € 25,822,844.95, plus interest, currency devaluation, and further major damages, as well as compensation for damages sustained due to alleged misconduct jointly with Capitalia, Banca di Roma, Banca Intesa and Dr. Cragnotti; the plaintiff quantified the latter damages at the amount of no less than € 250 million;
2) as a subordinate claim, compensation for damages sustained due to alleged misconduct jointly with Capitalia, Banca di Roma, Banca Intesa and Dr. Cragnotti; Cirio quantified said damages at the amount of € 474 million, or the lesser or greater sum deemed just;
3) as a further subordinate claim, the annulment of the deed of conveyance performed by Cirio Finanziaria S.p.A. in favour of BPI, with consequent order of the court that the latter reimburse the latter for the sum of € 25,822,844.95, plus interest, currency devaluation, and further major damages;
4) lastly, as a further subordinate claim, that BPI indemnify Cirio Finanziaria S.p.A. for the sum of € 25,822,844.95, plus interest and currency revaluation.

   BPI appeared before the court in the proceedings and submitted the following counterclaims: as a procedural claim, that the summons be declared void in accordance with article 164, paragraph 4, of the Italian Code of Civil Procedure, and as its main claim, that all claims submitted by Cirio Finanziaria S.p.A. in extraordinary administration be denied as without foundation.

When scheduling the first trial hearing, the Judge ordered a technical report, the purposes of which was to establish the damages possibly sustained by Cirio Finanziaria S.p.A.
At the above hearing the Panel of Judges reserved judgment both regarding the admission of the evidence requested by Cirio Finanziaria S.p.A. and the documents introduced by the latter and regarding the aforementioned technical report. Dissolving the above reserve, the Panel of Judges extended the deadline for the procedure for the introduction of new documents supporting the plaintiff's arguments and counterarguments by the other defendants (including BPI) and scheduled a further hearing for 20 November 2006.
In this regard, it should be noted that at the above hearing the Panel of Judges requested all parties to the suit to set out their arguments regarding the admissibility of the Technical Report requested by the plaintiff in order to estimate the damages allegedly sustained by Cirio. BPI, along with the other defendants, objected to the admission of said Report, whereas the plaintiff declared that it was in agreement.
By provision dated 6 February 2007, the Panel of Judges ruled that the case was ready for judgement, and dissolving its prior reserve further ruled that the technical report not be ordered to establish the damages sustained by Cirio Finanziaria. The next trial hearing in the proceedings has been scheduled for 28 May 2007. It should also be noted that on 31 December 2006 BPI made a prudential allocation of € 2,000,000.00 to its risk provision. Although the outcome of the proceedings may not be predicted at this time, a negative outcome cannot be excluded.

Criminal proceedings in the Parmalat and Cirio affair

In connection with the investigations being conducted by the Public Prosecutor's Office of Parma and Milan following the collapse of the Parmalat Group, on 6 March 2004 a brief was lodged with the aforementioned Prosecutor's Office in which BPI sought to establish that neither it nor its personnel were involved in the matter in question.

The brief clarifies the following specific issues: (i) a real estate transaction involving land owned by Eurolat and situated in the municipalities of Lodi, Tavazzano and Montanaso; (ii) a loan provided to Mr. Calisto Tanzi in 2003, which Mr. Calisto Tanzi was to use to subscribe to a capital increase in Parmatour; and (iii) the affair surrounding the purchase of the bond issued by Parmalat Finance Corporation by BPI in October 2003 for € 100,000,000.00 at the price of € 102,187,200.00. With regard to this last item, on 30 November 2004 BPI lodged a complaint through its lawyers, which it supplemented on 15 December 2004, accusing Mr. Tanzi and Dr. Ferrari of aggravated fraud.
The proceedings pending in the Public Prosecutor's Office of Parma are currently at the preliminary hearing stage. Although a civil action was brought against the former BPI directors in the above criminal proceedings, it was later withdrawn due to the previous settlement with the Parmalat group.
Likewise, in connection with the investigations being conducted by the Public Prosecutor's Office of Rome launched following the crack of the Cirio Group, a memorandum was filed with the Prosecutor's Office attesting to the credit arrangements between BPI and the Cirio Group and aimed at clarifying that neither BPI nor its personnel were involved in the matter under investigation. The proceedings are currently at the preliminary hearing stage.
At the moment it is not possible to provide a precise evaluation of risk profiles in terms of the liabilities that BPI may incur. It should also be added, however, that in the event that BPI representatives are convicted, the company could be subject to provisions to the detriment of its assets by way of civil liability.

The Gian Paolo Zini litigation

By summons dated 21 July 2004, Parmalat Finanziaria S.p.A. ("**Parmalat Finanziaria**") and Parmalat S.p.A. ("**Parmalat**") filed suit against Gian Paolo Zini, lawyer, and Messrs. Calisto Tanzi, Stefano Tanzi, Luciano Del Soldato, Giovanni Tanzi, Giovanni Bonici, Gianfranco Bocchi, Claudio Pessina, Franco Gorreri and Fausto Tonna.
Parmalat Finanziaria and Parmalat claimed compensation for damages from all of the defendants (in accordance with articles 2392, 2393, 2394, 2447, 2448, and 2449 of the Italian Civil Code, as well as for contractual or extra-contractual liability in accordance with article 2043 of the Italian Civil Code), arguing that the defendants were in various ways responsible for the financial difficulties of the two Group companies controlled by Calisto Tanzi. On the basis of the foregoing, the plaintiffs claimed damages of € 2.630 billion for Parmalat and € 9.273 billion for Parmalat Finanziaria. The party to the composition agreements, namely the new Parmalat S.p.A., was also admitted to the proceedings, submitting claims along the lines of the other plaintiffs.
By summons on behalf of a third party, Dr. Zini brought suit against a series of entities, including BPI, petitioning the court to establish that the latter were jointly liable to the plaintiffs.
By petition lodged on 4 January 2005, BPI appeared before the court in the proceedings and petitioned that the summons on behalf of third party filed by Dr. Zini against BPI be declared inadmissible due to the lack of legal requirements and/or lack of standing to be sued of BPI. BPI then petitioned the court to deny all of the plaintiff's claims as without foundation in material fact or the law.
At the panel trial hearing held on 26 May 2006, some of the parties brought to trial by Parmalat and Parmalat Finanziaria petitioned that the proceedings be closed in accordance with article 8 of Italian Legislative Decree No. 5 of 2003, submitting that the plaintiffs had not served them notice of the petition to set the trial hearing in a timely manner and/or as required by law. A new hearing was therefore scheduled for 20 September 2006 to hear the parties' arguments as to the above petition.
At the above hearing the Panel ordered that the proceedings be suspended. The Panel specifically found that Parmalat S.p.A. in extraordinary administration had filed civil suit in criminal proceedings for the same material facts underlying the criminal proceedings (thereby transferring the civil action to the criminal trial), and ruled as follows:

1) the civil suit brought by Parmalat S.p.A. in extraordinary administration was declared closed;

2) the civil suit in question was suspended, and it was decided that said civil suit may continue

between the party to the composition agreements (the new Parmalat S.p.A., which, as mentioned above, was admitted to the civil proceedings but never filed civil suit in the criminal proceedings), the defendants and the third parties (including BPI) only when the criminal proceedings have been concluded. The foregoing was decided on the basis of the prejudicial nature of the relation between the criminal and civil proceedings, since the decision handed down in the criminal proceedings could be significant and may be enforceable in the civil proceedings.

Save the arguments that BPI submitted in its defence as outlined above and the petitions lodged by Dr. Zini (who requested that BPI be declared jointly liable for the damages of € 2.630 billion claimed by Parmalat and € 9.273 billion claimed by Parmalat Finanziaria), it is currently impossible to assess the possible outcome of the trial.

BPI's Board of Directors has decided not to make any allocations to the provision for risks and charges in this connection on the basis of international accounting standards.

Litigation between Banca Popolare Italiana and Dresdner Bank AG

In a letter dated 26 April 2006, Banca Popolare Italiana requested that Dresdner Bank AG ("**Dresdner**") pay € 38,066,508.22 (plus currency revaluations and legal interest effective from 30 April 2003) by way of compensation for damages sustained by BPI due to a series of structured finance transactions carried out by BPI (known as the Banca Popolare di Lodi at the time) and Dresdner in April 2003.

On 7 June 2006, Dresdner petitioned the Commercial Court of London to absolve Dresdner of all contractual liability in relation to the aforementioned structured finance transactions.

The proceedings are currently at the preliminary stage. Furthermore, BPI has authorised its lawyers to draft and lodge a criminal complaint concerning abnormalities detected in the aforementioned structured finance transactions.

Viatel litigation

Banca Bipielle Network S.p.A ("**Bipielle Network**") (1) is the defendant in a significant number of civil proceedings related to the default of its Viatel bond issues.

In the various proceedings that have been initiated, the owners of the securities claim that Area Banca S.p.A. (currently Bipielle Network) traded the Viatel securities in violation of the obligations established by article 21 of the CFA and articles 26, 27, 28, 29 and 30 of Consob Regulations no. 11522 of 1 July 1998, as amended. The damages sought in the suits that have been brought thus far total approximately € 45.2 million, against a discounted provision of € 18,199,354.

With regard to the status of the above proceedings, many are in advanced stages, some have been decided in first instance, and a small number are in the appeals process.

In the interest of thoroughness, it should be noted that following an inspection of Area Banca S.p.A. on 28 April 2005 Consob issued a penalty provision citing the members of the latter's administration and control bodies, company managers and employees in office at the time of the provision, as well as Bipielle Network (formerly Area Banca S.p.A.) in connection with the

(1) On 16 June 2006, Bipielle Investimenti and Reti Bancarie signed agreements with Sopaf S.p.A., Aviva Holding S.p.A. and De Agostini Invest Sa (the "**Sales Agreement**") governing the sale of a 79.73% stake in the share capital of Bipielle.Net (Banca Bipielle Network S.p.A.), 98.86% owned by Bipielle Investimenti, and a 100% stake in the share capital of Area Life Ltd., an Irish-law insurance company 100% owned by Reti Bancarie through Bipielle International Holding. The compensation agreed for the sale was Euro 107 million for the stake in Bipielle.Net and Euro 23.5 million for Area Life. The compensation for Bipielle.Net and Area Life will be paid in cash on the date the agreements are executed. The completion of the transaction is contingent upon obtaining the required authorisation granted by the competent authorities. On 1 December 2006 the BPI Board of Directors resolved to grant the request to extend the final term for the above agreements submitted by the counterparties thereto on 29 November 2006 from 30 November 2006 to 22 March 2007, and to sign an addendum to the above agreement to this effect. The transaction did not, however, lead to an outsourcing of the risk associated with the "Viatel litigation". In fact, in the Sales Agreement reference is made to the litigation concerning the Viatel default (as well as litigation concerning the placement of other securities such as the Argentina, Euroxx, NTL, Carrier, Exodus, Level 3, UPC and Versatel bond issues), and it is stated that Bipielle Investimenti and Reti Bancarie are obligated to indemnify Bipielle Network for any losses that the latter may incur in connection with said litigation (including expenses and fees for the relative legal assistance) in excess of the provision of Euro 18,199,354 set aside in the 2005 financial statements. The obligation to indemnify is understood to operate net of an absolute exemption of 10% of the losses sustained in connection with each of the proceedings, up to a maximum total amount of Euro 5 million.

management of Area Banca S.p.A. operations (with regard to the provision of investment services in particular). Following the aforementioned Consob provision, on 24 January 2006 the Ministry of Economy and Finance ordered Bipielle Network to pay fines totalling approximately € 590,000 levied on the members of the members of the administration and control bodies, company managers and employees of Area Banca S.p.A. in office at the time of the order, with the obligation to recover said fines from the offenders.
Bipielle Network lodged an appeal against the above provision with the Court of Appeal of Milan. On 30 January 2007, the Court handed down a final provision with which it denied the appeal submitted by the Bank and all company representatives, upheld the penalty provision issued by the Ministry of Economy and Finance, and affirmed the violations committed by the company representatives of the former Area Banca.
It may not be excluded that the contestations contained in the Consob report, along with the provision issued by the Ministry of Economy and Finance, may have negative effects on the development of the proceedings initiated by the owners of Viatel securities against Bipielle Network.

PART 2 – INFORMATION ABOUT THE MERGER

2.1 SUMMARY DESCRIPTION OF THE PROCEDURES AND CONDITIONS OF THE TRANSACTION

2.1.1 Description of the parties to the merger

A. Banco Popolare di Verona e Novara – Limited liability cooperative company

Legal status and company data

- Limited liability cooperative company incorporated on 21 May 2002 with deed no. 83349 under the Index of the Notary Public, Ruggero Piatelli of Verona, effective as of 1 June 2002;
- Tax code, VAT and reg. no. in the Verona Register of Companies: 03231270236;
- Registered in the Register of Banks under no. 5519;
- Parent bank of “Banco Popolare di Verona e Novara Group” registered in the Register of Banking Groups held by the Bank of Italy under no. 5188.8;
- Registered in the Register of cooperative companies under no. A163121;
- Member of the Interbank Fund for the Protection of Deposits.

Registered office

Banco Popolare di Verona e Novara’s registered office is located in Verona, Piazza Nogara 2.

Corporate purpose

The corporate purpose of Banco Popolare di Verona e Novara involves the collection of savings and the exercise of credit activities in its various forms—both with respect to its own shareholders as well as non-shareholders, in accordance with the principles of Popular Credit. For this purpose, Banco Popolare di Verona e Novara grants special attention to the territory where its own distribution network is present, particularly with regards to small and medium-sized and cooperative companies. In compliance with its own institutional objectives, Banco Popolare di Verona e Novara grants facilities to its shareholders with regards to the use of specific services. BPVN may carry out—in compliance with current provisions and following the attainment of any prescribed authorizations—all transactions and banking services as well as any other activities which are granted to credit entities, including the issue of bonds, the exercise of financing activities which are regulated by special laws, and the acquisition and transfer of company receivables. BPVN may also carry out any other transaction which is instrumental or in any case linked to the attainment of its corporate purpose. In order to reach its goals, BPVN may become a member of associations or consortia and enter into agreements both in Italy and abroad. Banco Popolare di Verona e Novara—given its role as a bank exercising management and coordination activities for the Banking Group “Banco Popolare di Verona e Novara”, also referred to as the Banco Popolare di Verona e Novara Group or the BPVN Group or “Gruppo Bancario Popolare di Verona e Novara”, in accordance with Article 61, paragraph 4, Legislative Decree no. 385 of 1 September 1993 — in the exercise of its management and coordination activities issues directives to the members of the Group in relation to the execution of the instructions provided by the Bank of Italy for the purposes of Group stability.

Share capital

As of the date of this Prospectus, the underwritten and fully paid up share capital of Banco Popolare di Verona e Novara is equal to € 1,351,181,934.00 divided into 375,328,315 shares of common stock with face value of € 3.60 each.

Share characteristics and relevant rights

The share capital is exclusively represented by shares of common stock. All shares retain equal rights with regards to the allocation of profits and participation in the distribution of available sums in the case of winding-up of the Company. The shares are indivisible and—with the exceptions of any cases provided for by the Articles of Association—co-registration is not allowed; in the case of joint ownership of a share, the rights of the joint owners must be exercised by a common representative.

Banco Popolare di Verona e Novara was admitted to listing on the electronic stock exchange (MTA, “mercato telematico azionario”) which is organized and managed by Borsa Italiana S.p.A. following provision no. 2351 of the latter dated 24 May 2002.

The shares are included amongst the 40 securities composing the Standard's and Poor Mib index.
In accordance with Article 11 of the Articles of Association of BPVN, "*Following a Board resolution for admission which is communicated to the affected party, the title of shareholder is acquired by means of registration in the register of shareholders following payment of the admission fee as well as deposit of the certificate attesting the ownership of at least 250 shares* (…)". Each decision relevant to the approval of shareholder admission applications is taken by the Board of Directors in the interest of the Company, including the latter's independence and autonomy and in compliance with the spirit of the cooperative legal status.
In compliance with law regulations, holders retaining voting rights may attend the Meeting if a communication has been sent to the Company at least two (2) business days before the date of the first meeting on the part of the entrusted intermediary, in compliance with Article 2370 of the Italian Civil Code and any special regulations or law provisions.
The shareholder has the right to be represented by means of a written proxy issued to another shareholder with the right to attend the Meeting, given that this proxy is not a director, auditor or employee of the Company or is not subject to incompatibility conditions provided for by law. Each shareholder may only represent one other shareholder with the exception of legal representation cases.
In accordance with the provisions of Article 26 of the Articles of Association and in compliance with the provisions of Article 30 of the Consolidated Banking Act, the shareholder only retains one vote regardless of the number of shares held. In compliance again with the provisions of Article 30 of the Consolidated Banking Act, no shareholder may own shares representing more than 0.50% of the share capital. The Bank—as soon as it detects that this limit has been exceeded—will notify the shareholder with regards to the violation. Any shares exceeding the limit must be sold within one year of this notice; following this term, the relevant asset-related rights which had accrued up until the time of disposal of the exceeding shares will be acquired by the Bank. In addition, this provision is not applicable for undertakings for collective investments given that the latter are subject to the limits provided for by their specific regulations.
In accordance with the entries of the corporate books as well as communications received and any other information made available to the Bank, on the date of 14 February 2007:

- the shareholders retaining more than 0.50% of the share capital were:
  - Ubs Ag., which holds 7,225,460 shares, equal to approximately 1.9251% of the share capital;
  - Pioneer Investment Management, which holds 2,009,523 shares, equal to approximately 0.5354% of the share capital,
  - the shareholders retaining more than 2% of the share capital were:
  - T. Rowe Price Intenational Inc,, which holds more than 7,897,714 shares, equal to approximately 2.1042% of the share capital;
  - Barclays Global Investor N.A., which holds 7,623,316 shares, equal to approximately 2.0311% of the share capital;
  - Fidelity International Ltd., which holds 7,543,294 shares, equal to approximately 2.0098% of the share capital;
- shareholders retaining more than 0.50% of the share capital were:
  - FMR Corp., which holds 7,142,787 shares, equal to approximately 1.9031% of the share capital;
  - Deutsche Bank Ag London, which holds 3,982,670 shares, equal to approximately 1.0611% of the share capital;
  - Harbor International Fund, which holds 3,175,000 shares, equal to approximately 0.8459% of the share capital;
  - CM-CIC Securities, which holds 3,083,486 shares, equal to approximately 0.8215% of the share capital;
  - Morgan Stanley & Co. Intern,, which holds 3,023,679 shares, equal to approximately 0.8056% of the share capital;
  - Dresdner Bank Ag., which holds 2,845,778 shares, equal to approximately 0.7582% of the share capital;
  - Barclays Capital Securities Ltd., which holds 2,488,303 shares, equal to approximately 0.6630% of the share capital;

– Société Generale S.A., which holds 2,474,163 shares, equal to approximately 0.6592% of the share capital;
– Jp Morgan Whitefriars Inc. Eq. Deriv., which holds 1,981,503 shares, equal to approximately 0.5279% of the share capital.

Moreover, as of the date of this Prospectus, there were no reported agreements between shareholders with regards to the exercise of rights relevant to BPVN shares and the transfer of the latter.

Corporate bodies

Board of Directors

In accordance with Articles 32 and 40 of the Articles of Association, Banco Popolare di Verona e Novara is managed by a Board of Directors composed of 20 members.

The Board of Directors is partially renewed every year; the term of office of current Directors are reported in the table below:

Office	*Name and Surname*	*Place and date of birth*	*Appointment date*	*Expiry date of mandate*
Chairman	Carlo Fratta Pasini (*)	Verona, 30 July 1956	23 April 2005	Meet. of 2008
Vice Deputy Chairman	Maurizio Comoli (*)	Novara, 9 November 1958	23 April 2005	Meet. of 2008
Vice Chairman	Alberto Bauli (*)	Verona, 5 September 1940	23 April 2005	Meet. of 2008
Managing Director	Fabio Innocenzi (*)	Verona, 25 March 1961	23 April 2005	Meet. of 2008
Director	Marco Boroli (*)	Novara, 25 August 1947	23 April 2005	Meet. of 2008
Director	Pietro Buzzi	Casale Monferrato (Alessandria), 22 January 1961	1 May 2004	Meet. of 2007
Director	Valentino Campagnolo	Vicenza, 25 December 1949	1 May 2004	Meet. of 2009
Director	Vittorio Corradi	Bologna, 23 December 1954	3 May 2003	Meet. of 2009
Director	Ugo Della Bella	Milano, 1° December 1941	3 May 2003	Meet. of 2009
Director	Giuseppe Fedrigoni	Verona, 21 February 1940	1 May 2004	Meet. of 2007
Director	Federico Pio Guasti (*)	Milano, 12 July 1939	3 May 2003	Meet. of 2009
Director	Sergio Loro Piana	Milano, 24 May 1948	1 May 2004	Meet. of 2007
Director	Maurizio Marino	Verona, 9 September 1944	3 May 2003	Meet. of 2009
Director	Giuseppe Nicolò (*)	Brescia, 4 July 1931	1 May 2004	Meet. of 2007
Director	Gian Luca Rana	Verona, 20 December 1965	23 April 2005	Meet. of 2008
Director	Claudio Rangoni Machiavelli	Modena, 21 January 1953	1 May 2004	Meet. of 2007
Director	Fabio Ravanelli	Novara, 8 January 1970	23 April 2005	Meet. of 2008
Director	Luigi Righetti (*)	Verona, 22 November 1930	1 May 2004	Meet. of 2007
Director	Gian Carlo Vezzalini (*)	Modena, 9 August 1932	23 April 2005	Meet. of 2008
Director	Franco Zanetta	Borgomanero (Novara), 3 March 1943	3 May 2003	Meet. of 2009

(*) member of the Executive Committee

Board of Statutory Auditors

In accordance with Article 45 of the Articles of Association, the ordinary Shareholders' Meeting appoints the Board of Statutory Auditors of Banco Popolare di Verona e Novara every three years from amongst its shareholders. The Auditors are appointed on the basis of lists presented by shareholders and total five standing members—including the Chairman of the Board itself—and two alternate auditors which hold office for three years.

The Board of Statutory Auditors of Banco Popolare di Verona e Novara which is currently holding office—appointed on 23 April 2005—is composed as follows:

Office	*Name and Surname*	*Place and date of birth*	*Expiry date of mandate*
Chairmann	Flavio Dezzani	Asti, 8 January 1941	Meet. of 2008
Standing Statutory Auditor	Giuliano Buffelli	Gera Lario (Como), 19 May 1943	Meet. of 2008
Standing Statutory Auditor	Maurizio Calderini	Novara, 6 August 1945	Meet. of 2008
Standing Statutory Auditor	Carlo Gaiani	Modena, 15 December 1926	Meet. of 2008
Standing Statutory Auditor	Giovanni Tantini	Verona, 3 November 1939	Meet. of 2008
Alternate Statutory Auditor	Bruno Anti	Verona, 7 June 1952	Meet. of 2008
Alternate Statutory Auditor	Emilio Rossi	Vercelli, 7 January 1943	Meet. of 2008

Board of Arbitrators

The Board of Arbitrators is appointed by the ordinary Shareholders' Meeting of BPVN and is composed of five members—of which three are standing and three alternte members—and are elected from amongst the shareholders.

In accordance with Article 50 of the Articles of Association of BPVN, the Board retains competence over any dispute between the company and shareholders as well as on requests for reviews of the Board of Director's provision relevant to denials of admission for a shareholder applying as partner. In this case, the Board of Arbitrators is supplemented by a representative of the candidate and approves by majority vote with a final decision issued within thirty days from the date of request of the review put forth by the candidate.

General management

The General Management of BPVN is currently composed as follows:

Office	*Name and Surname*	*Place and date of birth*
General Manager	Massimo Alfonso Minolfi	Nocera Inferiore (Salerno), 18 March 1952
Vice Deputy General Manager	Giorgio Papa	Varese, 24 April 1956
Manager of the Resources and Administration Division	Francesco Minotti	Roma, 21 July 1969
Vice General Manager *Sales Network Manager*		
Vice General Manager *Manager of the Private & Finance Division*	Maurizio Faroni	Brescia, 20 January 1958

Auditing

On 24 April 2005, BPVN appointed Reconta Ernst & Young S.p.A., with registered office in Via G.D. Romagnoli no. 18/A, Rome, registered with the Register of Auditing Companies held by Consob with resolution no. 10831 of 16 July 1997, as auditing firm, entrusting it with the audit of its financial statements for the 2005 – 2007 period.

Reconta Ernst & Young currently carries out the following activities for Banco Popolare di Verona e Novara:

– auditing activities relative to bookkeeping and the appropriate recording of operational facts within the accounting entries;

– auditing of statutory and consolidated financial statements;

– imited auditing of the statutory and consolidated half-year reports.

Historical notes

On 20 May 2002—following the resolutions passed on 9 March 2002 by the Extraordinary Shareholders' Meetings of Banca Popolare di Verona – Banco S.Geminiano e S.Prospero and Banca Popolare di Novara—the Banco Popolare di Verona e Novara, a limited liability cooperative company, was founded with effective date June 2002.

The primary milestones which characterized the development of the two merged banks from their time of founding are described below.

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

Banca Mutua Popolare di Verona was founded on 21 June 1867—chronologically the seventh Popular bank in Italy—through the initiative of representatives of the agricultural and handicrafts sectors as well as economic operators and professionals who could rely upon the support of the Chamber of Commerce of Verona, to which, at the time, the most evolved entrepreneurial movements of the town referred.

Banca Mutua immediately reported a significant level of growth; it overcame the 1929 crisis which had heavily affected the national banking system of the time and initiated the acquisition of the Banca Cattolica Veronese in 1935. The latter detained 30 branches in agricultural areas of the province. After the war, the Bank accelerated its expansion by actively participating in the reconstruction of the economy in its district. During this period, about twenty branches were opened and in 1960 the Bank received the qualification as an "agent bank for foreign commerce".

In the 1980's, the Bank went through a period of intense territorial expansion by directly opening an increasing number of branches as well as acquiring other credit institutions, thereby increasingly defining its reputation as an "aggregating bank". Local banks and foreign bank branches were acquired: in 1983, the Bank A. Tamai of Spilimbergo was acquired; in 1987, the Venezia - S. Marco branch was acquired from Banca Manusardi and in 1988 the Milan branches of Chemical Bank and the Standard Chartered Bank were acquired; in 1989, Banca Popolare di Arzignano as well as Banca Popolare di Castiglione delle Stiviere were acquired for a total of 14 branches, thereby consolidating a leadership position amongst popular banks in the Veneto region.

In 1993, Banca Popolare di Verona launched a takeover bid which resulted in the acquisition of Banco S.Geminiano e S.Prospero S.p.A. of Modena; the success of the transaction inaugurated the territorial expansion (106 branches) in the Emilian territory; the latter is quite similar to the territories of the Triveneto area that are served by the Veronese bank in terms of geo-economical typology and entrepreneurial quality of the market.

In 1996, the incorporation of Banco S.Geminiano e S.Prospero S.p.A. was completed and the name of the Bank was changed to "Banca Popolare di Verona - Banco S. Geminiano e S. Prospero". In addition, it has further strengthened its presence by developing its foreign operations and opening a branch office in Luxemburg in 1991; this was followed by the foundation of a direct branch named "Gruppo Bancario Popolare di Verona - S.Geminiano e S.Prospero International S.A." in the Grand Duchy.

In October of 1997, the Bank acquired Credito Bergamasco, an important institution with 200 branch offices that are primarily distributed across the North-East, particularly in Lombardy and Veneto, thereby creating an optimal territorial integration for Banca Popolare di Verona. Credito Bergamasco is currently an important credit institution in northern Italy and offers a complete range of products and services to its customers, including asset management, merchant bank, bank insurance and leasing services. Since 1994, the shares of Credito Bergamasco have been listed on the Electronic Stock Exchange (MTA).

During the course of May 2000, the Bank acquired control of Banca Aletti, a prestigious brand within the Italian banking sector boasting a long history of specialization in equity investment services; this transaction was part of a broad strategy to strengthen the bank's direct presence in the asset management sector.

Banca Popolare di Novara

This bank was founded as an anonymous cooperative credit corporation through the Royal Decree of 17 September 1871. The origins of its foundation are based on the initiative of certain representatives of the political and entrepreneurial sectors who sought to address the demand for credit from the economic system of Novara which is largely composed of artisans, small business owners and farmers.

The first operational branch office was opened in 4 March 1872. In August 1874, the first branch office outside of Novara was inaugurated. In 1890, the Bank went beyond its provincial and regional borders through the establishment of the Sesto Calende (Varese) branch.

At the end of the First World War, the Institute was composed of more than 50 branch offices and almost 8,000 partners. The Bank served as a solid reference point for the banking system and participated in restructuring the latter; in the first years after the war, the Bank initiated operations in Genoa (1919), Milan (1920) and Rome (1921) and expanded its presence significantly in both its historical territories (incorporation of Banca Popolare della Lomellina in 1922 and of Piccolo Credito di Cuneo in 1929) as well as outside of them (acquisition of Banca Popolare Cooperativa di Venezia in 1924 and Banca Popolare di Como in 1935).

At the beginning of the Second World War, Banca Popolare di Novara owned 211 branch offices in the most developed areas of the Country (Piedmont, Valle d'Aosta, Liguria, Lombardy, Veneto and Lazio) with more than 20,000 shareholders. Having emerged unscathed from the disastrous Second World War, the Bank contributed towards the challenging task of reconstruction and economic recovery.

New branches were opened in major cities as well as in the historical territory and in central Italy (incorporation of Banca Popolare di Terni in 1957 as well as Banca Popolare di Firenze in 1967 and Banca Poplare di Maremma in 1974); Representative Offices were established in London, Frankfurt and subsequently Madrid, New York and Caracas.

On its hundredth anniversary in 1971, the Bank was composed of about 300 branch offices and 83 collector's offices, with 55,000 partners and a presence in 23 provinces of nine regions. In 1978, the Bank was approved for listing on the Restricted Market; it extended its foreign presence (Banca Interpopolare di Zurigo e Lugano) as well as in central and southern Italy (incorporation of the Popular Banks of Pisa, La Spezia and Lunigiana, Nola, Catania and Credito Campano), acquired shareholdings in the construction credit sector (INCE in 1981), the medium to long-term credit sector (Efibanca in 1984) and in the mutual fund (Sogepo in 1986) and merchant banking sectors (Cofilp in 1987). In 1988, it acquired control of Banca Popolare di Lecco, Banca Sannitica and Banque de l'Union Maritime et Financière of Paris. In 1991, operations were initiated in Luxemburg.

In the first years of the 1990's, the Bank had more than 400 branch offices and 100,000 partners. The Institute subsequently proceeded with the transfer of the shareholdings in Banca Popolare di Lecco, Efibanca and Mediocredito Piemontese. As of 1995, this phase continued with the incorporation of INCE and Banca Sannitica, the disposal of Istituto per la Cessione del Quinto (Novara ICQ) as well as of Novara Broker (insurance brokerage) and Banca Novara Suisse (former Banca Interpopolare), the liquidation of Cofilp and the transfer of other non-strategic shareholdings, including Centrobanca.

An additional rationalization attempt was implemented in the real estate sector and in the tax services sector by means of spin-off transactions in favor of fully controlled companies.

* * *

The brief historical notes described above therefore explain how Banco Popolare di Verona e Novara is today capable of leveraging the precious experience gained by the two original banks.

BPVN carries out savings collection activities and exercises credit activities in their various forms while offering a broad range of financial products and services; it pursues its fundamental objective of promoting its identity as a nationwide and independent credit institution, strongly linked to its territory of origin.

Banco Popolare di Verona e Novara has traditionally aimed at attaining economies of scale, improving profitability for its partners and shareholders and enhancing the services provided to customers in terms of cost savings; in order to strengthen the link with *retail*, *corporate* and *private* customers, thereby also fully exploiting the potential of the regional distribution model of reference which is supported by "product factories" of high standing.

In the years following the merger, BPVN has therefore carried out numerous transactions which are designed to rationalize the commercial network of the Group in order to attain the following objectives:

– promoting the trademarks of Banco Popolare di Verona and Novara and of Banca Popolare di Novara S.p.A. which serve as an important leverage for the creation of value;
– intensifying the “thick mesh” of branch offices within the original territories of the affected banks: northwestern Italy for Banca Popolare di Novara and Triveneto region for Banco Popolare di Verona e Novara;
– limiting the risk of internal competition within the Group in the areas of territorial overlap;
– developing commercial bank activities in territorial areas with historical presence by means of a diffused distribution and a complete and innovative offer of products and services;
– supporting the sharing of the best commercial know-how and management with elevated levels of efficiency;
– reinforcing the presence of the different companies of the Group on the market in order to provide increasingly qualified support to the numerous and differentiated clientele.

During the course of 2003, an internal restructuring project within the Group was initiated and involved:

– the transfer through spin-off of 84 branch offices from Banca Popolare di Novara to the Parent Company of the Group, including the Venice Business Development Desk (Area Affari) and the other Business Development Desks supporting the Network;
– the transfer of 33 branch offices from Banca Popolare di Novara to Credito Bergamasco, including the Business Development Desks in support of the Network;
– the transfer of 36 branch offices from Credito Bergamasco to the Parent Company of the Group, including the Business Development Desks in support of the Network and the trademark “Banco San Marco” whose value will be strengthened through its use within other branches in the Venice area.

Given its current composition and with regards to its credit activities, the Banking group “Banco Popolare di Verona e Novara” avails itself of the subsidiaries Credito Bergamasco, Banca Popolare di Novara, BPVN (Luxembourg) and Banca Aletti & C. (Suisse). With regards to financial activities, it primarily avails itself of Banca Aletti & C.—specialized in private and investment banking—as well as Aletti Merchant and “Holding di partecipazioni finanziarie Popolare di Verona e Novara”. Asset management activities are centered in the companies Aletti Gestielle SGR, Aletti Gestielle Alternative SGR and Aletti Private Equity while for the management of services in addition to administrative and back-office and IT activities a special corporation named “Società Gestione Servizi – BPVN” was founded.

During the course of 2004, the subsidiary Banca Popolare di Novara stipulated an important agreement with Azimut Sgr S.p.A., thereby becoming the Custodian for mutual funds placed by the latter company and acquiring a 2.49% shareholding in Azimut Holding S.p.A., a primary company in the sector of financial services.

On 1 January 2005, the project named “Gestioni Patrimoniali” was completed in full compliance of pre-set deadlines; the objective of this project was to transfer the company branches of the Banks of the Group relative to Individual Portfolio Management to Banca Aletti. These products are of particular importance within the asset management sector—both for the company in terms of the contribution of income to the income statement and for the clientele and the latter’s degree of satisfaction and therefore of loyalty.

Following up on the preliminary contracts undersigned in the month of May 2006, contracts relevant to the exchange of two company branches were stipulated on 29 September of the same year, with effective date 1 October 2006; the two branches were composed as follows: one included eighteen bank branches of the Banca Popolare Italiana Group, all located in Trentino Alto Adige (Province of Trento), while the other included nine bank branches of Banco Popolare di Verona e Novara and nine of Banca Popolare di Novara. These branches are located in the Marche (provinces of Ancona and Macerata), Tuscany (provinces of Florence, Livorno, Arezzo and Massa), Umbra (province of Terni) and Lazio (province of Frosinone, Rome and Latina).

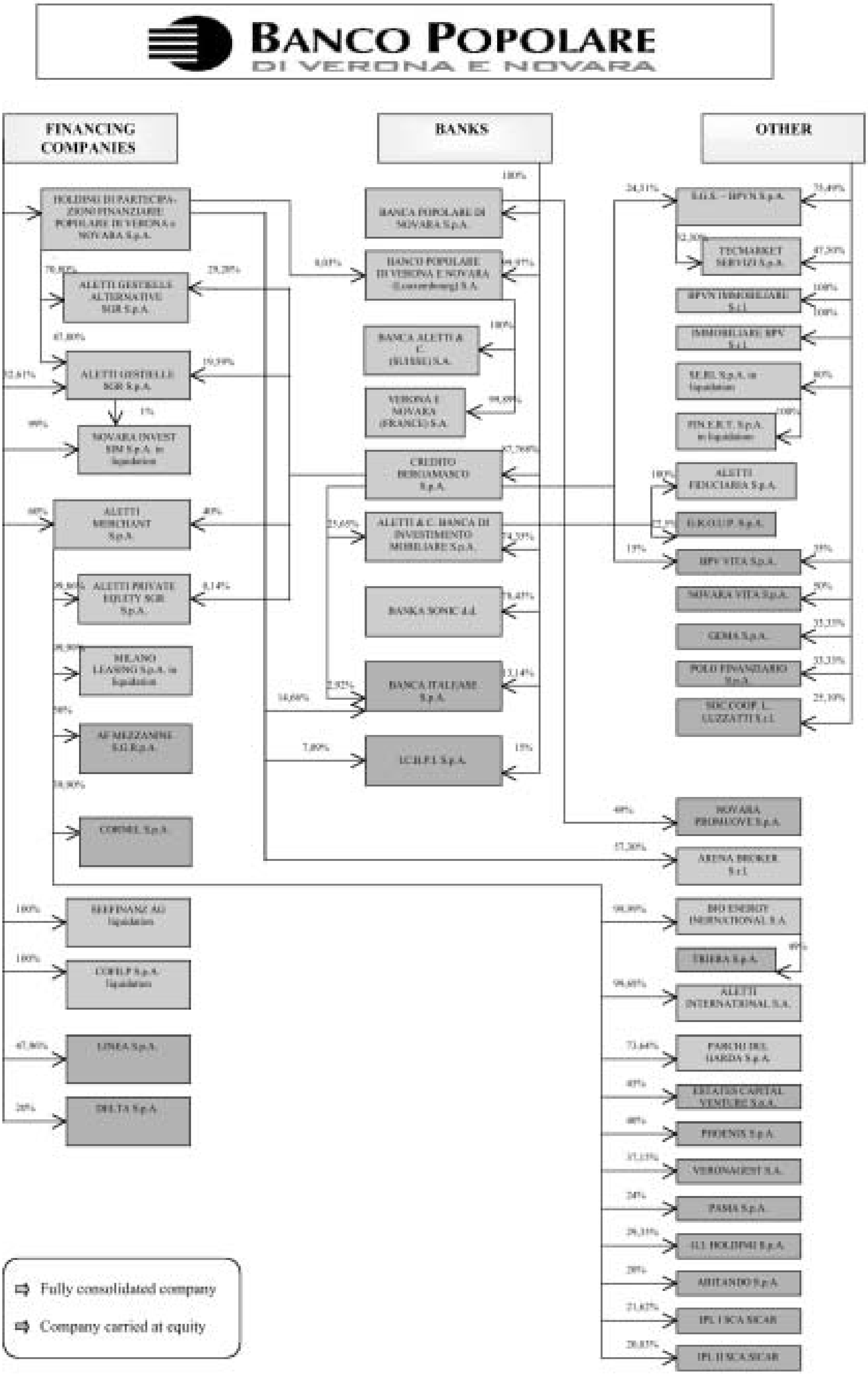
In addition, the Group has recently strengthened its presence in Eastern Europe by acquiring control

over Banka Sonic of Zagabria and is awaiting authorization for the acquisition of IC Bank of Budapest and IC Banka of Prague, which will allow the Group to get closer to the numerous national companies which operate in these countries.
Within the realm of foreign markets, it should also be noted that the opening of a new Representative Office in Peking has been authorized following the opening of the offices in Shanghai and Hong Kong as well as the Indian office in Mumbai.
Finally, the following transactions recently carried out for the purposes of rationalizing the Group are worthy of note:

– the merger of the subsidiary Leasimpresa S.p.A. of Turin into Banca Italease S.p.A., a primary entity operating in the leasing sector;
– the transfer of the subsidiary Sestri S.p.A.—a company specialized in tax collection services on behalf of tax authorities and other entities within certain provinces of northern Italy—following the restructuring of the collections sector regulated by Legislative Decree no. 203 of 30/9/2005 and which resulted in the transfer of private tax collections companies to the Government. For the same purpose, in the month of April 2006 Sestri S.p.A. then provided for the incorporation of the other licensee company of the Group named SARI Sannitica Riscossione S.p.A.

The BPVN Group

The structure of the BPVN Group, as of 31 December 2006, is described in the following table:



B. Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa (“Cooperative Company”)

Legal status and company data

- Cooperative company founded on 28 March 1864 with a private deed dated 28 March 1864 and a public deed dated 11 February 1866 by the Notary Public Giovanni Carini;
- Tax code, VAT and registration no. in the Register of Companies of Lodi: 00691360150;
- Registered in the Register of Banks under no. 405.10;
- Parent Bank of the Banking Group “Banca Popolare Italiana” registered in the Register of Banking – Groups held by the Bank of Italy under no. 5164.9;
- Registered in the Register of cooperative companies under no. A162724;
- Member of the Interbank Fund for the Protection of Deposits.

Registered office

Banca Popolare Italiana has registered office in Lodi, Via Polenghi Lombardo, 13.

Corporate purpose

The corporate purpose of BPI involves “*the collection of savings and the exercise of credit activities in its various forms—even by means of subsidiaries exercising banking activities and with respect to both its own shareholders and non-shareholders, in accordance with the principles of Popular Credit*”.

The Company may carry out—in compliance with currently effective provisions and following the obtainment of any potentially prescribed authorizations—all other mutually recognized activities, even by means of subsidiary companies and in compliance with Legislative Decree no. 385/1993. It may also carry out any other activity which is deemed instrumental or in any case linked to the attainment of the corporate purpose, including the acquisition of company receivables.

The Company may also issue bonds, even convertible bonds, in accordance with currently effective law provisions. The Company—given its role as the parent bank of the “Banca Popolare Italiana Credit Group”, in compliance with Article 25 of Legislative Decree no. 356/90— in exercising its management and coordination activities issues provisions to the members of the Group relating to the execution of the instructions provided by the Bank of Italy for the purposes of Group stability.

Share capital

As of the date of this Prospectus, the underwritten and paid up share capital of BPI is equal to € 2,047,081,617.00 divided into 682,360,539 shares of common stock with face value of € 3.00 each.

Share characteristics and relevant rights

The share capital is exclusively represented by shares of common stock. All shares retain equal rights with regards to the allocation of profit and participation in the distribution of available sums in the case of winding-up of the Company. The shares are indivisible and in the case of joint ownership of shares, the rights of the joint owners must be exercised by a common representative.

BPI was admitted to listing on the electronic stock exchange (MTA, “mercato telematico azionario”) which is organized and managed by Borsa Italiana S.p.A. following provision no. 142 dated 23 June 1998 of the latter.

In compliance with the provisions of Article 30 of the Consolidated Banking Act, the exercise of rights that do not relate to assets, in particular rights for attending and voting in the ordinary and extraordinary Shareholders’ Meetings, is subject to the shareholder becoming admitted as a partner.

In accordance with Article 10 of the Articles of Association of BPI, “(…) *The Board of Directors decides upon the acceptance or denial of the application for admission as partner by means of a resolution which must be appropriately motivated in the case of refusal; the Board decides by taking into account the interest of the Company, the spirit of the cooperative form and the provisions of the articles of association. The resolution for admission must be recorded by Directors in the register of shareholders and communicated to the involved party* (...)”.

Those who have been listed in the register of shareholders for at least 90 days have the right to intervene in the Shareholders’ Meeting and exercise voting rights.

Each partner may represent no more than one partner. Partners may not be represented by a non-partner even if the latter is granted a general proxy. The above mentioned limitations are not applicable in the case of legal representation.

In accordance with the provisions of Article 23 of the Articles of Association and in compliance with the provisions of Article 30 of the Consolidated Banking Act, each partner only retains one vote regardless of the number of shares that are held. In compliance again with the provisions of Article 30 of the Consolidated Banking Act, no shareholder may own shares representing more than 0.50% of the share capital. The Bank—as soon as it detects that this limit has been exceeded—will notify the shareholder with regards to such violation. Any shares exceeding the limit must be sold within one year of this notice by the shareholder in question; thereafter, the asset-related rights accrued on the exceeding shares will be acquired by the Bank. In addition, this provision is not applicable for units of undertakings for collective investments given that the latter are subject to the limits provided for by their specific regulations.

On the date of 19 February 2007, the following parties held more than 2% of BPI share capital:

- Fidelity International Limited, with an overall shareholding equal to 2.073%;
- Stichting Pensioenfonds ABP, with an overall shareholding equal to 2.215;
- Cheyne Capital Management Limited, with an overall shareholding equal to 2.027%;
- Julius Baer Investment Management LLC, with an overall shareholding equal to 2.075%;
- Credit Suisse Group, with an overall shareholding equal to 2.053%.

On the date of this report, the following shareholder agreement—communicated in compliance with Article 122 of the Consolidated Finance Act—was effective:

- Agreement between Aviva Italia Holding S.p.A., with registered office in Milan, Viale Abruzzi no. 94 (“Aviva”) and BPI.

  The agreement concerns 2,327,992 BPI shares (all held by Aviva), equal to 0.341% of the share capital.

  The agreement has a duration of three years and is effective as of the date of undersigning with tacit renewal every three years up until 31 December 2009—given the right of each party to withdraw by means of an advance notice of six months prior the expiration date of the three-year period. In this regard, the parties to the above mentioned agreement have not provided any notices relevant to the potential effect of the Merger on the agreement.

Corporate bodies

Board of Directors

In accordance with Article 29 of the Articles of Association, Banca Popolare Italiana is administered by a Board of Directors composed of 14-20 members. All members of the Board of Directors must be partners and must possess the pre-requisites of honorability, professionalism and independence.

The Board of Directors is partially renewed each year in relation to the members whose mandate is about to expire. In the case of a simultaneous appointment of the entire Board—as in the case of the Board currently holding office—the mandate of half of the directors (randomly selected) will cease to be effective after two years. The following table lists the members of the Board of Directors of BPI holding office and specifies the expiration date of their mandate.

Office	*Name and Surname*	*Place and date of birth*	*Appointment date*	*Expiry date of mandate*
Chairman	Dino Piero Giarda	Milano, 9 December 1936	28 January 2006	2008 Fin. Statem.
Deputy Vice Chairman	Enrico Perotti	Guardamiglio (Lodi), 8 April 1948	28 January 2006	2007 Fin. Statem.
Vice Chairman	Vittorio Coda	Biella, 5 July 1935	28 January 2006	2007 Fin. Statem.
Managing	Divo Gronchi	Pisa, 21 January 1939	28 January 2006	2007 Fin. Statem.
Director	Guido Castellotti	Livraga (Lodi), 25 March 1947	28 January 2006	2008 Fin. Statem.
Director	Pier Antonio Ciampicali*	Firenze, 12 April 1935	28 January 2006	2008 Fin. Statem.
Director	Costantino Coccoli*	Lodi, 21 July 1946	28 January 2006	2007 Fin. Statem.
Director	Maria Luisa Di Battista	Lecce, 8 July 1953	28 January 2006	2007 Fin. Statem.
Director	Bruno Giuffrè*	Milano, 11 January 1962	28 January 2006	2007 Fin. Statem.
Director	Andrea Guidi	Pisa, 28 November 1957	28 January 2006	2008 Fin. Statem.
Director	Machirelli Augusto	Imola, 15 December 1955	28 January 2006	2008 Fin. Statem.
Director	Pietro Manzonetto*	Castelfranco Veneto (Treviso), 24 November 1944	28 January 2006	2007 Fin. Statem.
Director	Roberto Nicola Martone	Milano, 28 February 1947	28 January 2006	2008 Fin. Statem.
Director	Mario Minoja*	Milano, 12 October 1965	28 January 2006	2007 Fin. Statem.
Director	Giorgio Olmo*	Crema (Cremona), 26 July 1943	28 January 2006	2008 Fin. Statem.
Director	Roberto Schmid*	Lodi, 19 December 1938	28 January 2006	2008 Fin. Statem.

* Independent directors, in compliance with the Self-Regulation Code of Listed Companies

On 13 December 2006, the Board of Directors created the Executive Committee, in accordance with Article 37 of the Articles of Association; this committee is composed of the Managing Director (who was suspended from official functions on this date and subsequently re-integrated by means of Meeting resolution on 20 January 2007), the Chairman, the Deputy Vice Chairman, the Vice Chairman and the Directors Mr. Andrea Guidi and Prof. Maria Luisa Di Battista.

Board of Statutory Auditors

In accordance with Article 40 of BPI Articles of Association, the ordinary Shareholders' Meeting appoints five Standing Statutory Auditors and two Alternate Auditors who must possess the pre-requisites of honorability, professionalism and independence; the ordinary Meeting appoints the Chairman of the Board of Statutory Auditors.

The entire Board of Statutory Auditors is appointed on the basis of lists presented by the shareholders; these lists must specify seven candidates by means of progressive numbering.

The Board of Statutory Auditors of BPI which is currently holding office—appointed by the Shareholders' Meeting of 30 April 2005 and subsequently integrated by the Meeting of 28 January 29 April and 29 July, 2006—is composed of the following members:

Office	*Name and Surname*	*Place and date of birth*	*Expiry date of mandate*
Chairman	Gianandrea Goisis	Ponte San Pietro (Bergamo), 4 May 1945	2007 Fin. Statem
Standing Statutory Auditor	Luigi Corsi	Sant'Angelo Lodigiano (Lodi), 27 March 1959	2007 Fin. Statem
Standing Statutory Auditor	Gabriele Camillo Erba	Sant'Angelo Lodigiano (Lodi), 23 September 1963	2007 Fin. Statem
Standing Statutory Auditor	Giordano Massa	Retorbido (Pavia), 10 March 1945	2007 Fin. Statem
Standing Statutory Auditor	Gianpaolo Fornasari	Borgonovo Val Tidone (Piacenza), 5 February 1956	2007 Fin. Statem
Alternate Statutory Auditor	Massimo Mustarelli	Stradella (Pavia), 3 December 1963	2007 Fin. Statem
Alternate Statutory Auditor	Paolo Perolini	Crema (Cremona), 29 July 1949	2007 Fin. Statem

Board of Arbitrators

The Board of Arbitrators is appointed by the ordinary Meeting of BPI and is composed of five members—of which three are standing and three alternate—which are elected from amongst the shareholders.

In accordance with Article 45 of the Articles of Association of BPI, the Board decides without possibility of appeal, equitably and by absolute majority without any formality constraints relevant to claims concerning the exclusion of shareholders from the Company and the refusal to admit shareholders as partners.

The Board—which is integrated on a case by case basis by a representative of the candidate partner—issues a decision within 30 days from the date of the request.

General management

The General Management of BPI is currently composed as follows:

Office	*Name and Surname*	*Place and date of birth*
General Manager	Franco Baronio	Milano, 21 April 1966
Deputy Vice General Manager *Coordinator of Credit and Finance Area*	Giuseppe Malerbi	Riolo Terme (Ravenna), 12 October 1958
Vice General Manager *Coordinator of Organization and IT Area*	Giuseppe Apicella Guerra	Milano, 5 January 1962

Auditing

In compliance with Article 159 of Legislative Decree 58/1998, on 24 April 2004 the ordinary Shareholders' Meeting of BPI resolved to grant Deloitte & Touche S.p.A.—with registered office in Milan, via Tortona 25 and registered in the special register of auditing firms—the task of auditing the financial statements of BPI and the consolidated financial statements of the Banca Popolare Italiana Group for the years 2004, 2005 and 2006 in addition to limited auditing of the half-year statutory and consolidated report of the company for the three-year period 2004-2006.

Historical notes

BPI is the first popular bank to be founded in Italy and—as of the date of this Prospectus—is the parent bank of the Group itself and carries out overall strategic planning, governance and control functions with respect to its banking, financial and instrumental subsidiaries in addition to its regular commercial banking activities.

The origins of the bank date back to March 1864 when Tiziano Zalli promoted the foundation of a popular bank in Lodi. The bank rapidly developed into a dense network of offices whose primary objective was the development of the local economy. During the first years of the 20th century, the Bank initiated small savings services and continued to intensify initiatives of social security, cultural and economic utility by means of ordinary and extraordinary contributions. During the two world wars, the bank intensified its assistance and support services in favor of its customers, employees and all of the community by sustaining reconstruction works and production recovery.

The gradual growth of the company from the time of its foundation has allowed Banca Popolare di Lodi to develop a close relationship with the territory of Lodi, thereby leading the company to currently being an institution of reference for this area. The expansion of the network of branch offices outside of the original province began in 1980 with the progressive opening of numerous branch offices in many provinces of Lombardy, Piedmont, Emilia Romagna and Lazio and led to the first acquisitions of banks in the early 1990's, particularly in Sicily. After being listed on the primary stock exchange of Borsa Italiana in July 1998, numerous banks were integrated within the Group in rapid succession; these banks were characterized by a strong territorial presence in their original regions: the Casse di Risparmio of Lucca, Pisa and Livorno, the Cassa di Risparmio di Imola, Banca Popolare di Crema, Banco di Chiavari e della Riviera Ligure, Banca Popolare di Cremona, and Banca Caripe.

During the course of the year 2000, additional acquisitions were undertaken, including those relating to Efibanca S.p.A. ("Efibanca"), Banca Popolare di Forlì S.p.A., Banca Popolare di Ferrara e Rovigo S.p.A., the Gruppo Casse del Tirreno, Cassa di Risparmio di Imola S.p.A., and Banca Popolare di Crema S.p.A. During the course of the year 2001, Banca Valori S.p.A. (focused on private banking) initiated operations and the Center-South Area - "Area Centrosud" (Campania, Molise and Basilicata) - was created.

The operations of the Banca Popolare Italiana Group are very diversified and are the result—as described above—of a very intense expansion process along external lines, leading to strong growth in established business areas and in territorial presence—particularly in the last decade—within a rapidly evolving market characterized by privatization and concentration phenomena as well as increased competition and the development of new competitive and distributional models. This expansion was primarily implemented through a process involving the acquisition of local banks and product companies in order to operate with a wide client base and offer the latter a broad range of products and services within the realm of financial intermediation. BPI is therefore structured as a polyfunctional group which integrates its functions for the creation and distribution of financial products and services through multiple channels. This process has resulted in a group with a network of 975 bank branches boasting a territorial presence in most Italian regions. Growth along external lines has been implemented in conjunction with an expansion in the field of financial and credit activities and the entry of the BPI Group in sectors of elevated specialization such as Investment Banking, thanks to Efibanca, Consumer Banking, thanks to Bipitalia Ducato, and the real-estate sector, thanks to Bipielle Real Estate. Banca Popolare Italiana currently controls a Group which is firmly positioned amongst the first 10 Italian banking groups with significant market shares in Lombardy, Tuscany, Liguria, Emilia Romagna, Abruzzo, Molise and Sicily.

The primary activities which are currently carried out within the BPI Group may be outlined as follows:

(A) bank network activities consist in the following: short to medium-long term credit intermediation activities (collection of savings and the granting of credit) targeting both private (retail) clientele and companies (corporate); brokerage of securities (activities relative to the collection of orders and dealing on behalf of the group and third parties), the administration of securities held in custody, the management of non performing receivables and legal consulting services;

(B) asset management: management of savings on an individual and collective level (mutual funds and individual asset management);

(C) investment banking activities, including the disbursement of special loans, corporate finance services, and the management of shareholdings;

(D) specialized activities of product companies. This macro subdivision includes diversified business areas such as consumer credit, leasing, the effectiveness and distribution of financial products through alternative distribution channels (financial brokers, Internet banking and call centers);

(E) accessory and instrumental activities for the purposes of attaining the above mentioned corporate purposes. Amongst these other activities, the management of instrumental and non-instrumental real-estate assets (real estate service), as well as the supply of IT services, should be noted.

The BPI Group

The structure of the BPI Group, as of 31 December 2006, is described in the following table:

2.1.2 Procedures, terms and conditions of the transaction; values allocated to the companies participating in the Merger; criteria used for the determination of the share swap ratio and the implemented valuation methods; procedures for the assignment and entitlement of shares; potential treatment of special categories of shareholders and parties owning securities other than shares; date as of which the transactions relating to the companies participating in the Merger are enterd into the financial statements of the successor, even for fiscal purposes; fiscal effects of the transaction.

A. Procedures, terms and conditions of the transaction

Merger

In compliance with Article 2501-*ter* of the Italian Civil Code, on 13 December 2006 the Boards of Directors of Banco Popolare di Verona e Novara and of Banca Popolare Italiana approved the Plan for the Merger of BPVN and BPI through the incorporation of a new company: Banco Popolare. The reports of the directors of BPVN and BPI—drafted in compliance with Article 2501-*quinquies* of the Italian Civil Code and in accordance with Article 70, paragraph two, of the Consob Regulations—are attached to this Prospectus.

From a statutory perspective, the Merger will be carried out in compliance with Articles 2501 and ff. of the Italian Civil Code, in accordance with the procedures and conditions contained within the Plan for the Merger that is attached to this Prospectus.

The Merger will result—as of its effective date—in the termination of the Banks and the transfer of all the assets, rights and bonds of BPI and BPVN to Banco Popolare.

The Bank of Italy—by means of its provision issued on 26 January, 2007—has authorized the Merger. The Plan for the Merger was subsequently registered in the Registers of Companies of competence, in accordance with Article 57, paragraph 2, of the Consolidated Banking Act.

In compliance with the provisions of Article 2501-*quater*, paragraph two of the Italian Civil Code, BPI and BPVN utilized the balance-sheet figures as at 30 September 2006.

For the purposes of issuing a report on the suitability of the Share Swap Ratio, the Court of Verona appointed the auditing firms Deloitte & Touche S.p.A. and Reconta Ernst & Young S.p.A. as common experts, in compliance with Article 2501-*sexies* of the Italian Civil Code. The experts issued their respective reports on 6 February 2007.

The Merger will result in the cancellation of all shares of BPVN and BPI which are outstanding on the effective date of the Merger and their replacement with shares of Banco Popolare; the latter will be based upon the Share Swap Ratio. The own shares held by the Banks will, on the other hand, be cancelled without a share swap.

Following the effectivness of the Merger, Banco Popolare will take over the stock option plan of BPVN and will assume the obligations deriving from the CBI - "2000/2010 4.75% Banca Popolare di Lodi Convertible Bond Issue – ISIN: IT0001444360" and from "2005/2010 Warrant for Shares of Common Stock of Banca Popolare Italiana Soc. Coop. – ISIN: IT0003872279" which were previously issued by BPI.

A pre-requisite condition for the completion of the Merger is the listing of shares of Banco Popolare (to be formed) as well any convertible bonds within the CBI and Warrants—as derived from loans previously issued by BPI, whose obligations will be assumed by Banco Popolare as a result of the Merger—on markets regulated and managed by Borsa Italiana S.p.A. and, in particular, within the Electronic Stock Exchange (MTA).

The Merger will be effective—in compliance with Article 2504-*bis* of the Italian Civil Code—as of the date of the last registration provided for by Article 2504 of the Italian Civil Code. This registration will in any case occur on a date following that of the 2006 dividend payout, as resolved by the Shareholders' Meetings of BPVN and BPI.

Given the nature of the transaction, the legal status of the successor and the fact that the shares of Banco Popolare will be listed on par with the shares of the participating companies BPVN and BPI, the Merger will not result in withdrawal rights pursuant to Article 2437 of the Italian Civil Code.

Memorandum of association of the successor

The Merger will take place through the incorporation of a new cooperative company with the memorandum of association containing the following:

a) *Company Name*: Banco Popolare Società Cooperativa;

b) *Registered Office*: Verona, Piazza Nogara, 2; administrative offices in Lodi and Verona with permanent organisational structures in Novara;

c) *Duration*: 31 December 2040;

d) *Share capital*: the share capital is variable and unlimited; it is comprised of registered shares with face value of € 3.60 each. The memorandum of association of Banco Popolare moreover authorises the Corporate Management Board to issue a maximum predetermined number of shares of common stock, with face value of € 3.60 each, and more specifically:
   1. until 1 June 2010, a maximum of € 28,468,969.20 through the issue of a maximum of 7,908,047 shares of common stock with face value of € 3.60 each, for the exclusive purpose of converting convertible bonds as per the CBI of the former BPI, which shall be taken over by Banco Popolare (to be formed), in the event that conversion rights should not have been fully exercised by the holders, in accordance with the procedures and terms set out in the regulations, before final completion of the Merger;
   2. no earlier than 1 July 2008 and no later than 31 December 2010, a maximum of € 178,052,173.20, through the issue of a maximum of 49,458,937 shares of common stock with face value of € 3.60 each, for the exclusive purpose of exercising Warrants of the former BPI, whose obligations will be taken over by Banco Popolare.

   Furthermore, the memorandum of association establishes that the share capital of Banco Popolare (to be formed) may be increased, no later than 30 June 2010, by a maximum of € 11,691,000, through the issue of a maximum of 3,247,500 shares of common stock with face value of € 3.60 each, for the purposes of the stock option plan already in place for executives of BPVN and its subsidiaries, with the exception of small sums deriving from any exercise of options assigned to the said executives, which become exercisable before the Merger comes into effect.

e) *Purpose*: the objective of Banco Popolare is the collection of savings and the granting of various forms of credit, to shareholders and non-shareholders alike, based on the principles of Credit companies. For this purpose, the company places particular emphasis on the territory in which its subsidiary banks operate and where the Group's distribution network is present, with special attention given to small and medium enterprises and cooperatives. In accordance with its own institutional objectives, the Company grants special conditions for specific services to its shareholders, including through its subsidiaries. In compliance with current legislation and having obtained all mandatory authorisations, the company may carry out all banking, financial and insurance transactions and services, including the set-up and management of open and closed pension funds, and all other activities permitted to credit institutions, including the issue of bonds, financing activities regulated by special laws and the purchase and assignment of business financing. The Company may perform all other transactions that are instrumental to and whose purpose complies with the company object. Banco Popolare may enter into partnerships and consortia for the purpose of achieving its own object. In its role as coordinating and managing bank of the Banco Popolare Banking Group, in accordance with article 61 paragraph 4 of the CBA and in the execution of its management and coordination activities, Banco Popolare issues directives to Group members, including for the purposes of fulfilling the instructions dispensed by the Regulatory Authorities and in the interests of Group stability.

f) *Shareholders*: no shareholders may possess a number of shares whose overall face value exceeds the legal limit;

g) *Management and control*: these shall be carried out through the dualistic system in accordance with article 2409-octis and ff. of the Italian Civil Code, which establishes the set-up of a Supervisory Board and a Corporate Management Board.

Corporate governance **of Banco Popolare**

For the purposes of integration during the merger process, the so-called dualistic system of management was adopted in accordance with article 2409-octis and ff. of the Italian Civil Code.

Generally speaking, in the dualistic system:

– *the Shareholders' Meeting* appoints and revokes the Supervisory Board – which in turn appoints the

Corporate Management Board – and determines its compensation, and appoints the independent auditors; furthermore it makes resolutions regarding the distribution of profits and, together with the Supervisory Board, presides over the Members of the Corporate Management Board; furthermore, it approves the financial statements in the event that at least 1/3 of the members of the Supervisory Board, in accordance with article 2409-terdecies paragraph 2 of the Italian Civil Code requires that it be submitted for the approval of the Shareholders' Meeting;
- *the Corporate Management Board* is appointed to manage the company in accordance with the general planning and strategies approved by the Supervisory Board;
- *the Supervisory Board*, in addition to its supervision duties as set out in current legislation, may be invested with the power to approve the strategic orientation, risk management policies and major extraordinary transactions. Furthermore, the Supervisory Board (i) approves the annual financial statements; (ii) appoints and revokes the members of the Corporate Management Board and determines their compensation; (iii) presides over the members of the Corporate Management Board; (iv) reports to the Court as required by article 2409 of the Italian Civil Code.

All this with specific reference to the governance of Banco Popolare, in accordance with the following provisions:

Supervisory Board of Banco Popolare

The Articles of Association of Banco Popolare establish that the Supervisory Board is composed of 20 members of which:
- 8 chosen from among shareholders residing within the provincial districts where BPI Group traditionally operates; and
- 12 chosen from among shareholders residing within the provincial districts where the BPVN Group traditionally operates. Members of the Supervisory Board shall be appointed from lists drafted according to the above rules.

The first Supervisory Board shall comprise the following 10 (ten) members who shall remain in office for three financial years:
- Marco Boroli
- Giuliano Buffelli
- Guido Castellotti
- Maurizio Comoli
- Dino Piero Giarda
- Carlo Fratta Pasini
- Pietro Manzonetto
- Maurizio Marino
- Mario Minoja
- Claudio Rangoni Machiavelli

Without prejudice to the provisions of the Articles of Association regarding the appointment of corporate offices and assignment of powers, Carlo Fratta Pasini, lawyer, is appointed as Chairman of the Supervisory Board, Professor Dino Piero Giarda is appointed Deputy Vice Chairman and Professor Maurizio Comoli is appointed Vice Chairman, until termination of their term of office.

At the time of approval of the first annual financial statements of Banco Popolare (to be formed) for 2007, the Supervisory Board shall be increased to 15 (fifteen) members. The five additional members shall be appointed at this time for three financial years; at the time of approval of the second annual financial statements of Banco Popolare for 2008, the Supervisory Board shall be increased to 20 (twenty) members. The five additional members shall be appointed at this time for three financial years.

The Supervisory Board assumes the supervisory responsibilities set out in current legislation. In particular, the Supervisory Board monitors observance of the law and the memorandum of association; observance of the principles of proper management; the effectiveness of the organisational structure of Banco Popolare with regard to the internal control system and the management and accounting system, and the suitability of the latter to properly represent operating data; the procedures for imple-

menting the rules of corporate governance set out by the codes of conduct drawn up by regulated market management companies or trade associations, to which Banco Popolare declares to adhere, by means of an information notice made available to the general public, and the effectiveness of the directives issued by Banco Popolare to subsidiary companies in compliance with current legislation.
Furthermore, the Supervisory Board is responsible for approving the strategic orientation and the risk management policies and assessment of the efficiency and effectiveness of the internal control system, with particular regard to monitoring risks, internal auditing functioning and the accounting information system; the Board also monitors proper execution of the activities of strategic and management control carried out by Banco Popolare on Group companies.
The Supervisory Board also monitors the progress and efficiency of management in relation to assessing and evaluating the suitability of management choices with respect to the objectives of profitability and enhancement of company assets and their relevance to the objectives set out in the forecasting instruments and planning documents approved by the Supervisory Board.
In addition to these monitoring and supervisory duties and the other tasks required by law, the Articles of Association also attribute to the Supervisory Board the power to pass resolutions, among other things, on matters relating to approval of the industrial, financial and budgeting plans of Banco Popolare and the entire Group proposed by the Corporate Management Board and on major extraordinary transactions.
The Chairman and the Deputy Vice Chairman of the Supervisory Board are appointed by the Shareholders' Meeting, which elects them among shareholders residing in different geographical areas, and more precisely in the provincial districts where Banco Popolare di Verona e Novara traditionally operates – that is, the provincial districts of Veneto, Emilia Romagna (other than Bologna and the Imola area), Piedmont and Valle d'Aosta – and the provincial districts where the BPI Group traditionally operates – that is, the provincial districts of Lombardy (other than the districts of Brescia, Bergamo and Mantua), Tuscany, Liguria, Lazio, Abruzzo, Sicily and the provincial district of Bologna (Imola area). The second Vice Chairman is chosen from among Shareholders residing in the provincial district of Novara.
The Supervisory Board may set up the following internal committees:

(i) Appointments and Remuneration Committee made up of eight members, including, by right, the Chairman and the Vice Chairmen of the Supervisory Board. This Committee is responsible for drawing up proposals to be submitted to the Supervisory Board for approval regarding candidates to the Supervisory Board and the Corporate Management Board of Banco Popolare. The Appointments and Remuneration Committee processes the proposals made by the Corporate Management Board in accordance with article 33.2 of the Articles of Association of Banco Popolare concerning the names of candidates for appointment as non-executive directors of subsidiary banks and the main non-banking subsidiaries (by this meaning, Directors with non-operational roles, including the Chairmen and Vice Chairmen of the boards of directors and members of the executive committees other than executives of Banco Popolare and its subsidiaries).

(ii) Controls Committee made up of six members including, by right, the Chairmen and four other members who – in order to ensure the proper execution of their duties – must not hold particular positions within Banco Popolare. The task of this Committee is to report to and inform the Supervisory Board of all matters set out in article 41.1 of the Articles of Association of Banco Popolare. The Controls Committee appoints one of its members as Chairman, from a different historic geographical area than that of the Chairman of the Supervisory Board. The Chairman of the Controls Committee generally attends sessions of the Corporate Management Board, is entitled to attend the meetings of the Boards of Directors of all Group companies and the meetings of the monitoring bodies of all Group companies.

The Supervisory Board shall appoint and revoke the Chairman and its members, be they executive or non-executive, of the Corporate Management Board, with a 2/3 majority of its members, and shall determine their compensation.

Corporate Management Board of Banco Popolare

The Corporate Management Board is made up of 12 members, at least 2/3 of which are selected by the

Supervisory Board from among executives of Banco Popolare or other companies that are directly or indirectly controlled by Banco Popolare, or persons who, although not employed by Banco Popolare or its subsidiaries, operate all but exclusively for Banco Popolare or the companies that are directly or indirectly controlled by it ("Executive Board Members"). At least 1/4 of the Board Members, other than those mentioned previously, will be chosen by the Supervisory Board among persons who will demonstrate proven professionalism and independence. These Board Members will not be given particular powers or offices ("Non-executive Board Members").

The Corporate Management Board will remain in office, as determined by the Supervisory Board, for a period of no more than three financial years.

The members of the first Corporate Management Board will remain in office until approval of the financial statements as at 31 December 2009 by the Supervisory Board and, save the provisions of the following paragraph, will be identified in the Merger agreement.

Without prejudice to the regulations of the Articles of Association regarding the appointment of corporate offices and assignment of powers, Divo Gronchi is appointed Chairman of the Corporate Management Board and Fabio Innocenzi is appointed Managing Board Member with duties as Vice Chairman, until the termination of their appointments as Board Members.

The Corporate Management Board is appointed for the management of the company in accordance with the general planning and strategies approved by the Supervisory Board. For this purpose, and without prejudice to the authorisation powers of the Supervisory Board, the Board performs all necessary operations of ordinary and extraordinary administration that are useful or important for implementing the company object.

In addition to those matters that cannot be delegated according to law, among other things, the Corporate Management Board is responsible for determining the criteria for coordinating and managing Group companies. Upon proposal by the Managing Director and having heard the opinion of the Supervisory Board, the Corporate Management Board appoints, revokes and determines the powers and remuneration of one or more General Managers.

Board of Arbitrators

The Board of Arbitrators will comprise 5 (five) members of whom 3 (three) are standing members and 2 (two) alternate members appointed from among the shareholders who will remain in office for three financial years. The members of the first Board of Arbitrators will be:

Full Members:

– Marco Cicogna
– Luciano Codini
– Giuseppe Bussi

Deputy Members:

– Aldo Bulgarelli
– Attilio Garbelli

Auditing firm

For the first nine financial years of operation, the accounts of Banco Popolare (to be formed) will be examined in compliance with legal requirements by the external auditing firm Reconta Ernst & Young S.p.A., in accordance with the methods and terms established in the "Explanatory Notes on the proposal to appoint Reconta Ernst & Young S.p.A. as the auditing firm for the financial years 2007-2015 in fulfilment of the requirements of Legislative Decree no. 58 of 24 February 1998" annexed to this Prospectus and available to the shareholders of BPVN and BPI in conjunction with the shareholders' meetings called to decide on the Merger.

Operations related to the Merger

Assignments

In the context and for the purposes of the Merger, immediately before the effective date of the Merger and subject to legal authorisations:

(i) assignment to New BPV-SGSP by BPVN of part of its banking company consisting mainly of its network of branches ("**BPVN Company Unit**");

(ii) assignment to New BPL by BPI of part of its banking company consisting mainly of its network of branches, as well as a number of shareholdings in banks including: Banca Popolare di Crema S.p.A., Banca Popolare di Cremona S.p.A., Banca Popolare di Mantova S.p.A. and Banca Caripe S.p.A. ("**BPI Company Unit**") (henceforth, both operations under i) and ii), "**Assignments**").

New BPL and New BPV-SGSP will be public limited companies, with registered offices in Lodi and Verona respectively, fully controlled by Banco Popolare and subject to the management, coordination and control of the latter. New BPL and New BPV-SGSP will be structured as local banks and will operate, with the purpose of strengthening their local foothold, with the necessary commercial autonomy within the directives of Banco Popolare.

The Assignments will take place based on the accounting data of BPI and BPVN at 31 December 2006. The value of the BPI Company Unit and BPVN Company Unit will be estimated, in accordance with article 2343 of the Italian Civil Code, by the auditing company KPMG S.p.A., the experts jointly appointed for BPI by the Law Courts of Lodi and for BPVN by the Law Courts of Verona.

New BPL and New BPV-SGSP will be respectively managed by a Board of Directors made up of a minimum of 12 (twelve) up to a maximum of 16 (sixteen) members who will remain in office for a period of three years; at least 2/3 of these board members will have non-executive duties and will possess proven professionalism and autonomy and will belong to the traditional locations of the new BPL Group and the new BPV Group respectively; at least 1/4 of these members will have executive duties and will be chosen from among the top management of the new Group.

The General Managers and, at the end of the first mandate, the Managing Directors of New BPL and New BPV-SGSP will be appointed by their respective Boards of Directors on the basis of proposals made by the Corporate Management Board of Banco Popolare. The Boards of Directors of New BPL and New BPV-SGSP will be responsible, among other things, for matters concerning the general management and overall organisation of the banks and for appointing directors to the Charity foundations. Where present, Executive Committees will be responsible for credit-issuing matters. Some of the full members of the Boards of Auditors of New BPL and New BPV-SGSP will be chosen from among persons in their respective traditional locations; the Chairmen will be chosen from among persons in areas other than the historical locations.

Extraordinary Distribution of the share premium reserve of BPI

Before the effective date of the Merger, the ordinary Shareholders' Meeting of BPI will be convened to discuss, subject to and in the context of completing the Merger, the extraordinary distribution of the share premium reserve, worth a maximum overall total of € 1,521,000,000, consistent with entitlement, to the shareholders of BPI and bearers of CBI convertible bonds, corresponding in unit terms to the distribution of € 2.17 for each BPI share (including those returning from the conversion of CBI convertible bonds and excluding treasury shares which BPI holds in portfolio) and allocation of the amount to be established, in accordance with article 7, letter c of the CBI Regulations, for each unconverted bond. Said resolution:

(i) will be subject to verification and certification by the Board of Directors of Banca Popolare Italiana that, at 30 June 2007, no negative events have occurred affecting the reserve amounts to be distributed that might prevent allocation of the approved amounts to shareholders of BPI and CBI bearers;

(ii) will suspensively be subject to completion of the Merger, which, hence, will not be effective until registration of the Merger agreement in the Register of Companies of Verona, the place of registration of Banco Popolare (to be formed), in accordance with article 2504a of the Italian Civil Code.

Owing to the contemporaneousness of the effectiveness of the resolution and the effectiveness of the Merger incorporating Banco Popolare, the latter shall pay the amounts due to BPI shareholders and the amounts due to the bearers of the BPI CBI convertible bonds, strictly within the technical timing necessary (with the value date set at 5 July 2007).

The extraordinary distribution of the share premium reserve can take place, provided there is full observance of the established conditions, without using the share capital of BPI.

Purchase of treasury shares

Before the affective date of the Merger, the ordinary Shareholders' Meeting of BPI will be convened, in

the context of completing the Merger, to authorise, in accordance with articles 2357 and 2357ter of the Italian Civil Code, the purchase of a maximum of 37,000,000 shares of common stock of BPI, which represent approximately 5.4% of the share capital of BPI. At the same time, before the effective date of the Merger, the ordinary Shareholders' Meeting of BPVN will also be convened, in the context of completing the Merger, to authorise the purchase of a maximum of 20,400,000 shares of common stock of BPVN, which represent approximately 5.4% of the share capital of BPVN. Both authorisations will be effective only for the period between the date of communication to the market by the Boards of Directors of BPI and BPVN of the 2006 dividend and the effective date of the Merger. The operation is part of a programme of initiatives (mainly the issue of hybrid equity instruments, loan securitisation, hedging of large corporate positions, transactions on non performing loans and selected shareholdings), to be implemented mainly during the first half-year of 2007, with the purpose of optimising the share capital structure, thus ensuring Banco Popolare a satisfactory regulatory capital profile for the Supervisory Authority and for the stakeholders and, at the same time, maximising the growth in value for Group shareholders. In consideration of this, the operation is thus geared towards reducing the number of outstanding shares of BPI and hence any treasury shares bought by BPI and BPVN by the effects of these authorisations will be cancelled without share swap ratio at the time of the Merger.
These authorisations, in consideration of the objectives pursued, are thus subject to the approval of the Extraordinary Shareholders' Meeting of BPI and the Extraordinary Shareholders' Meeting of BPVN for the Merger Project.
Assuming full implementation of the resolution to authorise purchase of treasury shares both by BPVN and BPI, we notify the following.
repurchase of 20,400,000 shares of common stock with unit face value of € 3.60 by Banco Popolare di Verona e Novara could lead to an overall estimated disbursement of € 486,540,000 based on the stock market quotation of BPVN shares referred on 29 January 2007 (€ 23.85). Similarly, repurchase of 37,000,000 shares of common stock with unit face value of € 3.00 by BPI could lead to an overall estimated investment of € 436,970,000 based on the stock market quotation of shares referred on 29 January 2007 (€ 11.81).
According to this hypothesis, cancellation, by effect of the Merger, of any treasury shares purchased by BPVN and BPI (with consequent failure to issue the corresponding shares of Banco Popolare) would lead, in addition to the consequences of failure to issue the shares of Banco Popolare due to cancellation of treasury shares, the utilization of the following assets for the difference between the face value of the cancelled shares and the total investment amount:

- utilization of the treasury share reserve involves € 51,645,690 for BPVN and € 91,456,094 for BPI;
- utilization of the share premium reserve involves € 202,304,409 for BPVN and € 108,637,494 for BPI;
- utilization of other available taxed reserves for the remaining amount involves € 159,149,901 for BPVN and € 125,876,412 for BPI.

For further details, please refer to the reports on the purchase of treasury shares drafted in accordance with article 73 of the Issuer Regulations by the Boards of Directors of BPI and BPVN and annexed to this Prospectus.

Incentive and loyalty plan (stock grant)

In the context of completing and as an integral part of the Merger, approval of the Merger Project will also involve assignment to the Corporate Management Board of Banco Popolare, in accordance with articles 2357 and 2357ter of the Italian Civil Code, of the authorisation to purchase a maximum of 660,000 shares of common stock of Banco Popolare, within the limits imposed by article 2357 paragraph 1 of the ICC, which represents approximately 0.10% of its share capital. The treasury shares thus purchased can be used by the Corporate Management Board for the incentive plans aimed at executive directors, managers and employees of Banco Popolare and its subsidiaries, in accordance with article 2359 of the ICC, chosen from among executive directors, managers or employees of Banco Popolare or among new managers or employees of the Group (mainly non-beneficiaries of the existing stock option plan), through free assignment to them.
The purposes of the incentive and loyalty plan are:

– to foster a” team” spirit in the management integration process, with emphasis on the strategic objectives of the New Group;
– to create a relationship between the overall economic return obtainable by high-ranking positions and the appreciation recorded by the share on the market and therefore value of Banco Popolare and the New Group on a long term basis;
– to increase the retention capacity (retention of key resources) and reduce the rate of departure of outstanding figures from the New Group;
– to improve the New Group’s competitiveness on the employment market, making it more attractive to the best talents on the market.

The minimum amount for the purchase transaction has been set at the face value of € 3.60 per share of shares of common stock of Banco Popolare; the maximum amount must be no greater than the reference average price recorded by the share at the close of the three stock exchange sessions preceding each purchase transaction, increased by a maximum of 15%.
For the details of the plan, please also refer to the Regulations of the Stock Grant Plan annexed to this Prospectus.

<u>B. Values attributed to the companies involved in the Merger, criteria observed to determine the share swap ratio and valuation methods used</u>

Preliminary remarks

To identify a suitable Share Swap Ratio for the Merger of BPVN with BPI (the “**Share Swap Ratio**”), also considering the complexities involved in quantifying and evaluating its suitability, the Boards of Directors of BPVN and BPI employed the services of qualified outside consultants.
In particular, the Board of Directors of BPVN was assisted by Credit Suisse and Goldmann Sachs, while the Board of Directors of BPI employed the services of Mediobanca and Rothschild. The aim of these evaluations, which are annexed to this Prospectus, is to make a comparative estimate of the values of the companies, with emphasis placed on the uniformity and the comparability of the criteria adopted to determine the absolute values of the companies individually, and are to be considered only in relative terms and with reference limited to the Merger. The valuation methods and consequent values of economic capital were identified with the sole purpose of indicating an interval of values between BPVN and BPI to determine a Share Swap Ratio deemed suitable for the purposes of the Merger and in no case are the valuations to be considered as possible indications of current or future market price or value, in any other context than the case in hand. The valuation criteria adopted to estimate the value of the economic capital on a stand-alone basis of the companies involved in the Merger make reference to the most widely accepted and established methodologies in national and international valuation practice in the banking/financial sector. In applying the aforesaid criteria, the characteristics and limits implicit in each of them were also considered.
Valuations were conducted with reference to the companies involved in the Merger on a stand-alone basis.

Valuation report of the *advisor* of the Board of Directors of BPVN

For its own independent valuations to determine the Share Swap Ratio, the Board of Directors of BPVN employed the services of the financial advisors Credit Suisse and Goldmann Sachs. In particular, Credit Suisse drafted a valuation Report on the Share Swap Ratio, which is annexed to this Prospectus. The following paragraphs illustrate the valuation methods and the conclusions reached by the Board of Directors of BPVN, following the analysis and substantial sharing of valuations carried out by Credit Suisse.

Valuation objectives

The evaluations were carried out with the purpose of uniformity and the comparability of the criteria adopted to determine the absolute values of the companies individually, and are to be considered solely in relative terms and with limited reference to the Merger. In no case are the valuations to be considered as possible indications of current or future market price or value, in any other context than the case in hand.
In determining the Share Swap Ratio interval, the important strategic value of the Merger with BPI for

BPVN was also considered, along with the benefits to be obtained from the synergies implicit in the transaction, in the rapidly consolidating domestic and international banking and insurance sector, the competitive context in which the economic conditions of the Merger were negotiated, and the set of forecasts contained in the Protocol of Intent signed by BPVN and BPI on 31 October 2006.

Limits of the analysis and valuation difficulties

The valuations made by the Board of Directors, with the assistance and support of the financial advisors Credit Suisse and Goldmann Sachs, must be considered in the light of a number of limits and valuation difficulties which, in the case in hand, can be summed up as follows:

- weight was given, to a lesser degree, to the statutory and consolidated annual financial statements of BPI prior to 2005, mainly due to (i) negligible uniformity of entries, following the continuous expansion thanks to acquisitions and company restructuring, and (ii) significant extraordinary items in the above financial reports;
- weight was given to the fact that the documentation used was accurate, precise, up-to-date and complete with regard to the risk factors, and that there were no facts or deeds previous or subsequent to the last reference date of this documentation which could give rise to third party rights or litigations or other significant negative consequences on the equity and/or financial and/or economic situation and/or the valuation of BPVN and BPI (including depreciation/amortisation of tangible/intangible assets, securities, derivatives, loans and/or shareholdings owned by BPI, including the loans and shareholdings involved in the Kamps transaction);
- the forecast data used for the valuation, regarding the projections for the two banks and the synergies resulting from their integration, point to uncertainty;
- over the last few months the BPI stock market price has been volatile and subject to speculation; in applying the stock market quotation criterion, it was thus necessary to analyse average prices over a period of time to mitigate the above effects.

Reference date for valuation

The reference date for the valuation corresponds to the date of the annexed Report drawn up in accordance with article 2501quinquies of the Italian Civil Code by the Board of Directors of Banco Popolare di Verona e Novara S.c.a r.l. and assumes that, in the period starting from the last available financial data and the reference date for valuation, no events have occurred which could significantly modify the economic and financial situation of any of the companies involved in the Merger. The Share Swap Ratios deriving from the equity valuations take into account the extraordinary distribution of the reserves of BPI at € 2.17 per share and the payment of ordinary dividends for the financial year 2006 expected from BPVN and BPI.

Valuation methods: methodological considerations

The valuation criteria adopted to estimate the value of the economic capital on a stand-alone basis of the companies involved in the Merger make reference to the most widely accepted and established methodologies in national and international valuation practice in the banking/financial sector. In applying the aforesaid criteria, the characteristics and limits implicit in each of them were also considered.

In particular, the following criteria were used:

- Dividend Discount Model (“**DDM**”);
- stock market multiples;
- stock market quotations;
- target prices;
- comparable transactions/value accretion.

Moreover, considering the strategic importance of integration with BPI and the level of competition involved in the process that led to the signing of the Protocol of Intent, the valuation analysis also identified the maximum Share Swap Ratio justifiable for the shareholders of BPVN taking account of the synergies that the management expects to achieve through the Merger.

Description of the valuation criteria adopted

Dividend Discount Model ("DDM")

The"DDM" criteria is based on the hypothesis that the value of a business is equal to the current value of the cash flow available in the future, taken as the flow of distributable dividends while maintaining an adequate asset structure, based on current legislation and economic factors, to sustain expected future development. These flows are thus independent from the actual dividend policy foreseen or adopted by management.

According to this methodology, the value of a business is the sum of the discounted value of future dividends and its terminal value, calculated using the following formula:

$$Ve = \sum_{t=1}^{n} \frac{D_t}{(1+Ke)^t} + \frac{TV}{(1+Ke)^n}$$

where:

Ve = Economic value of the business;

D = Maximum annual dividend distributable while maintaining an adequate asset structure;

TV = Terminal value;

n = Number of years in the projection;

Ke = Cost of equity (dividend discount factor).

In order to calculate the maximum distributable dividend to apply the criteria, a suitable level of capitalization was defined which allows BPVN and BPI to operate, giving it a "Core Tier 1" ratio of 6%.

The 2006-2015 period was used to determine the dividend flow. The Terminal Value of the Banks was then determined.

As for the economic and financial projections for the 2006-2009 period, reference was made to the stand-alone business plan of BPI approved by the Board of Directors of BPI and the economic and financial projections of BPVN for the financial years 2006-2009 under the business plan of the successor approved by the Board of Directors of BPVN. For the period 2009-2015 static growth forecasts were formulated, taking account of the characteristics of BPVN and BPI and the market expectations for growth.

DDM: valuation hypothesis

Bank	BPVN	BPI
Cost of equity (Ke)	9,0%	9,0%
Risk-free investment yield rate (Rf)	4,0%	4,0%
Correlation factor (?)	1,0	1,0
Market risk premium (Rm-Rf)	5,0%	5,0%
Perpetual growth rate (g)	2,0%	2,0%

DDM: summary of results (data in billions of Euro, unless indicated otherwise)

BanK		BPVN	BPI
Current value of distributable dividend flow	$\left[\overset{9}{\underset{T=0}{?}} \frac{D_t}{(1 ? Ke)^t} \right]$	3.6	2.6
Discounted terminal value (TV)	$\left[\frac{Dn\,(1 ? g)}{(Ke ? g)} \right]$	6.2	3.8
Value of the bank (Ve)		**9.8**	**6.4**
*Value per share of the bank (Euro)**		*26.1*	*9.4*

* *Gross of the payment of dividends of BPVN and BPI estimated by analysts for the 2006 financial year and gross of the distribution of reserves by BPI.*

Sensitivity analyses were also made to consider the potential impact on valuation deriving from a change of +/- 0.25% of the cost of equity and the perpetual growth rate. These analyses showed an interval of values of between € 24.50 and € 28.00 for BPVN and between € 8.90 and € 10.00 for BPI. The Share Swap Ratios were then calculated by intersecting the minimum and maximum value obtained from applying the DDM criterion, taking account of the extraordinary distribution of BPI reserves at € 2.17 per share and the payment of ordinary dividends expected from BPVN and BPI for the 2006 financial year. The interval of values of the Share Swap Ratio is 0.24 – 0.33 Banco Popolare shares for every BPI share.

Stock market multiples principle

According to the stock market multiples principle, the value of businesses is determined by referring to the indications of the stock market for companies with similar characteristics.

This principle is based on the calculation multiples determined as the ratio between stock market values and the economic, equity and financial quantities of a selected sample of comparable companies. The multipliers determined in this way are first integrated and adjusted to the case in hand, then applied to the corresponding quantities of the company undergoing valuation, in order to estimate an interval of values. This method is applied in the following phases:

A. *Determination of the reference sample*

Given the nature of this method, from an operational and financial standpoint, affinity between the companies included in the reference sample and the company undergoing valuation is essential. The significance of the results is closely dependant on the comparability of the sample.

Furthermore, the selected securities must present a good degree of liquidity and not be linked to companies whose developments could be affected by particular fortuitous events.

B. *Calculation of the fundamental ratios considered significant*

A series of ratios or multipliers, considered important for the analysis, is calculated for each of the operators. These multipliers are chosen on the basis of the distinctive characteristics of the sector under analysis and market practice. These include:

- Price/Earnings
- Price/Book Value

C. *Determination of the interval to apply to previously calculated ratios*

The fundamental ratios calculated and the interval used for the companies under examination are chosen on the basis of qualitative considerations regarding the significance of the multiples obtained and the income and equity characteristics of the company undergoing valuation.

D. *Application of selected multiples to the income and equity values of the company undergoing valuation*

The multiples obtained in this way are applied to the homogeneous values of the company undergoing valuation, in order to arrive at an interval of values.

For the purposes of the valuation, while all reference multiples for this kind of analysis were considered for a variety of time horizons, emphasis was then given to the price/earnings ratio for the final years of the projections. This choice reflects the need to value BPI on an "up-and-running" basis, that is, following completion of the BPI restructuring plan that is still underway and which the management expects to reach on a stand-alone basis over the coming years.

The sample of comparable companies includes:

- nationwide banks: Banca Intesa, Banca Monte dei Paschi di Siena, Capitalia, Sanpaolo IMI, Unicredit;
- regional banks: Banca Lombarda, Banco Desio, Carifirenze, Cassa di Risparmio di Genova ed Imperia, Credito Emiliano;
- credit societies: Banca Popolare dell'Etruria e del Lazio, Banca Popolare di Milano, Banche Popolari Unite.

Since calculation of stock market multiples of comparable companies is based on the estimates of financial analysts, in order to guarantee the comparability of the quantities and the objectivity of the valuation, it was decided to apply market multiples to BPVN and BPI consensus on a stand-alone basis.

Stock market multiples principle: summary of results (data in billions of Euro, unless indicated otherwise)

Bank	BPVN		BPI	
	Min	Max	Min	Max
Net earnings 2009E	0.8	0.8	0.5	0.5
2009 P/E Multiple applied	9.0x	10.0x	10.0x	11.5x
Value of the bank	7.4	8.3	4.9	5.7
Value of the bank per share - 2009 multiple - (Euro)	*19.8*	*22.0*	*7.3*	*8.3*
Net earnings 2010E	0.9	0.9	0.6	0.6
2010 P/E Multiple applied	8.0x	9.0x	9.0x	10.0x
Value of the bank	7.0	7.9	5.0	5.5
Value of the bank per share – 2010 multiple - (Euro)	*18.7*	*21.1*	*7.3*	*8.1*
Valore della banca per azione medio (Euro)*	19.3	21.5	7.3	8.2

* *Gross of BPVN and BPI dividends payment estimated by analysts for the 2006 financial year and gross of the distribution of reserves by BPI.*

The Share Swap Ratios were then calculated by intersecting the minimum and maximum value obtained from applying the stock market multiples principle, taking account of the extraordinary distribution of reserves by BPI at € 2.17 per share and the payment of ordinary dividends for the 2006 financial year expected from BPVN and BPI. The interval of values of the Share Swap Ratio is 0.24 – 0.32 Banco Popolare shares for every BPI share.

Stock market quotations principle

The stock market quotations method consists of applying to the company the average value attributed to it by the market in which its shares are dealt. In methodological terms, the following conditions must be checked before application:

the significance of the market prices for the shares of the company undergoing valuation;

the uniformity and comparability of the same companies' share prices, over a sufficiently lengthy time span. This also serves to neutralise the effects of any exceptional events that might cause short-term fluctuations and/or speculation tensions.

For the purposes of the stock market quotation method, it was decided to consider the trends of BPVN and BPI over a sufficiently long period of time, in order to contain the effects of short-term fluctuations and speculation. Particular attention was given to the mean quotations of BPVN and BPI shares at 1 month, 3 months and 6 months before 13 October 2006, the last stock market day before the Merger announcement.

Stock market quotations principle: summary of results (data in euros per share)

Bank	BPVN	BPI
Mean at 1 month*	22.3	9.8
Mean at 3 month*	22.2	9.5
Mean at 6 month*	21.9	8.7

* *Arithmetic means, gross of BPVN and BPI dividends payment estimated by analysts for the 2006 financial year and gross of the distribution of reserves by BPI.*

The Share Swap Ratios were then calculated on the basis of the results obtained by applying the stock market quotation principle net of the extraordinary distribution of reserves by BPI at € 2.17 per share and the payment of dividends for the 2006 financial year expected from BPVN and BPI. The interval of values of the Share Swap Ratio is 0.35 – 0.34 – 0.30 Banco Popolare shares for every BPI share for price means at 1 month, 3 months and 6 months before the Merger announcement.

Target prices principle

The research analysts of listed companies summarise their recommendations for the shares of the companies subject to analysis by assigning a "target price" to shares, to provide an indication of the medium-term value of the companies.

This methodology can be applied when there is sufficient qualitative and quantitative cover for the shares undergoing valuation, and the value of the company is estimated according to the mean target price calculated by research analysts.

For the purposes of the target price principle, the mean target price for BPVN was taken, as identified by 10 national and international research financial analysts before the Merger announcement date. For BPI, the target price of 5 national and international analysts was considered, who identified the value of BPI on a stand-alone basis, that is without considering the benefits of M&A transactions. The difference between the number of financial analysts considered for BPVN and BPI was due to the different number of analysts covering BPVN shares and BPI shares.

Target prices principle: summary of results (data in euros per share)

Bank	BPVN		BPI	
	Min	Max	Min	Max
Target prices per share*	20,5	26,5	8,7	9,6

* *Gross of BPVN and BPI dividends payment estimated by analysts for the 2006 financial year and gross of the distribution of reserves by BPI.*

The Share Swap Ratios were then calculated on the basis of the values obtained for BPVN and BPI by applying the target prices principle, net of the extraordinary distribution of reserves by BPI at € 2.17 per share and the payment of dividends for the 2006 financial year expected from BPVN and BPI. The interval of values of the Share Swap Ratio is 0.28 - 0.32 Banco Popolare shares for every BPI share.

Comparable transactions/value accretion principle

The comparable transactions principle identifies the value of a company's economic capital within a transaction on the basis of prices paid for similar transactions. These transactions can include a premium linked to the benefits that can be obtained from the transaction itself in terms of synergies, to the acquisition of control, a dominant influence or a significant stake, and to the strategic value of the transaction for the parties involved.

To estimate the premiums, in keeping with the most widely recognised doctrine, it is essential to refer

to empirical methods. In this specific case, an analysis was made of the premiums paid in merger and acquisition transactions involving comparable listed companies, which were estimated considering the difference between the price recorded in the transaction and the mean stock market price calculated over an appreciable period of time before the announcement date. Hence it is hypothesised that the market valuation of the companies prior to the Merger announcement correctly represents their value on a stand-alone basis.
For this principle it is also possible to make valuations by applying the multipliers involved in comparable mergers and acquisitions to the economic and equity quantities of the company undergoing valuation. Again, in order to assess the value resulting from application of the multipliers calculated in similar deals, it is important to consider that these multiples implicitly express the control and/or benefit value of acquisition of important stakes, that is, the value of any synergy expected as a result of the transaction.
When applying the comparable transactions principle, the difficulty involved in finding companies that are similar in every way, means that particular attention is given to companies sharing with the company being valued important valuation elements, such as the business type, dimensional class, the technical and economic characteristics of the transaction under examination and the reference geographical location.
To apply this principle, the analysis considered recent transactions in the Italian banking and insurance market, whose strategic value for the parties, potential extent of competition involved in the process and possible synergies justified payment of a premium. The complexity of the above factors is thus reflected in a marked difference in the premiums paid. In particular, the analysis highlighted, as shown in the table below, premiums of around 30%, estimated by comparing the values emerging from the transactions considered with the mean stock market values of the target companies before transaction announcement. In the BPVN and BPI Merger, the Share Swap Ratio involves an implicit premium of around 20% and 30% respectively over the mean share price of BPI in the 3 and 6 months prior to the Merger announcement and around 30% of the mean target price estimated by financial analysts.

Selection of Comparable Transactions

Companies involved		Transaction	Year	Premium (4)	
				3 months	6 months
Credit societies					
BPU	B. Lombarda	Merger (1)	2006	20.5%	24.5%
BP Bergamo	BPCI	Merger	2002	51.2%	46.0%
Others					
Generali	Toro	Takeover BidA	2006	30.0%	30.3%
ABN Amro Bank	Antonveneta	Takeover Bid (2)	2005	25.6%	37.5%
BBVA	BNL	Takeover Bid (3)	2005	22.0%	27.8%
Mean				**29.8%**	**33.2%**
Median				**25.6%**	**30.3%**

(1) In progress
(2) Premium calculated on the bid price of Euro 26.50, as increased on 10 June 2005
(3) Failed
(4) Premium calculated from the announcement date

More specifically, the premium involved in this particular case is attributable to the strategic value of the transaction (reflected in the value accretion for BPVN shareholders) and the level of competition involved in the process, which led to the signing of the Protocol of Intent.
Hence, the maximum premium that can be granted to the shareholders of BPI is related to a whole set

of elements that create value for the shareholders of BPVN as a result of the Merger. The Share Swap Ratio corresponding to this maximum premium can be estimated:

i. considering the value of BPVN, based on the mean target price estimated by analysts before the Merger announcement;
ii. considering the value of BPI, based on the mean target price estimated by analysts on a stand-alone basis;
iii. attributing the entire current value of synergies to the BPI shares (net of restructuring costs) estimated by discounting the cash flow of synergies based on prudential hypotheses (perpetual growth rate g of 1%).

Maximum Share Swap ratio / value accretion (in euros per share)

Bank	BPVN	BPI
Value per share	23.8	9.1
Value of banks (in billions of euro)	8.9	6.2
Current value of synergies share		4.2
Current value of synergies (in billions of euro)		2.8
Overall value per share*	23.8	13.2
Overall value of banks* (in billions of euro)	8.9	9.0

* *Gross of BPVN and BPI dividends payment estimated by analysts for the 2006 financial year and gross of the distribution of reserves by BPI.*

The Share Swap Ratio corresponding to the maximum premium, net of the extraordinary distribution of reserves by BPI at € 2.17 per share and the payment of dividends for the financial year 2006 expected from BPVN and BPI, is 0.47x. The implicit premium corresponding to this Share Swap Ratio is around 30% and 40% respectively over the mean BPI share price in the 3 and 6 months prior to the Merger announcement.

Results

Without prejudice to the considerations and assumptions indicated above, on the basis of the analyses made using the above principles – and considering the extraordinary distribution of the share premium reserve of BPI at € 2.17 per share to the shareholders of BPI and the payment of dividends for the financial year 2006 expected from BPVN and BPI – the Board of Directors of BPVN has reached the following results:

Valuation Principle Share Swap Ratio	**Share Swap Ratio**	
	Min	Max
DDM	0.24x	0.33x
Stock market multiples	0.24x	0.32x
Stock market quotations		
- mean at 1 month prior to the Merger Announcement	0.35x	
- mean at 3 month prior to the Merger Announcement	0.34x	
- mean at 6 month prior to the Merger Announcement	0.30x	
Target prices	0.28x	0.32x
Maximum Share Swap Ratio		
Comparable transactions/value accretion	NM	0.47x

Valuation report of the advisor of the Board of Directors of BPI

Preliminary remarks

In order to determine the Share Swap Ratio, the Board of Directors of BPI employed the services of the financial advisors Mediobanca and Rothschild.

The Board of Directors resolved to propose the following financial conditions to the Shareholders' Meeting: 0.43 shares in Banco Popolare for every BPI share, subject to distribution of the share premium reserve at € 2.17 per share, corresponding to an implicit value of the BPI share of € 12.00, based on the BPVN share quotation at 13 October 2006 (the stock market day preceding the resolution date). These conditions were equivalent to a share swap (excluding all cash components) of 0.526 shares in Banco Popolare for every BPI share.

Valuation objectives

The valuation of BPI and BPVN was carried out – in compliance with national and international standards – on the basis of the current configuration and future prospects of the banks taken separately, without taking the synergy potential of combination into account.

To determine the Share Swap Ratios of BPI and BPVN, a number of shares was used net of treasury shares and on fully-diluted basis, taking into account in-the-money dilutive financial instruments, whereby it is more advantageous to exercise the right of conversion, given the exercise price and the current market price of the new shares. The methods used in the valuation process were chosen according to the characteristics of the banks and the objectives of valuation. Generally, the base principle of valuations for Merger transactions was adopted, that is, uniformity of the selected analysis and estimation principle. This principle translates into selection of criteria and methods that respond to the same valuation model and are the most appropriate for the two companies undergoing valuation – taking their differences into account – in order to put forward comparable values for determining the most suitable Share Swap Ratio.

It is important to note that for the purposes of determining the most appropriate Share Swap Ratio, the values of the banks achieved by applying the various valuation methods adopted, were adjusted with reference to the following components:

– ordinary dividends from 2006 profit, estimated from the financial plans of the two banks (“Ordinary Dividends”);
– Extraordinary Distribution (only BPI).

The results achieved from application of the methods adopted reflect and are subject to the variations found in the conditions prevailing in reference financial markets, to the financial situation and to the prospects of the banks undergoing valuation and/or the comparable companies, as well as other factors affecting share prices.

Valuation methods

Despite representing criteria recognised by and used in international practice, the methods chosen to assess the suitability of the Share Swap Ratio are not to be analysed individually, but rather taken as an inseparable part of a single valuation process. When the results obtained from each method are examined independently, rather than considering the complementary relationship that is created with the other criteria, this in fact reduces the significance of the entire valuation process. In view of these considerations, and taking into account the “qualitative” characteristics of the banks and the valuation practices involved in similar transactions in Italy and abroad, the valuation methods chosen are the following:

– analysis of market quotations;
– stock market multiples method;
– linear regression method;
– Dividend Discount Model (DDM).

In addition to the above methods, and solely for comparison purposes, the following were also conducted:

– contribution analysis;
– Target Price analysis of the banks undergoing valuation by financial analysts.

The advantages and limits of each of these methods were considered during selection and application, based on valuation practices in the banking sector, and on developments in professional practice.

Market quotations method

The market quotation method expresses the value of the company being examined according to the capitalisation implicit in the share prices of the company, traded on regulated stock exchanges and representative of the company.

In particular, the market quotation method is considered for valuation of listed companies if significant mean volumes are exchanged.

The share price of the company undergoing valuation was analysed over a sufficiently long period of time to mitigate the effects of short-term fluctuations. Furthermore, to neutralise the effects of possible post-announcement speculation, the following reference periods were observed:

• the price considered for BPI was the price reached on 30 June 2006 (as the day preceding the initial market rumours of a possible combination) along with the mean prices recorded at 1, 3 and 6 months prior to this date;
• the same time intervals were used for BPVN as for BPI, as well as the price reached for BPVN on 13 October 2006 (the day before presentation of the final bids for possible merger with BPI) and the mean prices recorded at 1, 3 and 6 months prior to this date.

The Share Swap Ratio interval achieved with this method is 0.23 – 0.30 shares of common stock of Banco Popolare for every BPI share of common stock.

Stock market multiples method

The so-called “stock market multiples” method is based on the analysis of the stock market quotations of a sample of banks comparable to those undergoing valuation. The model is applied by calculating a series of ratios (“multiples”) – with reference to the sample of selected comparable companies –

between stock market capitalisation and a number of important parameters (usually forecasts of net profits and equity). The average ratios obtained in this way are then applied to the results of the company undergoing valuation to obtain the theoretical market value.

For the purposes of this valuation, the only ratio used was the "market capitalisation/expected net earnings" ratio (or price-to-earnings, P/E) for financial years 2007, 2008 and 2009, in that the "market capitalisation/net assets" ratio (or price-to-book, P/B) is already considered in the linear regression method. The sample consists of peer banks with comparable dimensions and characteristics as those of BPI and BPVN, and namely: Banca Monte dei Paschi di Siena, Banca Popolare di Milano, Credito Emiliano and Capitalia. Each P/E multiple for the sample of such peer banks was calculated according to the mean estimates of fully diluted earnings in the analyses issued after publication of results at 30 September 2006. The mean sample value was used for each year in the forecast.

The time reference used for market capitalisation is the weighted average of prices recorded in the month before 15 December 2006.

The Share Swap Ratio interval achieved with this method is 0.12 – 0.26 shares of common stock of Banco Popolare for every BPI share of common stock.

Linear regression method

The linear regression method (so-called Value Map) estimates the value of the economic capital of a bank based on the existing correlation between projected profitability of own capital and the related premium/discount expressed in the stock market price against equity for a sample of comparable banks. This relationship is rounded up using statistical regression of the data concerning the existing relationship between stock market capitalisation and equity (expressed by P/BV) and expected return from equity (ROAE) for the sample of comparable banks. From the analysis of these values it is possible to work out the P/BV multiple justified by the prospective profitability of the bank undergoing valuation.

The sample used for the market multiples method is the same as the one used for the linear regression method.

To calculate the expected net result, the mean estimates of net earnings was used from the analyses issued following publication of the results to 30 September 2006, adjusted to take account of the impact of the exercise of dilutive in-the-money financial instruments. The equity multiples are calculated as a ratio between market capitalisation calculated on the basis of the weighted average of prices recorded in the month preceding 15 December 2006 and the Group equity at 30 September 2006, adjusted to take account of:

any capital transactions carried out between 30 September and 15 December 2006;

equity variations deriving from the exercise of dilutive in-the-money financial instruments.

The regression applied to the sample was linear as shown in the equation:

Price/Book Value = a + (b * expected ROAE)

where:

"a" is the intercept;

"b" is the slope of the regression line.

The relationship obtained presents a high statistical significance (R2>98% in all cases considered).

ROAE forecast for BPI and BPVN was determined on the basis of their economic and asset plans for 2006-2009.

The procedure described above was applied using two alternative approaches for net assets values:

- net book value: the reference used for calculation of the P/BV multiple is the value of Group equity obtained from the quarterly report to 30 September 2006 of the banks involved in the analysis;
- "material" net book value: equity taken for reference is the Group equity to 30 September 2006 net of Goodwill at the same date.

The Share Swap Ratio interval achieved with this method is 0.199 – 0.32 shares of common stock of Banco Popolare for every BPI share of common stock.

Dividend Discount Model Method (DDM)

The Excess Capital variant of the Dividend Discount Model method assumes that the economic value of a bank is the sum:

- of the current value of future cash flows generated over a chosen time span and distributable to shareholders without negatively affecting the level of capitalisation needed to ensure expected future development (as defined below);
- of the "Terminal Value", calculated considering the last cash flow, the cost of equity and the perpetual growth rate.

The Excess Capital variant of DDM was chosen over the pure DDM (which discounts flows distributable according to the company's dividend policy), since it is considered a more suitable instrument for the valuation of banks. Moreover, this variant is not affected by the distribution policy that has been announced or historically pursued by the banks involved in the valuation.

In order to calculate the maximum distributable dividend to apply this criteria, a suitable level of capitalisation was defined allowing the banks to operate (Tier 1 ratio). The Tier 1 coefficient interval used was between 6.0% and 7.5%.

The Excess Capital version of the DDM thus estimates the value of the economic capital of a bank according to the following formula:

W = DIVa + Vta

where:

"W" represents the economic value of the bank undergoing valuation;

"DIVa" represents the current value of future cash flow distributable to shareholders over a determined time span, while maintaining a satisfactory level of capitalisation;

"Vta" represents the current value of the bank's terminal value.

The Excess Capital variant of the DDM method is applied in the following phases:

1. identification of future economic flows over the reference time period: for valuation purposes, the explicit time span used to determine the flow was 2006-2009, beyond which time the value of the banks was determined by discounting terminal value;
2. determination of the perpetual growth rate and of discount rate; the discount rate of the flows corresponds to the equity yield rate requested by investors/shareholders for investments with similar risk characteristics, and was calculated according to the Capital Asset Pricing Model, with the following formula:

Ke = Rf + (Beta * (Rm – Rf))

where:

"Rf" (*risk-free rate*) = yield rate of risk-free investments (in this case, given the time span used for the valuation, a 4.1% yield was chosen for the ten-year long-term treasury bond);

"Rm - Rf" (market premium), the premium for the share investment risk over a risk-free investment. An interval of 5.25% to 5.75% was used.

"Beta" = correlation factor between the actual share yield of comparable companies and the overall yield of the reference market (i.e. measure of share's volatility compared to the market portfolio). For this valuation, the Beta values provided by Bloomberg for each bank involved were used, for a time interval of 5 years and paying particular attention to the parameters chosen for statistical significance. The range used for BPVN was between 0.78 and 0.93, while the BPI interval ran from 0.78 to 1.07;

3. Calculation of the Terminal Value: the Terminal Value represents the current value of cash flows theoretically distributable over the long term to shareholders after the established forecast period. The terminal value is calculated using the following formula:

Terminal Value = Expected 2010 dividend / (Ke – g)

where:

"g" = nominal rate of sustainable long-term growth;

"Ke" = discount rate, represented by the cost of risk capital, as calculated in the previous paragraph.

The Share Swap Ratio interval achieved with this method is 0.19 – 0.26 shares of common stock of Banco Popolare for every BPI share of common stock.

Contribution analysis

The contribution method identifies the relevant weight of the companies involved in the Merger. Accordingly, this method does not express absolute values, but rather the relative contributions made by each company to the successor. In particular, this criterion is based on a comparison of the economic/asset/operating quantities held as significant for banking companies moving towards integration.

In terms of application, the corresponding share value was identified for each of the quantities selected, net of both the Extraordinary Dividend and ordinary dividends. For this analysis, the reference was the data to 31 December 2009 coming from the Banks' 2006-200 financial plans.

This method produced a share swap ratio interval of 0.20 to 0.40 shares of common stock of Banco Popolare for every BPI share of common stock and was not used to determine the suitability of the Share Swap Ratio, but was only taken as a comparative analysis for the valuations obtained using the methods described previously.

Analysis of the Target Prices obtained by the financial analysts

The main characteristic of this method lies in the possibility of determining a value for the Banks that is considered reasonable by the market and expressed in analyses published by brokers and investment banks.

Only analyses published between presentation of the first half-year results for 2006 and the announcement of the Merger were selected, and valuations expressing the fair value of shares (Target Stand Alone) were distinguished from those incorporating a premium due to expectations of extraordinary transactions (Target M&A).

This method produced a share swap ratio interval of 0.18 to 0.33 per share of common stock of Banco Popolare for every BPI share of common stock and was not used to determine the suitability of the Share Swap Ratio, but was only taken as a comparative analysis for the valuations obtained using the methods described previously.

Reference date for valuation

30 September 2006 was taken as the reference date for the validity of the analyses (the "Valuation Date"), the estimates and the conclusions reached. Consideration was also given to the fact that the Merger would be effective from 1 July 2007.

Limits of the analysis and valuation difficulties

The valuations obtained must be interpreted in light of the following hypotheses and main limits:

the conclusions are based on the overall valuations contained herein; thus, no part may be used separately from the report in its entirety, whether wholly or in summary form;

the results must be read solely and exclusively for valuation of the banks for the purposes of the Merger and cannot be taken as representative of:

a stand-alone valuation of each Bank and the prices at which they can or may in future be negotiated on regulated markets;

the realizable value in disposals involving one of the activities or the companies considered individually.

Summary of valuations

The table below shows the share swap ratios identified by BPI's Board of Directors based on the valuation criteria illustrated earlier:

Valuation method	Share Swap Ratio* minimo	massimo
Market price analysis	0,23	0,30
Market multiples method	0,12	0,26
Value Map method	0,19	0,32
Dividend Discount Model with distribution of excess capital	0,19	0,26
Contribution analysis (check method)	0,20	0,40
Target prices (check method)	0,18	0,33

* Number of Banco Popolare shares of common stock for each BPI share of common stock after Extraordinary Distribution

It is also pointed out that:

i) According to the estimates of BPI and BPVN management, the Merger will make it possible to achieve, on a normalised basis (i.e. in 2010), gross synergies of some € 500 million p.a., of which some € 280 million from higher revenues (thanks to internalisation of revenues and to realignment of per-employee productivity) and some € 220 million from lower costs (also thanks to economies of scale in information technology, back office, and "purchases");

ii) These synergies are an additional benefit for BPI and BPVN shareholders;

iii) The synergies would not be generated if the Merger were not to take place.

By virtue of what has been represented, in calculating the Share Swap Ratio that BPI's Board of Directors has decided to propose to the Extraordinary Shareholders' Meeting, a significant part of this creation of value has been negotiated to the benefit of BPI shareholders. As regards this, it is highlighted that the maximum share swap ratio accordable to BPI shareholders, taking into account the present value of the higher cash flows stemming from the totality of synergies (net of restructuring costs), would have been approximately 0.47 per share, net of extraordinary attribution of BPI reserves of € 2.17 per share and of the payment of expected dividends relating to the financial year 2006 by BPVN and BPI.

It is pointed out that the conclusions concerning the fairness of the share swap ratio of 0.43 Banco Popolare shares of common stock for each BPI share of common stock, which BPI's Board of Directors has reached, are in line with the conclusions reached by the advisors Mediobanca and Rothschild, who assisted BPI's Board of Directors in calculation of the said share swap ratio.

Calculation of the Share Swap Ratio

Based on the valuations set out earlier and also on the basis of their respective advisors' valuations, the Boards of Directors of Banco Popolare di Verona e Novara and of Banca Popolare Italiana, have established and agreed that the share swap ratio based on which the Banco Popolare's newly issued shares will be allocated, is equal to:

– 1 (one) share of common stock of Banco Popolare (to be formed) with face value of € 3.60 each, for each 1 (one) share of common stock of BPVN with face value of € 3.60 each;
– 0.43 (zero point forty three) shares of common stock Banco Popolare (to be formed) with face value of € 3.60 each for each 1 (one) share of BPI with face value of € 3.00 each.

The aforesaid share swap ratio has been verified by the experts appointed pursuant to Article 2501-sexies of the Italian Civil Code, i.e. by the auditing companies Reconta Ernst & Young S.p.A. and Deloitte & Touche S.p.A. The reports prepared by Reconta Ernst & Young S.p.A. and Deloitte & Touche S.p.A., shown as an appendix to this Prospectus, deem the valuation methods adopted by the two companies' Directors, also based on the guidance of their advisors, to be appropriate and their application for the purposes of calculating the share swap ratio shown above to be correct.

C. Method of allocation of shares and their entitlement date

As at the Merger's effective date, all BPVN and BPI shares not respectively owned by the companies participating in the Merger will be cancelled and will be substituted with shares of common stock of Banco Popolare (to be formed) based on the aforementioned share swap ratios.
At the time of their allocation, the newly issued shares of Banco Popolare (to be formed) will be listed on a par with shares already outstanding.
For this purpose, all BPVN and BPI shares outstanding as at the Merger's effective date will be cancelled and simultaneously Banco Popolare's share capital will consist of:

a) A maximum number of 375,328,315 shares of common stock with face value of € 3.60 each, allocated to BPVN shareholders. Said number may also be increased to a maximum number of 378,575,815 shares of common stock with face value of € 3.60 each in the case of total exercise of the options assigned to the BPVN Group's managers based on the stock option plan, or decreased following cancellation without share swap of any BPVN shares owned by BPVN itself;
b) A maximum number of 293,415,032 shares of common stock with face value of € 3.60 each, allocated to BPI shareholders. Said number may also be increased to a maximum number of 301,323,079 shares of common stock with facevalue of € 3.60 each in the case of total exercise of all conversion rights associated with the convertible bonds of the CBI, or decreased following cancellation without share swap of any BPI shares owned by BPI itself.

No cost will be charged to shareholders for share swap transactions. Banco Popolare (to be formed) shares of common stock will be made available to the Participant companies' shareholders at BPI and BPVN bank branches, as well as c/o any other legally authorised intermediary, as per the forms typical of shares centralised in Monte Titoli S.p.A. [the Italian central securities depository], and converted to electronic format, against delivery of the Participant companies' shares, as from the 1st business day after the Merger's effective date.
The date when Banco Popolare(to be formed) shares will be made known by means of a specific notice published in at least one national daily newspaper.
As part of the approach for allocation of Banco Popolare(to be formed) shares, a service will be made available to BPI shareholders, via the authorised intermediaries, to enable them the round the number of newly issued shares pertaining to them based on application of the share swap ratios to the immediately higher or lower unit, at market prices and free of charges, stamps duties or commissions. Alternatively, other methods may be used to ensure overall balancing of the transaction.
Further information on the share allocation approach will be notified, where necessary, in the notice mentioned above.
The shares allocated with share swaps will have regular entitlement.

D. Possible treatment for special shareholder categories or for holders of securities other than shares

The CBI (if conversion rights were not to have been fully exercised by their holders before completion of the Merger) and obligations associated with the Warrants will be taken on, pursuant to law, by Banco Popolare (to be formed). The CBI Regulation will not undergo any material change and therefore the bondholders will have rights equivalent to those pertaining to them prior to the Merger. In particular, it is specified that holders of CBI convertible bonds will be able to convert their bonds into shares of Banco Popolare (to be formed) according to the ratio of 0.43 shares of Banco Popolare (to be formed) for each bond owned at a swap price of € 16.31 (and therefore, for 100 convertible loans, it will be possible to obtain 43 shares of Banco Popolare (to be formed) against total payment of € 1,631). Overall balancing of the transaction will in any case be assured.
For holders of CBI convertible bonds for which the option of early conversion has been granted as per the provisions of:

– Article 2503-bis of the Italian Civil Code, to be exercised within the term of thirty days after publication of the relevant notice in the Official Journal of the Republic of Italy, no. 267 – second part – of 16 November 2006 (as well as in the daily newspaper "Il Sole 24 Ore" on 17 November 2006 and, in English, in the daily newspaper "Financial Times" on 20 November 2006);

– Article 2420-bis of the Italian Civil Code, to be exercised within the term of thirty days after publication of the relevant notice in the Lodi Register of Companies on 15 November 2006 (and also published in the daily newspaper "Il Sole 24 Ore" on 17 November 2006 and, in English, in the daily newspaper "Financial Times" on 20 November 2006).

As regards the Warrants, by virtue of the effect of the special distribution of BPI's share premium reserve as indicated in paragraph 2.1.1, letter a), of this Prospectus, the exercise ratio will be taken to be set at 0.526 shares of Banco Popolare (to be formed) for each Warrant. Similarly, the Warrant Regulation will not undergo any material change, saving that concerning change of the exercise ratio, as indicated above. Warrant holders will therefore have the same rights as those pertaining to them prior to the Merger.

E. Date as of which transactions of the Merger's participant companies are booked, also for tax purposes, to the accounts of the successor

The Merger will produce effects, under Article 2504-bis of the Italian Civil Code, after execution of the last of the registrations required by Article 2504 of the Italian Civil Code. This registration will in any case take place on a date subsequent to that of detachment of the 2006 dividend approved by BPVN's and BPI's Shareholders' Meetings.

BPI and BPVN have adopted IAS/IFRS (international accounting and financial reporting standards) to prepare their financial statements since FY2005. For companies that have adopted IFRS, it is not possible to make use of the option envisaged by Article 2504-bis, paragraph 3, to make Merger effectiveness retroactive – solely for accounting purposes – as from 1 January of the financial year when the Merger takes legal effect.

The transactions of the Merger's participant companies will be booked to Banco Popolare's accounts as from the day when the Merger produces its effects as per Article 2504-bis of the Italian Civil Code. Tax effects will start on the same date. Given this, at the time of the Merger's effective date, Banco Popolare's equity will comprise the amount of the business results respectively achieved by BPI and by BPVN between 1 January 2007 and the Merger's effective date.

F. Tax effects of the Merger

Direct taxes

From the tax standpoint, a Merger by union, pursuant to Article 172 of the Italian Consolidated Income Tax Act approved with Italian Presidential Decree no. 917 of 22 December 1986, is "neutral" in the sense that it does not constitute realisation, or distribution of capital gains or losses on the assets of companies taking part in the Merger. Neither the merger loss recognised as the result of the swap ratio of Merger participant companies' shares, nor any higher amounts recognised as a result of recognition of the said loss will go to form the income of successors.

For tax purposes, the assets received by the successor are valued according to the last value recognised for income-tax purposes, showing the data reported in accounts and fiscally recognised amounts in a specific reconciliation statement in the annual tax return.

Pursuant to Article 172, paragraph 5 of Italian Presidential Decree 917/1986, reserves subject to deferred taxation posted in the last set of annual accounts of Merger participant companies will not go to form the successor's income to the extent that they are allocated in the latter company's accounts. Reserves taxable only if distributable that, prior to the Merger, were allocated to Merger participant companies' capital will be taken to be transferred to the capital of the successor and will go to form the latter's taxable income in the case of subsequent reduction of capital due to surplus.

Merger participant companies' losses will be able to be deducted from the successor's income for the part of their amount that does not exceed the amount of their respective equity as reported in the last set of annual accounts or, if lower, in the balance sheet as per Article 2501-quater of the Italian Civil Code, in compliance with the other requirements imposed by Article 172, paragraph 7, of Italian Presidential Decree 917/1986.

Both companies participating in the Merger have opted for group taxation according to the domestic consolidation system, as per Articles 117 and ff. of Italian Presidential Decree no. 917 of 22 December 1986. An application for a private ruling and clearance is being prepared pursuant to Article 11 of

Italian Law no. 212 of 27 July 2000 to obtain recognition of the right to continue the Merger participant companies' tax consolidation within the scope of the successor.

The start of the Merger's effects for income-tax purposes coincides with the start of legal effects as defined by Article 2504-bis, paragraph 2, of the Italian Civil Code. The taxable income produced by Merger participant companies in the period from 1 January 2007 to the date on which the Merger's legal and tax effects start will be calculated according to the results of specific income statements referring to the same administrative period.

As regards shareholders resident in Italy, the swap of shares in Merger participant companies with shares in the successor does not constitute neither realisation of capital gains or losses nor the earning of revenues. It has not been ascertained whether the Merger will be accorded the status of a transaction immaterial for tax purposes under the laws of any jurisdiction other than the Italian jurisdiction. Given this, the tax consequences of the transaction for shareholders not resident in Italy must also be assessed on the basis of current regulations in their Countries of residence.

Indirect taxes

The Merger is a transaction excluded from the scope of VAT application, pursuant to Article 2, paragraph 3, letter f), of Italian Presidential Decree no. 633/72.

The transaction is instead subject to stamp duty and to mortgage and cadastral taxes in fixed amounts pursuant respectively to Article 4, paragraph 1, letter b) of the Tariff Part One attached to Italian Presidential Decree no. 131 of 26 April 1986 and to Article 4 of the Tariff attached to Italian Legislative Decree no. 347 of 31 October 1990.

2.1.3 Forecasts of composition of the Banco Popolare's relevant shareholder base and of its control following the merger

Changes in composition of shareholder base

Based on the share swap ratio specified earlier, approximately 64% of post-Merger share capital will be owned by the ex-shareholders of Banco Popolare di Verona e Novara and approximately 36% by the ex-shareholders of Banca Popolare Italiana.

The parties properly registered in the two Banks' Shareholder Registers will be registered, by virtue of the Merger, in the Banco Popolare's Shareholders' Register with full exercise of all administrative rights.

As stated earlier, the Banco Popolare will take the form of a co-operative company and have the characteristics typical of co-operative banks envisaged by the Italian Consolidated Banking Act (CBA). Given this, by virtue of Article 30 of the CBA and of the corresponding limitations envisaged in the Articles of Association attached to this Prospectus, no one will be able to own shares to an extent exceeding 0.50% of share capital. This ban is not applicable to undertakings for collective investment in transferable securities (UCITS) for which the limits established by the rules governing each of them apply.

Taking into account the nature of the transaction, of the legal-entity form of the successor, and also the fact that the Banco Popolare's shares will be listed on the Milan electronic equity market [Mercato Telematico Azionario – MTA] organised and managed by Borsa Italiana S.p.A., as are the shares of the two Banks at present, the Merger will not give rise to the right of withdrawal based on the provisions of Article 2437 of the Italian Civil Code.

As at 14 February 2007 – based on the information in company books, notices received, and on all other information at BPVN's disposal – the parties who directly or indirectly own a percentage exceeding 2% of BPVN's share capital are as follows:

Shareholders	% of share capital
T. Rowe Price Intenational Inc.	2,104
Barclays Global Investor N.A.	2,031
Fidelity International Ltd.	2,009

As at 19 February 2007 – based on the information in company books, notifications received, and on all other information at BPI's disposal – the parties who directly or indirectly own a percentage exceeding 2% of BPI's share capital are as follows:

Shareholders	% of share capital
Fidelity International Limited	2,073
Stichting Pensioenfonds ABP	2,215
Cheye Capital Management Limited	2,027
Julius Baer Investment Management LLC	2,075
Credit Suisse Group	2,053

Based on the share swap ratio specified earlier, after the Merger – assuming that there are no conversions of BPI CBI bonds – the only Banco Popolare shareholder with equity interests exceeding the threshold of 2% of share capital should be the following:

Shareholders	% of share capital
Fidelity International Limited	2,051

2.1.4 Effects of the Merger on any shareholders' agreements

Banco Popolare di Verona e Novara and BPI are not aware of the existence of agreements, in any form whatsoever, relevant under Article 122 of the Italian Consolidated Finance Act (CFA). More specifically, no agreements exist concerning the exercise of voting rights or that create obligations or possibilities of communication for exercise of such rights, that place limits on the transfer of Banco Popolare (to be formed) ordinary shares or of financial instruments attributing rights to purchase or subscribe shares, or that envisage the exercise of a dominant influence over Banco Popolare itself.

As at the date of this Prospectus, BPI is aware of the existence of the following agreement, notified pursuant to Article 122 of the CFA:

– Agreement between Aviva Italia Holding S.p.A., with registered offices in Milan (Italy), at the address of Viale Abruzzi 94 ("Aviva") and BPI. The agreement concerns 2,327,992 BPI shares (all held by Aviva) accounting for 0.341% of share capital. The Agreement has a 3-year duration as from the date of signature, with tacit renewal for individual 3-year periods, until, at most, 31 December 2009, saving each party's right of termination, to be notified to the other party with six months' notice before expiry of the 3-year period.

The parties to the above-mentioned agreement have not sent any communication concerning the Merger's possible effects on the same.

2.2 *PURPOSES AND REASONS FOR THE MERGER*

2.2.1 Reasons of the merger with special reference to Banco Popolare's operating objectives

The combination of the two Groups headed by BPVN and BPI intends to lay the bases for creation of a new banking group ("**New Group**") of national importance, with a strong strategic position in North Italian regions, substantial coverage of Central Italian regions, and a significant presence in South Italian regions. The New Group will feature a major presence in the segment of retail customers and Small & Medium Enterprises ("SMEs").

The project's plan is founded on the consistency of the two Groups' stand-alone business plans. BPVN and BPI have complementary features making it possible to anticipate substantial benefits from integration without having to introduce discontinuities [i.e. sharp changes]. Both Groups in fact feature:

– Strong territorial roots, with tightly meshed geographical coverage in their historical territories of reference;
– An increase in operating efficiency, made possible by the economies of scale achievable thanks to the size reached;
– A clear-cut focus on the needs and requirements of retail and business customers, based on a sales

model founded on customer segmentation, served by segment specialists and differentiated according to branches' size;

– Growth and development targets focused on commercial banking;

– A competitive cost position, appropriate for competing in the Italian banking scenario;

Significant attention dedicated to small shareholders and to the enhancement/development of local specific features (a "popular" culture and articles of association)

In addition, the BPI and BPVN Groups feature:

– A strong territorial fit, with a presence spread throughout Italian territory, concentrated in the country's wealthiest areas, and with limited overlaps in the areas of reference;

The presence of specialist product platforms, leaders in the Italian market, supporting the business of the local ("Territorial") banks, i.e. private & investment banking and asset management for BPVN and consumer credit and corporate finance for BPI.

2.2.2 Indication of the programmes devised by Banco Popolare with special reference to business prospects and any restructuring and/or reorganisation projects

Thanks to the benefits of scale stemming from integration, to the spread of the best internal operating and commercial practices, and to its strengthened competitive capability in the markets where it is present, the New Group (a) aims to strengthen itself in its traditional business sectors, creating a commercial, operating and income platform able to compete with the market leaders and (b) will be able to expand its portfolio of growth options focusing on the core business.
In the light of what has been previously stated, it is reasonable to believe that the New Group will simultaneously achieve two objectives, i.e. (1) assure achievement of the stand-alone results projected by the two Groups and (2) rapidly achieve operating integration to capitalise on its related synergies.
The New Group has set, as its strategic mission, the mission of stable creation of value over time for its shareholders and investors. In this perspective, crucial importance is attributed to the New Group's ability to combine the strengths typical of major nationwide banks with the distinctive features and success factors of smaller banks with a more marked local vocation and roots. The New Group's strategic mission is thus the synthesis of the BPVN and BPI industrial plans, enhanced by the opportunity to base development and growth projects on sounder foundations and on a competitive position of outright strength in the Italian panorama.
Based on these foundations, stable creation of value over time will be achieved via pursuit of the following strategic objectives:

– Achievement of levels of excellence – in terms of efficiency, productivity, and profitability – also through extension, as regards productivity and profitability, of commercial best practices in the Group.
– Exploitation of the value of territorial roots and of "localism". This means that the New Group intends to position itself as the preferential counterparty in the local markets where it is established thanks to:
  – "Benchmark" market shares at local level, reinforced also by a policy of enhancement of the value of "historical" brands (e.g. BPV, BPL, Banca Popolare del Trentino, Banco di Chiavari, and Credito Bergamasco)
  – Integration with/closeness to the economic and social fabric (retail customers, small entrepreneurs, companies, and institutions)
  – A "short-chain" bank model, i.e. able to minimise the time taken for decision-making and commercial execution
  – The ability to play a leading and enduring role in local territories' development.
– Strengthening of competitive position in traditional core business. The New Group will strengthen the focus on the SME segment via:
  – An integrated, multi-specialist customer approach (local banks supported by advanced and specialised product platforms)

- A complete and innovative product range
- A sales model differentiated by customer segment and distinctive for the quality of its customer relations
- Constant attention to optimisation of the price/service ratio and to the sustainability over time of customer relationships.

Development of vertical businesses featuring strong growth potential and high profitability. More specifically, a priority is development – also in a non-captive perspective and opening up to potential partners outside the Group with the aim of maximising value-generation potential - in the business areas of consumer credit, bancassurance, and asset management.

Enhancement of employees' human and professional growth, in order to develop the quality and motivation of human resources, a key factor for the New Group's success.

Continuous risk analysis and management. The New Group's Business Plan comes into being with the aim of generating solid and sustainable growth in a situation of controlled risk, via a sound capital structure increasingly reinforced over time, adoption of clear and advanced risk monitoring and management processes and mechanisms, and development of sophisticated and "Basle 2-compliant" tools and models for the control and management of credit, marketing, and operating risks.

2.3 DOCUMENTS AT THE PUBLIC'S DISPOSAL

This Prospectus, together with the documentation required under Article 2501-septies, nos. 1 and 3, of the Italian Civil Code, is at the public's disposal at the registered offices of the companies participating in the Merger, as well as c/o Borsa Italiana S.p.A., Piazza Affari 6, Milan, Italy.

Also available at the registered offices of the Merger participant companies, are the individual and consolidated annual financial statements of Banco Popolare di Verona e Novara and Banca Popolare Italiana for FYs 2003, 2004, and 2005, accompanied by the reports of Directors, of the Boards of Statutory Auditors, and of the Auditing firm.

As well as at the Merger participant companies' registered offices, all the documentation indicated above is also available – both in Italian and in an English translation - on the Internet sites of Banco Popolare di Verona e Novara (www.bpv.it) and of Banca Popolare Italiana (www.bancapopolareitaliana.it).

PART 3 - SIGNIFICANT EFFECTS OF DEAL

3.1 ANY SIGNIFICANT EFFECTS OF THE DEAL ON KEY FACTORS INFLUENCING AND DISTINGUISHING BANCO POPOLARE'S ACTIVITY AND THE TYPE OF BUSINESS IT CONDUCTS

From the point of view of competitive positioning, it is envisaged that the merger of the two banks will create the largest co-operative Banking Group with an "aggregator" role in the Italian financial scenario, the 4th largest Italian Banking Group in terms of capitalisation, featuring a national/European scale and a competitive position expected to be important in several business areas. More specifically, based on aggregate final data as at 30 September 2006, it is estimated that Banco Popolare:

- Is positioned in third place among sales networks in Italy, with some 2,200 bank branches and with a market share of approximately 10% in Northern Italy
- Has a total customer base of over 3 million customers – mainly households and SMEs in Northern Italy
- Achieves some € 79 billion of direct customer funding (6th largest on a national basis), € 107 billion of indirect customer funding, and total loans of approximately € 74 billion (6th largest on a national basis)
- Imposes itself as one of the leading national asset managers in terms of assets managed, with total assets under management of approximately € 50 billion
- Is one of the major banking players for life insurance products (with over € 2 billion of gross premiums in 2006)
- Is a front-stage player in corporate finance and merchant banking for SMEs, having already taken part in approximately 80 equity/debt origination and M&A/advisory deals and having invested over € 500 million in merchant banking development.

Forecasts

The New Group's operating and financial projections forecast constant and progressive improvement of profitability, with 14.6% ROE in 2010 (corresponding to 20.5% ROE without application of IFRS 3 (Business Combinations)).

These results relate to improvement of overall profitability with the forecast of EPS (earnings per share) of € 2.85 for 2010. This amount is due to significant growth in commercial productivity (total operating income per branch employee should rise from € 223 thousand in 2006 to € 294 thousand in 2010) and to tight control of the cost structure (the cost/income ratio – net of Ducato and Efibanca and inclusive of operating depreciation & amortisation – is forecast to improve from 59% to 45% during the plan's time span).

Going into greater detail, total revenues will grow by 10.7% p.a. during the plan's time span whilst operating cost growth will be kept within 3.2% p.a., inclusive of costs to strengthen the territorial network. Operating profit will consequently increase by 18.9% p.a. from 2006 to 2010, whilst net operating profit in the same period will progress by 20% p.a.

Forecast results have been estimated using the following method:

- For BPVN the plan used stems from the business plan for the 3-year period 2006-2008 approved by the Board of Directors on 14 November 2005, inclusive in turn of the share of the effects of the specific initiatives envisaged in the long-term Strategic Plan (2005-2014) approved on 31 October 2004. For BPI the plan used was the 2006-2009 Business Plan called "La Banca delle Piazze" (The Town Square Bank) approved by the Board of Directors on 3 April 2006;
- Combination of the two Groups' business plans, appropriately rendered uniform particularly as regards macroeconomic scenarios;
- Inertial projection of the combined plan to 2010 – the year when industrial synergies are expected to reach normalised status;
- Estimate of revenue and cost synergies at 2010 stemming from combination and incremental to the combined plan indicated in the previous points;

– Estimate of the combination costs consequent to the business combination and deemed functional for achievement of synergies;
– Supplementing of the plan emerging from the previously described steps with the capital management actions hypothesised.

The Plans in question were prepared using substantially the same accounting standards as those used by the two Banks for consolidated year-end financial statements as at 31 December 2005 and compliant with IFRS adopted by the European Union.

As described above, the plans are presented in combined form and do not include the economic effects of allocation of the business combination's cost to BPI's assets, liabilities, and potential liabilities in compliance with IFRS 3 (see paragraph 5.1 of this Prospectus).

The hypotheses concerning the main management actions underlying the stand-alone Business Plans are summarised below.

The integration project is based on the consistency between the BPVN Group's Strategic Plan and the BPI Group's "Town Square Bank" Plan.

For BPVN the assumptions included in the Strategic Plan envisage the ability to respond effectively to a changing future market, strengthening the Group's competitive position, and ensuring the ability to create value over time. The main levers for achieving these goals have been identified as being:

– Occupation of the fastest-growth areas projected for the near future, specifically pinpointed as being development of consumer credit, coverage of new customer categories ("Senior" clients, women, and immigrants), and ability to meet the many different requirements of corporate customers (business services, risk management, and structured finance)
– Increased on-the-ground coverage in adjacent territorial areas via (a) progressive expansion in bordering areas and (b) a more effective model for coverage of areas featuring low bank-branch density
– Tight control of unitary costs and expansion of per-employee productivity.

For BPI the 2006-2009 "Town Square Bank" Plan envisages reinforcement of BPI's key areas in order to achieve growth as sound and organic as possible. The main levers for achievement of these goals have been identified as being:

– Corporate reorganisation and business refocusing, via shortening of the chain of control and consequent rationalisation of the company structure, disposal of non-strategic assets (equity interests, non-operating property assets, and non-performing loans), and rationalisation of the bank's investment book
– Development of the core business via launch of the Town Square Bank project, which is projected to permit full exploitation of network resources and improvement both of asset quality and of branch operations
– Enhancement of the value and commercial integration of product companies, particularly in the fields of consumer credit, investment banking, and wealth management
– Optimisation of liabilities' structure, thanks to optimisation of the cost of funding and to an increase in capital assets.

For both plans, tax effects have been calculated applying differentiated tax rates for the two banks, based on each company's historical experience and effective tax burden.

The scenario forecasts used as the basis for definition of the plans devised for the 3-year period 2007-2009, and over which the BPVN's and BPI's management bodies have no influence, are indicated below. These forecasts have been developed on the basis of indications on the macroeconomic scenario formulated by the banks' research departments using the forecasts made by the Prometeia research firm for the period up to 2009.

Going into detail, the scenario assumed forecasts a limited increase in bank interest rates in the 2007-2009 period. 1-month EURIBOR calculated over 365 days should in fact grow from 3.36% in 2007 to 3.45% in 2009. Consequently, the average return on loans is expected to increase by some 30 basis points (from 5.40% to 5.70%). Similarly, the cost of funding should also feature an increase of about

30 basis points (from 2.10% to 2.40%), thus maintaining customer spread substantially stable during the entire plan period.
Expansion of credit demand in the plan period is forecast to increase by 6.5% in terms of CAGR (compound average growth rate). Similarly, an increase is also projected both in direct funding (+4.7%) and managed assets (+3.9%).
As a consequence of the trends highlighted, in terms of the banking system as a whole, it is forecast that net interest income will grow by 8.4% and other net income by 3.9% (once again in CAGR terms), leading to a forecast increase in total operating income of 6.5%.
The BPVN-BPI combination's forecasts relating to 2010 have been constructed by projecting the growth trends just described on to 2010 based on an inertial rationale.
Forecast data have been integrated with the estimate of synergies stemming from the combination and of integration costs, based on hypothetical assumptions over which BPVN and BPI management can, in part, exercise influence. More specifically, the increase in commercial productivity is linked to progressive alignment of the BPI network's commercial performance with the BPVN Group's best practices. This alignment, which is assumed to be 48% of the maximum theoretical potential, should generate incremental operating income assumed to total € 127 million in 2010.
Besides the benefits coming from alignment of commercial productivity, it is estimated that combination of the two Groups will generate total gross synergies of approximately € 373 million in 2010, split as follows:

– *Cost synergies*, estimated to equal some € 227 million before tax in 2010 (61% of the total), which are forecast to be obtained by rationalising central facilities and optimising operating costs and investments
– *Revenue synergies*, estimated to equal some € 146 million before tax in 2010 (39% of the total), net of expected incremental costs of € 6.5 million.

The breakdown of the *cost synergies* stemming from the merger is as follows:

– Personnel synergies estimated to be approximately € 91 million (equivalent to about 1,250 resources), coming from planned rationalisation of corporate/staff units to be obtained via use of solidarity funds and less use of turnover.
– Synergies for IT and Back Office costs and depreciation & amortisation estimated to be approximately € 67 million, to be obtained via unification of the technological business and support platforms and optimisation of back office efficiency (scale effect).
– Synergies for other administrative expenses and depreciation & amortisation (excluding IT and Back Office) estimated to be approximately € 69 million, to be obtained via standardisation of Group contracts, the planned exploitation of the scale effect, and the planned application of best practices in consumption models.

The breakdown of the *revenue synergies* stemming from the merger is instead as follows:

– Synergies from margin internalisation of € 73 million, obtained from internalisation of retail and corporate finance products' margins by BPI and via planned internalisation of margins on trading/brokerage activities, which the BPI Group currently outsources.
– Synergies from reduction of the cost of funding estimated to be approximately € 7 million, to be obtained through reduction of the spread on the BPI Group's institutional funding associated with the expected improvement in credit rating.
– Synergies from development of offshore private banking estimated to be about € 10 million, to be achieved via integration and consequent development of the two Groups' offshore private banking businesses and adoption of an advanced, dedicated business model.
– Consumer-credit synergies estimated to be approximately € 31 million, to be obtained via concentration in Ducato of the Group Personal Loans factory ("fabbrica Prestiti Personali") for the Universal segment ("segmento Universale") and planned extension to the BPVN Group of best practices relating to the Ducato platform (per-head productivity, pricing, and bundling with insurance products).

– Synergies from development of the Specialised External Networks (SEN) model estimated to be about € 25 million, to be achieved via territorial extension of the present SEN model and consequent projected expansion of Specialised External Networks' sales potential into territorial areas little covered today.

Costs relating to the integration process are currently estimated to total approximately € 300 million. They mainly arise from the costs projected for management of human-resource turnover, from investments in integration of information systems, and from the extraordinary support required for organisation change (training, communication and advertising, and advisory services, etc.)

The plan was subsequently integrated with capital management policies designed to assure optimisation for the New Group of its capital structure and endowment of regulatory capital acceptable to the Supervisory Authority.

These policies envisage buy-backs fully offset by securitisation of residential mortgages and corporate loans, the issue of hybrid capital instruments (preference shares), sale of minority interests in product companies, and sale of other shareholdings and/or property assets incorporating unrealised capital gains.

Independent auditor's report on forecast data

The auditing company Reconta Ernst & Young S.p.A. has issued a report on its audit of the data and estimation process presented in this chapter. The aforesaid report is attached to this Prospectus.

3.2 ANY IMPLICATIONS OF THE DEAL FOR STRATEGIC GUIDELINES CONCERNING INTER-COMPANY COMMERCIAL, FINANCIAL, AND CENTRALISED SERVICE TRANSACTIONS.

The Merger will not produce any significant changes as regards commercial, financial, and centralised service transactions between the New Group's companies.

PART 4 - INCOME-STATEMENT, BALANCE-SHEET, AND FINANCIAL DATA RELATING TO BANCO POPOLARE DI VERONA E NOVARA AND TO BANCA POPOLARE ITALIANA - BANCA POPOLARE DI LODI

This chapter shows the comparative tables of the consolidated balance sheets and income statements for the financial years ending on 31 December 2005 and 2004 and to the first half of 2006 and 2005, accompanied by summary explanatory notes, of the Banco Popolare di Verona e Novara Group and of the Banca Popolare Italiana Group. These financial statements, subjected to a full audit for FYs 2005 and 2004 and to limited auditing for interim reports, respectively by Reconta Ernst & Young S.p.A. and by Deloitte & Touche S.p.A., are available – both in Italian and in an English translation – at the registered offices of Banco Popolare di Verona e Novara and of Banca Popolare Italiana, as well as on their respective Websites (www.bpv.it and www.bancapopolareitaliana.it).

4.1 INCOME-STATEMENT, BALANCE-SHEET, AND FINANCIAL DATA OF BANCO POPOLARE DI VERONA E NOVARA BANKING GROUP

4.1.1 Consolidated financial statements of the Banco Popolare di Verona e Novara Group for FYs 2005 and 2004 and related explanatory notes

The Banco Popolare di Verona e Novara Group's consolidated year-end financial statements as at 31 December 2005 were prepared according to the IAS/IFRS endorsed by the European Union and in force at the time of their approval. Financial statements reflect, on a consolidated basis, the income statements and balance sheets of Banco Popolare di Verona e Novara and of its subsidiaries. The financial statements used to prepare consolidated accounts are those prepared by subsidiaries with reference to 31 December 2005, adjusted, where necessary, to adapt them to IFRS.

For the preparation of year-end financial statements reference was made to the provisions established by the Bank of Italy in its Circular no. 262 of 22 December 2005, which governs banks' financial statements, and to the transitory implementation provisions issued by the Bank of Italy in its ordinance of 22 December 2005.

Upon first-time adoption of IAS/IFRS, the Banco Popolare di Verona e Novara Group availed itself of the possibility of not presenting comparative information compliant with IAS 32 (F*inancial Instruments: Presentation and Disclosures*) and IAS 39 (*Financial Instruments: Recognition and Measurement*), postponing the date of first-time adoption of these standards to 1 January 2005.

Consolidated balance sheet

	Assets *(in euro '000)*	31-12-2005	31-12-2004 (*)
10	Cash & cash equivalents	339.356	364.442
20	Financial assets held for trading	7.908.135	6.845.143
30	Financial assets carried at *fair value*	292.662	327.505
40	Financial assets available for sale	1.021.750	1.200.019
50	Financial assets held to maturity	876.714	443.754
60	Loans to banks	5.848.353	4.138.962
70	Loans to customers	40.275.893	36.872.076
80	Hedging derivatives	75	-
90	Change in value of financial assets covered by macrohedges	(1.014)	-
100	Shareholdings	431.025	340.991
120	Property, plant, and equipment	535.999	513.500
130	Intangible assets	395.589	406.358
	of which: goodwill	*362.617*	*366.691*
140	Tax assets	698.307	664.484
	a) current	354.628	433.358
	b) deferrend	343.679	231.126
150	Non-current assets and discontinued operations	27.073	27.091
160	Other assets	1.108.470	1.356.726
	Total	**59.758.387**	**53.501.051**

(*) Data restated according to IAS/IFRS with exclusion of IAS 32 and 39

	Liabilities and Equity *(in euro '000)*	31-12-2005	31-12-2004 (*)
10	Due to banks	8.099.580	5.848.270
20	Customer accounts	24.768.824	24.233.527
30	Outstanding securities	12.932.148	15.271.208
40	Trading-book liabilities	1.585.687	1.660.924
50	Financial liabilities carried at fair value	5.283.159	-
60	Hedging derivatives	1.801	-
70	Change in value of financial liabilities covered by macrohedges	(16.652)	-
80	Tax liabilities	306.904	416.232
	a) Current	158.797	298.020
	b) Deferred	148.107	118.212
100	Other liabilities	2.081.915	1.664.637
110	Employee severance indemnities	354.171	342.257
120	Provisions for risks & charges	222.752	212.361
	a) For pensions and similar obligations	27.343	25.808
	b) Other provisions	195.409	186.553
140	Valuation reserves	163.118	71.383
170	Reserves	1.734.261	1.732.825
180	Share premium	184.031	164.687
190	Share capital	1.342.569	1.333.301
210	Minority interest	117.065	112.278
220	Profit for period	597.054	437.161
	Total	**59.758.387**	**53.501.051**

(*) Data restated according to IAS/IFRS with exclusion of IAS 32 and 39

Consolidated income statement

	Items (in Euro '000)	FY2005	FY2004 (*)
10	Interest and similar income	2.060.310	1.931.901
20	Interest and similar charges	(836.451)	(768.726)
30	**Net interest income**	**1.223.859**	**1.163.175**
40	Fee & commission income	931.064	840.803
50	Fee & commission expense	(98.504)	(85.984)
60	**Net fees & commissions**	**832.560**	**754.819**
70	Dividends and similar income	55.244	34.504
80	Net trading income	71.945	87.039
90	Net hedging income	506	-
100	Gain (loss) on sale or repurchase of:	13.850	1.293
	a) Loans and receivables	243	291
	b) Available-for-sale financial assets	11.647	862
	c) Held-to-maturity financial assets	1.675	140
	d) Financial liabilities	285	-
110	Net result from financial assets and liabilities carried at *fair value*	10.593	6.516
120	**Total banking income**	**2.208.557**	**2.047.346**
130	Net impairment losses/write-backs on:	(70.300)	(153.962)
	a) Receivables	(68.835)	(143.739)
	b) Available-for-sale financial assets	(2.140)	(9.642)
	c) Held-to-maturity financial assets	-	-
	d) Other financial transactions	675	(581)
140	**Net financial income**	**2.138.257**	**1.893.384**
170	**Net financial and insurance income**	**2.138.257**	**1.893.384**
180	Administrative expenses:	(1.380.479)	(1.293.038)
	a) Staff expenses	(906.375)	(849.212)
	b) Other administrative expenses	(474.104)	(443.826)
190	Net allocations to provisions for risks & charges	(29.831)	(29.660)
200	Net impairment/write-backs for property, plant, & equipment	(43.422)	(44.216)
210	Net impairment/write-backs for intangible assets	(33.695)	(43.804)
220	Other operating income (charges)	253.776	228.325
230	**Net operating costs**	**(1.233.651)**	**(1.182.393)**
240	Profits (losses) from shareholdings	76.268	42.272
260	Value adjustment of goodwill	-	(886)
270	Gains (losses) on sale of investments	562	8.271
280	**Pre-tax profit from operations**	**981.436**	**760.648**
290	Income taxes on profit from operations	(368.513)	(304.274)
300	**Profit from continuing operations, after tax**	**612.923**	**456.374**
310	Profit (loss) from discontinued operations after tax	(182)	-
320	**Profit before minority interest**	**612.741**	**456.374**
330	Minority interest	(15.687)	(19.213)
340	**Parent company profit for period**	**597.054**	**437.161**

(*) Data restated according to IAS/IFRS with exclusion of IAS 32 and 39

4.1.2 Audits performed by the auditing firm of income-statement, balance-sheet, and financial data relating to FYs 2005 and 2004

Banco Popolare di Verona e Novara's individual and consolidated year-end financial statements as at 31 December 2004 were audited by Deloitte & Touche S.p.A., which issued the relevant audit reports on 6 April 2005.

On 23 April 2005 the Shareholders' Meeting appointed Reconta Ernst & Young S.p.A. to perform the full audit of individual and consolidated annual financial statements and limited audit of interim reports for the 3-year period 2005-2007.

Consequently, BPVN's individual and consolidated year-end financial statements as at 31 December 2005 were audited by Reconta Ernst & Young S.p.A., which issued the relevant audit reports on 11 April 2006.

The consolidated balance sheets and income statements as at 31 December 2004 (excluding IAS 32 and 39) and as at 1 January 2005 (inclusive of IAS 32 and 39) – prepared as part of the process for transition to the International Financial Reporting Standards (IFRS) endorsed by the European Commission – were audited by Deloitte & Touche S.p.A., which issued its report on 10 October 2005.

4.1.3 Consolidated financial statements of the Banco Popolare di Verona e Novara Group as at 30 June 2006 and 30 June 2005 and related explanatory notes

The Banco Popolare di Verona e Novara Group's consolidated interim report as at 30 June 2006 was prepared according to the requirements of Article 81 of the Italian Issuer Regulations as per CONSOB resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented. According to this article, the interim report has to be prepared according to IFRS, as endorsed by the European Commission. More specifically, the half-year report was prepared in compliance with the international accounting standard relating to interim reporting (IAS 34). For preparation of consolidated financial statements, the instructions of the Bank of Italy circular 262 of 22 December 2005 were applied.

Half-year figures as at 30 June 2006 are shown in comparison with figures for the same period in the previous financial year.

As regards this, it is underlined that, in determining the impacts of first-time adoption of IFRS as published in the report on operations in the first half of 2005, the Banco Popolare di Verona e Novara Group availed itself of the possibility considering part of financial assets as "financial assets carried at fair value through profit or loss as at the date of transition to IAS/IFRS instead of at the time of initial recognition. The subsequent amendment of IAS 39 (the so-called "fair value option") – in particular the possibility of carrying financial liabilities at fair value – led the Group to carry at fair value through profit or loss, besides financial assets, also financial liabilities for which, as at 1 January 2005, a hedging relationship existed consistent with the requirements of IAS 39 concerning hedge accounting. Extension of the scope of application of the option of fair-value recognition to hedged financial liabilities consequently led to change of the impacts of IFRS adoption disclosed following approval of the report on operations in the first half of 2005.

The data published in the interim report as at 30 June 2005 have also been restated to take into account the instructions issued in the aforementioned Bank of Italy circular no. 262 of 22 December 2005.

Consolidated balance sheet

	Assets *(in Euro '000)*	30-06-2006	30-06-2005
10	Cash & cash equivalents	282.069	293.823
20	Financial assets held for trading	8.080.769	6.759.556
30	Financial assets carried at fair value	311.147	371.247
40	Financial assets available for sale	1.061.002	1.183.243
50	Financial assets held to maturity	889.722	485.758
60	Loans to banks	6.123.146	4.291.825
70	Loans to customers	44.640.188	38.734.631
80	Hedging derivatives	13.183	207.113
90	Change in value of financial assets covered by macrohedges	(4.666)	1.777
100	Shareholdings	495.277	408.812
120	Property, plant, and equipment	547.669	520.090
130	Intangible assets	409.460	418.317
	Of which: goodwill	*362.684*	*23.941*
140	Tax assets	684.154	767.512
	a) Current	319.653	399.186
	b) Deferred	364.501	368.326
150	Non-current assets and discontinued operations	135.865	23.500
160	Other assets	1.616.307	1.601.449
	Total	**65.285.292**	**56.068.653**

	Liabilities and Equity *(in Euro '000)*	**30-06-2006**	**30-06-2005**
10	Due to banks	10.835.159	6.638.176
20	Customer accounts	24.960.719	24.285.829
30	Outstanding securities	14.135.037	16.417.482
40	Trading-book liabilities	1.594.390	1.248.692
50	Financial liabilities carried at fair value	5.560.352	-
60	Hedging derivatives	27.433	38.938
70	Change in value of financial liabilities covered by macrohedges	(49.743)	-
80	Tax liabilities	419.373	348.877
	a) Current	249.518	166.632
	b) Deferred	169.855	182.245
90	Liabilities associated with discontinued operations	75.130	-
100	Other liabilities	2.842.188	2.704.431
110	Employee severance indemnities	352.622	359.096
120	Provisions for risks & charges	243.665	234.916
	a) For pensions and similar obligations	26.060	15.968
	b) Other provisions	217.605	218.948
140	Valuation reserves	203.312	144.562
170	Reserves	2.042.079	1.728.732
180	Share premium	184.031	174.808
190	Share capital	1.342.569	1.338.070
210	Minority interest	119.571	108.383
220	Profit for period	397.405	297.661
	Total	**65.285.292**	**56.068.653**

Consolidated income statement

	Items (in Euro '000)	1st Half 2006	1st Half 2005
10	Interest and similar income	1.184.742	1.050.286
20	Interest and similar charges	(537.991)	(420.613)
30	**Net interest income**	**646.751**	**629.673**
40	Fee & commission income	488.216	430.209
50	Fee & commission expense	(48.373)	(47.977)
60	**Net fees & commissions**	**439.843**	**382.232**
70	Dividends and similar income	58.298	37.649
80	Net trading income	43.279	19.018
90	Net hedging income	541	11.519
100	Gain (loss) on sale or repurchase of:	46.644	9.046
	a) Loans and receivables	38.147	(2)
	b) Available-for-sale financial assets	7.548	8.256
	c) Held-to-maturity financial assets	-	1.682
	d) Financial liabilities	949	(890)
110	Net result from financial assets and liabilities carried at *fair value*	15.167	3.245
120	**Total banking income**	**1.250.523**	**1.092.382**
130	Net impairment losses/write-backs on:	(65.154)	(45.164)
	a) Receivables	(64.127)	(45.642)
	b) Available-for-sale financial assets	(3)	-
	c) Held-to-maturity financial assets	-	-
	d) Other financial transactions	(1.024)	478
140	**Net financial income**	**1.185.369**	**1.047.218**
170	**Net financial and insurance income**	**1.185.369**	**1.047.218**
180	Administrative expenses:	(677.282)	(691.625)
	a) Staff expenses	(428.904)	(436.016)
	b) Other administrative expenses	(248.378)	(255.609)
190	Net allocations to provisions for risks & charges	(22.322)	(10.371)
200	Net impairment/write-backs for property, plant, & equipment	(23.431)	(21.608)
210	Net impairment/write-backs for intangible assets	(17.892)	(21.711)
220	Other operating income (charges)	125.549	136.155
230	**Net operating costs**	**(615.378)**	**(609.160)**
240	Profits (losses) from shareholdings	35.612	26.545
270	Gains (losses) on sale of investments	39.610	14.152
280	**Pre-tax profit from operations**	**645.213**	**478.755**
290	Income taxes on profit from operations	(241.785)	(173.292)
300	**Profit from operations, after tax**	**403.428**	**305.463**
310	Profit (loss) from discontinued operations after tax	3.045	-
320	**Profit before minority interest**	**406.473**	**305.463**
330	Minority interest	(9.068)	(7.802)
340	**Parent company profit for period**	**397.405**	**297.661**

4.1.4 Audits performed by the independent auditor of income-statement, balance-sheet, and financial data relating to the 6-month periods ending on 30 June 2006 and 30 June 2005

The consolidated income-statement, balance-sheet and financial data reported in Section 4.1.3 were taken from Banco Popolare di Verona e Novara's Consolidated Interim Report on operations as at 30 June 2006 and 30 June 2005 and underwent limited auditing by Reconta Ernst & Young S.p.A., which issued the relevant reports respectively on 29 September 2006 and 18 October 2005.

4.1.5 Consolidated cash flow statement as at 30 June 2006

(in Euro '000)	30/06/2006	30/06/2005
A. OPERATING ACTIVITY		
1. Operations	470.118	348.585
2. Cash generated/absorbed by financial assets	-5.477.600	-3.087.887
3. Cash generated/absorbed by financial liabilities	5.347.152	3.026.676
Net cash generated/absorbed by operating activity	**339.670**	**287.374**
B. INVESTMENT ACTIVITY		
1. Cash generated	2.845	438
2. Cash absorbed	-148.735	-185.200
Net cash generated/absorbed by investment activity	**-145.890**	**-184.762**
C. FINANCING ACTIVITY		
Net cash generated/absorbed by investment activity	**-249.042**	**-173.231**
CASH GENERATED/ABSORBED IN THE PERIOD	**-55.262**	**-70.619**

RECONCILIATION		
Cash & cash equivalents at start of period	337.331	364.442
Net cash generated/absorbed in the period	-55.262	-70.619
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	**282.069**	**293.823**

4.2 INCOME-STATEMENT, BALANCE-SHEET, AND FINANCIAL DATA OF BANCA POPOLARE ITALIANA GROUP

4.2.1 Consolidated financial statements of Banca Popolare Italiana Group for FYs 2005 and 2004 and related explanatory notes

Banca Popolare Italiana Group's consolidated year-end financial statements as at 31 December 2005 were prepared according to IAS/IFRS endorsed by the European Union and in force at the time of their approval. Financial statements reflect, on a consolidated basis, the income statements and balance sheets of Banca Popolare Italiana and of its subsidiaries. The financial statements used to prepare consolidated accounts are those prepared by subsidiaries with reference to 31 December 2005, adjusted, where necessary, to adapt them to IFRS.

For the preparation of year-end financial statements reference was made to the rules established by the Bank of Italy in its Circular no. 262 of 22 December 2005, which governs banks' financial statements, and to the transitory implementation provisions issued by the Bank of Italy in its circular of 22 December 2005.

Upon first-time adoption of IFRS, Banca Popolare Italiana Group availed itself of the right of not presenting comparative information compliant with IAS 32 (*Financial Instruments: Presentation and Disclosures*) and IAS 39 (*Financial Instruments: Recognition and Measurement*), postponing the date of first-time adoption of these standards to 1 January 2005.

Consolidated balance sheet

	Assets *(in Euro '000)*	31-12-2005	31-12-2004
10	Cash & cash equivalents	237.423	243.260
20	Financial assets held for trading	4.068.043	6.186.288
30	Financial assets carried at fair value	716.378	-
40	Financial assets available for sale	1.095.710	37.143
50	Financial assets held to maturity	84.630	327.090
60	Loans to banks	4.457.197	3.501.322
70	Loans to customers	27.968.762	25.489.972
80	Hedging derivatives	185.988	-
100	Shareholdings	487.644	1.176.165
120	Property, plant, and equipment	932.065	952.191
130	Intangible assets	2.057.370	1.914.080
	Of which: goodwill	2.010.018	1.843.205
140	Tax assets	1.305.546	872.394
	a) Current	243.161	170.519
	b) Deferred	1.062.385	701.875
150	Non-current assets and discontinued operations	1.401.931	255.266
160	Other assets	2.323.828	3.025.900
	Total	**47.322.515**	**43.981.071**

	Liabilities and Equity *(in Euro '000)*	31-12-2005	31-12-2004
10	Due to banks	4.791.619	5.182.743
20	Customer accounts	14.356.069	14.602.929
30	Outstanding securities	20.281.134	16.930.728
40	Trading-book liabilities	713.354	1.184
50	Financial liabilities carried at fair value	316.281	274.622
60	Hedging derivatives	195.621	-
80	Tax liabilities	299.481	202.180
	a) Current	159.518	100.150
	b) Deferred	139.963	102.030
90	Liabilities associated with discontinued operations	613.509	109.599
100	Other liabilities	1.752.879	2.864.268
110	Employee severance indemnities	164.778	153.727
120	Provisions for risks & charges	504.596	314.855
	a) For pensions and similar obligations	139.885	127.312
	b) Other provisions	364.711	187.543
130	Technical reserves	85.219	75.137
140	Valuation reserves	50.705	18.265
160	Capital instruments	3.048	-
170	Reserves	(375.825)	(112.184)
180	Share premium	2.487.324	1.532.100
190	Share capital	1.456.498	885.127
200	Treasury shares (-)	(91.546)	(80.653)
210	Minority interest	461.664	1.040.965
220	Profit for period	(743.893)	(14.521)
	Total	**47.322.515**	**43.981.071**

Consolidated income statement

	Items *(in Euro '000)*	2005	2004
10	Interest and similar income	1.777.679	1.664.429
20	Interest and similar charges	(1.016.846)	(823.556)
30	**Net interest income**	**760.833**	**840.873**
40	Fee & commission income	580.867	648.635
50	Fee & commission expense	(281.495)	(207.335)
60	**Net fees & commissions**	**299.372**	**441.300**
70	Dividends and similar income	62.026	105.337
80	Net trading income	(47.687)	(155.375)
90	Net hedging income	47.356	-
100	Gain (loss) on sale or repurchase of:	47.938	150
	a) Loans and receivables	-	-
	b) Available-for-sale financial assets	47.938	-
	c) Held-to-maturity financial assets	-	150
	d) Financial liabilities	-	-
110	Net result from financial assets and liabilities carried at *fair value*	93.053	-
120	**Total banking income**	**1.262.891**	**1.232.285**
130	Net impairment losses/write-backs on:	(981.994)	(275.984)
	a) Receivables	(752.998)	(231.717)
	b) Available-for-sale financial assets	(226.217)	(43.002)
	c) Held-to-maturity financial assets	-	(34.444)
	d) Other financial transactions	(2.779)	33.179
140	**Net financial income**	**280.897**	**956.301**
150	Net premiums	6.254	-
160	Net other insurance income/charges	5.421	-
170	**Net financial and insurance income**	**292.572**	**956.301**
180	Administrative expenses:	(1.004.204)	(1.000.579)
	a) Staff expenses	(543.918)	(556.768)
	b) Other administrative expenses	(460.286)	(443.811)
190	Net allocations to provisions for risks & charges	(261.406)	(118.122)
200	Net impairment/write-backs for property, plant, & equipment	(59.614)	(42.736)
210	Net impairment/write-backs for intangible assets	(25.028)	(36.685)
220	Other operating income (charges)	223.088	339.022
230	**Net operating costs**	**(1.127.164)**	**(859.100)**
240	Profits (losses) from shareholdings	(6.021)	46.570
260	Goodwill impairment	(42.035)	(18.306)
270	Gains (losses) on sale of investments	824	(1.939)
280	**Pre-tax profit from operations**	**(881.824)**	**123.526**
290	Income taxes on profit from operations	165.208	(50.871)
300	**Profit from operations, after tax**	**(716.616)**	**72.655**
310	Profit (loss) from discontinued operations after tax	16.737	-
320	**Profit before minority interest**	**(699.879)**	**72.655**
330	Minority interest	(44.014)	(87.176)
340	**Parent company profit for period**	**(743.893)**	**(14.521)**

4.2.2 Audits performed by the independent auditor of income-statement, balance-sheet, and financial data relating to FYs 2005 and 2004

On 21 April 2001, Banca Popolare Italiana's Ordinary Shareholders' Meeting appointed, pursuant to Article 159 of the Italian Consolidated Act, Deloitte & Touche S.p.A. (the "Auditing Firm"), with registered offices in Milan at the address of Via Tortona 25, registered in the Italian special central register of auditing firms, to perform the full audit of Banca Popolare Italiana's individual financial statements and of the Group's consolidated financial statements for FYs 2001, 2002, and 2003, as well as limited auditing of individual and consolidated interim reports for the 3-year period 2001-2003. The Auditing Firm issued its Report on individual and consolidated accounts for the years ending on 31 December 2001, 2002, and 2003.

On 24 April 2004, Banca Popolare Italiana's Ordinary Shareholders' Meeting decided to appoint, pursuant to Article 159 of the Italian Consolidated Act, the same Auditing Firm to perform the full audit of Banca Popolare Italiana's individual financial statements and of the Group's consolidated financial statements for FYs 2004, 2005 and 2006, as well as limited auditing of individual and consolidated interim reports for the 3-year period 2004-2006.

As regards the financial year that ended on 31 December 2004, the Auditing Firm has issued its audit Report on the individual and consolidated financial statements on 11 April 2005. Following the affair relating to the Plan for the Merger with the Banca AntonVeneta Group and the consequent investigations and audits performed by the Supervisory Authorities and by the Judiciary Authority, also in the face of the CONSOB's resolution to oppose the Banca Popolare Italiana Group's individual and consolidated financial statements as at 31 December 2004, at the Banca Popolare Italiana Ordinary Shareholders' Meeting, held on 28 January 2006, shareholders approved the adjusted individual financial statements as at 31 December 2004. In addition, on 27 December 2005 the Board of Directors has approved the consolidated financial statements as at 31 December 2004, which had also been adjusted.

In the opinion of the Auditing Firm, with the exception of possible effects on the FY2004 business result stemming from the limitations on audit work described in Paragraph 5 of the Audit Reports, the Banca Popolare Italiana Group's individual and consolidated financial statements comply with the regulations governing their preparation, are drawn up clearly, and provide a true and fair view of the Group's balance-sheet and financial position and of business result.

The Auditing Firm's reports on the Banca Popolare Italiana Group's individual and consolidated financial statements as at 31 December 2004, issued in substitution of the previous reports dated 11 April 2005, are at the public's disposal at the company's registered offices and c/o Borsa Italiana S.p.A., as well as on the site www.bancapopolareitaliana.it.

The Auditing Firm issued its Report on the Banca Popolare Italiana Group's individual and consolidated financial statements as at 31 December 2005 on 12 April 2006.

As regards the Audit Report on Banca Popolare Italiana's individual financial statements as at 31 December 2005, in the opinion of the Auditing Firm, with the exception of possible effects on the FY2005 business result stemming from the limitations on audit work described in Paragraph 3 of the Audit Report, to which reference should be made, the individual financial statements as at 31 December 2005 comply with the IFRS adopted by the European Union. They are thus drawn up clearly, and provide a true and fair view of the balance-sheet and financial position and of business result, changes in equity, and cash flows of Banca Popolare Italiana for the financial year ending on that date. As regards the Audit Report on Banca Popolare Italiana's consolidated financial statements as at 31 December 2005, in the opinion of the Auditing Firm, with the exception of possible effects on the FY2005 business result stemming from the limitations on audit work described in Paragraph 3 of the Audit Report, to which reference should be made, consolidated financial statements as at 31 December 2005 comply with the IFRS adopted by the European Union. They are thus drawn up clearly, and provide a true and fair view of the balance-sheet and financial position and of business result, changes in equity, and cash flows of the Banca Popolare Italiana Group for the financial year ending on that date.

The Auditing Firm's Reports on the Banca Popolare Italiana Group's individual and consolidated financial statements as at 31 December 2005 are at the public's disposal at the company's registered office and c/o Borsa Italiana S.p.A., as well as on the site www.bancapopolareitaliana.it.

Information on relations with the Auditing Firm

During the period to which financial information concerning past financial years refers, the Auditing Firm did not resign and it was not relieved of appointment.
It is pointed out that, with a letter dated 6 February 2006, the Auditing Firm informed Banca Popolare Italiana that Mr. Riccardo Motta has been replaced by Mr. Michele Masini in his function as shareholder responsible for auditing activities.

4.2.3 Comparative table of consolidated balance sheets and income statements as at 30 June 2006 and 30 June 2005 and related explanatory notes

The Banca Popolare Italiana Group's consolidated interim report as at 30 June 2006 was prepared according to the requirements of Article 81 of the Issuer Regulations as per CONSOB resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented. According to this article, the interim report has to be prepared according to IAS/IFRS, as endorsed by the European Commission. More specifically, the interim report was prepared in compliance with the international accounting standard relating to interim reporting (IAS 34). For preparation of consolidated financial statements, the instructions of the Bank of Italy circular no. 262 of 22 December 2005 were applied. Interim figures as at 30 June 2006 are shown in comparison with figures for the same period in the previous financial year.
The data published in the interim report as at 30 June 2005 have also been restated to take into account IAS/IFRS regulatory changes (specifically, the updating of IAS 39 via introduction of the so-called "fair value option") and of instructions concerning financial reporting issued in the aforementioned Bank of Italy circular no. 262 of 22 December 2005.

Consolidated balance sheet

	Assets *(in Euro '000)*	**30-06-2006**	**30-06-2005**
10	Cash & cash equivalents	193.413	212.744
20	Financial assets held for trading	4.394.068	6.773.575
30	Financial assets carried at fair value	-	2.117.874
40	Financial assets available for sale	1.259.387	1.061.842
50	Financial assets held to maturity	84.038	85.724
60	Loans to banks	3.729.013	5.542.763
70	Loans to customers	27.570.830	28.485.659
80	Hedging derivatives	89.756	236.552
100	Shareholdings	394.485	583.396
120	Property, plant, and equipment	987.469	975.593
130	Intangible assets	2.062.152	2.075.621
	Of which: goodwill	2.017.122	2.026.899
140	Tax assets	1.210.340	1.074.806
	a) Current	215.316	48.001
	b) Deferred	995.024	1.026.805
150	Non-current assets and discontinued operations	1.387.887	897.177
160	Other assets	2.511.986	2.118.218
	Total	**45.874.824**	**52.241.544**

	Liabilities and Equity *(in Euro '000)*	30-06-2006	30-06-2005
10	Due to banks	3.201.021	7.701.963
20	Customer accounts	14.999.588	15.745.927
30	Outstanding securities	18.804.399	20.596.148
40	Trading-book liabilities	662.300	1.950.986
50	Financial liabilities carried at fair value	-	292.029
60	Hedging derivatives	227.263	172.902
80	Tax liabilities	244.050	296.310
	a) Current	119.517	92.359
	b) Deferred	124.533	203.951
90	Liabilities associated with discontinued operations	1.221.607	624.958
100	Other liabilities	2.617.387	1.930.769
110	Employee severance indemnities	170.332	164.968
120	Provisions for risks & charges	451.400	526.861
	a) For pensions and similar obligations	141.840	128.153
	b) Other provisions	309.560	398.708
130	Technical reserves	-	103.894
140	Valuation reserves	4.411	17.857
160	Capital instruments	3.048	3.048
170	Reserves	(639.898)	(437.857)
180	Share premium	1.973.977	1.532.100
190	Share capital	1.456.198	885.127
200	Treasury shares (-)	(80.136)	(85.704)
210	Minority interest	465.908	400.847
220	Profit for period	91.969	(181.589)
	Total	45.874.824	52.241.544

Consolidated income statement

	Items *(in Euro '000)*	1st Half 2006	1st Half 2005
10	Interest and similar income	929.869	893.425
20	Interest and similar charges	(528.884)	(488.799)
30	**Net interest income**	**400.985**	**404.626**
40	Fee & commission income	240.664	289.903
50	Fee & commission expense	(39.970)	(206.719)
60	**Net fees & commissions**	**200.694**	**83.184**
70	Dividends and similar income	20.390	58.210
80	Net trading income	21.195	47.513
90	Net hedging income	14.187	26.253
100	Gain (loss) on sale or repurchase of:	102.039	(865)
	a) Loans and receivables	69.083	(943)
	b) Available-for-sale financial assets	31.003	(1.435)
	c) Held-to-maturity financial assets	-	1.513
	d) Financial liabilities	1.953	-
110	Net result from financial assets and liabilities carried at *fair value*	(3.108)	95.957
120	**Total banking income**	**756.382**	**714.878**
130	Net impairment losses/write-backs on:	(59.034)	(358.462)
	a) Receivables	(50.696)	(352.696)
	b) Available-for-sale financial assets	(5.316)	(2.689)
	c) Held-to-maturity financial assets	-	(3.077)
	d) Other financial transactions	(3.022)	-
140	**Net financial income**	**697.348**	**356.416**
150	Net premiums	-	18.166
160	Net other insurance income/charges	-	(14.955)
170	**Net financial and insurance income**	**697.348**	**359.627**
180	Administrative expenses:	(470.774)	(467.205)
	a) Staff expenses	(254.368)	(260.574)
	b) Other administrative expenses	(216.406)	(206.631)
190	Net allocations to provisions for risks & charges	(33.514)	(213.225)
200	Net impairment/write-backs for property, plant, & equipment	(22.856)	(20.387)
210	Net impairment/write-backs for intangible assets	(10.213)	(9.598)
220	Other operating income (charges)	79.030	124.292
230	**Net operating costs**	**(458.327)**	**(586.123)**
240	Profits (losses) from shareholdings	22.684	7.055
260	Goodwill impairment	(63)	(10.400)
270	Gains (losses) on sale of investments	4	121
280	**Pre-tax profit from operations**	**261.646**	**(229.720)**
290	Income taxes on profit from operations	(93.730)	71.952
300	**Profit from operations, after tax**	**167.916**	**(157.768)**
310	Profit (loss) from discontinued operations after tax	(31.518)	-
320	**Profit before minority interest**	**136.398**	**(157.768)**
330	Minority interest	(44.429)	(23.821)
340	**Parent company profit for period**	**91.969**	**(181.589)**

4.2.4 Audits performed by the auditing firm of income-statement, balance-sheet, and financial data relating to the 6-month periods ending on 30 June 2006 and 30 June 2005

Deloitte & Touche S.p.A. performed limited auditing of the interim report prepared pursuant to Article 81 of CONSOB Regulations no. 11971 of 14 May 1999 as subsequently amended and supplemented. With a report issued on 25 October 2006, the Auditing Firm highlighted that it had not become aware of any material changes and additions that should have been made to the consolidated financial statements and related explanatory and supplementary notes to make them compliant with IAS 34 and with the rules for preparing interim reports envisaged by CONSOB resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented.

As regards the period ending on 30 June 2005, the Auditing Firm had performed the limited audit of the consolidated interim report, issuing its report on 31 October 2005.

Following the affair relating to the Plan for the merger with the Banca AntonVeneta Group and the consequent investigations and audits performed by the Supervisory Authorities and by the Judiciary Authority, also in the face of the CONSOB's decision to oppose the Banca Popolare Italiana Group's individual and consolidated financial statements as at 31 December 2004, at the Banca Popolare Italiana Ordinary Shareholders' Meeting, held on 28 January 2006, shareholders has approved the adjusted individual financial statements as at 31 December 2004. In addition, on 27 December 2005 the Board of Directors has approved the consolidated financial statements as at 31 December 2004, which had also been adjusted. Consequently, subsequent interim accounts were restated and approved as at the date of the Shareholders' Meeting to reflect the effects of the changes made to FY2004 financial statements.

The Auditing Firm then issued a new report to substitute the previous one dated 31 October 2005. In the new report, with the exception of possible effects on the FY2004 business result of the limitations of audit work described in Paragraph 5 of the Audit Report, to which reference should be made, the Auditing Firm highlighted that it had not become aware of any material changes and additions that should have been made to the consolidated financial statements and related explanatory and supplementary notes to make them compliant with IAS 34 and with the rules for preparing interim reports envisaged by CONSOB resolution no.- 11971 of 14 May 1999 as subsequently amended and supplemented.

The Auditing Firm's reports on the Banca Popolare Italiana Group's consolidated interim accounts as at 30 June 2006 and 2005 are at the public's disposal at the company's registered office and c/o Borsa Italiana S.p.A., as well as on the site www.bancapopolareitaliana.it.

4.2.5 Rendiconto finanziario consolidato al 30 giugno 2006

Direct method

(in Euro '000)	30 06 2006	30 06 2005
A. OPERATING ACTIVITY		
1. Gestione	**217.645**	**431.768**
Interest income received	929.869	894.290
Interest expense paid	528.884	490.481
Dividends and similar income	20.390	58.210
Net fees & commissions	200.694	82.954
Staff expenses	254.368	256.149
Net insurance premium received	0	18.166
Other insurance income/charges	0	14.955
Other costs	123.414	159.816
Other revenues	98.606	227.605
Taxes and duties	93.730	-71.944
Costs/revenues from discontinued operations, net of tax effect		-31.518
2. Cash generated/absorbed by financial assets	**1.168.556**	**-9.058.331**
Financial assets held for trading		
Financial assets carried at fair value	390.353	-2.705.161
Financial assets available for sale	-218.309	-1.026.760
Loans to customers	347.236	-3.348.328
Loans to banks	728.184	-2.041.441
Other assets	-78.908	63.359
3. Cash generated/absorbed by financial liabilities	**-1.024.643**	**8.320.237**
Due to banks	-1.590.598	2.519.220
Customer accounts	643.519	1.142.998
Outstanding securities	-1.445.093	3.835.274
Trading-book liabilities	-51.054	1.949.802
Financial liabilities carried at fair value	-316.281	17.407
Other liabilities	1.734.864	-1.144.464
Net cash generated/absorbed by operating activity	**361.558**	**-306.326**
B. INVESTMENT ACTIVITY		
1. Cash generated by:	**189.983**	**592.769**
Sale of shareholdings	93.159	592.769
Dividend receipts on shareholdings	0	0
Sale/redemption of held-to-maturity financial assets		96.824
Sale of property, plant, and equipment		
Sale of intangible assets		
Sale of subsidiaries and company branches		
2. Cash absorbed by:	**-93.314**	**-225.620**
Purchase of shareholdings		
Purchase of held-to-maturity financial assets		328
Purchase of property, plant, and equipment	78.256	43.753
Purchase of intangible assets	15.058	181.539
Purchase of subsidiaries and company branches		
Net cash generated/absorbed by investment activity	**96.669**	**367.149**
C. FINANCING ACTIVITY		
Issue/purchase of own shares	10.256	-5.051
Issue/purchase of capital instruments		
Distribution of dividends and other purposes	-512.493	-86.288
Net cash generated/absorbed by financing activity	**-502.237**	**-91.339**
NET CASH GENERATED/ABSORBED IN THE PERIOD	**-44.010**	**-30.516**

RECONCILIATION

Cash & cash equivalents at the beginning of the period	237.423	243.260
Total net cash generated/absorbed in the period	-44.010	-30.516
Cash & cash equivalents: effect of exchange-rate changes		
Cash & cash equivalents at the end of the period	**193.413**	**212.744**
Cash & cash equivalents as at balance-sheet date	193.413	212.744

PART 5 - PRO-FORMA CONSOLIDATED INTERIM INCOME-STATEMENT AND BALANCE-SHEET DATA OF THE BANCO POPOLARE GROUP

5.1 PRESENTATION OF PRO-FORMA DATA

This chapter shows pro-forma consolidated data as at 30 June 2006 appropriate to represent the material effects of the Merger of Banco Popolare di Verona e Novara S.c.a.r.l. ("BPVN") and Banca Popolare Italiana Soc. Coop. ("BPI") via incorporation of Banco Popolare Società Cooperativa and of related operations, including distribution of an extraordinary dividend by BPI.

The pro-forma consolidated interim data refer to the financial-statement formats indicated in the Bank of Italy circular no. 262 of 22 December 2005, which are drawn up in compliance with the IFRS adopted by the European Union. The pro-forma data – applying CONSOB notice no. DEM/1052803 of 5 July 2001 – have been obtained by making appropriate adjustments to final data to reflect the effects of the transactions described above retroactively. More specifically, such effects have been retroactively reflected in the pro-forma consolidated balance sheet as if the Merger had been implemented as at the said balance sheet's date of reference (30 June 2006) and, in the income statement, as if the Merger had taken place at the beginning of the period to which the income statement refers (first half of 2006). The pro-forma adjustments are indicated separately in the tables that follow and are analytically described in this chapter.

Aggregate data – which are obtained by summing up the consolidated data published by the two entities in their respective interim reports – have been adjusted to represent the consequences of the Merger and of the related operations indicated in the Plan for the merger approved by the Boards of Directors, as transactions that will take effect immediately prior to the Merger itself and the effects of which can currently be separated and objectively measured. In addition, the same data have been adjusted to eliminate the main capital and business transactions taking place and/or that have taken place between BPVN Group companies and BPI Group companies and to allow for changes in accounting policies consequent to aggregation of the shareholdings owned by the two Groups to be taken into account.

From the accounting point of view the Merger, involving the union of two separate corporate entities in a new single entity required to prepare financial statements, is a way of accomplishing a "business combination" as envisaged by IFRS. It must therefore be treated, from an accounting standpoint, as envisaged by IFRS 3, i.e. applying the purchase method. This method envisages, first of all, identification, within the combination transaction, of the virtual acquirer. In the case in point, solely for the purposes of accounting recognition, based on the elements and factual circumstances indicated by IFRS 3 (prevalence of the number of new shares of common stock that will be issued by Banco Popolare to be granted to BPVN shareholders compared with those granted to BPI shareholders; existence of a differential in the BPVN Group's favour between the fair values of the two entities being combined; and existence of a differential in the BPVN Group's favour between the amounts of the assets and revenues of the two entities being combined), the virtual acquirer has been identified as being BPVN and the virtual acquiree as being BPI.

The method of accounting recognition envisaged by IFRS 3 then envisages that, as at the Merger's effective date, the business combination's cost be identified and subsequently allocated to the acquiree's assets, liabilities, and potential liabilities identifiable as at the Merger's effective date and measured according to their respective fair values. The final cost of the business combination in question will be determined with reference to stock market prices on the day when the Merger produces its legal effects, i.e. on the day of the first subsequent available stock market prices of the new Banco Popolare shares to be issued and to be granted on a swap basis to BPI shareholders.

For the purposes of preparation of pro-form interim data as at 30 June 2006, the transaction's cost has been provisionally calculated by setting a value on the new Banco Popolare shares to be issued and granted on a swap basis to BPI shareholders on 29 January 2007 (the first day of stock market listing following the Bank of Italy's authorisation of the Merger). The final fair values of BPI's assets, liabilities, and potential liabilities identifiable at the time when the Merger takes effect will be calculated after the latter date, within the terms established for preparation of annual year-end financial state-

ments as at 31 December 2007 or, if final valuations are not available by that date, within 12 (twelve) months after acquisition date. For the purposes of preparation of pro-forma interim data as at 30 June 2006, the value of BPI's assets, liabilities, and potential liabilities has been assumed to equal the BPI Group's consolidated equity as at 30June 2006, adjusted to take the capital increases completed in the third quarter of 2006 into account. The difference between the combination's cost as determined above and the BPI Group's consolidated equity as at 30 June 2006 has been posted, in the pro-forma balance sheet, in a specific item called "Merger difference". In the pro-forma consolidated income statement this difference is not amortised.
As regards the accounting standards adopted by the BPVN and BPI Groups to prepare their respective consolidated data, reference should be made to the explanatory notes of their interim reports as at 30 June 2006, prepared in compliance with the IAS/IFRS adopted by the European Union.
The pro-forma consolidated data therefore include:

– The BPVN Group's consolidated data
– The BPI Group's consolidated data
– Intragroup eliminations
– The effects of BPI's distribution of an extraordinary dividend via distribution of the share premium reserve
– The effects of consolidation of the BPI Group.

For proper interpretation of the information provided by the pro-forma consolidated data, it is necessary to consider the following aspects:

– As representations are constructed on hypotheses, if the Merger had effectively been completed as at the date taken as the basis for preparation of the pro-forma consolidated data, instead of at the effective date, historical data would not necessarily have been the same as pro-forma data.
– Pro-forma data do not reflect prospective data as they have been prepared in such a way as to represent only the separable and objectively measurable effects of the Merger, without considering the possible effects caused by changes in business strategies and by operating decisions consequent to the transactions.
– Accounting recognition of the Merger using the purchase method will require identification, as at the Merger's effective date, of the fair value of BPI's assets, liabilities, and potential liabilities and allocation of the combination's cost. The pro-forma consolidated income statement does not incorporate the future economic components that may arise from allocation of the business combination's cost as defined earlier. Any excess of the combination's cost over the arithmetical sum of the fair values of BPI's assets, liabilities, and potential liabilities will be able to be allocated to any specific intangible assets with a finite or indefinite useful life and, on a residual basis, to goodwill. Intangible assets with an indefinite useful life and goodwill emerging from the allocation process will not be amortised but regularly subjected to impairment testing. To the extent that, during the allocation process, intangible assets with a finite useful life are identified, Banco Popolare's future income statements will comprise the annual amortisation rate of such intangible assets. The attached pro-forma consolidated income statement does not reflect any such amortisation.
– Considering the different purposes of pro-forma consolidated data and of historical financial statements and the different methods of calculation of the Merger equity and economic effects, pro-forma consolidated statements should be read and interpreted separately, without seeking any accounting relations between the two documents.

5.1.1 Pro-forma balance sheet as at 30 June 2006 and pro-forma income statement for the first half of 2006

Pro-forma consolidated balance sheet as at 30 June 2006

	Assets (*in Euro '000*)	BPVN Group	BPI Group	Eliminations	Merger adjustments	BPVN-BPI pro-forma
10	Cash & cash equivalents	282.069	193.413	-	-	475.482
20	Financial assets held for trading	8.080.769	4.394.068	-	(1.156)	12.473.681
30	Financial assets carried at *fair value*	311.147	-	-	-	311.147
40	Financial assets available for sale	1.061.002	1.259.387	-	(26.691)	2.293.698
50	Financial assets held to maturity	889.722	84.038	-	-	973.760
60	Loans to banks	6.123.146	3.729.013	(202.641)	-	9.649.518
70	Loans to customers	44.640.188	27.570.830	-	-	72.211.018
80	Hedging derivatives	13.183	89.756	-	-	102.939
90	Change in value of financial assets covered by macrohedges	(4.666)	-	-	-	(4.666)
100	Shareholdings	495.277	394.485	-	37.643	927.405
120	Property, plant, and equipment	547.669	987.469	-	-	1.535.138
130	Intangible assets	409.460	2.062.152	-	-	2.471.612
140	Tax assets	684.154	1.210.340	-	(8)	1.894.486
150	Non-current assets and discontinued operations	135.865	1.387.887	-	-	1.523.752
160	Other assets	1.616.307	2.511.986	-	-	4.128.293
	Merger difference				4.417.389	4.417.389
	Total	**65.285.292**	**45.874.824**	**(202.641)**	**4.427.177**	**115.384.652**

	Liabilities and Equity (*in Euro '000*)	BPVN Group	BPI Group	Eliminations	Merger adjustments	BPVN-BPI pro-forma
10	Due to banks	10.835.159	3.201.021	(202.641)	1.510.578	15.344.117
20	Customer accounts	24.960.719	14.999.588	-	-	39.960.307
30	Outstanding securities	14.135.037	18.804.399	-	-	32.939.436
40	Trading-book liabilities	1.594.390	662.300	-	-	2.256.690
50	Financial liabilities carried at *fair value*	5.560.352	-	-	-	5.560.352
60	Hedging derivatives	27.433	227.263	-	-	254.696
70	Change in value of financial liabilities covered by macrohedges	(49.743)	-	-	-	(49.743)
80	Tax liabilities	419.373	244.050	-	(56)	663.367
90	Liabilities associated with discontinued operations	75.130	1.221.607	-	-	1.296.737
100	Other liabilities	2.842.188	2.617.387	-	-	5.459.575
110	Employee severance indemnities	352.622	170.332	-	-	522.954
120	Provisions for risks & charges	243.665	451.400	-	-	695.065
140	Valuation reserves	203.312	4.411	-	(1.541)	206.182
160	Capital instruments	-	3.048	-	-	3.048
180	Share premium	184.031	1.973.977	-	2.900.429	5.058.437
190	Share capital	1.342.569	1.456.198	-	(714.808)	2.083.959
200	Treasury shares (-)	-	(80.136)	-	80.136	-
210	Minority interest	119.571	465.908	-	-	585.479
	Reserves and profit for the period	2.439.484	(547.929)	-	652.439	2.543.994
	Total	**65.285.292**	**45.874.824**	**(202.641)**	**4.427.177**	**115.384.652**

Pro-forma consolidated income statement for the 1st half of 2006

	Items *(in Euro '000)*	BPVN Group	BPI Group	Eliminations	Merger adjustments	BPVN-BPI pro-forma
10	Interest and similar income	1.184.742	929.869	(1.099)	-	2.113.512
20	Interest and similar charges	(537.991)	(528.884)	1.099	(19.970)	(1.085.746)
30	**Net interest income**	**646.751**	**400.985**	-	**(19.970)**	**1.027.766**
40	Fee & commission income	488.216	240.664	-	-	728.880
50	Fee & commission expense	(48.373)	(39.970)	-	-	(88.343)
60	**Net fees & commissions**	**439.843**	**200.694**	-	-	**640.537**
70	Dividends and similar income	58.298	20.390	-	(1.702)	76.986
80	Net trading income	43.279	21.195	-	-	64.474
90	Net hedging income	541	14.187	-	-	14.728
100	Gain (loss) on sale or repurchase of:	46.644	102.039	-	-	148.683
	a) Loans and receivables	38.147	69.083	-	-	107.230
	b) Available-for-sale financial assets	7.548	31.003	-	-	38.551
	c) Held-to-maturity financial assets	-	-	-	-	-
	d) Financial liabilities	949	1.953	-	-	2.902
110	Net result from financial assets and liabilities carried at *fair value*	15.167	(3.108)	-	-	12.059
120	**Total banking income**	**1.250.523**	**756.382**	-	**(21.672)**	**1.985.233**
130	Net impairment losses/write-backs on:	(65.154)	(59.034)	-	-	(124.188)
	a) Receivables	(64.127)	(50.696)	-	-	(114.823)
	b) Available-for-sale financial assets	(3)	(5.316)	-	-	(5.319)
	c) Held-to-maturity financial assets	-	-	-	-	-
	d) Other financial transactions	(1.024)	(3.022)	-	-	(4.046)
140	**Net financial income**	**1.185.369**	**697.348**	-	**(21.672)**	**1.861.045**
170	**Net financial and insurance income**	**1.185.369**	**697.348**	-	**(21.672)**	**1.861.045**
180	Administrative expenses:	(677.282)	(470.774)	-	-	(1.148.056)
	a) Staff expenses	(428.904)	(254.368)	-	-	(683.272)
	b) Other administrative expenses	(248.378)	(216.406)	-	-	(464.784)
190	Net provisions for risks & charges	(22.322)	(33.514)	-	-	(55.836)
200	Net impairment/write-backs for property, plant, & equipment	(23.431)	(22.856)	-	-	(46.287)
210	Net impairment/write-backs for intangible assets	(17.892)	(10.213)	-	-	(28.105)
220	Other operating income (charges)	125.549	79.030	-	-	204.579
230	**Net operating costs**	**(615.378)**	**(458.327)**	-	-	**(1.073.705)**
240	Profits (losses) from shareholdings	35.612	22.684	-	3.046	61.342
260	Goodwill impairment	-	(63)	-	-	(63)
270	Gains (losses) on sale of investments	39.610	4	-	-	39.614
280	**Pre-tax profit from operations**	**645.213**	**261.646**	-	**(18.626)**	**888.233**
290	Income taxes on profit from operations	(241.785)	(93.730)	-	7.439	(328.076)
300	**Profit from operations, after tax**	**403.428**	**167.916**	-	**(11.187)**	**560.157**
310	Profit (loss) from discontinued operations after tax	3.045	(31.518)	-	-	(28.473)
320	**Profit before minority interest**	**406.473**	**136.398**	-	**(11.187)**	**531.684**
330	Minority interest	(9.068)	(44.429)	-	-	(53.497)
340	**Parent company profit for period**	**397.405**	**91.969**	-	**(11.187)**	**478.187**

5.1.2 Methodological notes concerning basis of presentation of pro-forma data

Purpose of presentation of pro-forma data

As already illustrated, the objective of preparation of the pro-forma consolidated balance sheet and income statement is to represent, in accordance with valuation criteria consistent with historical data and compliant with relevant regulations, the capital and economic effects, in accounting terms, of the Merger, as if the latter had virtually taken place on 30 June 2006 and, as regards solely its economic effects, at the beginning of the six-month period ending on 30 June 2006.

Basic assumptions used for preparation of pro-forma data

The main assumptions used to prepare the pro-forma consolidated data are illustrated below:

- The financial statements shown above have been obtained by aggregating data published in the consolidated interim reports as at 30 June 2006 of the BPVN and BPI Groups, prepared – in compliance with the IAS/IFRS adopted by the European Union – according to the formats indicated in the Bank of Italy's Circular no. 262 of 22 December 2005. These interim reports as at 30 June 2006 underwent limited auditing by, respectively, Reconta Ernst & Young S.p.A. and Deloitte & Touche S.p.A.
- As recalled earlier, both Groups, as from FY2005, have been applying the IAS/IFRS adopted by the European Union. Nevertheless there may be some differences due to the possibility of choosing between different options envisaged by the said IFRS or stemming from different methods or parameters for the measurement of assets and liabilities. Such differences – as at the present date considered not to be significant – have not been considered for the purposes of preparation of pro-forma financial statements.
- As indicated in the introduction, the business combination's cost must be considered preliminary, as the elements necessary for its final quantification are not yet known. More specifically, as already highlighted, the shares' fair value will be represented by stock market prices on the day when the transaction produces its legal effects or by the last available price. In addition, it will be necessary to add to the value thus determined the costs associated with the transaction (professional fees, costs for reports and appraisals, etc), which are currently estimated to total some € 65 million. It is also specified that the difference mentioned above has been calculated on the basis of the number of BPVN shares outstanding as at 29 January 2007, without taking into account subsequently issued shares or shares that may be issued by the transaction's effective date, following exercise of the option envisaged by the stock option plan launched by BPVN. Similarly, the aforesaid difference has been calculated on the basis of the number of BPI shares outstanding as at 29 January 2007, without taking into account subsequently issued shares or shares that may be issued by the transaction's effective date, following exercise of the conversion option relating to the convertible bonds of the CBI.
- The pro-forma financial charges stemming from BPI's distribution of the extraordinary dividend via distribution of the share premium reserve has been calculated applying a rate of 2.644%, equal to the monthly average 1-month EURIBOR calculated for the first six months of 2006.

The completion scenario for the Merger also envisages a programme of initiatives intended to optimise Banco Popolare's capital structure. The effect of such transactions, for details of which reference should be made to paragraph 2.1.2 of this Prospectus, cannot be calculated today in a sufficiently objective manner. It is nevertheless pointed out that the various initiatives that BPI's Shareholder Meeting will be called upon to approve include authorisation to purchase a maximum of 37,000,000 BPI shares of common stock, accounting for approximately 5.4% of share capital. In the meantime, BPVN's Shareholder Meeting will be called upon to authorise purchase of a maximum of 20,400,000 BPVN shares of common stock, accounting for approximately 5.4% of share capital. The Plan for the Merger envisages that these treasury shares will then be cancelled, without any swap.

The estimate of the total share capital reduction consequent to purchase and cancellation of treasury shares, using the market prices of 29 January 2007 – i.e. € 23.85 per share as regards BPVN and € 11.81 per share in the case of BPI (saving consideration of the historical carrying prices in the presence of treasury shares already held as at 30 June 2006) – would amount to approximately € 866 million, with a corresponding effect on the financial position and a related increase of financial charges. These effects have not been considered in making the pro-forma adjustments shown earlier, since own-share buy-back transactions are related and subject to the other initiatives aimed to optimise Banco Popolare's capital structure, the amount of which cannot be objectively calculated as at the present date.

Elimination of reciprocal transactions

The most significant reciprocal balance-sheet and income-statement transactions between the BPVN and BPI Groups concerning bank receivables and payables have been eliminated (as at 30 June they amounted to € 203 million in total and mainly consisted of short- and very short-term deposits) and related interest (totalling € 1 million).

Adjustments connected with representation of effects of the Merger and of other capital transactions envisaged in the Plan for the Merger

– The effect has been recorded of distribution to BPI shareholders and holders of the BPI Convertible Bond Issue (CBI), according to their proportional eligibility, of part of the share premium reserve amounting to € 1,511 million corresponding, in unitary terms, to distribution of € 2.17 per BPI share (including those coming from conversion of the convertible bonds) and to allocation of the amount that will be established, as per Article 7, letter c, of the CBI Regulations, for each unconverted share. Based on the indications contained in the Plan for the Merger, this distribution will take place on substantially the same date as the Merger's effective date.
– The virtual financial charges relating to pro-forma debt to fund financial requirements arising from distribution of Banca Popolare Italiana's share premium reserve has been calculated (€ 20 million).
– The effect has been recorded for a total of € 1,299 million (of which € 591 million on share capital and €708 million on the share premium reserve) of transactions with a capital impact completed by BPI after 30 June 2006, more specifically: of the capital increase against payment undertaken for the purpose of capital strengthening (€ 719 million) and of the capital increase to service the Merger of the subsidiaries Reti Bancarie S.p.A. and Bipielle Investimenti S.p.A.
– The business combination cost is (€ 6,950 million) – estimated valuing the Banco Popolare shares to be granted on a share-swap basis to BPI shareholders (291,423,080 shares) at the stock market price of BPVN shares as at 29 January 2007 (€ 23.85) and including estimated costs directly attributable to the transaction (€ 65 million) – has been compared with the BPI Group's consolidated equity as at 30 June 2006, adjusted for the effect of the capital transactions illustrated earlier (€ 2,598 million). This has given rise to a difference of € 4,417 million, which, as already indicated, has been provisionally indicated in the pro-forma balance sheet in a specific item called "Merger difference", pending precise allocation of relevant balance-sheet items as at the Merger's effective date. It is highlighted that, for every 10 eurocents of any difference between the value of € 23.85 per share (the official closing price of BPVN share on 29 January 2007) and the price corresponding to the first listing of Banco Popolare shares, the transaction's cost and, consequently, the "Merger difference" will vary by € 29.1 million.
– The scope of consolidation has been modified as regards equity interests of significant amounts owned by both Groups in the same entity if cumulative ownership percentages would create the requisites for consolidation at equity (no cases have been found for which cumulative ownership would create the requisites for line-by-line consolidation). Specifically:
  - Arca SGR S.p.A.: based on the stake owned (20.71%), the BPI Group previously recognized the company at equity in its consolidated accounts. Conversely, the BPVN Group, owning a 7.57% interest, recognised its stake at fair value as it was classified among available-for-sale financial assets. During preparation of the pro-forma statement, the overall shareholdings owned was recognized at equity without significant effects on pro-forma equity and on the pro-forma business result.
  - Centrosim S.p.A.: in a situation similar to that described for Arca SGR S.p.A., the BPI Group already recognized the company at equity previously, owning a 22.35% stake, whereas the BPVN Group, owning a share of 2.5% of capital, recognised this in accounts at fair value as it was classified among available-for-sale financial assets. Once again in this case, the overall shareholding

owned was recognized at equity without significant effects on pro-forma equity and on the pro-forma business result.

- Unione Fiduciaria S.p.A.: in a situation similar to that described for Arca SGR S.p.A. and for Centrosim S.p.A., (the BPI Group already recognized the company at equity previously, owning a 24.00% stake, whereas the BPVN Group, owning an equity interest of 5.20%, recognised this in accounts at fair value as it was classified among available-for-sale financial assets), Also in this case, the overall shareholding owned was recognized at equity without significant effects on pro-forma equity and on the pro-forma business result.
- Istituto Centrale delle Banche Popolari Italiane: based on the 22.09% stake owned, the BPVN Group had already recognized the company at equity previously in its consolidated accounts. Conversely, the BPI Group, owning a 10.64% interest, recognised its stake at fair value in accounts, as it was classified among available-for-sale financial assets. During preparation of the pro-forma statement, the overall equity interest owned was recognized at equity generating a positive impact of € 10 million on equity and of € 1 million on the pro-forma six-month business result.
- Evoluzione 94 S.p.A.: the company was recognised at cost in both the Banks' consolidated accounts. The new entity, in receiving the equity interests of the BPI Group (13.99%) and of the BPVN Group (6.70%), will find itself owning a total stake (20.69%) by virtue of which, in defining pro-forma accounts, the equity method was adopted, without significant effects on pro-forma equity and on the pro-forma business result.

– In calculating income taxes for the period, the tax effect of deductibility of the pro-forma financial charges previously illustrated was taken into account (€ 7 million).

5.2 PRO-FORMA PER-SHARE INDICATORS

The following table presents consolidated pro-forma per-share indicators compared with the same data as shown in the consolidated interim reports as at 30 June 2006.

	BPVN Group	BPI Group	Eliminations	Merger adjustments	BPVN-BPI pro-forma
Number of shares (*)	372.935.815	485.399.203		- 279.457.647	578.877.371
Profit from operations, after tax	1,08	0,35	-	0,04	0,97
Parent company's profit for the period	1,07	0,19	-	0,04	0,83
Group equity	11,18	5,79	-	- 10,44	17,09
Dividend	0,35	-	-	-	0,35
Cash flow (**)	0,93	0,03	-	- 0,36	0,61

(*) *The number of BPVN and BPI shares refers to those outstanding as at 30.06.2006*
(**) *Net profit, inclusive of minority interest and depreciation & amortisation*

5.3 AUDIT REPORT ON PRO-FORMA INCOME-STATEMENT AND BALANCE-SHEET DATA

The report of Reconta Ernst & Young S.p.A. concerning its audit of the preparation of pro-forma consolidated income-statement and balance-sheet data and attesting the reasonableness of the basic assumptions used to draw them up is attached to this Prospectus.

PART 6 - PROSPECTS OF BANCO POPOLARE AND OF ITS GROUP

The New Group's mission is stable creation of value over time for its shareholders. This can come about by combining the strengths typical of major nationwide banks with the distinctive features and success factors of smaller banks with a more marked local vocation and roots. In other words, the primary strategic objective of the integration plan is to endow Local – i.e. "territorial" – banks with the drive and ability to compete in the market typical of a major nationwide group.

As highlighted earlier in Section 3.1, the New Group's objectives feature constant and progressive improvement of profitability with a forecast, for 2010, of earnings per share of € 2.85.

The foreseeable recovery of efficiency will make it possible to free up resources, of which a good part to be refocused on commercial activity to support the ambitious forecast growth of the New Group's business. In pursuing efficiency objectives, the best solutions will be sought so as to limit the new organisation's socio-economic impact, exploiting the value of the territorial roots of the Group's various entities.

As regards the Group's capitalisation profile based on prudent Supervisory rules, it is estimated that the Group's Total Capital Ratio (TCR) will rise from the pro-forma 2006 level of 9% to approximately 10% in 2010, whilst in the same period the Tier 1 ratio should reach a range of between 6% and 6.5%.

As far as the details are concerned of forecast data, as well as the main assumptions applied for each factor that may have a material effect on achievement of forecasts (distinguishing between factors that are within group management's sphere of influence and those that are outside management control reference should be made to what has already been described in Section 3.1 of this Prospectus. Forecasts contained in Section 3.1 are accompanied by the audit report.