

TERMS AND CONDITIONS OF THE NOTES

The issue of the € 25,000,000 Fixed to Floating Rate Perpetual Subordinated Notes (the “Notes”) issued by Banco Popolare Soc. Coop (the “Issuer” or “Banco Popolare”) was authorised by a resolution of the Management Board of the Issuer passed on 15 December 2009.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Conditions the following expressions have the following meanings:

“Additional Amount Event” means a situation whereby:

- (i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 29 March 2010; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

“Additional Amounts” has the meaning given in Condition 9.1 (*Taxation - Gross up*);

“Bank of Italy Regulations” means the regulations of the Bank of Italy relating to the capital adequacy of banks (*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, as set out in the Bank of Italy’s Circular number 263 dated 27 December 2006), as amended and supplemented from time to time;

“Business Day” means a TARGET Settlement Day;

“Calculation Agent” means Banca Aletti & C. S.p.A. or any successor appointed by the Issuer from time to time in connection with the Notes;

“Capital Deficiency Event” means:

- (i) an event occurring when, as a result of losses incurred by the Issuer, on a consolidated or non-consolidated basis, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Issuer, on a consolidated or non-consolidated basis as calculated in accordance with applicable Italian banking laws and regulations, and either (A) reported in the Issuer’s reporting to the Lead Regulator (currently *Matrice dei Conti*) or (B) determined by the Lead Regulator and communicated to the Issuer, falls below the then minimum requirements of the Lead Regulator specified in the

applicable regulations (being, as at 29 March 2010, equal to five per cent. pursuant to the Bank of Italy's Regulations); or

- (ii) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating in such a way that an event specified in (i) above is likely to occur in the short term;

"Capital Disqualification Event" means a situation whereby (a) the Notes would not be eligible to qualify (save, where such non-qualification is only as a result of any applicable limitation on the amount of such capital) as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital; and (b) the Lead Regulator has confirmed to the Issuer that the Notes would not be eligible to qualify as regulatory capital resources for the Issuer for the purposes of its Tier 1 Capital;

"Capital Disqualification Event Redemption Date" means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7.2 (*Redemption and Purchase - Redemption due to a Capital Disqualification Event*) following a Capital Disqualification Event;

"Comparable German Bund Issue" means the German Bund security selected by the Calculation Agent as having a maturity comparable to 29 March 2020 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities having a maturity of 29 March 2020;

"Comparable German Bund Price" means:

- (i) the average of five Reference German Bund Dealer Quotations for the relevant Capital Disqualification Event Redemption Date, after excluding the highest and lowest such Reference German Bund Dealer Quotations; or
- (ii) if the Calculation Agent obtains fewer than five such Reference German Bund Dealer Quotations, the average of all such Reference German Bund Dealer Quotations;

"Decree No. 239" means Italian Legislative Decree number 239 of 1 April 1996, as subsequently amended, supplemented or replaced from time to time;

"Distributable Profits" means net profits of the Issuer that are stated as being available for the payment of a dividend or the making of a distribution on any Junior Obligations;

"Euro-zone" means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community, as amended;

"Financial Year End Date" means 31 December in any calendar year;

“Fixed Rate Coupon” means a Coupon for payment of interest accruing in a Fixed Rate Interest Period;

“Fixed Rate Day Count Fraction” means in respect of the calculation of an amount for any period of time during the Fixed Rate Interest Period (for the purposes of this definition, the **“Calculation Period”**) the actual number of days in the relevant Calculation Period divided by the actual number of days in the relevant calendar year;

“Fixed Rate Interest Payment Date” means 29 March of each year beginning on 29 March 2011 up to and including the Reset Date;

“Fixed Rate Interest Period” means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date for so long as Condition 4.1 (*Interest – Fixed rate*) applies;

“Fixed Rate of Interest” has the meaning given in Condition 4.1 (*Interest – Fixed rate*);

“Floating Rate Coupon” means a Coupon for payment of interest accruing in a Floating Rate Interest Period;

“Floating Rate Day Count Fraction” means in respect of the calculation of an amount for any period of time in the Floating Rate Interest Period (for the purposes of this definition, the **“Calculation Period”**) the actual number of days in the relevant Calculation Period divided by 360;

“Floating Rate Interest Determination Date” has the meaning given in Condition 4.2 (*Interest – Floating Rate*);

“Floating Rate Interest Payment Date” means 29 June, 29 September, 29 December and 29 March of each year, beginning on 29 June 2020 up to and including the date of redemption of the Notes (or, if any such day is not a Business Day, on the immediately following Business Day or, if such immediately following Business Day falls on a day of another month, the immediately preceding Business Day);

“Floating Rate Interest Period” means each period beginning on (and including) the Reset Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date when Condition 4.2 (*Interest – Floating rate*) applies;

“Floating Rate of Interest” has the meaning given in Condition 4.2 (*Interest – Floating Rate*);

“German Bund Rate” means, with respect to the relevant Capital Disqualification Event Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price calculated by the Calculation Agent;

“German Business Day” means a day other than a Saturday or Sunday or a day on which banking institutions in Frankfurt, Germany, are authorised or required by law or executive order to remain closed;

“Group” means the Issuer and its Subsidiaries;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“Interest Payment Date” means a Fixed Rate Interest Payment Date or a Floating Rate Interest Payment Date, as the case may be;

“Interest Period” means a Fixed Rate Interest Period or a Floating Rate Interest Period, as the case may be;

“Issue Date” means 29 March 2010;

“Issue Price” means 100.00 per cent. of the principal amount of the Notes, equal to € 50,000 per Notes;

“Italian Banking Act” means Italian Legislative Decree number 385 of 1 September 1993, as amended and supplemented from time to time;

“Junior Obligations” means ordinary shares (*azioni ordinarie*) of the Issuer and its preferred shares (*azioni privilegiate*) and saving shares (*azioni di risparmio*), if any, and any other securities, guarantees or similar instruments outstanding as at the Issue Date or issued thereafter that expressly or effectively rank junior to Parity Obligations;

“Latest Accounts” means the consolidated accounts approved by the Issuer relating to the Financial Year End Date immediately preceding the financial year in which the relevant Interest Payment Date falls or, where such accounts are not available, the last set of non-consolidated financial statements as of and for a period ending on a Financial Year End Date approved by the Issuer prior to the relevant Interest Payment Date;

“Lead Regulator” means the Bank of Italy, or any successor entity of the Bank of Italy, or any other competent regulator to which the Issuer becomes subject as its lead regulator;

“Less Deeply Subordinated Obligations” means any obligation of the Issuer, whether or not having a fixed maturity date, which by its terms is, or is expressed to be, subordinated in the event of liquidation or insolvency of the Issuer to the claims of any unsubordinated creditors of the Issuer but senior to the Notes including, but not limited to, Upper Tier 2 Liabilities and Lower Tier 2 Liabilities of the Issuer;

“Liquidazione Coatta Amministrativa” means *Liquidazione Coatta Amministrativa* as described in articles 80 to 94 of the Italian Banking Act;

“**Lower Tier 2 Liabilities**” means *passività subordinate* as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

“**Noteholders**” means the holders of the Notes;

“**Parity Obligations**” means (i) all unsecured obligations or instruments of the Issuer ranking (or expressed to rank) *pari passu* with the Notes, and (ii) all guarantees or similar instruments of the Issuer granted for the benefit of preferred securities or preferred or preference shares issued by a Subsidiary of the Issuer, if any, in each case including for the avoidance of doubt the guarantees given in respect of the following outstanding Tier 1 securities:

ISIN Code	Issue Date	Issuer	Nominal	Early Redemption Date
XS0108916718	06/03/2000	Banca Popolare di Lodi Trst	25.000000	30/03/2010
XS0122427940	29/12/2000	Banca Popolare di Lodi Trst	75.000.000	29/12/2010
XS0223454512	30/06/2005	Banca Popolare di Lodi Trst	500.000.000	30/06/2015
XS0255673070	06/06/2006	Banca Italease cap Trust	150.000.000	06/06/2016
XS0304963290	21/06/2007	Banco Popolare di Vr e No	350.000.000	21/06/2017
XS0304963373	21/06/2007	Banco Popolare di Vr e No	300.000.000	21/06/2017

“**Payment Business Day**” means a TARGET Settlement Day;

“**Paying Agent**” means Banco Popolare Soc. Coop or any entity that the Issuer may appoint from time to time in connection with the Notes;

“**Permitted Repurchase**” means:

- (i) any redemption, repurchase or other acquisition of Junior Obligations held by the Issuer or any of its Subsidiaries;
- (ii) a reclassification of the equity share capital of the Issuer or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital;
- (iii) the purchase of fractional interests in the share capital of the Issuer or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged;
- (iv) any redemption or other acquisition of Junior Obligations in connection with a levy of execution for the satisfaction of a claim by the Issuer or any of its Subsidiaries;

- (v) any redemption or other acquisition of Junior Obligations in connection with the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement; or
- (vi) any redemption or other acquisition of Junior Obligations in connection with transactions effected by or for the account of customers of the Issuer or any of its Subsidiaries or in connection with the distribution, trading or market-making in respect of such securities;

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

“Rate of Interest” means the Fixed Rate of Interest or the Floating Rate of Interest, as the case may be;

“Reference German Bund Dealer” means any German Bund dealer selected by the Calculation Agent and approved by the Issuer (such approval not to be unreasonably withheld or delayed);

“Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and the relevant Capital Disqualification Event Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference German Bund Dealer at 3.30 p.m., Frankfurt time, on the third German Business Day immediately preceding the relevant Capital Disqualification Event Redemption Date;

“Relevant Date” means, in relation to any payment, whichever is the later of (i) the date on which the payment in question first becomes due, and (ii) if the full amount payable has not been received by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes;

“Reset Date” has the meaning given in Condition 4.1 (*Interest – Fixed rate*);

“Subsidiary” means a *società controllata*, as defined in article 2359, first and second paragraphs, of the Italian civil code;

“**TARGET**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET is open for the settlement of payments in euro;

“**Tax Deductibility Event**” means a situation whereby:

- (i) interest payable by the Issuer in respect of the Notes is no longer, or will no longer be, fully deductible by the Issuer for Italian corporate income tax purposes according to the provisions of Article 96, para. 5-bis, of Italian Presidential Decree No. 917 of 1986, as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards of the Republic of Italy, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations or standards, which change or amendment becomes effective on or after 29 March 2010 (save where any non-deductibility of interest payable by the Issuer in respect of the Notes is solely as a result of the Issuer exceeding any applicable general threshold of aggregate interest expenses that may be deducted by the Issuer in any financial year for Italian corporate income tax purposes); and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

“**Tax Event**” means a Tax Deductibility Event or an Additional Amount Event;

“**Tax Event Redemption Date**” means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7.3 (*Redemption and Purchase – Redemption for tax reasons*) following a Tax Event;

“**Tier 1 Capital**” means *patrimonio di base* as defined in Title I, Chapter 2, Section II, paragraph 1.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

“**Treaty**” means the Treaty establishing the European Communities, as amended; and

“**Upper Tier 2 Liabilities**” means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition.

1.2 Interpretation

In these Conditions:

- (i) any reference to principal shall be deemed to include the principal amount of the Notes, any Additional Amounts, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions; and
- (ii) any reference to interest shall be deemed to include any Additional Amounts and any other amount in the nature of interest payable pursuant to these Conditions;

2. FORM, DENOMINATION AND TITLE

The Notes are issued at the Issue Price in dematerialised bearer form in a single denomination of €50,000. Title to the Notes will be evidenced by book-entries in accordance with the provisions of Legislative Decree No. 58 of 24 February 1998, Legislative Decree No. 213 of 24 June 1998, the joint regulation issued by Bank of Italy and Consob on 22 February 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Monte Titoli S.p.A. ("**Monte Titoli**") which shall act also as depositary for Clearstream Banking, *société anonyme* ("**Clearstream Luxembourg**") and Euroclear Bank N.V. ("**Euroclear**"). Monte Titoli, Clearstream Luxembourg and Euroclear shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holder**" shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Monte Titoli, Clearstream Luxembourg or Euroclear.

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

3. STATUS AND SUBORDINATION OF THE NOTES

3.1 Status of the Notes

The Notes constitute direct, unsecured and deeply subordinated obligations of the Issuer and rank:

- (i) *pari passu* without any preference among themselves and *pari passu* with any present and future Parity Obligations;
- (ii) junior in right of payment to any present and future claims of all unsubordinated creditors of the Issuer and to all present and future Less Deeply Subordinated Obligations; and
- (iii) senior in right of payment to any Junior Obligations.

3.2 Subordination

By virtue of such subordination, payments to Noteholders will, in the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, only be made after, and any set-off by any Noteholders shall be excluded until, the payment of any present or future claims of all unsubordinated creditors of the Issuer and of all Less Deeply Subordinated Obligations in any such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer have been satisfied in full or after an arrangement or composition has been agreed between them pursuant to which they have given full discharge against receipt of part of their claim.

4. INTEREST

4.1 Fixed rate

The Notes bear interest on a non-cumulative basis from and including the Issue Date to but excluding the Interest Payment Date falling on 29 March 2020 (the “**Reset Date**”) at the rate of 9 per cent. per annum (the “**Fixed Rate of Interest**”), payable, subject as provided in these Conditions, annually in arrears on each Fixed Rate Interest Payment Date. The first interest payment shall be made on 29 March 2011 in respect of the period from (and including) the Issue Date to (but excluding) 29 March 2011 and shall be in the amount of € 4,500 per Note. The amount of interest payable in respect of each Note for any period which is not equal to a Fixed Rate Interest Period shall be calculated by applying the Fixed Rate of Interest to the principal amount of such Note, multiplying the product by the Fixed Rate Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4.2 Floating rate

4.2.1 If the Issuer does not redeem the Notes in accordance with Condition 7.1 (*Redemption and Purchase – Redemption at the option of the Issuer*) on the Reset Date, the Notes will bear interest on a non-cumulative basis for each Floating Rate Interest Period at the Floating Rate of Interest (as defined below) payable, subject as provided in these Conditions, in arrears on each Floating Rate Interest Payment Date.

4.2.2 The rate of interest applicable to the Notes (the “**Floating Rate of Interest**”) for each Floating Rate Interest Period will be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the rate for deposits in Euro for a period equal to the relevant Floating Rate Interest Period which appears on the display page designated EURIBOR01 on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as

the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m. (Brussels time) on the second TARGET Settlement Day before the first day of the relevant Floating Rate Interest Period (the “**Floating Rate Interest Determination Date**”); or

- (b) if such rate does not appear on that page of the Reuters service or if the Reuters service ceases to be available, the Calculation Agent will:
 - (i) request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it in the Euro-zone interbank market at approximately 11:00 a.m. (Brussels time) on the Floating Rate Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time; and
 - (ii) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (c) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone, selected by the Calculation Agent, at approximately 11:00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in Euro to leading European banks for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Rate of Interest for such Floating Rate Interest Period shall be the sum of 6.65 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Rate of Interest applicable to the Notes during such Floating Rate Interest Period will be the sum of 1.00 per cent. per annum and the most recent rate or (as the case may be) arithmetic mean determined in relation to the Notes in respect of a preceding Floating Rate Interest Period.

- 4.2.3 *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Floating Rate of Interest is to be determined in relation to each Floating Rate Interest Period, calculate the Interest Amount payable in respect of each Note for such Floating Rate Interest Period. The Interest Amount will be calculated by applying the Floating Rate of Interest for such Floating Rate Interest

Period to the principal amount of such Note during such Floating Rate Interest Period and multiplying the product by the relevant Floating Rate Day Count Fraction.

- 4.2.4 *Publication:* The Calculation Agent will cause each Floating Rate of Interest and Interest Amount determined by it, together with the relevant Floating Rate Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Floating Rate of Interest, Interest Amount and Floating Rate Interest Payment Date) in any event not later than the first day of the relevant Floating Rate Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Floating Rate Interest Period.
- 4.2.5 *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

4.3 **Interest accrual**

Each Note will cease to bear interest from (but excluding) maturity or the due date for redemption pursuant to Conditions 7.1 (*Redemption and Purchase – Redemption at the option of the Issuer*), 7.2 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*) or 7.3 (*Redemption and Purchase – Redemption for tax reasons*) unless payment of principal in respect of the Notes is improperly withheld or refused, in which case any such amounts of principal improperly withheld or refused will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

5. INTEREST SUSPENSION

5.1 Optional suspension of interest

The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 13 (*Notices*) below, not to pay all (or part only) of the interest accrued to an Interest Payment Date if:

- 5.1.1 the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or
- 5.1.2 since the Issuer's annual shareholders' meeting convened for the approval of the non-consolidated financial statements of the Issuer for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution has been declared, made, approved or set aside for payment in respect of any Junior Obligations,

except that where Condition 5.3 (*Interest Suspension - Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding this Condition 5.1.

The Issuer shall give not more than 25 but not less than 15 Business Days' prior notice to the Paying Agent and to the Noteholders in accordance with Condition 13 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5.1, it elects not to pay interest and such notice shall include a confirmation of the Issuer's entitlement not to pay interest, together with details of the amount of interest (if any) to be paid on such Interest Payment Date.

Where the Issuer elects not to pay interest pursuant to this Condition 5.1 it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to this Condition 5.1 will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

5.2 Mandatory suspension of interest

The Issuer will be prohibited from:

- 5.2.1 paying all (or part only) of the interest accrued up to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made such payment of interest (in whole or in part) on such Interest Payment Date; or

- 5.2.2 paying all (but not part only) of the interest accrued to an Interest Payment Date if:
- (a) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or
 - (b) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on its Junior Obligations, other than in the case of a Capital Deficiency Event,
- except that where paragraph (i) of Condition 5.3 (*Interest Suspension - Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding this Condition 5.2.

The Issuer shall use its best endeavours to give not more than 25 Business Days' but not less than two Business Days' prior notice to the Paying Agent and to the Noteholders in accordance with Condition 13 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5.2, it is prohibited from paying interest and such notice shall include a confirmation of the Issuer's prohibition from paying interest, together with details of the amount of interest (if any) to be paid on such Interest Payment Date.

Where the Issuer is prohibited from paying interest pursuant to this Condition 5.2 it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to this Condition 5.2 will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

5.3 **Mandatory payment of interest**

- 5.3.1 Notwithstanding the provisions of Condition 5.2 (*Interest suspension - Mandatory suspension of interest*), the Issuer is required to pay interest (including, without limitation, in the event of a Capital Deficiency Event) on any Interest Payment Date in full if and to the extent that during the 12-month period prior to such Interest Payment Date the Issuer has declared or paid dividends or other distributions on any Junior Obligations.
- 5.3.2 Subject to Condition 5.2 (*Interest suspension - Mandatory suspension of interest*), the Issuer is required to pay interest on any Interest Payment Date in full if and to the extent that during the 12-month period (or six-month or three-month period for securities other than shares where remuneration is paid every six months or three months, respectively) prior to such Interest Payment Date the Issuer or any of its Subsidiaries has redeemed, repurchased or acquired any Junior Obligations (other than a Permitted Repurchase).

5.3.3 *Disapplication of interest suspension in case of Capital Disqualification Event:* Notwithstanding the provisions of Condition 5.1 (*Interest suspension - Optional suspension of interest*) and 5.2 (*Interest suspension - Mandatory suspension of interest*), the Issuer is required to pay interest on an Interest Payment Date if a Capital Disqualification Event has occurred and is continuing.

6. LOSS ABSORPTION

To the extent that the Issuer at any time suffers losses (taking into account, *inter alia*, profits and losses relating to previous financial years) which would result in a Capital Deficiency Event, the obligations of the Issuer relating to the principal amount of the Notes will be suspended to the extent necessary to enable the Issuer to continue to carry on its activities in accordance with applicable regulatory requirements. In any such case, but always subject to the provisions set out in Condition 5.2 (*Interest suspension - Mandatory suspension of interest*), interest will continue to accrue on the original nominal value of the Notes. The obligations of the Issuer to make payments in respect of principal amount of the Notes will be reinstated (in priority to any Junior Obligations and on a *pari passu* basis with any Parity Obligations), as if such obligations of the Issuer had not been so suspended:

- (a) in whole, in the event of voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*); and
- (b) in whole, in the event of early redemption of the Notes pursuant to Conditions 7.1 (*Redemption and Purchase – Redemption at the option of the Issuer*), 7.2 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*), or 7.3 (*Redemption and Purchase – Redemption for tax reasons*); and
- (c) in whole or in part, from time to time, to the extent that the Capital Deficiency Event has ceased and is no longer continuing.

The Issuer shall use its best endeavours to give notice forthwith of any such suspension and/or reinstatement to the Noteholders in accordance with Condition 13 (*Notices*) below and such notice shall include a confirmation of the Issuer's entitlement to such suspension and/or reinstatement, together with details of the amounts to be so suspended and/or reinstated.

7. REDEMPTION AND PURCHASE

The Notes will mature and be redeemed by the Issuer on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 29 March 2009 provide for the

duration of the Issuer to expire on 31 December 2040, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 7. Any redemption in accordance with this Condition 7, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator. The Notes may not be redeemed at the option of the Noteholders.

7.1 Redemption at the option of the Issuer

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on the Reset Date and on any Interest Payment Date thereafter at a redemption price equal to their principal amount together with interest accrued (if any) up to, but excluding, the date fixed for redemption and any Additional Amounts on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*).

7.2 Redemption due to a Capital Disqualification Event

Without prejudice to the Issuer's right to modify the terms and conditions of the Notes pursuant to Condition 11.2 (*Modification, Waiver and Substitution - Modification following a Capital Disqualification Event or a Tax Event*), the Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) in whole, but not in part, at any time before the Reset Date following the occurrence of a Capital Disqualification Event at the principal amount of the Notes, together with interest accrued (if any) up to, but excluding, the Capital Disqualification Event Redemption Date and any Additional Amounts.

7.3 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) in whole, but not in part, at any time before the Reset Date following the occurrence of a Tax Event at the principal amount of the Notes, together with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any Additional Amounts, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which interest starts accruing in respect of which the Issuer would be unable to deduct amounts for Italian income tax purposes or obliged to pay Additional Amounts if a payment in respect of the Notes were then due, as the case may be.

7.4 Notification of redemption due to a Capital Disqualification Event or Tax Event

Prior to the publication of any notice of redemption pursuant to Conditions 7.2 (*Redemption due to a Capital Disqualification Event*) and 7.3 (*Redemption for tax reasons*), the Issuer shall make available to the Noteholders at its company's registered office:

- 7.4.1 a certificate signed by two duly authorised representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- 7.4.2 in the case of a Tax Event, an opinion of independent legal advisers of recognised standing to the effect that, as a result of such Tax Event, the Issuer is or will be unable to deduct interest for Italian income tax purposes or has or will become obliged to pay Additional Amounts, as the case may be.

Any notice of redemption as is referred to in this Condition 7 shall be irrevocable and shall specify the date on which the Notes will be redeemed and the relevant redemption amount. The Issuer shall be bound to redeem the Notes on the relevant date and at the relevant redemption amount specified in such notice in accordance with this Condition 7.

7.5 **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7.1 (*Redemption at the option of the Issuer*), 7.2 (*Redemption due to a Capital Disqualification Event*) and 7.3 (*Redemption for tax reasons*) or upon maturity.

7.6 **Purchase**

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, subject to the prior approval of the Lead Regulator (if applicable).

7.7 **Cancellation**

All Notes so redeemed or purchased shall be cancelled and may not be reissued or resold.

8. **PAYMENTS**

8.1 **Principal**

Payments of principal shall be made in Euro by credit or transfer to a Euro denominated account (or any other account to which Euro may be credited or transferred) specified by the payee with a bank in the Euro-zone. Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments validly made to such Account Holders in favour of the Noteholders will be an effective discharge of the issuer and the Paying Agent, as the case may be, in respect of such payment.

8.2 **Interest**

Payments of interest shall be made in Euro by credit or transfer to a Euro denominated account (or any other account to which Euro may be credited or transferred) specified by the payee with a bank in the Euro-zone in the manner described in Condition 8.1 (*Principal*).

8.3 **Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

8.4 **Payments on business days**

If the due date for payment of any amount in respect of any Note is not a Payment Business Date, payment shall not be made of the amount due and credit or transfer instructions shall not be given in respect thereof until the next following Payment Business Date, unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Payment Business Day.

8.5 **Paying Agent and appointment of additional paying agents**

The Issuer reserves the right at any time to (i) replace itself as Paying Agent with any other third entity; (ii) vary or terminate the appointment of the Paying Agent, if any; (iii) appoint additional or other paying agents. The Issuer will cause at least 10 (ten) days' prior notice of any change in the Paying Agents in accordance with Condition 13 (Notices).

9. **TAXATION**

9.1 **Gross up**

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note:

9.1.1 in the Republic of Italy; or

9.1.2 by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Italy other than the mere holding of such Note; or

9.1.3 by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

- 9.1.4 to the extent that interest or any other amount payable is paid to a non-Italian resident where such withholding or deduction is required by Decree No. 239, unless such withholding or deduction is due to the requirements or procedures set forth therein not being met or complied with as a result of the actions or omissions of the Issuer or its agents; or
- 9.1.5 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any other law implementing or complying with, or introduced in order to conform to, such Directive; or
- 9.1.6 by or on behalf of a holder who would have been able to avoid such withholding or deduction; or
- 9.1.7 more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts on the last day of such period of 30 days.

9.2 **Taxing jurisdiction**

If, in respect of payments it makes in relation to the Notes, the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to such other jurisdiction.

10. **PRESCRIPTION**

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

11. **MODIFICATION, WAIVER AND SUBSTITUTION**

11.1 **Modification and waiver**

The Conditions may not be amended without the prior approval of the Lead Regulator (if applicable). The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error or to make a modification of a formal, minor or technical nature, or that is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

11.2 **Modification following a Capital Disqualification Event or a Tax Event**

Where a Capital Disqualification Event or a Tax Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Conditions 7.2 (*Redemption and Purchase – Redemption due to a Capital Disqualification Event*) and 7.3 (*Redemption and Purchase – Redemption for tax reasons*), modify the terms of the

Notes by giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no Capital Disqualification Event or Tax Event (as the case may be) would exist after such modification, provided that following such modification:

- 11.2.1 the Notes, as so modified (the "**modified Notes**"), are held on terms and conditions which are no more prejudicial to Noteholders than the terms and conditions applicable to the Notes prior to such modification (the "**existing Notes**"), provided that any modification may be made in accordance with paragraphs 11.2.2 to 11.2.4 below and any such modification shall not constitute a breach of this paragraph 11.2.1; and
- 11.2.2 the person having the obligation of the Issuer under the Notes continues to be Banco Popolare Soc. Coop; and
- 11.2.3 the modified Notes rank at least equal to the existing Notes and feature the same tenor, the same principal amount, at least the same interest rate (including applicable margins and step-up) and the same interest payment dates and first call date as the existing Notes; and
- 11.2.4 the modified Notes continue to be listed on a regulated market of an internationally recognised stock exchange as selected by the Issuer (provided that the existing Notes were so listed prior to the occurrence of the Capital Disqualification Event or Tax Event (as the case may be)),

and provided further that:

- 11.2.5 the Issuer obtains approval of the proposed modification from the Lead Regulator (if such approval is required) or gives prior written notice (if such notice is required to be given) to the Lead Regulator and, following the expiry of all relevant statutory time limits, the Lead Regulator is no longer entitled to object or impose changes to the proposed modification; and
- 11.2.6 the modification does not give rise to a change in any published credit rating of the existing Notes in effect at such time, if any;
- 11.2.7 the modification does not give rise to any right on the part of the Issuer to exercise any option to redeem the Notes prior to their stated maturity, without prejudice to the provisions under Condition 7.1 (*Redemption and Purchase - Redemption at the Option of the Issuer*).

In connection with any modification as indicated in this Condition 11.2, the Issuer shall comply with the rules of any competent authority, stock exchange and/or quotation system by which the Notes are then admitted to listing trading and/or quotation.

11.3 Substitution

The Issuer may replace itself as the principal debtor in respect of the Notes with any own duly incorporated Subsidiary in good standing under the laws of its jurisdiction (the “**Substituted Debtor**”), without the consent of the Noteholders, provided that:

11.3.1 the Substituted Debtor shall undertake:

- (a) in favour of each Noteholder to be bound by these Conditions and by any relevant agreement entered into by Banco Popolare in connection with the Notes (the “**Other Agreement**”) as fully as if the Substituted Debtor had been named in the Notes or in any Other Agreement as the principal debtor in respect of the Notes in place of the Issuer; and
- (b) covenants to Noteholders, to the extent that the Substantial Debtor is subject to any taxing jurisdiction other than the Republic of Italy, to observe and perform its obligations under Condition 9 (*Taxation*) as if references in these Conditions to the Republic of Italy were to such other jurisdiction;

11.3.2 an unconditional and irrevocable deed of guarantee shall be executed by Banco Popolare, whereby Banco Popolare shall guarantee in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor.

12. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

13. NOTICES

Notices to the Noteholders shall be valid if published in a leading Italian language daily newspaper published in Italy (which is expected to be the *Il Sole 24 Ore*) or, if the Notes are at the relevant time listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

14. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of: (a) making or filing a claim or proof

against the Issuer, (b) obtaining an order or judgment in any court or other tribunal, or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency, and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

15. **ROUNDING**

For the purposes of any calculations referred to in these Conditions, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

16. **GOVERNING LAW AND JURISDICTION**

16.1 **Governing law**

The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of the Republic of Italy.

16.2 **Jurisdiction**

The courts of Milan have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or in connected with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes).