

## Prospectus



**Banca popolare  
dell'Emilia Romagna**

**BANCA POPOLARE DELL'EMILIA ROMAGNA s.c.**

**€100,000,000 9.299 per cent. Perpetual Subordinated Fixed/Floating Rate Notes**

The €100,000,000 9.299 per cent. perpetual subordinated fixed/floating rate notes (the "Notes") are issued by Banca Popolare dell'Emilia Romagna s.c. (the "Issuer" or "BPER"). The Issue Price of the Notes is 100 per cent.

The Notes will bear interest on a non-cumulative basis (i) from and including 24 December 2008 to but excluding 24 December 2018 (the "Reset Date") at a rate of 9.299 per cent. per annum, payable annually in arrear on 24 December in each year and (ii) from and including the Reset Date at a rate of three month Euribor plus 650 basis points, payable quarterly in arrear on 24 March, 24 June, 24 September and 24 December of each year, beginning 24 March 2019.

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer as described in Condition 7 (*Redemption and Purchase*) of the Terms and Conditions of the Notes. The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Reset Date and on any Interest Payment Date (as defined herein) of the Notes thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*) as described in Condition 7(a) (*Redemption and Purchase - Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes. In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event or a Tax Event (all as defined herein) at a redemption price equal to the greater of (i) the principal amount and (ii) the Make Whole Amount (as defined herein) together, in each case, with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*) as described in Conditions 7(b) (*Redemption and Purchase - Redemption due to a Regulatory Event*) and Condition 7(c) (*Redemption and Purchase - Redemption due to a Tax Event*) of the Terms and Conditions of the Notes. Any redemption of the Notes, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator (as defined herein).

Interest will accrue on a non-cumulative basis and under certain circumstances described in Condition 5 (*Interest suspension*) of the Terms and Conditions of the Notes the Issuer may elect or even be required to suspend interest payments on the Notes.

This document constitutes a prospectus (the "Prospectus") for the purposes of Article 5 of Directive 2003/71/EC (the "Prospectus Directive"). Application has been made to the *Commission de Surveillance du Secteur Financier* (the "CSSF") in its capacity as competent authority in Luxembourg to approve this document as a prospectus under the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the "Luxembourg Prospectus Law"), which implements the Prospectus Directive in Luxembourg. Application has also been made to the Luxembourg Stock Exchange for the Notes issued under this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market (the "Regulated Market") of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of Markets in Financial Instruments Directive 2004/39/EC.

**An investment in Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 16.**

The Notes have a denomination of €100,000.

*Lead Manager*  
BNP PARIBAS

Prospectus dated 23 December 2008

## IMPORTANT NOTICES

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

This Prospectus should be read and construed together with any documents incorporated by reference herein.

The Issuer has confirmed to the Lead Manager named under "Subscription and Sale" below (the "**Lead Manager**") that this Prospectus contains all information regarding the Issuer, the BPER Group (as defined herein) and the Notes that is (in the context of the issue of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

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

No representation or warranty is made or implied by the Lead Manager or any of its affiliates, and none of the Lead Manager nor any of its affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) business or prospects of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus may only be used for the purposes for which it has been published. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "Subscription and Sale". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. In addition, this

Prospectus has not been submitted to the clearance procedure of *Commissione Nazionale per le Società e la Borsa* (the Italian Securities and Exchange Commission or "**CONSOB**") and may not be used in connection with any offering of the Notes in Italy other than to professional investors, as defined by and in accordance with applicable Italian securities laws and regulations.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Lead Manager or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), business and prospects of each of the Issuer and the BPER Group.

The Issuer will use its best efforts to adopt a consistent approach with respect to interest payments for holders of both its Parity Securities (as defined herein) and the Notes.

In this Prospectus, unless otherwise specified, references to "**EUR**", "**euro**", "**Euro**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.

*Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.*

## **FORWARD-LOOKING STATEMENTS**

This Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer and the Issuer's consolidated subsidiaries (the "**BPER Group**" or the "**Group**"), plans and expectations regarding developments in the business, growth and profitability of the BPER Group and general industry and business conditions applicable to the BPER Group. The BPER Group has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the BPER Group or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

## **MARKET STATISTICS**

Information and statistics presented in this Prospectus regarding business trends, market trends, market volumes and the market share of the Issuer are either derived from, or are based on, internal data or publicly available data from various independent sources. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources. This Prospectus also contains statements by the Issuer relating to its competitive position, on the basis of its specific knowledge and experience of the sector in which it operates and other publicly available data.

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## GENERAL OVERVIEW

*This general overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this general overview and references to a "Condition" is to such numbered condition in the Terms and Conditions of the Notes.*

### Overview of the Notes

<b>Issuer:</b>	Banca Popolare dell'Emilia Romagna s.c.
<b>Lead Manager:</b>	BNP PARIBAS
<b>Principal Amount:</b>	€100,000,000
<b>Issue Price:</b>	100 per cent. of the principal amount of the Notes.
<b>Issue Date:</b>	24 December 2008
<b>Form and Denomination:</b>	The Notes will be issued in bearer form in a denomination of €100,000 each.
<b>Status of the Notes:</b>	<p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer ranking:</p> <ul style="list-style-type: none"><li>(i) <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with the Parity Securities;</li><li>(ii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and to all Less Deeply Subordinated Obligations; and</li><li>(iii) senior in right of payments to the Junior Securities.</li></ul>
<b>Negative Pledge:</b>	There will be no negative pledge in respect of the Notes.
<b>Events of Default:</b>	There will be no events of default in respect of the Notes. However, the Notes must be redeemed in the event of winding up proceedings instituted in respect of the Issuer in accordance with Condition 7 ( <i>Redemption and Purchase</i> ) of the Terms and Conditions of the Notes.

**Redemption:**

The Notes will mature and be redeemed 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 of the provision of the by-laws of the Issuer (currently, maturity of the Issuer is set at 31 December 2100 though if this is extended, redemption of the Notes will be equivalently adjusted), or (ii) any applicable legal provision, or any decision of any jurisdictional or administrative authority.

The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Reset Date and on any Interest Payment Date (as defined herein) thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*), as described in Condition 7(a) (*Redemption and Purchase - Redemption at the option of the Issuer*).

In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event or a Tax Event (each, as defined herein) at a redemption price equal to the greater of (i) the principal amount and (ii) the Make Whole Amount (as defined herein) together, in each case, with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*) as described in Condition 7(b) (*Redemption and Purchase - Redemption due to a Regulatory Event*).

Any redemption of the Notes, save in accordance with the first paragraph of this section "*Redemption*", is subject to the prior approval of the Lead Regulator (as defined herein).

**"Regulatory Event"** means that, at any time whilst any of the Notes are outstanding:

- (i) the Issuer is not permitted under the applicable rules and regulations adopted by the Lead Regulator, or an official application or interpretation of such rules and regulations including a decision of any court or tribunal, to

treat the Notes as own funds; or

- (ii) the Issuer is notified by the Lead Regulator that the Notes do not or no longer qualify as own funds,

in each case, for the purposes of (a) Tier 1 Capital or (b) in case of future amendments to the Bank of Italy Regulations, up to such other fraction of the regulatory capital as will apply to non-cumulative perpetual instruments or similar instruments or liabilities pursuant to which the Issuer has a call option linked to an incentive to redeem such as an increase in the amount of payment due in respect of such instruments or liabilities, (save where any inability to so treat the Notes is solely as a result of any applicable limitation on the amount of such regulatory capital);

**"Tax Event"** means:

(A) (1) 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 the date of issue of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) (1) deductibility of interest payable by the Issuer in respect of the Notes is materially reduced for Italian corporate income tax purposes 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 or regulations or accounting standards, which change or amendment becomes effective on or after the date of issue of the Notes (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 (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

**Interest:**

The Notes will bear interest on a non-cumulative basis (i) from and including 24 December 2008 to but excluding 24 December 2018 (the "**Reset Date**") at a rate of 9.299 per cent. per annum, payable annually in arrear on 24 December in each year and (ii) from and including the Reset Date at a rate of three month Euribor plus 650 basis points, payable quarterly in arrear on 24 March, 24 June, 24 September and 24 December of each year beginning 24 March 2019.

**Optional suspension of interest:**

The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 15 (*Notices*), not to pay all (or part only) of the interest accrued to an Interest Payment Date if (A) the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or (B) since the Issuer's AGM in respect of the financial statements 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 Securities.

**"Distributable Profits"** means in respect of the Latest Accounts, the reported net profits, determined after tax and extraordinary items that are stated as being available for the payment of a dividend or the making of a distribution on any class of the Issuer's Junior Securities.

Where the Issuer elects not to pay interest pursuant to Condition 5(a) (*Interest suspension - Optional suspension of interest*) 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 the Conditions or for any purpose. Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to Condition 5(a) (*Interest suspension - Optional suspension of interest*) will not accumulate or compound and all rights

and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

**Mandatory suspension of interest:**

The Issuer will be prohibited from (A) paying all (or part only) of the interest accrued 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 on such Interest Payment Date; or (B) paying all (but not part only) of the interest accrued to an Interest Payment Date if (i) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or (ii) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event, except in each case that where Condition 5(c)(i) (*Interest suspension - Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding Condition 5(b) (*Interest suspension - Mandatory suspension of interest*).

"**Capital Deficiency Event**" means (A) 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 (1) reported in the Issuer's reporting to the Lead Regulator (currently *Matrice dei Conti*) or (2) determined by the Lead Regulator and communicated to the Issuer, in either case, falls below the then minimum requirements of the Lead Regulator specified in applicable regulations (currently equal to five per cent. pursuant to the *Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006); or (B) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that an event specified in (A) above is likely to occur in the short term.

Where the Issuer is prohibited from paying interest pursuant to Condition 5(b) (*Interest suspension -*

*Mandatory suspension of interest*) 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 the Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

**Mandatory Payment of Interest:** Notwithstanding Condition 5(b) (*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 (or 6-month period or 3-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 Subsidiary has declared or paid dividends or other distributions on Junior Securities.

Subject to Condition 5(b) (*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 prior to such Interest Payment Date the Issuer or any Subsidiary has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase).

**"Permitted Repurchase"** means (1) any redemption, repurchase or other acquisition of such Junior Securities held by any member of the Group, (2) 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, (3) 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, (4) any redemption or other acquisition of Junior Securities in connection with a levy of execution

for the satisfaction of a claim by the Issuer or any of its Subsidiaries, (5) any redemption or other acquisition of Junior Securities 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 (6) any redemption or other acquisition of Junior Securities in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities.

**Loss absorption and  
reinstatement:**

To the extent that the Issuer at any time suffers losses (also considering 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(b) (*Interest suspension - Mandatory suspension of interest*), interest will continue to accrue on the 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 Securities and on a *pari passu* basis with any Parity Securities), as if such obligations of the Issuer had not been so suspended:

- (i) in whole, in the event of 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
- (ii) in whole, in the event of early redemption of the Notes pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*); and
- (iii) in whole or in part, from time to time, to the

extent that the Capital Deficiency Event is no longer continuing.

**Modification following a  
Regulatory Event:**

Where a Regulatory Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Condition 7(b) (*Redemption and purchase - Redemption due to a Regulatory Event*), modify the terms of the Notes on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no Regulatory Event would exist after such modification, provided that following such modification:

- (i) 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**") and the terms and conditions of the modified Notes shall in all material commercial respects provide the Noteholders with at least the same economic rights and benefits as the existing Notes, *provided that* any modification may be made in accordance with paragraphs (ii) to (v) below and any such modification shall not constitute a breach of this paragraph (i); and
- (ii) the person having the obligation of the Issuer under the Notes continues to be Banca Popolare dell'Emilia Romagna; and
- (iii) the modified Notes may provide that Condition 5(c)(i) (*Interest suspension - Mandatory payment of interest*) shall in all cases be subject to Condition 5(b)(i) (*Interest suspension - Mandatory suspension of interest*); and
- (iv) the modified Notes rank at least equal to the existing Notes and feature the same tenor, principal amount, interest rate (including applicable margins and step-up), interest payment dates and first call date as the existing Notes; and
- (v) 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 Regulatory Event),

and *provided further that*:

- (a) 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;
- (b) the modification does not give rise to a change in any published rating of the existing Notes in effect at such time;
- (c) 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(a) (*Redemption and purchase - Redemption at the Option of the Issuer*); and
- (d) the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form shown in the Agency Agreement, signed by two of BPER's executive officers stating that paragraphs (i) to (v) and (a) to (c) above have been complied with, such certificate to be made available for inspection by Noteholders.

**Taxation:**

All payments in respect of Notes will be made free and clear of withholding taxes of the Republic of Italy, as the case may be (and subject to certain customary exceptions), unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 9 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

**Governing Law:**

The Notes will be governed by English law.

<b>Listing and admission to trading:</b>	Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the official list of the Luxembourg Stock Exchange. Total expenses related to admission to trading are estimated to be €9,750.
<b>Rating:</b>	The Notes will not be rated.
<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Italy see, "Subscription and Sale" below.
<b>Clearing Systems:</b>	Euroclear and Clearstream, Luxembourg.
<b>ISIN:</b>	XS0406618321
<b>Common Code:</b>	040661832

## **RISK FACTORS**

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

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

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*References to the "BPER Group" are to the Issuer and each of its consolidated subsidiaries. Otherwise, words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section. References to a "Condition" is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Prospectus.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes**

#### ***Risks concerning liquidity which could affect the Issuer's ability to meet its financial obligations as they fall due***

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

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

#### ***Competition***



In recent years, the Italian banking sector has been characterised by ever increasing competition on prices as a consequence of the deregulation of the banking sector, resulting in the abolition of geographic restrictions on banks and the demolition of demarcation lines between different types of financial services. This has led to a reduction in the difference between borrowing and lending rates, and in commissions and fees, particularly from dealing on behalf of third parties and orders collection.

In addition, downturns in the Italian economy could add to the competitive pressure through, for example, increased price pressure and lower business volumes for which to compete, so that, if the Issuer is unable to compete with attractive product and service offerings that are profitable it may lose market share or incur losses on some or all activities.

### ***Evolving regulatory environment***

The Issuer's business is governed by Italian domestic and European Union legislation affecting the financial and banking sectors and is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank, the European System of Central Banks and the CSSF in Luxembourg. The Issuer has as its corporate object, the raising of funds for investment and the provision of credit in its various forms, with regard to its shareholders and others.

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

New legislation or regulations in the near or distant future may therefore result in an increase in operating costs and have an adverse effect upon the business, results and prospects of the Issuer.

As some of the banking laws and regulations affecting the Issuer have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

In addition, on 31 January 2007 the Italian Government adopted law decree No. 7 which was later converted into law by Law No. 40 of 2 April 2007 (the "**Bersani Decree**"). The Bersani Decree aims at, *inter alia*, increasing competitiveness in a number of sectors, including the banking sector. With reference to the banking sector, the Bersani Decree aims to reduce the costs associated with prepayment of mortgage loans with a view to allowing borrowers to refinance their mortgage loans more easily. With specific regard to mortgage loans granted for the purpose of purchasing or refurbishing real estate assets dedicated to residential use or to the carrying out of economic or professional activities by natural persons executed after 2 February 2007, under article 7 of the Bersani Decree prepayment fees are no longer permitted. Any provision to the contrary is null and void.

The Bersani Decree does not seem to have produced an adverse effect on the Issuer's business and operations to date, however no assurance can be given that in the future a wider interpretation and application of its provisions could produce such an adverse effect.

***Impact of events which are difficult to anticipate***

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

***Business Concentration Risk***

The Issuer's key market geographically is the Emilia Romagna region, where the Issuer has historically operated and where 80 per cent. of its branches are currently located (239 out of 298 branches at 31 December 2007). The Issuer's loans to customers based in Emilia Romagna account for 82 per cent. of its total customer loans. This region also accounts for 87 per cent. of the Issuer's total borrowings from customers (deposits and securities), and for 86 per cent. of the Issuer's total assets under management and administration.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties, as mentioned above particularly concentrated in the Emilia Romagna region or a general deterioration in the Italian or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in the Issuer's impairment provision for bad and doubtful debts and other provisions.

***Risks relating to the Issuer's business***

As a credit institution, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as credit risk, market risk, interest rate risk, liquidity and operational risk, plus a series of other risks typical to businesses such as strategic risk, legal risk, tax and reputational exposure.

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense from a failure to perform contractual obligations, including on the part of any guarantors.

To the extent that any of the instruments and strategies used by the Issuer to hedge or otherwise manage its exposure to credit or market risk are not effective, the Issuer may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk.

Market risk relates to the risk arising from market transactions in financial instruments, currencies and commodities. The Issuer trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates. This risk is monitored through the Asset Liability Management System ("ALMS"), which measures under "static" conditions the impact of interest rate charges on financial margins.

Liquidity risk relates to the Issuer's ability or lack thereof to meet cash disbursements in a timely and economic manner. It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market.

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events, including, the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Issuer's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer financial performance and business activities.

#### **Risk Factors in relation to the Notes**

An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or interest not being paid by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of certain risk factors in relation to the Notes.

#### ***The Notes may not be a suitable investment for all investors***

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

### ***Perpetual Securities***

The Issuer is under no obligation to redeem the Notes at any time before the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer and the Noteholders have no right to call for their redemption.

### ***Redemption risk***

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer or as described in Condition 7 (*Redemption and Purchase*). The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Reset Date and on any Interest Payment Date thereafter at an amount equal to their principal amount, together with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*), as described in Condition 7(a) (*Redemption and Purchase - Redemption at the option of the Issuer*). In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event or a Tax Event at a redemption price equal to the greater of (i) the principal amount and (ii) the Make Whole Amount together, in each case, with any accrued interest and any additional amounts due pursuant to Condition 9(a) (*Taxation*) as described in Conditions 7(b) (*Redemption and Purchase - Redemption due to a Regulatory Event*) and 7(c) (*Redemption and Purchase - Redemption due to a Tax Event*). Any redemption of the Notes, save in accordance with the first sentence of this paragraph, is subject to the prior approval of the Lead Regulator (as defined herein).

If the Issuer calls and redeems the Notes in any of the circumstances mentioned above, the Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

### ***No limitation on issuing debt***

There is no restriction on the amount of liabilities which the Issuer may issue or guarantee which rank senior to the Notes or on the amount of liabilities which the Issuer may issue or guarantee which rank *pari passu* with the Notes.

The occurrence of such issue or guarantee may reduce the amount recoverable by Noteholders on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer.

### ***Subordination***

The Notes will be direct, unsecured, subordinated obligations of the Issuer. Upon the occurrence of any winding-up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer (including dated subordinated obligations), except those liabilities which rank *pari passu* with, or junior to, the Notes. In liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the Noteholders may recover proportionally less than the holders of unsubordinated and Less Deeply Subordinated Obligations of the Issuer.

The Noteholders explicitly accept that, in the circumstances described above, payments in respect of the Notes will be made by the Issuer pursuant to the Notes only in accordance with the subordination described above.

### ***No express Events of Default***

The Noteholders should be aware that the Terms and Conditions of the Notes do not contain any express events of default.

### ***Optional suspension of interest payments***

Noteholders should be aware that the Issuer may, by giving not less than 15 days prior notice, elect in its discretion not to pay all (or part only) of the interest accrued to an Interest Payment Date if (A) the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or (B) since the Issuer's AGM in respect of the financial statements 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 Securities. For further details see Condition 5(a) (*Interest suspension - Optional suspension of interest*).

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to Condition 5(a) (*Interest suspension - Optional suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Securities.

### ***Mandatory Suspension of Interest Payments***

Noteholders should be aware that the Issuer will be prohibited from (A) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent that a Capital Deficiency Event regarding the Issuer would occur if the Issuer made the payment of interest (in whole or in part) on such Interest Payment Date; or (B) paying all (or part only) of the interest accrued to an Interest Payment Date if (i) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or (ii) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event. For further details see Condition 5(b) (*Interest suspension - Mandatory suspension of interest*).

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to Condition 5(b) (*Interest suspension - Mandatory suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Securities.

#### ***Loss Absorption and reinstatement***

Noteholders should be aware that if the Issuer at any time suffers losses (also considering 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. The obligations of the Issuer to make payments in respect of principal amount of the Notes will under certain circumstances be reinstated in priority to any Junior Securities and on a *pari passu* basis with any Parity Securities as described in Condition 6 (*Loss absorption and reinstatement*).

#### ***Fixed Rate Notes***

Until the Reset Date in respect of the Notes, the Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "Market Interest Rate"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes and lead to losses for Noteholders if they sell Notes before the Reset Date.

#### ***Variation of the terms and conditions of the Notes***

The Issuer may in certain circumstances modify the terms and conditions of the Notes without any requirement for the consent or approval of the Noteholders to the extent that such modification is reasonably necessary to ensure that no Regulatory Event would exist after such modification, as described in Condition 13(c) (*Modification following a Regulatory Event*).

#### ***Qualification of the Notes under Italian taxation law***

Italian tax law does not provide for any specific and proper definition of the categories of "bonds" and "debentures similar to bonds" referred to in Article 1 and following of Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"). The statements contained in the section "*Taxation - Italy*", as for the applicability of the tax regime provided for by Decree No. 239 to the Notes, are based on the clarifications given by the Italian Revenue Agency in Circular No. 4/E of 18 January 2006, according to which bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of the issuing company (as in the case of the Notes whose maturity is linked to the maturity of the Issuer) or to the liquidation thereof, if the company has been set-up with an undetermined maturity pursuant to Article 2328 (2), No. 13, of the Italian Civil Code. Prospective purchasers and holders of the Notes must take into account that the above clarifications (as well as the Italian tax provisions in effect as of the date of this Prospectus) are subject to changes, which could also have retroactive effects. Should, following a change in the Italian tax provisions or in the interpretation followed by the Italian tax authorities, the Notes be qualified as "atypical securities" pursuant to Article 5 of Law Decree No. 512 of 30 September 1983 (instead of being qualified as "bonds" or "debentures similar to bonds" subject to the tax regime described in the section "*Taxation - Italy*"), interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of the Notes could be subject to an Italian withholding tax at a rate of 27 per cent. if owed to beneficial owners that are not resident of Italy for tax purposes or to certain categories of Italian resident beneficial owners, depending on the legal status of the beneficial owner of such interest and other proceeds. Reduced rates provided for by double taxation treaties entered into by Italy would be applicable in relation to interest and other proceeds paid to non-Italian resident beneficial owners, provided that the relevant requirements are met.

The applicability of such a withholding tax in relation to interest and other proceeds paid to non-Italian resident beneficial owners would give rise to an obligation of the Issuer to pay additional amounts pursuant to Condition 9(a) (*Taxation - Gross up*) and would, as a consequence, allow the Issuer to redeem the Notes at the greater of (x) the principal amount of the Notes and (y) the Make Whole Amount, together, in each case, with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*).

On the other hand, based on Condition 9(a)(ii) and (iv) (*Taxation - Gross up*), the above withholding tax, when levied in respect of interest and other proceeds paid to certain Italian resident beneficial owners, would not give rise to any obligation of the Issuer to pay additional amounts.

#### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes are represented by Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should



consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market generally***

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

#### ***Credit risk***

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

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. audited historical non-consolidated financial information of the Issuer in respect of the financial year ended 31 December 2007, namely:
  - (a) balance sheet Set out on page 54 of the 2007 annual report of the Issuer
  - (b) statement of income Set out on page 55 of the 2007 annual report of the Issuer
  - (c) notes Set out on pages 59 to 218 of the 2007 annual report of the Issuer
  - (d) auditors' report Set out on page 223 of the 2007 annual report of the Issuer
2. audited historical consolidated financial information of the Issuer in respect of the financial year ended 31 December 2007, namely:
  - (a) balance sheet Set out on page 258 of the 2007 annual report of the Issuer
  - (b) statement of income Set out on page 259 of the 2007 annual report of the Issuer
  - (c) notes Set out on pages 263 to 452 of the 2007 annual report of the Issuer
  - (d) auditors' report Set out on page 460 of the 2007 annual report of the Issuer
3. audited historical non-consolidated financial information of the Issuer in respect of the financial year ended 31 December 2006, namely:
  - (a) balance sheet Set out on page 46 of the 2006 annual report of the Issuer
  - (b) statement of income Set out on page 47 of the 2006 annual report of the Issuer

- |     |                  |  |
|-----|------------------|--|
| (c) | notes            | Set out on pages 51 to 199 of the 2006 annual report of the Issuer |
| (d) | auditors' report | Set out on page 203 of the 2006 annual report of the Issuer        |
4. audited historical consolidated financial information of the Issuer in respect of the financial year ended 31 December 2006, namely:
- |     |                     |   |
|-----|---------------------|---|
| (a) | balance sheet       | Set out on page 242 of the 2006 annual report of the Issuer         |
| (b) | statement of income | Set out on page 243 of the 2006 annual report of the Issuer         |
| (c) | notes               | Set out on pages 247 to 415 of the 2006 annual report of the Issuer |
| (d) | auditors' report    | Set out on pages 421 to 422 of the 2006 annual report of the Issuer |
5. the half-yearly consolidated financial report of the Issuer as at and for the six months ended 30 June 2008, namely:
- |     |                     |  |
|-----|---------------------|--|
| (a) | balance sheet       | Set out on page 54 of the half-yearly consolidated financial report of the Issuer  |
| (b) | statement of income | Set out on page 55 of the half-yearly consolidated financial report of the Issuer  |
| (c) | notes               | Set out on page 61 of the half-yearly consolidated financial report of the Issuer  |
| (d) | auditors' report    | Set out on page 181 of the half-yearly consolidated financial report of the Issuer |
6. the 14 November 2008 press release published by the Issuer in relation to its consolidated results as at and for the nine months ended 30 September 2008.

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the information deemed to be incorporated herein by reference. Requests for such information should be directed to the Issuer at its registered office specified below. In addition, copies of such information will be available, without charge, from BNP PARIBAS Securities Services,

Luxembourg Branch (the "**Luxembourg Listing Agent**") if and for so long as any Notes or Receipts are listed on the Luxembourg Stock Exchange.

Any information not listed in the cross-reference list, but included in the documents incorporated by reference, is given for information purposes only.

The documents incorporated by reference will be published on the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu).

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which will be endorsed on each Note in definitive form.*

*The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the Notes While in Global Form" below.*

The issue of the €100,000,000 9.299 per cent. perpetual subordinated fixed/floating rate notes (the "**Notes**") issued by Banca Popolare dell'Emilia Romagna s.c. (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on 22 December 2008. The Notes are the subject of a fiscal agency agreement dated 24 December 2008 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, BNP PARIBAS Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are a summary of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) and talons for further Coupons ("**Talons**") which form part of each Coupon sheet of the Notes, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**AGM**" means the annual general meeting of shareholders convened for the approval of the non-consolidated annual financial statements of the Issuer;

"**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*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006) as amended and supplemented;

"**Business Day**" means a TARGET Settlement Day;

"**Calculation Agent**" means the Fiscal Agent or any successor calculation agent appointed from time to time in connection with the Notes;

**"Capital Deficiency Event"** means:

- (A) 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 (1) reported in the Issuer's reporting to the Lead Regulator (currently *Matrice dei Conti*) or (2) determined by the Lead Regulator and communicated to the Issuer, in either case, falls below the then minimum requirements of the Lead Regulator specified in applicable regulations (currently equal to five per cent. pursuant to the *Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006); or
- (B) the Lead Regulator, in its sole discretion, notifies the Issuer that it has determined that the Issuer's financial condition is deteriorating such that an event specified in (A) above is likely to occur in the short term;

**"Comparable German Bund Issue"** means the German Bund security selected by the Calculation Agent as having a maturity comparable to 24 December 2018 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 24 December 2018;

**"Comparable German Bund Price"** means (A) the average of five Reference German Bund Dealer Quotations for the relevant Make Whole Event Redemption Date, after excluding the highest and lowest such Reference German Bund Dealer Quotations; or (B) if the Calculation Agent obtains fewer than five such Reference German Bund Dealer Quotations, the average of all such Reference German Bund Dealer Quotations;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Decree No. 239"** has the meaning given in Condition 9 (*Taxation*);

**"Distributable Profits"** means in respect of the Latest Accounts, the reported net profits, determined after tax and extraordinary items that are stated as being available for the payment of a dividend or the making of a distribution on any class of the Issuer's Junior Securities;

**"Euro-zone"** means the region comprised of member states of the European Union which adopt the Euro in accordance with the Treaty establishing the European Union, as amended;

**"Extraordinary Resolution"** has the meaning given in the Agency Agreement;

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

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

**"Fixed Rate Interest Payment Date"** means 24 December of each year beginning on 24 December 2009 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(a) (*Interest – Fixed Rate*) applies;

**"Fixed Rate of Interest"** has the meaning given in Condition 4(a) (*Interest – Fixed Rate*);

**"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 Calculation Period divided by 360;

**"Floating Rate Interest Determination Date"** has the meaning given in Condition 4(b) (*Interest – Floating Rate*);

**"Floating Rate Interest Payment Date"** means 24 March, 24 June, 24 September and 24 December of each year beginning on 24 March 2019 up to and including the date of redemption of the Notes;

**"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(b) (*Interest – Floating Rate*) applies;

**"Floating Rate of Interest"** has the meaning given in Condition 4(b) (*Interest – Floating Rate*);

**"German Bund Rate"** means, with respect to the relevant Make Whole 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 24 December 2008;

**"Italian Banking Act"** means Italian Legislative Decree No. 385 of 1 September 1993, as amended from time to time;

**"Junior Securities"** means all classes of share capital (including preference shares – *azioni privilegiate* – and savings shares – *azioni di risparmio*) of the Issuer;

**"Latest Accounts"** means the non-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;

**"Make Whole Amount"** in respect of each Note means the principal amount of such Note, assuming such Note to be due on the Reset Date, together with interest to be accrued from the relevant Make Whole Event Redemption Date to (but excluding) the Reset Date, assuming all such to be due in full, in each



case discounted to the relevant Make Whole Event Redemption Date on an annual basis (calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days in such period), such discounting to be at the German Bund Rate plus 65 basis points calculated by the Calculation Agent;

**"Make Whole Event Redemption Date"** means a Regulatory Event Redemption Date or a Tax Event Redemption Date, as the case may be;

**"Parity Securities"** means (A) any obligations or instruments issued by the Issuer which rank equally with the Notes, and (B) any guarantees or similar instruments of the Issuer which rank equally with the Notes and which are granted for the benefit of preferred securities or preferred or preference shares or instruments having similar features issued by any Subsidiary of the Issuer;

**"Payment Business Day"** means:

- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
- (ii) in the case of payment by transfer to an account, a TARGET Settlement Day;

**"Permitted Repurchase"** has the meaning given in Condition 5(c) (*Interest suspension –Mandatory payment of interest*);

**"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 after consultation with the Issuer;

**"Reference German Bund Dealer Quotations"** means, with respect to each Reference German Bund Dealer and the relevant Make Whole 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 Make Whole Event Redemption Date;

**"Regulatory Event"** means that, at any time whilst any of the Notes are outstanding:

- (i) the Issuer is not permitted under the applicable rules and regulations adopted by the Lead Regulator, or an official application or interpretation of such rules and regulations including a decision of any court or tribunal, to treat the Notes as own funds; or
- (ii) the Issuer is notified by the Lead Regulator that the Notes do not or no longer qualify as own funds,

in each case, for the purposes of (a) Tier 1 Capital or (b) in case of future amendments to the Bank of Italy Regulations, up to such other fraction of the regulatory capital as will apply to non-cumulative perpetual instruments or similar instruments or liabilities pursuant to which the Issuer has a call option linked to an incentive to redeem such as an increase in the amount of payment due in respect of such instruments or liabilities, (save where any inability to so treat the Notes is solely as a result of any applicable limitation on the amount of such regulatory capital);

**"Regulatory Event Redemption Date"** means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) following a Regulatory Event;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal 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, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to change the provisions contained in Condition 3 (*Status and Subordination of the Notes*);

**"Reset Date"** has the meaning given in Condition 4(a) (*Interest – Fixed Rate*);

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (i) whose majority of votes in ordinary shareholders' meetings of the second Person is held by the first Person; or

- (ii) in which the first Person holds a sufficient number of votes giving the first person a dominant influence in ordinary shareholders' meetings of the second Person; or
- (iii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**"TARGET2"** 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 TARGET2 is open for the settlement of payments in Euro;

**"Tax Event"** means:

- (A) (1) 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 the Issue Date and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) deductibility of interest payable by the Issuer in respect of the Notes is materially reduced for Italian corporate income tax purposes 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 or regulations or accounting standards, which change or amendment becomes effective on or after the Issue Date (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 (2) such non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it;

**"Tax Event Redemption Date"** means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*) 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.

(b) *Interpretation:* In these Conditions:

- (i) any reference to principal shall be deemed to include the principal amount of the Notes, any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement; and
- (iv) references to "Coupons" shall, unless the context otherwise requires, be deemed to include a reference to Talons.

## 2. **Form, Denomination and Title**

The Notes are in bearer form in denominations of €100,000 with Coupons and Talons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 3. **Status and Subordination of the Notes**

- (a) *Status of the Notes:* The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank:
  - (i) *pari passu* without any preference among themselves and *pari passu* with any Parity Securities;

- (ii) junior in right of payment to the payment of any present or future claims of all unsubordinated creditors of the Issuer and to all Less Deeply Subordinated Obligations; and
  - (iii) senior in right of payments to any Junior Securities.
- (b) *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

- (a) *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 24 December 2018 (the "**Reset Date**") at the rate of 9.299 per cent. per annum (the "**Fixed Rate of Interest**"), payable, subject as provided in these Conditions, annually in arrears on 24 December in each year (each, a "**Fixed Rate Interest Payment Date**"). The first interest payment shall be made on 24 December 2009 in respect of the period from (and including) the Issue Date to (but excluding) 24 December 2009 and shall be in the amount of €9,299 per Note of €100,000 denomination. 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); *provided however that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.
- (b) *Floating Rate*:
- (i) If the Issuer does not redeem the Notes in accordance with Condition 7(a) (*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 arrear on each Floating Rate Interest Payment Date; *provided however that*, if any Interest Payment Date would otherwise

fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.

- (ii) 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 EURIBOR 01 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**");

(B) if such rate does not appear on that page, the Calculation Agent will:

(1) 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

(2) 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 6.50 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 6.50 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period, or, where there has been no such previous determination, the Floating Rate of Interest shall be equal to the Fixed Rate of Interest plus 1.00 per cent. per annum.

- (iii) *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.
- (iv) *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 listing 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.
- (v) *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 Agents, the Noteholders and the Couponholders and (subject as

aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

- (c) *Interest accrual*: Each Note will cease to bear interest from (but excluding) maturity or the due date for redemption pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*) unless, upon due presentation, 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 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

#### 5. **Interest suspension**

- (a) *Optional suspension of interest*: The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 15 (*Notices*) below, not to pay all (or part only) of the interest accrued to an Interest Payment Date if:
  - (i) the Issuer does not have Distributable Profits, according to its Latest Accounts; and/or
  - (ii) since the Issuer's AGM in respect of the financial statements 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 Securities,

except that where Condition 5(c) (*Interest suspension - Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding this Condition 5(a).

The Issuer shall give not more than 25 but not less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5(a), 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(a) 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(a) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

- (b) *Mandatory suspension of interest:* The Issuer will be prohibited from:
- (i) paying all (or part only) of the interest accrued 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 on such Interest Payment Date; or
  - (ii) paying all (but not part only) of the interest accrued to an Interest Payment Date if:
    - (1) a Capital Deficiency Event regarding the Issuer has occurred and is continuing on such Interest Payment Date; or
    - (2) the Issuer is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on its Junior Securities, other than in the case of a Capital Deficiency Event,

except that where Condition 5(c)(i) applies, the Issuer shall be required to pay interest notwithstanding this Condition 5(b).

The Issuer shall give not more than 25 but not less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 15 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 5(b), 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(b) 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(b) will not accumulate or

compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

(c) *Mandatory payment of interest*

- (i) Notwithstanding the provisions of Condition 5(b) (*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 (or 6-month period or 3-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 Subsidiary has declared or paid dividends or other distributions on any Junior Securities.
- (ii) Subject to Condition 5(b) (*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 prior to such Interest Payment Date the Issuer or any Subsidiary has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase).

**"Permitted Repurchase"** means (1) any redemption, repurchase or other acquisition of such Junior Securities held by any member of the Group, (2) 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, (3) 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, (4) any redemption or other acquisition of Junior Securities in connection with a levy of execution for the satisfaction of a claim by the Issuer or any of its Subsidiaries, (5) any redemption or other acquisition of Junior Securities 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 (6) any redemption or other acquisition of Junior Securities in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities.

6. **Loss absorption and reinstatement**

To the extent that the Issuer at any time suffers losses (also considering 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(b) (*Interest suspension - Mandatory suspension of interest*), interest will continue to accrue on the 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 Securities and on a *pari passu* basis with any Parity Securities), as if such obligations of the Issuer had not been so suspended:

- (i) in whole, in the event of 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
- (ii) in whole, in the event of early redemption of the Notes pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*); and
- (iii) in whole or in part, from time to time, to the extent that the Capital Deficiency Event is no longer continuing.

The Issuer shall forthwith give notice of any such suspension and/or reinstatement to the Noteholders in accordance with Condition 15 (*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 of the shareholders' meeting of the Issuer, (ii) any provision of the by-laws of the Issuer (currently, maturity of the Issuer is set at 31 December 2100 though if this is extended, redemption of the Notes will be equivalently adjusted), or (iii) any applicable legal provision, or any decision of any jurisdictional 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.

- (a) *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 due pursuant to Condition 9(a) (*Taxation - Gross up*) on the Issuer's giving not less than 30 but not more

than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*).

- (b) *Redemption due to a Regulatory Event*: Without prejudice to the Issuer's right to modify the terms and conditions of the Notes pursuant to Condition 13(c) (*Meetings of Noteholders; Modification and Waiver; Modification following a Regulatory Event - Modification following a Regulatory 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 15 (*Notices*) in whole, but not in part, at any time before the Reset Date following the occurrence of a Regulatory Event at a redemption price equal to the greater of (x) the principal amount of the Notes and (y) the Make Whole Amount together, in each case, with interest accrued (if any) up to, but excluding, the Regulatory Event Redemption Date and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*).
- (c) *Redemption due to 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 15 (*Notices*) in whole, but not in part, at any time before the Reset Date following the occurrence of a Tax Event at a redemption price equal to the greater of (x) the principal amount of the Notes and (y) the Make Whole Amount together, in each case, with interest accrued (if any) up to, but excluding, the Tax Event Redemption Date and any additional amounts due pursuant to Condition 9(a) (*Taxation - Gross up*), *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 such amounts for Italian income tax purposes or obliged to pay such additional amounts if a payment in respect of the Notes were then due, as the case may be.
- (d) *Notification of redemption due to a Regulatory Event or Tax Event*: Prior to the publication of any notice of redemption pursuant to Conditions 7(b) and (c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (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, (2) in the case of a Tax Event, an opinion of independent legal advisers of recognised standing to the effect that the Issuer is unable to deduct such amounts for Italian income tax purposes as a result of such change or amendment or that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, 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.

- (e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7(a) to (c) above or upon maturity.
- (f) *Purchase*: The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith, subject to the prior approval of the Lead Regulator (if applicable).
- (g) *Cancellation*: All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 8. **Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account maintained by the payee with, a bank in the Euro-zone.
- (b) *Interest*: Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *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 or Couponholders in respect of such payments.
- (d) *Unmatured Coupons void*: On the due date for redemption of any Note upon maturity or pursuant to Conditions 7(a) (*Redemption and Purchase – Redemption at the option of the Issuer*), 7(b) (*Redemption and Purchase – Redemption due to a Regulatory Event*) or 7(c) (*Redemption and Purchase – Redemption due to a Tax Event*) all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof. If the date on which the Notes become due is not an Interest Payment Date, the interest accrued (if any) from the preceding Interest Payment Date (or the Issue Date, as the case may be) on any Note shall be payable only against surrender or endorsement of the relevant Coupon, subject to the provisions of Conditions 4 (*Interest*) and 5 (*Interest suspension*) regarding the payment of interest.

- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 10 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 9. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons 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 as will result in receipt by the Noteholders and the Couponholders 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 or Coupon presented for payment:
  - (i) in the Republic of Italy; or
  - (ii) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon

by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or

- (iii) 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 Legislative Decree No. 239 of 1 April 1996, as subsequently amended, supplemented or replaced ("**Decree No. 239**"), unless this is due to the requirements or procedures set forth therein not being met or complied with due to the actions or omissions of the Issuer or its agents; or
  - (iv) by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying out commercial activities (in particular (A) partnerships, de facto partnerships not carrying out commercial activities and professional associations, (B) public and private resident entities, other than companies, not carrying out commercial activities, and (C) certain other Persons exempt from corporate income tax) or to such other Italian resident entities which have been or may be identified by Decree No. 239; or
  - (v) 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
  - (vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (vii) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.
- (b) *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 for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

11. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. **Paying Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or calculation agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a fiscal agent; and
- (b) the Issuer undertakes that it will ensure that it maintains a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) the Issuer shall at all times maintain a calculation agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of which require the appointment of a paying agent in any particular place, the Issuer shall maintain a paying agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system; and
- (e) there will at all times be a paying agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.



13. **Meetings of Noteholders; Modification and Waiver; Modification following a Regulatory Event**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *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 or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree without the consent of the Noteholders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.
- (c) *Modification following a Regulatory Event:* Where a Regulatory Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Condition 7(b) (*Redemption and purchase - Redemption due to a Regulatory Event*), modify the terms of the Notes on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no

Regulatory Event would exist after such modification, provided that following such modification:

- (i) 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**") and the terms and conditions of the modified Notes shall in all material commercial respects provide the Noteholders with at least the same economic rights and benefits as the existing Notes, *provided that* any modification may be made in accordance with paragraphs (ii) to (v) below and any such modification shall not constitute a breach of this paragraph (i); and
- (ii) the person having the obligation of the Issuer under the Notes continues to be Banca Popolare dell'Emilia Romagna; and
- (iii) the modified Notes may, to the extent necessary to ensure that no Regulatory Event exists and to the extent that the existing Notes may not benefit from grandfathering provisions, provide that Condition 5(c)(i) (*Interest suspension - Mandatory payment of interest*) shall in all cases be subject to Condition 5(b)(i) (*Interest suspension - Mandatory suspension of interest*); and
- (iv) the modified Notes rank at least equal to the existing Notes and feature the same tenor, principal amount, interest rate (including applicable margins and step-up), interest payment dates and first call date as the existing Notes; and
- (v) 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 Regulatory Event),

and *provided further that*:

- (a) 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;
- (b) the modification does not give rise to a change in any published rating of the existing Notes in effect at such time;
- (c) 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(a) (*Redemption and purchase - Redemption at the Option of the Issuer*); and

- (d) the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form shown in the Agency Agreement, signed by two of BPER's executive officers stating that conditions (i) to (v) and (a) to (c) above have been complied with, such certificate to be made available for inspection by Noteholders.

Any notice of modification as is referred to in Condition 13(c) (*Modification following a regulatory event*) shall be irrevocable and shall include a confirmation of the Issuer's entitlement to modify the terms and conditions of the Notes pursuant to Condition 13(c) (*Modification following a regulatory event*), together with a summary of the amendments to the terms and conditions of the Notes, details of how the Issuer will publish a full set of the terms and conditions of the modified Notes and specifying the date on which the terms and conditions of the modified Notes shall enter into force. The Issuer shall be bound to modify the terms and conditions of the Notes on the relevant date and as specified in such notice in accordance with Condition 13(c) (*Modification following a regulatory event*).

In connection with any modification as indicated in Condition 13(c) (*Modification following a regulatory event*), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are then listed or admitted to trading.

**14. Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, 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.

**15. Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, 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](http://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). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

16. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons 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 or to the Specified Office of the Fiscal Agent, 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.

17. **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.).

18. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and all matters arising from or connected with the Notes including, but not limited to, all non-contractual obligations are governed by, and shall be construed in accordance with, English law.
- (b) *Jurisdiction:* The courts of England have exclusive jurisdiction to settle any dispute, ("**Dispute**") arising from or in connected with the Notes.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 18(b) (*Jurisdiction*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 18 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) *Service of Process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to the representative office of Pini Bingham & Partners located at 30 St. John's Lane, London EC1M 4NB, UK or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Notes will initially be in the form of a Temporary Global Note which will be deposited on or around 24 December 2008 (the "**Closing Date**") with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €100,000, at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Fiscal Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

The Permanent Global Note will also become exchangeable, in whole but not in part only and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of the Issuer's taxing jurisdiction, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

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

If:

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

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the

rights which the bearer of the Permanent Global Note or others may have under the deed of covenant dated 24 December 2008 (the "**Deed of Covenant**") executed by the Issuer in relation to the Notes). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Permanent Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

*Notices:* Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and such Permanent Global Note is (or such Permanent Global Note and/or such Temporary Global Note are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

#### **USE OF PROCEEDS**

The net proceeds from the issue of the Notes are expected to be approximately €100,000,000.  
The proceeds of the Notes will be used by the Issuer for its general corporate purposes.



## DESCRIPTION OF THE ISSUER

### General

Banca Popolare dell'Emilia Romagna s.c. (the "**Bank**" or "**BPER**") was incorporated on 29 December 1983 (under the name Banca Popolare dell'Emilia) established in 1992 under Italian legislation, and adopted its current name on 1 May 1992 following the merger between Banca Popolare dell'Emilia and Banca Popolare di Cesena. Banca Popolare dell'Emilia was itself the result of the merger, in 1983, between Banca Popolare di Modena and Banca Cooperativa di Bologna. The BPER Group was officially entered in the Bank of Italy's Register on 7 August 1992 (Group no. 5387.6). BPER's registered office is Via San Carlo 8/20, Modena Italy (Telephone number: 0039 059 2021111).

BPER is incorporated as a co-operative bank with limited liability, and operates in accordance with Legislative Decree No. 385 of 1 September 1993. The shares of BPER are quoted on Milan's unlisted securities market (Mercato Expandi). As with all Italian co-operative banks voting rights, are limited to one vote per shareholder, with no consideration being given to the number of shares actually held. Any new shareholders have to be approved by the board of directors and no shareholder can own more than 0.5 % of BPER's share capital.

Since its establishment and registration in 1992, the BPER Group has acquired the control of Banca Popolare di Ravenna S.p.A. (approx. 76% of the share capital, at 31/12/2007), in 1994 and Banca CRV S.p.A. – Cassa di Risparmio di Vignola S.p.A. (in 1996), consolidating its presence in Emilia Romagna. In addition, BPER has established a strong foothold in the southern regions through the acquisitions of Banca Popolare di Lanciano e Sulmona S.p.A. (around 53% of the share capital, at 31/12/2007) and Banca Popolare del Materano S.p.A. (around 68% of the share capital at 31/12/2007) in 1995 and Banca Popolare di Crotone S.p.A. (around 60% of the share capital at 31/12/2007) in 1996. Since 1997 BPER has also acquired, through Banca Popolare del Materano S.p.A., three small banks situated in the South of Italy: Banca Popolare della Val d'Agri S.p.A. and Banca Popolare del Sinni S.p.A. (which later on merged with Banca Popolare del Materano S.p.A. itself, respectively in 2000 and in 2001) and Banca Popolare di Castrovillari S.p.A. e Corigliano Calabro S.p.A. (around 53% of the share capital), which in 2002 was merged by incorporation into Banca Popolare di Crotone S.p.A.. In 1998 BPER acquired the control of Banca del Monte di Foggia S.p.A. (and Banca della Campania S.p.A. absorbed it on 28 December 2006); at the end of the same year BPER acquired around 55% of the share capital of Banca Popolare di Aprilia S.p.A., situated in Aprilia, located approximately 30km from Rome. The acquisition of Banca Popolare di Salerno (around 76% of the share capital) and Cassa di Risparmio dell'Aquila (around 83% of the share capital) in 1999 and Banca Popolare dell'Irpinia (around 46% of the share capital) in 2000 should be seen as a way of consolidating BPER's strong franchise in Campania and in Abruzzo. Finally in 2001 BPER acquired the control of Banco di Sardegna Group (51% of the share capital) becoming one of the largest banking groups in the country with a domestic network of around 1,000 branches and more than 10,000 employees. In June 2003 BPER subsidiaries Banca Popolare dell'Irpinia and Banca Popolare di Salerno merged to form a new banking entity named Banca della Campania S.p.A.. BPER held around 89% of the share capital of this bank at the end of 2007.

In 2004 BPER assigned 22 branches in the Campania region to its subsidiary Banca della Campania S.p.A.. During the same year, BPER also acquired the majority stake in Eurobanca Privata S.p.A.– which since 10 May 2005 has been named Eurobanca del Trentino S.p.A. – (54.9% of the share capital at 31/12/2007) and ABF Factoring S.p.A. (90% of the share capital), which both became part of the Group.

In 2005, BPER became the sole shareholder of ABF Leasing S.p.A. by purchasing the remaining shares from Banche Popolari Unite.

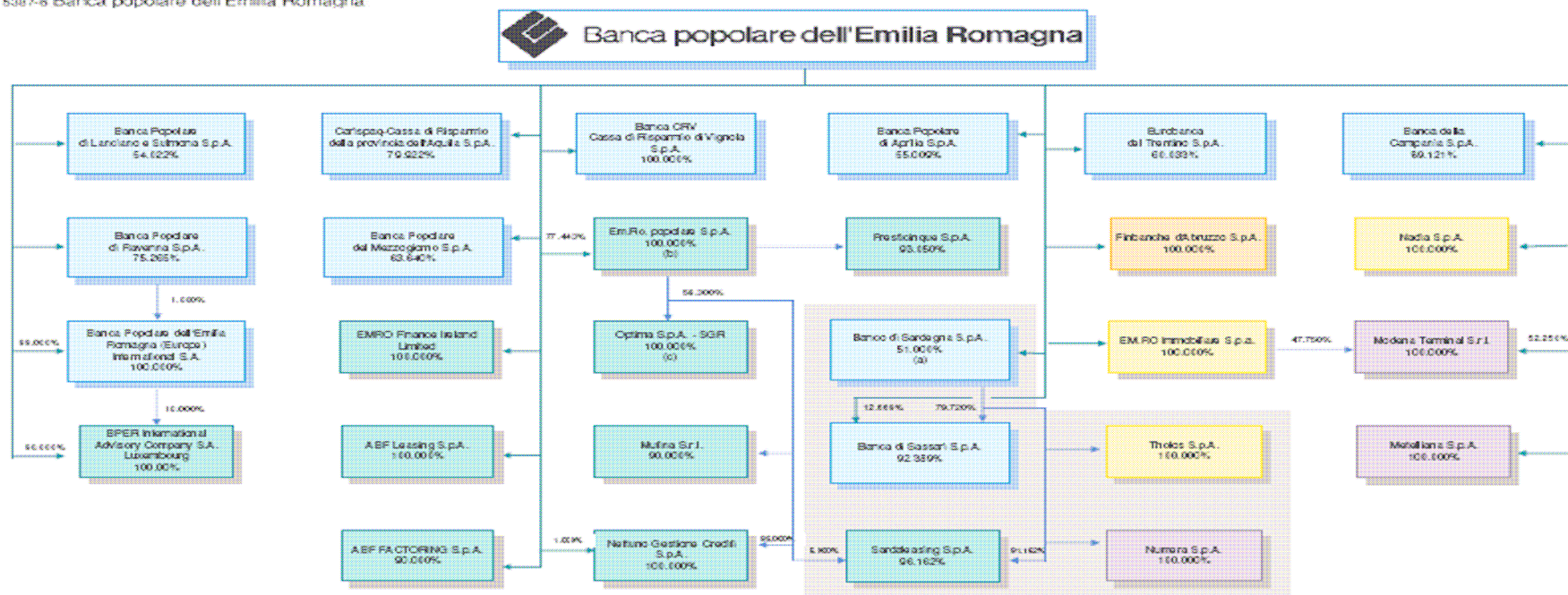
During the same year BPER became the sole shareholder of Banca CRV S.p.A. by purchasing the remaining shares from Fondazione Cassa di Risparmio di Vignola S.p.A.. This was financed by the issuance of a subordinated convertible bond for €32,669,000. In November 2005, BPER acquired the shares held by Fondazione "Domenico Siniscalco Ceci" in Banca del Monte di Foggia S.p.A., increasing its holding to 94,49%; even this operation was financed by the issuance of a subordinated convertible bond for €21,040,500.

During the summer of 2005, BPER signed an agreement with the "Carispaq S.p.A." Foundation for the purchase of a 25.99% interest in Finbanche d'Abruzzo S.p.A., an investment holding company. This acquisition was completed at a price of just below €72.8 million, equal to the value of shareholders' equity, uplifted by about three percent. This purchase, for cash, enabled the Bank to obtain full control of Finbanche d'Abruzzo S.p.A. and therefore to increase, indirectly, the Bank's equity interest in both Cassa di Risparmio della provincia dell'Aquila and Banca Popolare di Lanciano e Sulmona S.p.A..

During 2007, BPER obtained a profit share in the company Arca Vita S.p.A. of about 48.75% by purchasing the shares of the company from Meliorbanca S.p.A. ("**Meliorbanca**") through its subsidiary Em.Ro. Popolare, which is part of the BPER Group. In addition, the authorizations required with respect to the acquisition of the absolute control of Arca Vita S.p.A., by means of the acquisition of the residual shares representing 6.2% of the share capital of the company held by Meliorbanca, were requested from the competent authorities.

Each of the above mentioned banks that BPER has acquired have a strong local identity and a deep rooted franchise in their region. BPER has, according to its management, no plans to merge these various banks with BPER, preferring instead to maintain each bank's local identity. The management of BPER is, however, working toward the integration of the treasury functions, staff management and the sale of BPER's banking products through the extended BPER Group network.

BPER has control over each of the above mentioned entities.



a) Equivalent to 47.44% of the entire Capital Stock, consisting of ordinary, preferred and savings shares, the latter being non voting shares.

b) The following banks also are shareholders of Em.ro popolare S.p.A.: Banco di Sardegna S.p.A. (11.447%), Banca popolare di Lariano e Sulmona S.p.A. (1.567%), Banca popolare di Ravenna S.p.A. (1.480%), Banca della Compagnia S.p.A. (2.000%), Carispaq S.p.A. (1.430%), Cassa di Risparmio di Vignola S.p.A. (1.393%), Banca popolare del Mezzogiorno S.p.A. (2.413%), Banca popolare di Aprilia S.p.A. (0.887%),

c) The following banks also are shareholders of Optima SGR S.p.A.: Banco di Sardegna S.p.A. (19.200%), Banca popolare di Ravenna S.p.A. (6.200%), Cassa di Risparmio di Vignola S.p.A. (4.000%), Banca della Compagnia S.p.A. (4.300%), Carispaq S.p.A. (2.600%), Banca popolare di Lariano e Sulmona S.p.A. (1.100%), Banca popolare di Aprilia S.p.A. (1.000%), Banca popolare del Mezzogiorno S.p.A. (2.100%)

In addition to the above companies that belong to the banking group, the scope of consolidation also includes Forum Guido Menzani s.r.l. (90.000%), Immo.Bi. s.r.l. (80.000%) and Osservanza Service s.r.l. (100.000%), which are excluded from the banking group since they do not contribute to its banking activities.

International activities are developed by a subsidiary in Luxembourg that is focused on private banking, which was established in 1996, and by a financial company in Dublin, Emro Finance Ireland Ltd., which was established in 1999, both of which are entirely totally controlled by BPER.

BPER has interests in fund management (Arca Fondi), merchant banking (Meliorbanca) and insurance (Arca Vita S.p.A.). BPER has representative offices in Hong Kong and Shanghai.

BPER, through its subsidiary Em.Ro. Popolare S.p.A. (a bank holding company), has also acquired strategic equity holdings in certain foreign banks: Volksbank Slovenko a.s. (Slovakia), Volksbank Ljudska Banka D.D. (Slovenia), Magyarorszagi Volksbank R.T. (Hungary), Volksbank D.D. (Croatia), Volksbank a.s. (Czech Republic), Volksbank Romania s.a. (Romania) and Volksbank BH D.D. (Bosnia Herzegovina).

## Overview

BPER is one of the largest co-operative banks (*Banca Popolare*) in Italy, with consolidated total assets of €48.5 billion (around US\$ 71.5 billion) as at 31 December 2007.

BPER's business focus is on Emilia Romagna (a region situated in the north of Italy), where it is mainly involved in commercial banking. BPER's customer base includes private individuals and small and medium sized companies.

As at 30 September 2008, BPER had a total network of 303 branches operating in 21 provinces.

Net interest revenue for the annual period ended 31 December 2007 was €490 million. Non-interest revenue, consisting of commission (on traditional banking activities, fund management, securities brokerage and custody, foreign exchange dealing), revenues from securities and foreign exchange trading, net valuation losses of securities and other operating income amounted to €321 million for the annual period ended 31 December 2007.

Total net profit as at 31 December 2007 amounted to €205.8 million.

## Summary Financial Information of BPER

The following table shows selected financial highlights for BPER as at 31 December 2006 and 31 December 2007:

	As at 31 December		Percentage	BPER Group
	2006	2007	increase from 31	consolidated figures
	(in millions of euro)		December 2006	as at 31 December
				2007
				(in millions of euro)
Core deposits (from banks and customers)	19,647.6	21,476.8	9.31	42,240.3
Assets administered on behalf of third parties	17,168.6	17,291.2	0.71	27,029.5
Loans to customers	13,574.5	15,685.1	15.55	35,390.8
Total liabilities and stockholders' equity	23,146.3	25,116.6	8.51	48,544.0
Profit (loss) from current operations before tax	332.9	319.7	(3.96)	798.6

Net income	220.5	205.8	(6.67)	468.1
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## Lending

BPER's loan portfolio is, in the opinion of BPER's management, suitably diversified. The bank focuses on lending to small and medium sized businesses and households, with the result that lending is not heavily concentrated by customer or industry group, although there is a geographical emphasis on the Emilia Romagna region, which has an export-oriented economy and is one of Italy's richest regions. BPER's exposure to state entities, public sector conglomerates and large industrial groups is limited.

The structure of BPER's total loan portfolio by sector, as at 31 December 2006 and as at 31 December 2007 was as follows:

	As at 31 December			
	2006	2007	2006	2007
	Value (in millions of euro)		% of Total Loan Portfolio	
Agriculture	287	282	2.1	1.8
Energy	178	257	1.3	1.6
Mineral, ferrous and non ferrous metals	108	116	0.8	0.8
Mineral based non-metal products	362	448	2.7	2.9
Chemicals	123	144	0.9	0.9
Metal products	472	520	3.5	3.3
Agricultural and industrial machines	497	588	3.7	3.8
Office machinery	55	60	0.4	0.4
Electrical machines and equipment	174	235	1.3	1.5
Vehicles	87	80	0.6	0.5
Foodstuffs	511	577	3.8	3.7
Textiles, footwear, clothing	353	370	2.6	2.4
Paper	172	173	1.3	1.1
Rubber and plastic	151	203	1.1	1.3
Other industrial products	183	179	1.3	1.1
Construction	1,151	1,327	8.5	8.5
Retail and wholesale trade	1,453	1,631	10.7	10.4
Hotel industry	239	252	1.8	1.6
Domestic transport services	161	158	1.2	1.0
Sea and air transport services	3	5	0.0	0.0
Transport related services	83	84	0.6	0.5
Communications	71	37	0.5	0.2
Other services related to sales	2,047	2,229	15.1	14.2
Financing institutions	1,749	1,883	12.9	12.0
Private customers	2,904	3,847	21.4	24.5
<b>Total</b>	<b>13,574</b>	<b>15,685</b>	<b>100.0</b>	<b>100.0</b>

The BPER's Group distribution of loans to non-financial business, as at 31 December 2006 and as at 31 December 2007 was as follows:

	2006	2007	2006	2007
	Value		Value	
	(in millions of euro)			
Other services for sale	3,826	4,594	18.39	18.93
Wholesale and retail services, recoveries and repairs	3,695	4,443	17.76	18.31
Construction and public works	3,314	3,953	15.93	16.29
Agricultural and industrial machinery	914	759	4.39	3.13
Food, beverages and tobacco-based products	659	1,342	3.17	5.53

Other sectors	8,398	9,171	40.36	37.80
<b>Total</b>	<b>20,806</b>	<b>27,262</b>	<b>100.00</b>	<b>100.00</b>

As at 31 December 2007 BPER did not have "*grandi rischi*" (i.e. loan value greater than 10% of BPER's own funds).

BPER, despite its medium/long-term business mainly in the form of mortgage loans (accounting for 35.02% of total lending), remains essentially a short-term credit bank. As at 31 December 2007, 63.11% of BPER's loan portfolio had a remaining maturity of under one year.

Set out below is a breakdown of the security and guarantees as at 31 December 2006 and as at 31 December 2007:

	As at 31 December		BPER Group consolidated figures as at 31 December 2007 (in thousand of euro)
	2006	2007	
	(in thousands of euro)		(in thousands of euro)
Secured Guarantees			
Building	4,744,250	5,493,499	14,569,280
Securities	553,335	518,160	915,345
Other assets	108,692	90,738	179,218
Guarantees provided by			
Government	11	0	0
Other public entities	1,044	1,380	15,678
Banks	46,832	17,936	298,883
Other Parties	3,964,632	3,418,618	9,502,325
<b>Total</b>	<b>9,418,796</b>	<b>9,540,331</b>	<b>25,480,729</b>

## Credit Procedures

Depending on the amount of credit applied for, credit is approved by the Board of Directors, the Executive Committee, the Chief Executive Officer, the General Manager or the Deputy-General Manager. Credit of up to €500 thousand can be approved by the Deputy-General Manager, up to €3,500 thousand by the General Manager, up to €8,000 thousand by the Chief Executive Officer and up to €12,500 thousand by the Executive Committee. The Board of Directors has no credit approval limit. In each case the above figures for credit approval are calculated on a transaction by transaction basis and are not calculated on a cumulative basis for each borrower or group of borrowers.

The Executive Committee meets at least twice a month and the Board of Directors monthly.

Area management offices can independently decide for the granting of credit lines with limits ranging between €50 thousand and €500 thousand, depending on the relevance of the Area, its managers and employees. The same principle applies to the branches, which can

independently decide to grant credit lines with limits ranging from €16 thousand to €160 thousand.

### **Defaulted and Problem Loans and Loans Subject to Country Risk**

BPER monitors its existing loans on a continuous basis. The legal department monitors loans if non-payment has occurred or if there is a concern about the ability of the borrower to make payments. The regulations of the Bank of Italy relating to problem debts identify the following five categories:

- bad loans (*crediti in sofferenza*)
- doubtful loans (*partite incagliate*)
- past due (*crediti scaduti e/o sconfinati oltre 180 giorni*)
- restructured loans (*crediti ristrutturati*)
- loans subject to country risk (*crediti soggetti a rischio paese*)

### **Bad Loans**

Bad loans are loans where the borrower is in a state of insolvency (whether or not proceedings have been commenced). This is a subjective test based on the opinion of BPER as to whether a state of insolvency exists.

### **Doubtful loans**

The bank of Italy's rules require the following loans to be classified as "doubtful loans":

1. loans to individuals (which are not bad loans) which are secured by mortgages over residential property where the borrower is currently living and has already been notified of the enforcement of the mortgage ("*notifica del pignoramento*");
2. loans on which payments of principal or interest are overdue and which satisfy the following conditions:
  - (a) a loan of any amount in respect of which any sum of principal or interest is overdue and where, depending on the length of interest periods for that loan, the default continues without remedy for the following number of interest periods or for the time shown;

	Six monthly interest period	Three monthly interest period	Monthly interest period 2006	Yearly interest period
36 months or less	2	3	5	6 months
More than 36 months	3	5	7	6 months

- (b) loans to the same borrower or group of borrowers, the aggregate overdue principal amount of which is 20% or more of total loans outstanding to that borrower or group of borrowers, regardless of whether they fall within (a) above.

### **Past Due**

This is credit exposure that is overdue or overdrawn for more than 180 days which, although identified by the regulations as impaired loans, are adequately covered by an overall write-down. Such write-downs are determined using the impairment methodology applied to performing loans, with a suitable percentage deduction given recognition of the higher level of risk involved.

This measurement is made for each category of loans deemed similar in terms of lending risks. The related write-down percentages are estimated with reference to historical information and data available at the time of measurement, in order to determine the value of the inherent loss associated with each category. The measurement also takes into account the risk associated with the country in which the counterpart is resident. Any additional write-downs or write-backs are determined separately at the end of each reporting period, with reference to the entire portfolio of performing loans at that time.

### **Restructured Loans**

These are loans made by either a pool of banks or a single bank where a moratorium has been granted and the rate of interest has been renegotiated at a lower rate or at market rates. Loans to companies which have ceased trading or are insolvent are excluded from this category. The restructured part of the debt does not have to be disclosed as a bad or doubtful debt and only needs to be disclosed when the renegotiated terms are no longer compatible with the market.

Any bank that does not agree with the restructuring must notify the other banks that it will treat the debt as a bad or a doubtful debt. If a bank agrees to disclose the restructured debt, it must give notice as to whether it is a bad or doubtful debt.

### **Loans Subject to Country Risk**

"Country risk" relates to problems of solvency in countries where there are difficulties in respect of the service of debt. There are seven categories of risk and BPER, as all of Italy's most important banks, monitors the percentage of depreciation (0%, 15%, 20%, 25%, 30%, 40% and 60%) which has to be applied to loans which are not specifically guaranteed against political or economic risk; commercial credits are part of the above mentioned aggregate for an amount equal to 15% of their nominal value.

BPER reports to the Bank of Italy on a monthly basis regarding its position for each country.

The following table shows, as at 31 December 2006 and as at 31 December 2007, a breakdown of the loans of BPER (after provisions have been made) according to the classifications referred to above:



		As at 31 December		BPER Group consolidated figures as at 31 December 2007
		2006	2007	
		(in thousands of euro)		(in thousands of euro)
(i)	Bad loans	123,395	137,178	515,107
(ii)	Doubtful loans	158,142	183,250	559,149
(iii)	Loans past due/overdrawn for more than 180 days	65,767	67,295	209,185
(iv)	Restructured loans	10,385	16,126	48,820
(v)	Unsecured loans to countries at risk	271	300	6,622
(vi)	Total loans	13,574,471	15,685,072	35,390,831
<b>Aggregate of (i) to (v) as a percentage of (vi)</b>		2,64%	2,58%	3,78%

Set out below is a table showing the variations in the composition of bad loans and provisions as at 31 December 2006 and 2007.

		As at 31 December		BPER Group consolidated figures as at 31 December 2007
		2006	2007	
		(in thousands of euro)		(in thousands of euro)
Nominal value of bad loans at risk		299,901	327,777	1,489,734
Provisions		176,506	190,599	974,627
Net value of bad loans risk		123,395	137,178	515,107
<b>Percentage of total loans represented by net value of bad loans</b>		0.91%	0.87%	1.46%

## Credit Risk Management

The Basel Committee in June 2004 updated the standards governing the capital adequacy of internationally active banks (BASEL II). Such rules have been implemented within the European Union by Directive 2006/49/EC on the capital adequacy of investment firms and credit institution. Such directive, also known as the capital requirements directive, sets forth new models to attribute internal ratings to the customers of the BPER Group, by defining the probability of default.

Customers have been classified for risk evaluation purposes according to appropriate categorisation standards. Namely, the Large Corporate category includes companies with a yearly turnover above €50 million; "*Piccole e Medie imprese*" (Small and Medium-sized concerns category) include small businesses with a yearly turnover above €1 million; "*Microimpresa*" (micro-businesses) include companies with an overall credit facility above €75 thousand and for which the balance sheet is not available; finally, the "Small Business" category includes companies with an overall credit facility below €75 thousand and for which the balance sheet is not available. The rating system for small and medium enterprises (SME) and Retail is already in place.

## Funding

BPER benefits from an historically large and stable customer base through its extensive local branch network and has been reasonably successful in defending its market share of customer deposits in the face of increasing competition. Customer deposits growth has been in line with

that of customer loans and BPER is predominantly able to fund its loan book through retail funding.

BPER's reliance on inter-bank funding was nearly €5,639,468 thousand as at 31 December 2007. Inter-bank funding represented 22.45% of BPER's total liabilities as at 31 December 2007.

The following table shows the sources of BPER's funding as at 31 December 2006 and as at 31 December 2007:

	As at 31 December		BPER Group consolidated figures as at 31 December 2007
	2006	2007	
	<i>(in thousands of euro)</i>		<i>(in thousands of euro)</i>
Deposits due from banks	5,371,607	5,639,468	2,104,978
Deposits due to customers	8,586,467	9,327,860	26,513,502
Debt securities in issue	4,958,422	5,858,705	12,496,233
Financial liabilities at fair value	731,059	650,733	1,125,612

## Financial Risk Management

Following the acquisition of the various group co-operative banks, BPER embarked upon an overhaul of its risk management systems and procedures. The Bank has completed the project intended to unify all the systems of the group with the help of a purposely acquired IT subsidiary. As of April 2006 all the banks in the Group share the same IT system. Information technology is an integral part of treasury operations, general risk management, regulatory compliance program and marketing efforts. The Bank's computer system comprises back-up and disaster facilities.

The risk management process of all subsidiaries is centralized at the parent company, and is run by a dedicated team. The periodical updating of the top management, the board of auditors and the other involved structures is ensured by the distribution of a specific set of daily and monthly reports. The latter is also supported by management reports released by operational structures through the front office system. Exposure is strictly controlled. Limited off balance sheet trading is also undertaken, both on behalf of customers and for BPER's own account, although the latter is largely used for hedging purposes.

BPER's exposure to market risk and interest rate risk is monitored through an ALM system on a monthly basis. BPER subjects the securities portfolio and the derivatives to constant monitoring with the VaR method (value at risk), which is particularly sensitive to price, interest rate and foreign exchange volatility. This operational system is designed to analyse the Bank and the BPER Group overall trading position and interest rate and currency exposure. The system currently in use provides such data on a daily basis.

Since the end of 2007 the ALM system has been upgraded to a more sophisticated procedure, in order to improve the monitoring of market, interest-rate, and exchange rate risks. More specifically, the "ALM" procedure currently in place allows to appropriately follow and report on the market development.

BPER securities portfolio amounted €2,240 million as at 31 December 2007, which is approximately 8.92% of BPER's total assets. Within the securities portfolio the component issued by Government and Central Banks is around 51.83%. The securities portfolio is evaluated at fair value and consists of the following categories: financial activities held for trading (8 3.42%), financial activities at fair value through profit or loss (10.37%) and financial activities available for sale (6.21%).

The following table shows the maturity analysis of assets and liabilities for the BPER Group as at 31 December 2007.

Items/ Time Period	Demand	1 to 7 days	7 to 15 days	15 days to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 year
<b>Cash Assets</b>	<b>11,821,629</b>	<b>994,717</b>	<b>971,136</b>	<b>2,840,833</b>	<b>4,049,735</b>	<b>2,474,741</b>	<b>2,148,688</b>	<b>10,169,891</b>	<b>9,166,160</b>
A.1 Government securities	45,760	-	24,451	68,554	175,372	759,457	367,336	1,604,065	50,359
A.2 Listed debt securities	100	-	23	78,145	200,473	75,943	245,074	505,634	423,774
A.3 Other debt securities	40,800	4,686	128	13,063	4,193	39,854	67,348	651,621	335,350
A.4 Mutual funds	-	-	-	-	-	-	-	-	326,795
A.5 Loans	11,734,969	990,031	946,534	2,681,071	3,669,697	1,599,487	1,468,930	7,408,571	8,029,882
- banks	897,124	491,614	200,675	373,959	835,061	233,580	5,216	213,514	4,014
- customers	10,837,845	498,417	745,859	2,307,112	2,834,636	1,365,907	1,463,714	7,195,057	8,025,868
<b>Cash liabilities</b>	<b>22,121,730</b>	<b>1,237,958</b>	<b>877,420</b>	<b>2,325,239</b>	<b>4,069,383</b>	<b>2,463,434</b>	<b>2,229,640</b>	<b>5,786,406</b>	<b>1,129,115</b>
B.1 Deposits	22,017,665	979,289	645,326	1,747,312	1,949,043	716,128	149,622	349,496	64,599
- banks	534,277	440,285	210,630	149,984	412,374	134,197	33,135	128,052	62,044
- customers	21,483,388	539,004	434,696	1,597,328	1,536,669	581,931	116,487	221,444	2,555
B.2 Debt securities	104,065	258,669	232,094	577,927	2,120,340	1,747,306	2,080,018	5,436,910	1,064,516
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet transactions</b>	<b>1,257,057</b>	<b>1,338,333</b>	<b>458,980</b>	<b>1,034,312</b>	<b>3,476,378</b>	<b>2,772,534</b>	<b>1,430,714</b>	<b>208,469</b>	<b>1,279,858</b>
C.1 Financial derivatives with exchange of capital	13,617	771,229	455,946	1,029,794	3,440,322	2,606,778	1,322,158	45,008	-
- long positions	5,800	382,785	225,720	509,518	1,719,772	1,287,342	647,522	22,526	-
- short positions	7,817	388,444	230,226	520,276	1,720,550	1,319,436	674,636	22,482	-
C.2 Deposits and loans to be received	-	436,605	3,034	4,518	16,224	54,816	2,519	4,076	-
- long positions	-	244,389	1,517	2,259	4,745	4,852	1,015	2,038	-
- short positions	-	192,216	1,517	2,259	11,479	49,964	1,504	2,038	-
C.3 Irrevocable commitments to make loans	1,243,440	130,499	-	-	19,832	110,940	106,037	159,385	1,279,858
- long positions	23,110	12,256	-	-	19,832	110,940	106,037	159,385	1,279,858
- short positions	1,220,330	118,243	-	-	-	-	-	-	-

## Capital

### Share Capital

The authorized and paid up share capital of BPER as at 30 June 2008 was €757,457,556 divided into 252,485,852 shares of €3.00 each.

### Capital Adequacy

An analysis of the capital adequacy of BPER as at 31 December 2006 and as at 31 December 2007, calculated according to the requirements of the Bank for International Settlements and the Bank of Italy by reference to total risk weighted assets of BPER as at 31 December 2006 of €19,347 million, and as at 31 December 2007 of €21,483 million is set out below:

As at 31 December

BPER Group consolidated

	2006	(in millions of euro)	of	2007	figures as at 31 December 2007 (in millions of euro)
Tier 1 Capital (core capital)	2,089			2,159	2,976
Tier 2 Capital	1,087			1,009	1,1256
Less equity investments					(86)
Total capital	3,176			3,168	4,146
<b>Overall risk assets</b>	<b>19,347</b>			<b>21,483</b>	<b>45,522</b>
Tier 1 ratio	11.38 %			10.05 %	7.00 %
Tier Capital ratio	16.42 %			14.75 %	9.75 %

## Subsidiaries

The following tables sets out BPER's subsidiaries and equity investments as at 31 December 2007:

	Name of Companies	Head office	Type of relationship <sup>1</sup>	Nature of Holding Parent	% Held	Voting Rights
A	<b>Companies included in consolidation</b>					
A.1	Companies consolidated line by line					
	1. Banca Popolare di Ravenna S.p.A.	Ravenna	1	B.P.E.R.	75,809	
	2. Banca pop. di Lanciano e S. S.p.A.	Lanciano	1	B.P.E.R.	3,372	
				Finbanche	50,000	
	3. Banca Popolare del Materano S.p.A.	Matera	1	B.P.E.R.	67,700	
	4. Banca CRV S.p.A.	Vignola	1	B.P.E.R.	100,000	
	5. Banca Popolare di Crotone S.p.A.	Crotone	1	B.P.E.R.	60,331	
	6. Banca Popolare di Aprilia S.p.A.	Aprilia	1	B.P.E.R.	55,009	
	7. Carispaq S.p.A.	L'Aquila	1	Finbanche	79,922	
	8. Banca della Campania S.p.A.	Napoli	1	B.P.E.R.	89,121	
	9. Banco di Sardegna S.p.A.	Sassari	1	B.P.E.R.	47,449	51,000
	10. Banca di Sassari S.p.A.	Sassari	1	B. Sard.	79,733	
				B.P.E.R.	11,341	
	11. Eurobanca del Trentino S.p.A.	Trento	1	B.P.E.R.	54,900	
	12. Banca Pop. Em. Rom (Europe) Int. S.A.	Lussemburgo	1	B.P.E.R.	99,000	
				B.P.R.	1,000	
	13. Finbanche d'Abruzzo S.p.A.	L'Aquila	1	B.P.E.R.	100,000	
	14. Em.Ro. popolare S.p.A.	Modena	1	B.P.E.R.	77,443	
				B. Sard	11,447	
				B.P.L.S.	1,567	
				B.P.R.	1,480	
				B.d.C.	2,000	
				Carispaq S.p.A.	1,430	
				CRV	1,333	
				B.P.M.	1,233	
				B.P.K.	1,180	
				B.P.A.	0,887	
	15. EMRO Finance Ireland Ltd.	Dublino	1	B.P.E.R.	100,000	
	16. Nadia S.p.A.	Modena	1	B.P.E.R.	100,000	
	17. Metelliana S.p.A.	Cava dei Tirreni	1	B.P.E.R.	100,000	
	18. Sardaleasing S.p.A.	Sassari	1	B. Sard.	87,077	
				Em.Ro	5,000	
	19. Optima s.p.a. S.G.R.	Milano	1	Em.Ro.	58,300	
				B. Sard	19,200	
				B.P.R.	6,200	
				B.d.C.	4,300	
				Carispaq S.p.A.	2,800	
				B.P.M.	1,600	
				B.P.K.	1,500	
				B.P.L.S.	1,100	
				B.P.A.	1,000	
				CRV	4,000	
	20. Tholos S.p.A.	Sassari	1	B. Sard	100,000	
	21. Numera S.p.A.	Sassari	1	B. Sard	100,000	
	22. EM.RO Immobiliare S.p.A.	Modena	1	B.P.E.R.	100,000	
	23. Mutina S.r.l.	Modena	1	Em.Ro.	90,000	
	24. Nettuno Gestione Crediti S.p.A.	Bologna	1	B.P.E.R.	1,000	
				Em.Ro.	99,000	
	25. Modena Terminal S.r.l.	Campogalliano	1	B.P.E.R.	52,250	

	Name of Companies	Head office	Type of relationship <sup>1</sup>	Nature of Holding Parent	% Held	Voting Rights
				EM.RO Imm.	47,750	
26.	Forum Guido Monzani S.r.l.	Modena	1	B.P.E.R.	10,000	
				Em.Ro.	90,000	
27.	BPER Int. Advisory Company s.a.	Lussemburgo	1	B.P.E.R.	90,000	
				B.P.E.R. E.	10,000	
28.	ABF FACTORING S.p.A.	Milano	1	B.P.E.R.	90,000	
29.	ABF Leasing S.p.A.	Milano	1	B.P.E.R.	100,000	
30.	Presticinq S.p.A.	Roma	1	Em.Ro	75,000	
31.	IMMO.BI S.r.l.	Modena	1	B.P.E.R.	80,900	
32.	Osservanza service S.r.l.	Crotone	1	B.P.K.	100,000	
A.2	Companies consolidated on a proportional basis					
B.	<b>Companies subject to significant influence</b>					
1	CO.BA.PO Consorzio Banche Popolari dell'Emilia Romagna	Bologna	8	B.P.E.R.	26.044 <sup>2</sup>	
2	Gruppo Operazioni Underwriting Banche Popolari s.r.l.	Milan	8	B.P.E.R.	22.500	
3	CONFORM Consorzio Formazione Manageriale	Avellino	8	B.P.E.R.	35.000	
				B.d.C.	5.000	
4	Arca Vita S.p.A. (consolidated financial statements)	Verona	8	Em.Ro. pop	48.750	
5	Sofipo Fiduciarie s.a.	Lugano	8	B.P.E.R. Europe	30.000	
6	Janua B. & A. Broker S.p.A.	Milan	8	Em.Ro. pop	21.857	
7	Sintesi 2000 S.r.l.	Milan	8	Em.Ro. pop	33.333	
8	Immobiliare Reiter S.p.A.	Modena	8	Nadia s.p.a.	34.000	
9	Arca SGR S.p.A.	Milan	8	Em.Ro. pop	20.180	
10	Unione Fiduciaria S.p.A.	Milan	8	Em.Ro. pop	24.000	
11	CAT Progetto Impresa Modena scarl	Modena	8	Em.Ro. pop	20.000	
12	ABF Finance S.r.l.	Milan	8	ABF Leasing	49.000	
13	Resiban s.p.a.	Modena	8	Em.Ro. pop	20.000	
14	Meliorbanca s.p.a.	Milano	8	B.P.E.R.	22.898	
				Em.Ro. pop	4.575	
15	Emilia Romagna Factor S.p.A.	Bologna	8	B.P.E.R.	22.422	
16	Fincoop Sarda S.r.l.	Cagliari	8	B.d.S	22.500	
17	Krenesiel S.p.A.	Sassari	8	B.d.S	47.023	
18.	Cassa di Risparmio di Bra S.p.A.	Bra	8	B.P.E.R.	31.021	
19.	Cassa di Risparmio di Fossano S.p.A.	Fossano	8	B.P.E.R.	23.077	
20.	Cassa di Risparmio di Saluzzo S.p.A.	Saluzzo	8	B.P.E.R.	31.019	
21.	Cassa di Risparmio di Savigliano S.p.A.	Savigliano	8	B.P.E.R.	31.006	

Notes:

(1) Type of relationship:

1 majority of votes at the ordinary shareholders' meeting 3 agreements with other shareholders 8 = associated company

(2) Includes the 2.457% held by Banca Popolare di Ravenna S.p.A. S.p.A.

The following are the principal subsidiaries of BPER (as at 31 December 2007):

### ***Banca Popolare di Ravenna S.p.A.***

BPER holds around 76% of the share capital of Banca Popolare di Ravenna S.p.A.. As at 31 December 2007 Banca Popolare di Ravenna S.p.A. had 58 branches employing 450 people. The total direct and indirect deposits amounted to approximately €2,881 million whilst net income was €24,766 thousand.

### ***Banca Popolare di Lanciano e Sulmona S.p.A.***

BPER holds around 53.4% of the share capital of Banca Popolare di Lanciano e Sulmona S.p.A. (including 50% of the share capital held by BPER's subsidiary Finbanche d'Abruzzo S.p.A.). As at 31 December 2007, Banca Popolare di Lanciano e Sulmona S.p.A. had 66 branches employing 568 people. The direct and indirect deposits amounted to approximately €2,896 million whilst net income was €29,913 thousand.

### ***Banca Popolare del Materano S.p.A.***

BPER holds around 67.7% of the share capital of Banca Popolare del Materano S.p.A. As at 31 December 2007, Banca Popolare del Materano S.p.A. had 44 branches employing 368 people. The total direct and indirect deposits amounted to approximately €1,627 million, whilst net income was €11,564 thousand.

***Banca CRV S.p.A. — Cassa di Risparmio di Vignola***

BPER holds 100% of the share capital of Banca CRV S.p.A.. As at 31 December 2007, Banca CRV S.p.A. had 43 branches and employed 389 people. The total direct and indirect deposits amounted to €2,443 million, whilst net income was €16,647 thousand.

***Banca Popolare di Crotone S.p.A.***

BPER holds around 60.3% of the share capital of Banca Popolare di Crotone S.p.A.. As at 31 December 2007, Banca Popolare di Crotone S.p.A. employed 460 people, and had 44 branches. The direct and indirect deposits amounted to €1,720 million whilst net income was €22,157 thousand.

***Banca Popolare di Aprilia S.p.A.***

BPER holds around 55% of the share capital of Banca Popolare di Aprilia S.p.A.. As at 31 December 2007, Banca Popolare di Aprilia S.p.A. employed 174 people, and had 21 branches. The direct and indirect deposits amounted to €764 million whilst net income was €10,370 thousand.

***Cassa di Risparmio della Provincia dell'Aquila***

BPER, through its subsidiary Finbanche d'Abruzzo S.p.A., holds around 80% of the share capital of Cassa di Risparmio della Provincia dell'Aquila. As at 31 December 2007 Cassa di Risparmio della Provincia dell'Aquila employed 462 people and had 50 branches. The total direct and indirect deposits amounted to €2,460 million, whilst net income was €12,154 thousand.

***Banca della Campania S.p.A.***

BPER holds around 89% of the share capital of Banca della Campania S.p.A.. As at 31 December 2007, Banca della Campania S.p.A. employed 1,137 people and had 124 branches. The direct and indirect deposits amounted to €5,545 million whilst net income was €31,064 thousand.

***Banco di Sardegna Group***

BPER holds around 51% of the ordinary voting shares of Banco di Sardegna S.p.A. (which holds around 80% of the share capital of Banca di Sassari). As at 31 December 2007, Banco di Sardegna Group employed 3,376 people (out of which 2,699 Banco di Sardegna S.p.A. and 566 Banca di Sassari) people and had 449 branches (391 Banco di Sardegna S.p.A. and 58 Banca di Sassari). The total direct and indirect deposits amounted to €14,763 million, whilst net income was €89,540 thousand.

### ***Eurobanca del Trentino S.p.A.***

BPER holds 54,9% of the share capital of Eurobanca del Trentino S.p.A.. As at 31 December 2007 Eurobanca del Trentino S.p.A. employed 36 people and had 6 branches. The direct and indirect deposits amounted to € 78,492 million whilst losses were €1,661 thousand.

### ***Banca Popolare dell'Emilia Romagna (Europe) International S.A.***

BPER holds 100% of the share capital of Banca Popolare dell'Emilia Romagna (Europe) International S.A. (including 1% of the share capital held by Banca Popolare di Ravenna S.p.A.). As at 31 December 2007, Banca Popolare dell'Emilia Romagna (Europe) International S.A. employed 13 people and had 1 branch; total direct and indirect deposits amounted to €1,261 million whilst net income was €1,299 thousand.

### **Dependence**

The Issuer is not dependent upon other entities within the BPER Group.

### **Management and Employees**

#### ***Board of Directors***

The Board of Directors of BPER is composed of a Chairman and 18 members. Directors serve for 3 year terms and may be re-elected for consecutive terms. One third of the Directors must be re-elected each year.

The present Board of Directors is as follows:

<b>Name</b>	<b>Title</b>
Giovanni Marani*	Chairman
Guido Leoni*	Deputy Chairman
Vittorio Fini*	Deputy Chairman
Angelo Marconi*	Deputy Chairman
Fabrizio Viola*	Chief Executive Officer
Ettore Caselli*	Director
Giovanni Battista Chiossi*	Director
Giulio Cicognani*	Director
Luigi Cremonini*	Director
Alessandro Fagioli*	Director
Piero Ferrari*	Director
Giuseppe Lusignani*	Director
Alberto Marri*	Director
Giuseppe Mondardini*	Director
Fioravante Montanari*	Director
Deanna Rossi*	Director
Erminio Spallanzani*	Director
Ivano Spallanzani*	Director
Angelo Tantazzi*	Director

\* Members of the Executive Committee

#### **General Management**

<b>Name</b>	<b>Title</b>
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Mimmo Guidotti  
Luigi Odorici  
Alessandro Vandelli

General Manager  
Deputy General Manager  
Deputy General Manager

***The Officer in charge of Financial Reporting***

Emilio Annovi

Officer in charge of Financial Reporting

The business address of each of the above is c/o BPER, 8/20, via S. Carlo, 41100 Modena, Italy.

The Board of Directors is required under the by-laws of BPER to meet monthly and at any other time when a meeting is convened by the Chairman and the Board of the Auditors.

The Board of Directors is vested with all powers for the ordinary and extraordinary administration of BPER, except those which are expressly reserved to the exclusive authority of the shareholders by Italian law or under the by-laws of BPER.

Subject to the foregoing, the Board of Directors may delegate to the Executive Committee, the Managing Director, the General Management such powers and duties regarding BPER's business and operations as it shall consider appropriate.

None of the Directors or General Managers perform activities outside the BPER Group which are significant with respect to the BPER Group.

Potential conflicts of interest may exist between certain Directors' duties to the Issuer and their private interests, as certain Directors are local entrepreneurs who may wish to enter into business transactions with the Issuer (i.e. entering into borrowing arrangements with the Issuer). In case of such conflict of interest, pursuant to Article 2391 of the Italian Civil Code, the Director is required to disclose any interest, personal or on behalf of a third party, in a specific transaction of the Issuer to the other members of the board and to the audit committee. The Director shall specify the nature, origin and conditions of his private interest.

Furthermore, according to Article 136 of the Italian Banking Act, any person who is vested with managing/controlling powers within a bank may not assume any obligation or enter into purchase/sale agreements with such bank unless such transaction has been approved by the board of directors of the bank through a resolution passed unanimously and in accordance with Article 2391 of Italian Civil Code mentioned above.

Save as noted above, no potential conflicts of interest exist between the Directors' duties to BPER and their private interests.

The following table sets out the principal activities outside of the BPER Group of the current members of the Board of Directors of the Issuer:

<b>Name</b>	<b>Position held with BPER</b>	<b>Principal activities outside of the BPER Group</b>
Giovanni Marani	Chairman of the Board of Directors of BPER	



Fabrizio Viola	Associazione Nazionale per l'enciclopedia della Banca	Director
	Managing director	Managing director of BPER
	Unione Fiduciaria S.p.A.	Deputy chairman
	Fiera di Milano S.p.A.	Director
Giudo Leoni	AICIB Ass. Italiana Corporate & Investment Banking	Chairman
	Deputy chairman of BPER	
	Fondo Interbancario di Tutela dei Depositi	Director
	Arca Vita S.p.A.	Deputy chairman
Angelo Marconi	Meliorbanca S.p.A.	Deputy chairman
	Arca S.p.A. S.G.R.	Deputy chairman
	Deputy chairman of BPER	
	Ripa Bianca S.p.A.	Chairman of the board of directors
Vittorio Fini	Marc Fin S.r.l.	Chairman
	Cotto Chiti S.r.l.	Director
	Az.Agr.F.lli Marconi s.s.	Shareholder
	Laterizi Alan Metauro S.r.l.	Chairman and managing director
	Adriasolai S.r.l.	Director
	Deputy chairman of BPER	
	To Life S.p.A.-Servizi per la Sanità	Chairman of the board of directors
	Ber Racing Italy S.r.l.	Director
	All Service S.r.l.	Sole shareholder and chairman of the board of directors
	Fashion Invest S.r.l.	Director and Deputy chairman of the board of directors
	Rua Frati S.r.l.	Sole director
	Fortuna Due S.r.l.	Sole director
	Fortuna Tre S.r.l.	Sole director
	Modena Tradizioni S.r.l.	Chairman of the board of directors
	Modenafiore S.r.l.	Director
	La Centrale Finanziaria Generale S.p.A.	Director
Ettore Caselli	Director of BPER	
Giovanni Battista Chiossi	Director of BPER	
	San Contardo S.r.l.	Director
Giulio Cicognani	Rotary Club Modena	Chairman
	Director of BPER	
	Fbr-Elpo S.p.A.	Chairman of the board of directors
	Montecatone Rehabilitation Institute S.p.A.	Director
	Raytech Vision S.p.A.	Director
	Sacmi Packaging S.p.A.	Chairman of the board of directors and managing director. The company is a 100 per cent. controlled subsidiary of HPS
	Belpiano Immobiliare S.r.l.	Director
	Proma-Pack S.r.l.	Director
Giuseppe Lusignani	Gram Equipment Italia S.r.l.	Chairman of the board of directors
	Fondazione Montecatone	Chairman
	Director of BPER	
	Marr S.p.A.	Director
	Ver Capital S.p.A.	Chairman of the board of directors

Piero Ferrari	Prometeia S.p.A.	Director - Deputy chairman of the board of directors
	Prometeia Advisor Sim S.p.A.	Chairman of the board of directors
	Unipol SGR S.p.A.	Director
	Director of BPER	
	Ferrari S.p.A. Esercizio Fabbriche Automobili e Corse	Director and deputy chairman of the board of directors
	B.A. Service S.p.A.	Sole director
	To Life - S.p.A.	Director
	H.P.E. High Performance Engineering	Sole director
	Piaggio Aero Industries S.p.A.	Chairman of the board of directors
	F immobiliare S.r.l.	Sole director
Giuseppe Mondardini	Ferrari Real Estate S.r.l.	Shareholder of 33 per cent. of the company and managing director
	Director of BPER	
	Immobiliare Trentula S.r.l.	Sole shareholder and sole director
Fioravante Montanari	Fondazione Emilia Romagna Teatro	Director
	Director of BPER	
	S.E.C.I. S.p.A.	Director
	Eridania Sadam S.p.A.	Director
	SECI Real Estate S.p.A.	Director
	Manifatture Sigaro Toscano S.r.l.	Director
	Immobiliare Agricola Cà Domenicali S.r.l. (con socio unico)	Auditor
	SECI Energia S.r.l.	Deputy chairman of the board of directors
	Italiana Tabacchi S.r.l.	Deputy chairman of the board of directors
	S.I.E.C.I. S.r.l.	Chairman of the board of directors
Ivano Spallanzani Luigi Cremonini	M Project S.r.l.	Director
	Immobiliare Roma Sud S.r.l.	Chairman of the board of directors
	Unipersonale	
	Director of BPER	
	Director of BPER	
	Cremonini S.p.A.	Chairman
	Assocarni Ass. Naz. Ind. Comm. Carni Bestiame	Chairman
	Cafin S.a.p.a.	Partner and chairman
	Consorzio I.C.M.E.	Honorary chairman
	Federalimentare - Confindustria	Director
Alessandro Fagioli	Fondazione Amintore Fanfani	Director
	Inalca JBS S.p.A.	Director
	Director of BPER	
	Fagioli S.p.A.	Chairman of the board of directors
	Interporto Rivalta Scrivia S.p.A.	Chairman of the board of directors
	Fagioli Immobiliare S.p.A.	Sole director
	Rivalta Terminal Europa S.p.A.	Chairman of the board of directors
	Fagioli Finance S.p.A.	Sole shareholder and managing director
Alberto Marri	Director of BPER	
	Palazzo Trecchi S.r.l.	Managing director
	Eco Energie S.r.l.	Chairman of the board of directors
	Finenergie International S.A.	Director

	(Luxembourg)	
	Hera Comm S.r.l.	Director
	HERA S.p.A.	Director
	Casa Bergomi S.r.l.	Chairman
	Powerfin Assessoria e Gestao Lda	Director
	(Portogallo)	
	Palazzo Foresti S.r.l.	Sole director
	Fingas S.r.l.	Sole director
Deanna Rossi	Director of BPER	
	Finprogetti S.p.A.	Director
	Fingreg S.p.A.	Chairman
	Grim S.p.A.	Sole director
Erminio Spallanzani	Director of BPER	
	Stilma S.p.A.	Managing director
	Interacciai S.p.A.	Chairman
	Inagra S.r.l.	Chairman
	Nova Stilmoil S.p.A.	Chairman
	Privata Leasing S.p.A.	Deputy chairman
	Acciaierie di Modena S.r.l.	Chairman
	Privata Invest S.r.l.	Sole director
	Fides S.r.l.	Sole director
	Gestioni Finanziarie S.r.l. (GE.FIN)	Chairman
	Interim S.r.l.	Sole shareholder and sole director
	Privata Holding S.p.A.	Sole director
	Immobiliare Le Saldine S.r.l.	Sole director
	Immobiliare Santa Maria S.r.l.	Sole director
	Centro Ferriere S.r.l. (C.F. S.r.l.)	Chairman of the board of directors
	Botteghe s.s.	Shareholder and director
	Circolo Nautico Castello dei Sogni srl	Director
	Spallanzani Erminio (sole trader)	Owner
Angelo Tantazzi	Director of BPER	
	Società Editrice Il Mulino S.p.A.	Deputy chairman of the board of directors
	Monte Titoli S.p.A.	Chairman
	Cassa di Compensazione e Garanzia S.p.A.	Chairman
	Borsa Italiana S.p.A.	Chairman
	Coesia S.p.A.	Director
	Prometeia S.p.A.	Chairman
	Advanced Capital SGR S.p.A.	Director

The members of the Board of Statutory Auditors of BPER are as follows:

Name	Title
Pier Giovanni Ascari	Chairman
Vincenzo Donelli	Auditor
Edoardo Rossini	Auditor
Paolo Simoni	Auditor
Giovanni Zanasi	Auditor
Amedeo Cazzola	Alternate Auditor
Claudio Malagoli	Alternate Auditor

## ***Employees***

As at 30 September 2008, BPER had 3,965 employees.

## **Significant events after 31 December 2007**

### **Corporate governance**

On 31 December 2007, Ettore Caselli and Sergio Iotti ceased to serve the Bank as, respectively, General Manager and Deputy General Manager. Accordingly, a new General Management team was appointed, comprising: Mimmo Guidotti, General Manager, and Luigi Odorici and Alessandro Vandelli, Deputy General Managers. These individuals are well known to and respected by many members for various reasons, including their more recent contributions. In addition to the high level of professional skill, it is worth noting that they have risen through the ranks of the Bank: they are "BPER men", trained and established within the Bank and the Group, in environments strongly permeated by our traditional values.

An important shareholders' meeting was held on 8 March 2008. The ordinary session confirmed Ettore Caselli as a director (previously co-opted), while the extraordinary session made important changes to the articles of association. A number of the clauses introduced were mentioned earlier. The modifications to the articles of association, partly made in compliance with the recent regulatory changes, were also designed to facilitate the functioning of the Bank's governing bodies.

Following the meeting of the Board of Directors of the Issuer held on 15 September 2008, the Issuer announced that following the resignation of Ruggero Benassi as Director and Deputy Chairman, who had reached the age limit laid down in the Issuer's Internal Regulations, the Board of Directors decided unanimously to appoint Fabrizio Viola as his replacement as Director.

At the same meeting, the Board unanimously decided to appoint Guido Leoni, the current Managing Director, as the third Deputy Chairman from 1 October 2008.

Mr Leoni accepted this appointment and from 1 October 2008 resigned all of the executive powers delegated to him by the Board of Directors, thereby ceasing to be Managing Director as of that date.

At the same meeting, the Board of Directors appointed Fabrizio Viola as the new Managing Director as of 1 October 2008.

### **Purchase of 36 branches of the Unicredit Group (the "Unicredit Group")**

On 27 November 2008, BPER entered into an agreement taking effect from 1 December 2008 to buy a business division consisting of 36 branches (the "**Branches**") of the Unicredit Group. This transaction is part of a sell-off of 184 branches by the Unicredit Group entered into in order to comply with certain undertakings given by the Unicredit Group to the *Autorità Garante della Concorrenza e del Mercato* (the Italian Anti Trust Authority). The branches were sold to a banking consortium that, in addition to BPER, includes Banca Popolare di

Milan, Banca Popolare dell'Etruria e del Lazio, Banca Agricola Popolare di Ragusa, Banca Carige, Credito Emiliano, Banca Popolare di S. Angelo, BCC San Giuseppe di Petralia Sottana, BCC di Lercara Freddi, BCC "G. Toniolo" di San Cataldo, BCC Don Rizzo di Alcamo and BCC di Sambuca.

The Branches acquired by BPER are located in Sicily (21 Branches), Lazio (12 Branches) and Veneto (3 Branches).

The purchase price is equal to €148.5 million, subject to adjustment based on the actual amount of deposits on the date on which the acquisition will take effect. Such purchase price represents the 12.2% of the total deposits as at 31 December 2007.

#### **Merger of Banca Popolare di Crotone S.p.A. and Banca Popolare di Materano S.p.A.**

As part of an initiative to rationalise the Group and its activities, formal approval was given to the merger of Banca Popolare di Crotone S.p.A. and Banca Popolare del Materano S.p.A. This decision, closely coordinated by BPER reflects the desire to establish a major cooperative bank in the south of Italy, with a strong presence in Calabria, Basilicata and Puglia, and excellent scope for expansion in Sicily, which will generate important synergies in terms of costs and revenues.

#### **Banca Italease S.p.A.**

The poor performance of stock markets during the last part of 2008 was particularly significant for the investment held in Banca Italease S.p.A., which is classified among the "financial assets available for sale". Following contributions by the Bank to its share of capital increases (in February 2007, €18.8 million, and in November 2007, €43.9 million), this security generated a capital loss of €193.1 million; the net reduction in reported value was therefore €130.4 million. Accordingly, the carrying amount of the 6.276 percent interest held in Banca Italease S.p.A. is €100.8 million.

The shares of Banca Italease S.p.A. have continued to fall after the end of the 2007 financial year at € 9.54; the losses to date would reduce equity reserves by about another € 48.5 million. There are however positive signs from Banca Italease S.p.A. after the negative events of recent months, with reported profits and a strategy for the future that is founded on a new three-year business plan and the start of an active search for possible strategic partners, in Italy and/or abroad. In the belief that Banca Italease S.p.A., having overcome the current difficulties, will continue to play a key role in support of the cooperative banks, on 28 February 2008 the Bank signed a new shareholders' agreement with Banco Popolare, Banca Popolare di Sondrio, Banca Popolare di Milano and Reale Mutua Assicurazioni, effectively renewing the current agreement.

#### **Mutina S.r.l.**

On 9 February 2008, there was the seventh principal reimbursement with respect to the notes issued on 20 March 2003, in an aggregate amount of € 15,118 thousand, corresponding to almost 7% of the senior securities originally issued. Also, the securities of the class C "junior" for € 3,149 thousand have been reimbursed to five originator banks (Banca Popolare

di Lanciano e Sulmona S.p.A., ex Banca Popolare di Salerno and ex Banca del Monte di Foggia S.p.A., now Banca della Campania S.p.A., Cassa di Risparmio della Provincia dell'Aquila and Banca Popolare di Crotone S.p.A. respectively).

#### **Acquisition of Banca delle Marche**

In a policy consistent with the strategy of strengthening the Group's presence throughout Italy, including where necessary, by means of an external growth, in February 2008, BPER made a binding offer for the creation of a strategic partnership with Banca delle Marche. This offer was presented to the three banking foundations that jointly control Banca delle Marche: Fondazione Cassa di Risparmio della provincia di Macerata, Fondazione Cassa di Risparmio di Pesaro and Fondazione Cassa di Risparmio di Jesi. BPER believes that this project conforms with the process of developing a major Italian banking Group founded on true federal principles, which BPER has been pursuing for a number of years.

However, on 15 July 2008, Banca Popolare dell'Emilia Romagna and the foundations that own Banca delle Marche (Fondazione Cassa di Risparmio di Jesi, Fondazione Cassa di Risparmio di Macerata and Fondazione Cassa di Risparmio di Pesaro) decided to suspend their feasibility study of a partnership between BPER and Banca delle Marche, given a significant change in market conditions.

The parties have confirmed that they continue to consider the transaction to be of strategic value and that they still share very similar strategic visions. They have, therefore, decided merely to postpone the feasibility study to a later date, when the market situation is more stable. In the meantime, the parties will continue to discuss the possibilities of cooperation in specific areas of activity.

#### **Meliorbanca**

On 23 June 2008, the Board of Directors of BPER resolved to launch a voluntary public purchase offer (the "**Offer**") for all of the outstanding ordinary shares (the "**Shares**") of Meliorbanca, which is listed on the MTA, the electronic equities market organised and run by Borsa Italiana S.p.A.

The Offer is a 100% voluntary public purchase offer made pursuant to art. 102 of the Italian Finance Consolidation Act, as amended by Decree 229 of 19 November 2007 and – until the rules and instructions foreseen by that decree come into force – the current implementation instructions contained in the Consob resolution no. 11971 of 1999, to the extent applicable.

BPER will pay each shareholder who accepts the Offer a price of € 3.20 per share in cash (the "**Offer Price**").

The Offer involves all the Shares of Meliorbanca net of the 35,647,942 Shares held, directly or indirectly, by BPER and representing 28.233% of Meliorbanca share capital.

The total price of the Offer, if all shareholders take up the Offer, will be € 289,965,670.40 (the "**Maximum Outlay**"). If BPER executes a shareholders agreement with other shareholders that hold a significant interest in Meliorbanca, which is aimed at allowing them

to remain shareholders by signing commitments not to accept the Offer pursuant to art. 122.5.d-bis of the Financial Consolidated Act, the Maximum Outlay will be proportionally reduced.

The Offer will be financed out of BPER's own funds. The payment of the Maximum Outlay would leave the BPER liquidity situation amply positive with an impact on the Group's Tier I ratio of around 47 bps. Taking account this effect, the BPER's 2008 Tier I ratio is still expected to be around 7%, assuming the conversion of around € 280 million of convertible subordinated loans maturing at the end of 2008, currently "in the money".

BPER has decided to launch this Offer in order to acquire control over Meliorbanca with a view to (i) integrating Meliorbanca into the BPER Group so as to generate significant cost and revenue synergies, and (ii) to obtain delisting of the Shares, considering that it is also in the interest of Meliorbanca for its business to be reorganised and relaunched.

In fact, BPER intends to reorganise the Meliorbanca's activities, possibly on a partnership basis, enhancing potential synergies with the Group in two specific areas, namely: (a) specialist services for SMEs (high value-added corporate lending, advisory, private equity), and (b) private banking.

BPER also intends to expand Meliorbanca's activities in these areas due to the fact that it will be able to gain access to a new distribution channel, via the BPER Group's network of more than 1,200 agencies and branches.

BPER is of the opinion that following integration of Meliorbanca as part of its banking group, it will be able to reap benefits that have been initially estimated at €45 million, made up 70% of lower costs, including the benefit deriving from a lower cost of funding.

The Bank of Italy announced on 24 October 2008 that it formally commenced its authorisation procedure on 29 September 2008, at the same time asking for further information.

On 6 August 2008, the *Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo* gave its approval for the matters concerning it, subject to authorisation from the Bank of Italy, and that, on 9 October 2008, the Competition and Market Supervisory Authority decided that it was not going to initiate an investigation into this operation.

BPER is of the opinion that the Offer could close by the end of the first quarter of 2009.

#### **Nine Monthly Interim Financial Statements**

On 14 November 2008, the Issuer published a press release announcing its consolidated interim financial statements as at 30 September 2008, an extract from which is reproduced below:

**"BPER GROUP INTERIM REPORT  
AT 30 SEPTEMBER 2008 APPROVED:  
further confirmation of the Group's solidity and profitability**

\*\*\*\*\*

- **Net interest income of €1,112.2 million, up 10.18%**
- **Net interest and other banking income of €1,400.1 million, down 0.81% (net of non-recurring items, +1.11%)**
- **Operating costs €791.3 million, up 8.46% (the comparison net of non-recurring items shows an increase of 5.61%)**
- **Net income for the period, €275.7 million, decreases by 25.29%, which net of non-recurring items comes to -16.58%**
- **Direct customer deposits €42,892.6 million (+6.87% for the nine months)**
- **Loans to customers €38,820.7 million (+9.69% for the nine months)**
- **Core Tier 1 Ratio at 30 September of 6.8%**

The Board of Directors of Banca Popolare dell'Emilia Romagna met this afternoon to review and approve the BPER Group's consolidated interim report as at 30 September 2008.

Consolidated net income for the first nine months of the year amounts to €275.7 million versus €369 at 30 September 2007; there has therefore been a drop, at Group level, of 25.29%, though this comes down to 16.58% once the positive effect of non-recurring items on the result for the first nine months of 2007 is taken into account: €38.5 million after tax.

These non-recurring items related to:

- the gains made by Banco di Sardegna and Banca di Sassari on the disposal of their interests in Banca CIS (total gains of €18.1 million); as well as by Banca Popolare di Ravenna as a result of selling its interest in Consorzio CSE (a gain of €8.7 million);
- realignment of the provision for termination indemnities in accordance with the new rules, which involved making a lower charge (€19.7 million).

Despite a particularly difficult market context, with the financial crisis getting worse and signs of a recession beginning to show, the BPER Group managed to limit the effects, turning in a 1.11% increase in net interest and other banking income, if compared net of non-recurring items.

This result was achieved with the help of high business volumes, both in loans and in deposits, given the strong support that the BPER Group provides the local economy in the various areas where it operates. Net interest income benefited from this, rising by 10.18% compared with the same period in 2007. This contribution, together with the fact that net commission income held up reasonably well, made it possible to soften the impact of the losses incurred on securities, caused by the extremely negative trend in financial markets.

Another effect of the deteriorating economic scenario has been an increase in the cost of credit, expressed in terms of rising loan loss adjustments.



Turning to the balance sheet, we would emphasise not only the positive trend in funds intermediated (deposits and loans), but also the fact that indirect deposits have held up well, being affected only by the negative trend in stock prices, and a significant increase in the positive balance of the net interbank position."

The full text of the press release is incorporated by reference into this Prospectus. See also "Documents Incorporated by Reference".

## **OVERVIEW FINANCIAL INFORMATION OF THE ISSUER**

Set out below is financial information of the Issuer which is derived from the consolidated financial statements of the Issuer as at and for the years ended 31 December 2006 and 31 December 2007 which have been audited by Deloitte & Touche S.p.A. and as at and for the six months ended 30 June 2008 which have been subject to a limited review by Pricewaterhouse Coopers S.p.A. Such financial statements, together with the audit and review reports of Deloitte & Touche S.p.A. and Pricewaterhouse Coopers S.p.A. and the accompanying notes, are incorporated by reference into this Prospectus. The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements, reports and the notes thereto. See also "Documents Incorporated by Reference".

## ANNUAL AUDITED CONSOLIDATED BALANCE SHEETS

	As at 31 December 2007	As at 31 December 2006
<b>Assets</b>	<i>(in thousands of euro)</i>	
10 Cash and balances with central banks	484,325	370,833
20 Financial assets held for trading	4,395,561	4,373,934
30 Financial assets at fair value	974,666	1,316,622
40 Financial assets available for sale	1,213,156	1,432,489
60 Due from banks	3,276,588	3,900,048
70 Loans to customers	35,390,831	31,274,014
100 Equity investments	396,565	245,323
120 Property, plant and equipment	924,344	918,880
130 Intangible assets	254,583	253,873
- including: goodwill	240,006	240,905
140 Tax assets	462,450	445,892
a) current	296,095	231,065
b) deferred	166,355	214,827
150 Non current asset and disposal groups held for sale	10,346	13,643
160 Other assets	760,618	712,081
<b>Total assets</b>	<b>48,544,033</b>	<b>45,257,632</b>

	As at 31 December 2007	As at 31 December 2006
<i>Notes</i>		
<b>Equity and Liabilities</b>	<i>(in thousands of euro)</i>	
10 Due to banks	2,104,978	1,729,437
20 Due to customers	26,513,502	25,482,850
30 Debt securities in issue	12,496,233	10,504,892
40 Financial liabilities held for trading	136,966	199,690
50 Financial liabilities at fair value	1,125,612	1,377,862
80 Tax liabilities	363,618	375,174
a) current	315,160	299,382
b) deferred	48,458	75,792
100 Other liabilities	1,323,256	1,151,227
110 Provision for termination indemnities	232,696	271,029
120 Provisions for risks and charges:	315,729	327,537
a) pensions and similar commitments	167,643	159,416
b) other provisions	148,086	168,121
140 Revaluation reserves	220,052	448,391
160 Equity instruments	-	24,121
170 Reserves	1,350,357	1,101,634
180 Share premium reserve	341,353	317,010
190 Share capital	757,458	749,433
200 Treasury shares	(75,423)	(34,829)
210 Shareholders' equity pertaining to minority interests	963,191	885,343
220 Net income (loss) for the year	374,455	346,831
<b>Total equity and liabilities</b>	<b>48,544,033</b>	<b>45,257,632</b>

# ANNUAL AUDITED CONSOLIDATED INCOME STATEMENTS

		As at 31 December 2007	As at 31 December 2006
		(in thousands of euro)	
10	Interest and similar income	2,485,190	1,967,213
20	Interest and similar expense	(980,258)	(681,611)
30	<b>Net interest income</b>	<b>1,504,932</b>	<b>1,285,602</b>
40	Commission income	505,822	501,731
50	Commission expense	(53,977)	(58,327)
60	<b>Net commission income</b>	<b>451,845</b>	<b>443,404</b>
70	Dividends and similar income	22,172	19,127
80	Net trading income	(102,143)	(59,559)
100	Gains/losses on disposal or repurchase of:	39,345	63,779
	(a) loans and advances	(5)	54
	(b) financial assets available for sale	40,032	62,636
	(c) financial assets held to maturity	-	-
	(d) financial liabilities	(682)	1,089
110	Net change in value of financial assets and liabilities at fair value	(17,671)	16,016
120	<b>Net interest and other banking income</b>	<b>1,898,480</b>	<b>1,768,369</b>
130	Net impairment adjustments to:	(138,736)	(129,201)
	(a) loans and advances	(140,819)	(129,372)
	(b) financial assets available for sale	(19)	(57)
	(c) financial assets held to maturity	-	-
	(d) other financial assets	2,102	228
140	<b>Net income from financial activities</b>	<b>1,759,744</b>	<b>1,639,168</b>
180	Administrative costs:	(1,108,866)	(1,058,320)
	(a) payroll	(677,855)	(653,197)
	(b) other administrative costs	(431,011)	(405,123)
190	Net allowances for risks and charges	(20,544)	(39,618)
200	Net adjustments to property, plant and equipment	(38,840)	(38,874)
210	Net adjustments to intangible assets	(6,689)	(6,069)
220	Other operating charges/income	186,091	161,993
230	<b>Operating costs</b>	<b>(988,848)</b>	<b>(980,888)</b>
240	Share of results of subsidiaries and associates	27,139	22,652
260	Adjustments to goodwill	(947)	(1,213)
270	Gains (losses) on disposal of investments	1,471	2,289
280	Profit (loss) from current operations before tax	798,559	682,008
290	Income taxes on current operations	(330,491)	(265,614)
300	<b>Profit (loss) from current operations after tax</b>	<b>468,068</b>	<b>416,394</b>
320	<b>Net income (loss) for the year</b>	<b>468,068</b>	<b>416,394</b>
330	Net income (loss) for the year pertaining to minority interests	(93,613)	(69,563)
340	<b>Net income (loss) for the year attributable to the Parent Bank</b>	<b>374,455</b>	<b>346,831</b>

## HALF YEARLY CONSOLIDATED BALANCE SHEETS

		As at 30 June 2008	As at 31 December 2007	Change	% Change
<b>Assets</b>			<i>(in thousands of euro)</i>		
10	Cash and balances with central banks	439,597	484,325	(44,728)	-9.24
20	Financial assets held for trading	4,558,020	4,395,561	162,459	3.70
30	Financial assets at fair value	863,344	974,666	(111,322)	-11.42
40	Financial assets available for sale	1,127,988	1,213,156	(85,168)	-7.02
60	Due from banks	2,543,721	3,276,588	(732,867)	-22.37
70	Loans to customers	38,305,334	35,390,831	2,914,503	8.24
80	Hedging derivatives	2,154	0	2,154	-
100	Equity investments	367,551	396,565	(29,014)	-7.32
120	Property, plant and equipment	928,316	924,344	3,972	0.43
130	Intangible assets	256,553	254,583	1,970	0.77
	- of which: goodwill	239,810	240,006	(196)	-0.08
140	Tax assets	334,048	462,450	(128,402)	-27.77
	a) current	143,748	296,095	(152,347)	-51.45
	b) deferred	190,300	166,355	23,945	14.39
150	Non-current asset and disposal groups held for sale	8,000	10,346	(2,346)	-22.68
160	Other assets	826,752	760,618	66,134	8.69
<b>Total assets</b>		<b>50,561,378</b>	<b>48,544,033</b>	<b>2,017,345</b>	<b>4.16</b>

		As at 30 June 2008	As at 31 December 2007	Change	% Change
<i>Notes</i>					
<b>Equity and Liabilities</b>			<i>(in thousands of euro)</i>		
10	Due to banks	2,864,148	2,104,978	759,170	36.07
20	Due to customers	26,668,586	26,513,502	155,084	0.58
30	Debt securities in issue	13,525,226	12,496,233	1,028,993	8.23
40	Financial liabilities held for trading	56,779	136,966	(80,187)	58.55
50	Financial liabilities at fair value	1,088,761	1,125,612	(36,851)	-3.27
60	Hedging derivatives	197,487	0	197,487	-
80	Tax liabilities	185,753	363,618	(177,865)	-48.92
	a) current	145,942	315,160	(169,218)	-53.69
	b) deferred	39,811	48,458	(8,647)	-17.84
100	Other liabilities	1,547,909	1,323,256	224,653	16.98
110	Provision for termination indemnities	226,197	232,696	(6,499)	-2.79
120	Provisions for risks and charges:	326,751	315,729	11,022	3.49
	a) pensions and similar commitments	173,920	167,643	6,277	3.74
	b) other provisions	152,831	148,086	4,745	3.20
140	Revaluation reserves	149,238	220,052	(70,814)	-32.18
170	Reserves	1,587,413	1,350,357	237,056	17.56
180	Share premium reserve	341,305	341,353	(48)	-0.01
190	Share capital	757,458	757,458	-	0.00
200	Treasury shares	(81,496)	(75,423)	(6,073)	8.05
210	Entity attributable to minority interests	971,930	963,191	8,739	0.91
220	Net income (loss) for the period	147,933	374,455	(226,522)	-60.49
<b>Total equity and liabilities</b>		<b>50,561,378</b>	<b>48,544,033</b>	<b>2,017,345</b>	<b>4.16</b>

## HALF YEARLY CONSOLIDATED INCOME STATEMENTS

		As at 30 June 2008	As at 30 June 2007	Change	% Change
		(in thousands of euro)			
10	Interest and similar income	1,388,574	1,165,757	222,817	19.11
20	Interest and similar expense	(685,860)	(502,984)	(155,876)	30.99
30	<b>Net interest income</b>	<b>729,714</b>	<b>662,773</b>	<b>66,941</b>	<b>10.10</b>
40	Commission income	242,504	244,670	(2,166)	-0.89
50	Commission expense	(23,640)	(24,912)	1,272	-5.11
60	<b>Net commission income</b>	<b>218,864</b>	<b>219,758</b>	<b>(894)</b>	<b>-0.41</b>
70	Dividends and similar income	14,452	17,007	(2,555)	-15.02
80	Net trading income	(14,758)	18,187	(32,945)	-181.15
90	Net hedging gains (losses)	(251)	-	(251)	-
100	Gains/losses on disposal or repurchase of:	7,450	28,794	(21,344)	-74.13
	(a) loans and advances	-	-	-	-
	(b) financial assets available for sale	6,230	30,656	(24,426)	-79.68
	(c) financial liabilities	1,220	(1,862)	3,082	-165.52
110	Net change in value of financial assets and liabilities at fair value	(35,378)	4,695	(40,073)	-853.53
120	<b>Net interest and other banking income</b>	<b>920,093</b>	<b>951,214</b>	<b>(31,121)</b>	<b>-3.27</b>
130	Net impairment adjustments to:	(98,951)	(65,322)	(33,629)	51.48
	(a) loans and advances	(96,539)	(64,376)	(32,163)	49.96
	(b) financial assets available for sale	(7)	(12)	5	
	(c) other financial assets	(2,405)	(934)	(1,471)	157.49
140	<b>Net income from financial activities</b>	<b>821,142</b>	<b>885,892</b>	<b>(64,750)</b>	<b>-7.31</b>
180	Administrative costs:	(580,142)	(531,350)	(48,792)	9.18
	(a) payroll	(355,279)	(320,219)	(35,060)	10.95
	(b) other administrative costs	(224,863)	(211,131)	(13,732)	6.50
190	Net allowances for risks and charges	(9,441)	(17,040)	7,599	-44.60
200	Net adjustments to property, plant and equipment	(19,255)	(19,053)	(202)	1.06
210	Net adjustments to intangible assets	(2,775)	(3,030)	255	-8.42
220	Other operating charges/income	86,925	89,098	(2,173)	-2.44
230	<b>Operating costs</b>	<b>(524,688)</b>	<b>(481,375)</b>	<b>(43,313)</b>	<b>9.00</b>
240	Share of results of subsidiaries and associates	2,234	5,924	(3,690)	-62.29
260	Adjustments to goodwill	(196)	(414)	218	-52.66
270	Gains (losses) on disposal of investments	900	828	72	8.70
280	<b>Profit (loss) from current operations before tax</b>	<b>299,392</b>	<b>410,855</b>	<b>(111,463)</b>	<b>-27.13</b>
290	Income taxes for the period on current operations	(111,453)	(158,127)	46,674	-29.52
300	<b>Profit (loss) from current operations after tax</b>	<b>187,939</b>	<b>252,728</b>	<b>(64,789)</b>	<b>-25.64</b>
320	<b>Net income (loss) for the period</b>	<b>187,939</b>	<b>252,728</b>	<b>(64,789)</b>	<b>-25.64</b>
330	Net income (loss) for the period pertaining to minority interests	(40,006)	(54,940)	14,934	-27.18
340	<b>Net income (loss) for the period pertaining to the Parent Bank</b>	<b>147,933</b>	<b>197,788</b>	<b>(49,855)</b>	<b>-25.21</b>

## TAXATION

*The following is a general summary of certain tax consequences in Italy of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon tax laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.*

*Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

### ITALY

#### ***Tax Treatment of interest and other proceeds under the Notes***

Pursuant to Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as amended and restated, and pursuant to Article 44, (2)(c) of Presidential Decree No. 917 of 22 December 1986 ("**Decree No. 917**"), in general, interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of notes that qualify as "bonds" or "debentures similar to bonds" ("*obbligazioni*" or "*titoli similari alle obbligazioni*") for Italian tax purposes and are issued by Italian banks or listed companies (i.e., the so called "*grandi emittenti*") may be subject to an Italian substitute tax, depending on the legal status of the beneficial owner of such interest and other proceeds. Both (i) "bonds", which are the securities qualifying as "*obbligazioni*" pursuant to Art. 2410-et seq. of the Italian Civil Code, and (ii) other securities - defined as "debentures similar to bonds" by Art. 44(2)(c) of Decree No. 917, which incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the relevant issuer or of the business in relation to which they are issued, are included in the category of "bonds and debentures similar to bonds" referred to in Decree No. 239, subject to the tax regime regulated therein. The Italian tax authorities have clarified (Revenue Agency Circular No. 4/E of 18 January 2006) that bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of the issuing company or to the liquidation thereof, if the company has been set-up with an undetermined maturity pursuant to Article 2328 (2), No. 13, of the Italian Civil Code.

#### ***Italian Resident Noteholders—Applicability of the Imposta Sostitutiva***

Under Decree No. 239, payments of interest and other proceeds (including the original issue discount, if any) in respect of the Notes to Italian resident beneficial owners (either when interest and other proceeds are paid or when payment thereof is obtained by a beneficial owner on a transfer of the Notes) are subject to a final substitute tax (the "**Imposta**

*Sostitutiva*") currently at a 12.5 per cent rate in the Republic of Italy if made to Italian resident beneficial owners that are:

- (i) private individuals holding the Notes not in connection with an entrepreneurial activity (unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the regime provided for by Article 7 of Legislative Decree No. 461 of 21 November 1997, so called "asset management option" or "*Risparmio Gestito*");
- (ii) partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), de facto partnerships not carrying out commercial activities and professional associations;
- (iii) public and private entities, other than companies, not carrying out commercial activities as their exclusive or principal activity; and
- (iv) entities exempt from corporate income tax.

Prospective purchasers of the Notes should note that, based on Conditions 9(a)(ii) (*Taxation - Gross up*) and 9(a)(iv) (*Taxation - Gross up*) of the Terms and Conditions of the Notes, the Issuer will not be obliged to pay any additional amounts in relation to the *Imposta Sostitutiva* applied on payments of interest or other proceeds in respect of the Notes to Italian resident beneficial owners.

In case the Notes are held by an individual or by an entity indicated above under (iii), in either case in connection with an entrepreneurial activity, interest and other proceeds relating to the Notes are subject to the *Imposta Sostitutiva* and have to be included in the relevant beneficial owner's income tax return. As a consequence, interest and other proceeds are subject to the ordinary income tax and the *Imposta Sostitutiva* may be recovered as a deduction from the income tax due.

The 12.5 per cent *Imposta Sostitutiva* is applied by the Italian resident qualified financial intermediaries provided by law (including banks, *società di intermediazione mobiliare* (or "**SIM**"), fiduciary companies, *società di gestione del risparmio* (or "**SGR**"), stock brokers and other qualified entities expressly indicated in Ministerial Decrees, as well as permanent establishments in the Republic of Italy of banks or intermediaries resident outside the Republic of Italy—collectively referred to as "**Intermediaries**" and each as an "**Intermediary**") that intervene, in any way, in the collection of interest and other proceeds on the Notes or, also as transferee, in the transfer of the Notes. If the Notes are not deposited with any qualified Intermediary, *Imposta Sostitutiva* is applied and withheld by any Italian intermediary (including a permanent establishment in Italy of a foreign entity) paying interest to a beneficial owner.

If interest and other proceeds on the Notes are not collected through the intervention of an Italian resident intermediary and as such no *Imposta Sostitutiva* is levied, the Italian resident beneficial owners listed above under (i) to (iv) are required to include interest and other



proceeds in their annual income tax return and subject them to final substitute tax currently at a rate of 12.5 per cent, unless an option is allowed and made for a different regime.

***Italian Resident Noteholders—Imposta Sostitutiva Not Applicable***

Pursuant to Decree No. 239, payments of interest and other proceeds (including the original issue discount) in respect of the Notes to Italian resident beneficial owners are not subject to the *Imposta Sostitutiva* if made to beneficial owners that are:

- (i) Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the *Risparmio Gestito*;
- (ii) Italian resident collective investment funds and SICAVs and pension funds referred to in Legislative Decree No. 252 of 5 December 2005;
- (iii) Italian resident real estate investment funds;
- (iv) Italian resident corporations or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected;
- (v) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, even de facto, carrying out a commercial activity; or
- (vi) public and private entities, other than companies, carrying out commercial activities and holding the Notes in connection with the same commercial activities.

If the Notes are part of an investment portfolio managed on a discretionary basis by an Italian authorised intermediary and the beneficial owner of the Notes has opted for the *Risparmio Gestito*, an annual substitute tax at a rate of 12.5 per cent applies on the increase in value of the managed assets accrued, even if not realized, at the end of each tax year (which increase includes interest, premium and other proceeds accrued on Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Italian resident collective investment funds and SICAVs are generally subject to a 12.5 per cent annual substitute tax (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on the Notes).

Italian resident pension funds subject to the regime provided by Legislative Decree No. 252 of 5 December 2005, are subject to an 11% annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on Notes).

Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the "**Italian Finance Act**") are not subject to any taxation at the fund level on payments under the Notes.

Interest and other proceeds on the Notes accrued to (a) Italian resident corporations or to permanent establishments in the Republic of Italy of foreign companies to which the Notes are effectively connected, (b) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* or similar partnerships carrying out a commercial activity; and (c) Italian resident public and private entities, carrying out commercial activities and holding the Notes in connection with the same commercial activities, generally are included in the taxable business income for income tax purposes (and, in certain cases, depending on the status of the Noteholder, may also be included in the taxable net value of production for purposes of regional tax on productive activities, IRAP) of such beneficial owners, subject to tax in the Republic of Italy in accordance with ordinary tax rules.

To ensure payment of interest and other proceeds in respect of the Notes without application of the *Imposta Sostitutiva*, where allowed, investors indicated herein under (i) to (vi) above must be the beneficial owners of payments of interest and other proceeds on the Notes and must timely deposit the Notes, together with the coupons relating to such Notes, directly or indirectly, with an Italian authorised financial intermediary (including non-resident entities and companies that participate in a centralised management system of securities and hold a direct relationship with the Ministry of Economy and Finances—Revenues Agency).

#### ***Non-Italian Resident Noteholders***

Pursuant to Decree No. 239 payments of interest and other proceeds in respect of the Notes are not subject to the *Imposta Sostitutiva* if made to non-Italian resident beneficial owners of the Notes with no permanent establishment in the Republic of Italy to which the Notes are effectively connected, provided that:

- (a) they are resident in a country which allows an adequate exchange of information. With reference to this condition, according to Ministerial Decree of 12 December 2001, and to Art. 1, paragraphs 83(n), and 88 of Law No. 244 of 24 December 2007, the current list of the countries allowing an adequate exchange of information is that contained in the Ministerial Decree of 4 September 1996, as subsequently amended and supplemented. The exemption from the *Imposta Sostitutiva* also applies to (i) non resident "institutional investors" (i.e., entities whose activity consists in making or managing investments on their own behalf or on behalf of other persons, as defined by the Revenue Agency Circular No. 23/E of 1 March 2002), even if they are not treated as taxpayers in their country of residence, but provided that they are located in a country which allows an adequate exchange of information (and subject to certain other conditions mentioned in Circular No. 23/E, quoted, and in Revenue Agency Circular No. 20/E of 27 March 2003), (ii) international organisations created pursuant to international treaties that are effective in the Republic of Italy, and (iii) central banks or entities managing also the official reserves of the State;
- (b) the Notes are deposited directly or indirectly: (i) with a bank or an Italian securities dealing firm (SIM) resident in the Republic of Italy, (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance, or (iii) with a non-

resident entity or company which has an account with a centralised clearance and settlement system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finances; or (iv) with a centralised managing company of financial instruments, authorised in accordance with Article 80 of the Italian Finance Act;

- (c) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner of the interest which states that the beneficial owner is a resident of that country. The self-declaration, which must be in conformity with the model approved by Decree of the Ministry of Economy and Finances of 12 December 2001 (published in the Ordinary Supplement No. 287 to the Official Gazette No. 301 of 29 December 2001), is valid until revoked by the investor and does not have to be filed if an equivalent self-declaration (including Form 116/IMP) has been submitted to the same intermediary for the same or different purposes; in the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company; and
- (d) the banks or brokers mentioned in (b) and (c) above receive all necessary information to identify the non-resident beneficial owner of the deposited debt securities, and all necessary information in order to determine the amount of interest that such beneficial owner is entitled to receive.

Non-resident holders are subject to the *Imposta Sostitutiva* currently at the rate of 12.5 per cent on interest and other proceeds on the Notes if any of the above conditions (a), (b), (c) or (d) are not satisfied.

### ***Early Redemption***

Without prejudice to the above provisions, in the event that the Notes are redeemed, in full or in part, prior to eighteen months from their date of issue, the Issuer is required to pay an additional amount equal to 20% of the interest, premium and other proceeds accrued up to the time of the early redemption. In accordance with one interpretation of Italian fiscal law, in the event of a purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the issue date, this 20% additional amount may also be due.

### ***Capital Gains Tax***

#### ***Capital Gains Realised by Italian Resident Noteholders***

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in the Republic of Italy according to the relevant tax provisions, if realised by Noteholders that are:

- Italian resident corporations;

- Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, even de facto, carrying on a commercial activity;
- permanent establishments in the Republic of Italy of foreign corporations to which the Notes, are effectively connected;
- Italian resident individuals carrying out a commercial activity, as to any capital gains realized within the scope of the commercial activity carried out; or
- public or private entities, other than companies, carrying out commercial activities, holding the Notes in connection with the same commercial activities.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *Imposta Sostitutiva* at the current rate of 12.5 per cent. Under the so called "tax return regime" ("*Regime della dichiarazione*"), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, *Imposta Sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss, realised by Italian resident individual holders of Notes holding the Notes not in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding the Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed for such year and pay the *Imposta Sostitutiva* on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax return regime, Italian resident individual Noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay a 12.5 per cent *Imposta Sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*Risparmio Amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. Under the *Risparmio Amministrato* regime, the financial intermediary is responsible for accounting for the *Imposta Sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, by deducting a corresponding amount from proceeds to be credited to the Noteholder.

Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains of the same kind subsequently realised within the same relationship of deposit in the same tax year or in the following tax

years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains accrued on Notes held not in connection with entrepreneurial activity by Italian resident individuals who have elected for the *Risparmio Gestito* will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the *Risparmio Gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *Risparmio Gestito*, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

In the case of Notes held by Italian resident collective investment funds or SICAVs, capital gains on the Notes are included in the computation of the taxable basis of the Collective Investment Fund Tax.

In the case of Notes held by Italian resident pension funds subject to the regime provided by Articles 14, 14 ter and 14 quater, paragraph 1, of Legislative Decree No. 252 of 5 December 2005, capital gains on the Notes are included in the computation of the taxable basis of the Pension Fund Tax.

#### **Capital Gains Realised by Non-Italian Resident Noteholders**

Capital gains realised by beneficial owners who are not resident in the Republic of Italy for tax purposes from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are held outside the Republic of Italy.

However, pursuant to Article 23(1)(f) of Decree No. 917, any capital gains realised through the sale for consideration or redemption of the Notes by non-Italian residents without a permanent establishment in the Republic of Italy to which the Notes are effectively connected are exempt for taxation in the Republic of Italy to the extent that the Notes are listed on a regulated market (as defined in the EC Directive No. 2004/39/EC) in the Republic of Italy or abroad and, in certain cases, subject to timely filing of documentation stating that the holder is not resident in the Republic of Italy, even if the Notes are held in the Republic of Italy and regardless of the provisions set forth by any applicable double tax treaty.

#### ***Italian Inheritance and Gift Tax***

The Italian regime of inheritance and gift tax is provided by the combined disposal of Law Decree No. 262 of 3 October 2006 ("**Law Decree No. 262**"), as converted, with amendments, by Law No. 286 of 24 November 2006, Law No. 296 of 27 December 2006 and Legislative Decree No. 346 of 31 October 1990.

Under such rules, subject to certain exceptions, Italian inheritance and gift tax shall generally be payable on transfers of assets and rights (including the Notes) (i) by reason of death of Italian residents or donations by Italian residents, even if the transferred assets are held

outside Italy and (ii) by reason of death of non-Italian residents or donations by non-Italian residents, if the transferred assets are held in Italy.

Pursuant to Law Decree No. 262, transfers of assets and rights on death or by gift shall generally be subject to inheritance and gift tax:

- at a rate of 4 per cent. in case of transfers made to the spouse or relatives in direct line, on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, €1,000,000;
- at a rate of 6 per cent. in case of transfers made to relatives within the fourth degree or relatives in law within the third degree (in case of transfers to brothers or sisters, the 6 per cent. rate is applicable only on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, €100,000); and

at a rate of 8 per cent. in any other case.

### ***Transfer Taxes***

Law Decree No. 248 of December 31 2007, converted into Law No. 31 of 28 February 2008 ("**Decrete No. 248**"), has repealed the Italian transfer tax on the transfer of securities (so-called "*tassa sui contratti di borsa*"), previously applicable, *inter alia*, to the transfer of bonds or similar securities issued by Italian resident entities.

Based on Art. 11 of the Tariff (Part I) enclosed to Presidential Decree No. 131 of April 26, 1986 and to Art. 2 of the same Tariff (Part II), and acts, agreements and deeds regulating the transfer of Notes may be subject, in certain case, to Italian registration tax in a lump sum of €168.00

## **LUXEMBOURG TAXATION**

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

### ***Withholding Tax***

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or

deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC) and agreements concluded with certain dependant or associated territories providing for the possible application of a withholding tax (15 per cent. from 1 July 2005 to 30 June 2008, 20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see, paragraph "EU Savings Tax Directive" above). For a transitional period, however, Luxembourg introduced an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of the procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner;
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which introduced a 10 per cent. final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive). This law applies to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

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

#### **EUROPEAN SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), EU member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) made by a person within its jurisdiction to an individual resident in that other member state. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting taxes at rates rising over time at 35 per cent. The ending of such transitional period will depend upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including, inter alia, Switzerland, have agreed to adopt similar measures (which will be a withholding system in the case of Switzerland) with effect from the same date.

The Republic of Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU

member state, Italian qualified paying agents (i.e. banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information shall be transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

With reference to the definition of interest subject to the above described communication regime, Art. 2(1)(a) of Decree No. 84 makes reference, inter alia, to: "interest paid or credited, on accounts arising from receivables of whatever nature, secured or not by mortgage..., in particular interest and any other proceed, arising from public bonds and other bonds...".

Noteholders who are individuals and receive interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 9 (*Taxation*) above would not be due in respect of withholding tax imposed under or pursuant to the EU Savings Directive, or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the EU Savings Directive in their particular circumstances.

#### **Tax monitoring obligations**

Pursuant to Law Decree No. 167 of 28 June 1990, individuals, non-profit entities and certain partnerships (in particular, *società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy are required to report in their yearly income tax declaration, for tax monitoring purposes:

- (a) the amount of securities (including the Notes) held abroad at the end of each tax year, if exceeding in the aggregate €10,000;
- (b) the amount of any transfers from abroad, sent abroad and occurred abroad, related to such securities, occurred during each tax year, if exceeding in the aggregate €10,000. This also in the case that at the end of the tax year the securities are no longer held by such mentioned investors.

The aforementioned persons are, however, not required to comply with the above reporting requirements in respect of securities deposited for management with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, upon condition that the items of income derived from such securities are collected through the intervention of the same intermediaries.



## **SUBSCRIPTION AND SALE**

BNP PARIBAS (in its capacity as Lead Manager) has, in a subscription agreement dated 23 December 2008 (the "**Subscription Agreement**") and made between the Issuer and the Lead Manager upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount, less commission. The Issuer has also agreed to reimburse the Lead Manager for certain of the expenses incurred in connection with the management of the issue of the Notes. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

The Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, the Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

The Lead Manager has represented that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute copies of the Prospectus or any other document relating to the Notes in the Republic of Italy except in circumstances where an express exemption from compliance with the solicitation restriction applies, as provided under Decree No. 58 or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, Legislative Decree No. 58 of 24 February 1998 and, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### **General**

The Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

## **GENERAL INFORMATION**

### **Authorisations**

The creation and the issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 22 December 2008.

### **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for the Notes are as follows:

**ISIN:** XS0406618321

**Common Code:** 040661832

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Listing and admission to trading**

Application has been made for the Notes issued under this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

### **Litigation**

Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings against or affecting the Issuer, its subsidiaries or any of their respective assets, nor is the Issuer aware of any pending or threatened proceedings of such kind during the 12 months before the date of this Prospectus, which may have, or had in the recent past, significant effects on the Issuer's or the BPER Group's financial position or profitability or which are or might be material in the context of the issue of the Notes.

### **No significant change to financial or trading position**

Save as otherwise disclosed in this Prospectus and since 30 June 2008 there has been no significant change, or any development reasonably likely to involve a significant change, in the financial condition, trading position or general affairs of the Issuer or any of its Subsidiaries.

### **Material adverse change**

There has been no material adverse change in the prospects of the Issuer or the BPER Group since 31 December 2007.

### **Trend information**

Save as disclosed in this Prospectus, the Issuer is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for the current financial year since 31 December 2007, the date of the last published audited financial statements of the Issuer.

### **Material contracts**

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in the Issuer or any other BPER Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to security holders in respect of the securities being issued.

### **Change in control**

There are no arrangements known to the Issuer the operation of which may result in a change of control of the Issuer other than as described herein.

### **Documents available for inspection**

For so long as the Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Paying Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Subscription Agreement; and
- (d) the by-laws of the Issuer.

### **Documents available**

For so long as the Notes are outstanding, copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the specified office of each Paying Agent, namely:

- (a) a copy of this Prospectus (including any supplement to this Prospectus);
- (b) the audited consolidated annual financial statements of the Issuer for the years ended 31 December 2006 and 2007;
- (c) the half-yearly consolidated financial reports of the Issuer as at and for the six months ended 30 June 2008; and
- (d) the most recent available unaudited consolidated interim financial statements of the Issuer, if published.

The Prospectus will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **Auditors**

The auditors of the Issuer are Pricewaterhouse Coopers S.p.A. who are registered on the special register of accounting firms held by CONSOB and are a member of the Italian Society of Auditors (ASSIREVI).

Until June 2008 the auditors of the Issuer were Deloitte & Touche S.p.A., who independently audited the Issuer's annual financial statements, without qualification, and have confirmed that such accounts give a true and fair view of the financial condition of the Issuer in accordance with the generally accepted auditing standards in Italy for the financial periods ended 31 December 2007 and 31 December 2006. Deloitte & Touche S.p.A. is registered in the CONSOB (the public authority responsible for regulating the Italian securities market) register of auditing firms, and is a member of the Italian Society of Auditors (ASSIREVI).

The Issuer's financial statements at 31 December 2007 were audited by Deloitte & Touche S.p.A., which had been given a 3-year mandate for the 2005-2007 period by the General Shareholders' Meeting of 14 May 2005, according to Italian Law Decree No. 58 of 24 February 1998.

## **Declaration of the manager responsible for preparing the Issuer's financial reports**

The Lead Manager responsible for preparing the Issuer's financial reports, Mr. Emilio Annovi, declares pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance<sup>3</sup>, that the accounting information of Banca Popolare dell'Emilia Romagna s.c. and the consolidated accounting information of BPER Group contained in this Prospectus correspond to the document results, books and accounting records.

## **Potential conflicts of interest**

Save for the commission payable to the Lead Manager (for further detail, see "Subscription and Sale" above), there are no interests, conflicting or otherwise, of natural and legal persons involved in the issue of the Notes that are material to the issue of the Notes.

## **Legend**

The Notes and any Coupons appertaining thereto will bear a legend to the following effect: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

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<sup>3</sup> Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

**THE ISSUER**

**Banca Popolare dell'Emilia Romagna s.c.**

8/20, Via San Carlo

41100 Modena

Italy

**FISCAL AGENT, PAYING AGENT AND CALCULATION AGENT**

**BNP PARIBAS Securities Services, Luxembourg Branch**

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L-2085 Luxembourg

**LEGAL ADVISERS**

*To the Lead Manager as to Italian and English law*

**Clifford Chance**

**Studio Legale Associato**

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**AUDITORS TO THE ISSUER**

**PricewaterhouseCoopers S.p.A.**

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Italy

**LISTING AGENT**

**BNP PARIBAS Securities Services, Luxembourg Branch**

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L-2085 Luxembourg