

Base Prospectus



BANCA POPOLARE DELL'ALTO ADIGE VOLKSBANK Soc. Coop. per azioni
(incorporated with limited liability as a società cooperativa per azioni under the laws of the Republic of Italy)

€1,000,000,000

Euro Medium Term Note Programme

This document has been approved as a base prospectus (the "**Base Prospectus**") issued in compliance with Directive 2003/71/EC (the "**Prospectus Directive**") by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 which implements the Prospectus Directive in Luxembourg. Application has been made by Banca Popolare dell'Alto Adige Volksbank Soc. Coop. per azioni ("**Banca Popolare Alto Adige**" or the "**Issuer**") for notes ("**Notes**") issued under the €1,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (each such regulated market being a "**Regulated Market**"). The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

There are certain risks relating to the Issuer and the Notes which potential investors should ensure they fully understand. See "Risk Factors" on page 9.

As more fully set out in "Taxation", payments of interest, premium and other income on Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) are subject in principle to a 12.5 per cent. substitutive tax (referred to as the *imposta sostitutiva*), in certain circumstances. In order to obtain exemption from the *imposta sostitutiva* in respect of payments of interest, premium or other income relating to the Notes, each Noteholder not resident in the Republic of Italy is generally required to certify, *inter alia*, that such Noteholder is eligible for the exemption, as more fully set out in "Taxation". Payments of interest, premium and other income on Notes with an original maturity of less than 18 months or qualifying as atypical securities (*titoli atipici*) are subject to a withholding tax at the rate of 27 per cent. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

Pursuant to the Programme, the Issuer may from time to time issue Notes in bearer form denominated in any currency agreed between the Issuer and one or more of the dealers named on page 3 and any additional dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"). Notes admitted to trading on a Regulated Market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will not have a denomination of less than €50,000 (or its equivalent in other currencies calculated as described herein). The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €1,000,000,000 (or its equivalent in other currencies calculated as described herein).

Arranger

NATIXIS

Dealers

Banca IMI
Barclays Capital
DZ BANK AG

Banca Popolare dell' Alto Adige S.c.p.a.
BNP PARIBAS
MPS Capital Services

Natixis

15 July 2010

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IMPORTANT NOTICES

This document constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this document and, to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuer has confirmed to the Dealers that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale 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, expectations or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) 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 Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented 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, prospects or general affairs of the Issuer or any of its subsidiaries since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus may only be used for the purposes for which it has been published. The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "Subscription and Sale".

In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (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.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and none of them should be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), business, prospects or general affairs of the Issuer and its subsidiaries.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €1,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes, calculated in accordance with the provisions of the Dealer

Agreement (as defined under "Subscription and Sale")). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In this Base Prospectus, unless otherwise specified: references to a "**Condition**" are to the correspondingly numbered provision set forth in "Terms and Conditions of the Notes"; references to "€", "EUR" or "euro" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended; references to "U.S.\$", "U.S. dollars" or "dollars" are to the lawful currency for the time being of the United States; references to "£" and "Sterling" are to the lawful currency for the time being of the United Kingdom; and references to "**billions**" are to thousands of millions.

Certain figures included in this Base 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.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

MARKET INFORMATION AND STATISTICS

Unless otherwise indicated, information and statistics presented in this Base Prospectus regarding the market share of the Issuer are either derived from, or are based upon, the Issuer's analysis of data obtained from public sources. Although these sources are believed by the Issuer to be reliable, the Issuer has not independently verified such information.

GENERAL DESCRIPTION OF THE PROGRAMME

This section is a general description of the Programme, as provided under Article 22.5(3) of Regulation (EC) 809/2004. This description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in the Base Prospectus have the same meaning in this description.

Issuer:	Banca Popolare dell'Alto Adige Volksbank Soc. Coop. per azioni
Arranger:	Natixis
Dealers:	Banca IMI S.p.A., Banca Popolare dell'Alto Adige Volksbank Soc. Coop. per azioni, Barclays Bank PLC, BNP Paribas, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (" DZ Bank AG "), MPS Capital Services Banca per le Imprese S.p.A. and Natixis and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent and Luxembourg Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Listing, Approval and Admission to Trading:	The CSSF has approved this Base Prospectus as a base prospectus in compliance with the Prospectus Directive. Application has also been made for Notes issued under the Programme to be listed on the official list of and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading (as the case may be) on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to each Series. Notes may also be issued which are neither listed nor admitted to trading on any market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to €1,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes may be issued on a syndicated or non-syndicated basis and will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects, save that a Tranche may comprise Notes of different denominations.
Final Terms:	Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, completes the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed and/or amended by the relevant Final Terms. In addition, where the Issuer agrees with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "Form of Final Terms", a drawdown prospectus will be made available and will describe the effect of the agreement in relation to such Notes.

Forms of Notes:

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is specified in the relevant Final Terms as a Classic Global Note (each a "**Classic Global Note**" or "**CGN**") will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is specified in the relevant Final Terms as a New Global Note (each a "**New Global Note**" or "**NGN**") will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. New Global Notes are intended to be held in a manner which would allow Eurosystem eligibility, such eligibility depending upon satisfaction of the Eurosystem eligibility criteria.

Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies:

Notes may be denominated in euro, U.S. dollars or Sterling or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes:

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

(i) Status of the Senior Notes:

Senior Notes constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 4(c) (*Negative Pledge*)) unsecured obligations of the Issuer which will rank at all times *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for any such obligations as may be preferred by mandatory provisions of law. See Condition 4 (*Status of Senior Notes and Negative Pledge*).

(ii) Status of the Subordinated Notes:

Subject to the provisions of Condition 5, Subordinated Notes (Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes, as the case may be) all constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves, all as described in Condition 5 (*Status and Special Provisions of Subordinated Notes*) and the relevant Final Terms.

In the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, the payment obligations of the Issuer in respect of principal and interest under Subordinated Notes and any related Receipts and Coupons will rank in right of payment (A) after

unsubordinated unsecured creditors (including depositors and any holder of Senior Notes) of the Issuer (B) but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer, all as described in Condition 5 (*Status and Special Provisions of Subordinated Notes*).

Deferral and reduction of payments under Subordinated Notes:

The payment obligations arising under Upper Tier II and Tier III Subordinated Notes are subject to additional limitations, as follows:

(i) Upper Tier II Subordinated Notes:

The claims of the holders of Upper Tier II Subordinated Notes in relation to payments of principal and interest will be reduced to the extent necessary to enable the Issuer to maintain its capital at certain minimum levels required by the Bank of Italy. In addition, the Issuer may defer interest payments on such Notes in certain circumstances where annual or interim dividends are not declared. Obligations of the Issuer to pay interest or principal which are so deferred or reduced will be subject to reinstatement in certain circumstances. See Condition 5 (*Status and Special Provisions of Subordinated Notes*).

(ii) Tier III Subordinated Notes:

Payment of interest and principal due under Tier III Subordinated Notes is subject to suspension where such payments would reduce the Issuer's total regulatory capital below the required regulatory capital, as provided by the then applicable Bank of Italy Regulations. See Condition 5 (*Status and Special Provisions of Subordinated Notes*).

Issue Price:

Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturity Period:

Any Maturity Period or, in the case of Subordinated Notes, with no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a Maturity Period of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Under applicable laws and regulations at the date of this Base Prospectus: (i) Upper Tier II Subordinated Notes may be perpetual (*passività irredimibile*) or have a fixed Maturity Period of not less than ten years, (ii) Lower Tier II Subordinated Notes must have a Maturity Period of not less than five years and (iii) Tier III Subordinated Notes must have a Maturity Period of not less than two years. If Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period, Lower Tier II Subordinated Notes may be redeemable only after five years' prior notice

to Noteholders and Tier III Subordinated Notes may be redeemable only after two years' prior notice to Noteholders.

Interest, premium and other income on Notes with an original Maturity Period of less than 18 months are subject to a withholding tax at the rate of 27 per cent., pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

Redemption:

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

The redemption at maturity of Lower Tier II Subordinated Notes, Upper Tier II Subordinated Notes and Tier III Subordinated Notes shall always be subject to the prior approval of the Bank of Italy, as prescribed in Title I, Chapter 2, Section II of the Bank of Italy Regulations. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith. The Issuer will use its best endeavours to maintain the required regulatory capital and to obtain such approval.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (where the Notes are Senior Notes) the Noteholders to the extent (if at all) specified in the relevant Final Terms and subject to all relevant legal and regulatory requirements. In the case of Subordinated Notes, early redemption may occur only with the prior approval of the Bank of Italy.

If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives, and/or the Bank of Italy's requirements applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than (i) in the case of Upper Tier II Subordinated Notes, ten years after the Issue Date, (ii) in the case of Lower Tier II Subordinated Notes, five years after the Issue Date and (iii) in the case of Tier III Subordinated Notes, two years after the Issue Date.

Tax Redemption:

Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption for tax reasons*).

Interest:

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Interest in respect of Upper Tier II Subordinated Notes and Tier III Subordinated Notes may be deferred, as provided in the Conditions applicable to such Notes.

Denominations:

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note admitted to trading on a Regulated Market within the European Economic Area or offered to the public in a Member State of the Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).

Negative Pledge:	The Senior Notes will have the benefit of a negative pledge, as described in Condition 4(c) (<i>Negative Pledge</i>).
Cross Default:	The Senior Notes will have the benefit of a cross default as described in Condition 13(a) (<i>Events of Default of Senior Notes</i>).
Taxation:	<p>All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 12 (<i>Taxation</i>)) 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 or deduction been required.</p> <p>However, as more fully set out in Condition 12 (<i>Taxation</i>), the Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("Decree 239") on account of Italian substitute tax (<i>imposta sostitutiva</i>), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes. See "Taxation" below.</p> <p>Interest, premium and other income on Notes with an original maturity of less than 18 months are subject to withholding tax at the rate of 27 per cent., pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. Interest, premium and other income on Notes with a maturity of at least 18 months which are redeemed within 18 months from the date of issue and accrued up to the date of the early redemption are subject to an additional tax payable by the Issuer at a rate of 20 per cent., pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding. See Condition 12 (<i>Taxation</i>).</p>
Governing Law:	English law, except for Conditions 5 (<i>Status and Special Provisions of Subordinated Notes</i>), 10(e) (<i>Redemption of Subordinated Notes</i>) and 13(b) (<i>Events of Default of Subordinated Notes</i>) and any non-contractual obligations arising from or connected with those Conditions, which are governed by, and shall be construed in accordance with, Italian law.
Enforcement of Notes in Global Form:	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 15 July 2010 a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as any rating applicable to the Programme. Details of the rating, if any, attributable to a series of Notes will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Italy and Japan, see "Subscription and Sale" below.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "Risk Factors" below and include risks relating to competition and other operating and general banking risks, such as credit risk and interest rate risk. In addition, there are certain factors which are material for the

purpose of assessing the market risks associated with Notes issued under the Programme and include risks related to the structure of a particular issue of Notes and risks common to the Notes generally.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of 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 which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below

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

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

Words and expressions defined in "Forms of the Notes" and "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus.

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

Competition in the Italian market

Competition is intense in all of the Issuer's primary business areas in Italy. The Issuer derives nearly all of its banking income from its banking activities in Italy and in particular in Alto Adige where 47 per cent. of its branches are based, a mature market where competitive pressures have been increasing quickly and which is currently going through a process of consolidation, with large banking groups undergoing mergers and acquisitions to achieve greater economies of scale. The banking sector has also seen the emergence in recent years of alternative distribution channels for many of the products that the Issuer offers. Other factors which may affect competition include consumer demand, technological changes and the regulatory framework. The implementation of the euro has also resulted in increased cross-border competition. Competitive pressures could result in increased pricing pressures on a number of the Issuer's products and services, particularly as competitors seek to win market share, and may harm its ability to maintain or increase profitability.

Changes in the Italian and European regulatory framework could adversely affect the Issuer's business

The Issuer 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 banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws, that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the Basel Capital Accord (Basel II) on capital requirements for financial institutions, may have a material effect on the Issuer's business and operations.

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 Issuer's business.

Impact of events which are difficult to anticipate

The Issuer's earning and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the 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.

Changes in interest rates

Fluctuations in interest rates in Italy influence the Issuer's financial performance. The results of the Issuer's banking operations are affected by the Issuer's management of interest rate sensitivity and, in particular, changes in market interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Issuer's financial condition or results of operations.

Market decline and volatility

The results of the Issuer are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Issuer's borrowers and counter-parties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

Credit and market risk

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. The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's 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.

Protracted market declines and reduced liquidity in the markets

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operation, results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Risk management and exposure to unidentified or unanticipated risks

The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues and profits may be negatively affected.

Operational risk

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer's financial performance and business activities.

Historical Information

The historical, financial and other information set out in the sections headed "Description of the Issuer" and "Summary Financial Information relating to the Issuer", and in the financial statements of the Issuer incorporated by reference in this Base Prospectus, represents the historical experience of Banca Popolare Alto Adige. There can be no assurance that the future experience and performance of the Issuer will be similar to the past experience described in this Base Prospectus.

Risks relating 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 Base Prospectus or any applicable supplement;
- (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 Notes with principal or interest payable in one or more currencies, or 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 indices and 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.

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

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Redemption for tax reasons

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all

outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors which determine the amount of principal or interest (each, a "**relevant factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) the relevant factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Fixed Rate Notes

Investment in Fixed Rate Notes involves the risks that substantial changes in market interest rates adversely affect the value of the Fixed Rate Notes.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower

than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Subordinated Notes

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes.

The payment obligations arising under Subordinated Notes are subject to additional limitations. Firstly, repayment of principal on the Subordinated Notes, whether at the Maturity Date or otherwise, is subject to the approval of the Bank of Italy. Secondly, the claims of the holders of Upper Tier II Subordinated Notes in relation to payments of principal and interest will be reduced to the extent necessary to enable the Issuer to maintain its capital at certain minimum levels required by the Bank of Italy. Also, the Issuer may defer interest payments on Upper Tier II Subordinated Notes in certain circumstances where annual or interim dividends are not declared. In the case of Tier III Subordinated Notes, payment of interest and principal is subject to suspension where such payments would reduce the Issuer's total regulatory capital below the required regulatory capital, as provided in the then applicable Bank of Italy Regulations.

Any reduction or deferral of payments of principal and interest is likely to have an adverse effect on the market price of Subordinated Notes. In addition, as a result of the payment reduction and deferral provisions described above, the market price of Subordinated Notes may be more volatile than the market prices of debt securities which are not subject to such provisions and may be more sensitive generally to adverse changes in the financial condition of the Issuer and its group.

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors (including depositors) of the Issuer. Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

For a full description of the provisions relating to Subordinated Notes, see Condition 5 (*Status and Special Provisions of Subordinated Notes*).

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates increasing over time to 35 per cent. The transitional period is to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as of 1 January 2010.

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

On 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of the proposal on 24 April 2009. If any of these proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Taxation

The tax regime in Italy and in any other relevant jurisdiction (including, without limitation, the jurisdiction in which each Noteholder is resident for tax purposes) may be relevant to the acquiring, holding and disposing of Notes and the receiving of payments of interest, principal and/or other income under the Notes. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant and the consequences of such actions under the tax laws of those countries.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, other than subordination and certain other provisions relating to Subordinated Notes, which are based on Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law (or Italian law) or administrative practice after the date of this Base Prospectus.

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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper 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 one or more Global Notes, 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 or common safekeeper 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.

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the official list and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a "**listing**"), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

Denominations and restrictions on exchange for Definitive Notes

Notes may in certain circumstances be issued in denominations including (i) a minimum denomination of €50,000 (or its equivalent in another currency) and (ii) an amount which is greater than €50,000 (or its equivalent) but which is an integral multiple of a smaller amount (such as €1,000). Where this occurs, Notes may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such a case, a holder who as a result of trading such amounts, holds a principal amount of less

than the minimum denomination of €50,000 will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to an integral multiple of €50,000.

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

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 generally would 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 Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 Specified Currency 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.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

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

Notwithstanding the above, any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

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 its 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.

Changes in regulatory framework and accounting policies

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the Italian securities markets regulator), the European Central Bank and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the global credit crisis, and new legislation and regulations are being introduced in Italy and in the European Union. The implementation of the New Basel Capital Accord on capital requirements for financial institutions ("**Basel II**") and the proposal of amendments set out in the document published for consultation on 17 December 2009 by the Basel Supervisory Banks Committee ("**Basel III**") may have a material affect on the Issuer's business and operations.

As the new framework of banking laws and regulations affecting the Issuer is currently being implemented, the manner in which such laws and regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that such 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.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the documents incorporated by reference described below which form part of this Base Prospectus:

- (a) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2009 and 2008, together with the accompanying notes and auditors' reports,

save that any statement contained in the documents incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall be deemed, except as so modified or superseded, not to constitute a part of this Base Prospectus.

The audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2009 and 2008 have been prepared in accordance with international accounting standards IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) and shall be deemed to be incorporated in, and to form part of, this Base Prospectus, together (where applicable) with the accompanying notes and auditors' reports, save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

Information contained in the documents incorporated by reference other than the information listed in the cross-reference list below is for information purposes only.

The Issuer will, at the specified offices of the Paying Agent, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any of the Paying Agents or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Cross-reference list

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned financial statements incorporated by reference in this Base Prospectus.

	<u>2009</u>	<u>2008</u>
<i>Non-consolidated</i>		
Balance sheet	Pages 57 — 58	Pages 55 — 56
Statement of income	Pages 59 — 60	Page 57
Statement of changes in equity	Pages 61 — 62	Pages 58 — 59
Cash flow statement.....	Page 63	Page 60
Accounting policies and explanatory notes	Pages 64 — 229	Pages 61 — 222
Auditors' review/reports	Page 237	Page 232

FURTHER PROSPECTUSES AND SUPPLEMENTS

The Issuer will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Base Prospectus and each subsequent prospectus.

The Issuer has given an undertaking to the Dealers that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuer may agree with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "Form of Final Terms". To the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) pursuant to Article 5.3 of the Prospectus Directive, by a registration document containing the necessary information relating to the Issuer, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (a "**Temporary Global Note**"), without Coupons, or a permanent global note (a "**Permanent Global Note**"), without Coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in a new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and the debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note without Coupons (as defined herein), interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes 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.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership, *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

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 and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of €50,000, plus (ii) integral multiples of €1,000, *provided that* such denominations are not less than €50,000 nor more than €99,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons, interests in which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. See "Minimum denominations and restrictions on exchange for Definitive Notes".

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons (as defined herein) attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

Where the Temporary Global Note is to be exchanged for Definitive Notes, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts whether in global or definitive form.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note, without Coupons, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of €50,000, plus (ii) integral multiples of €1,000, *provided that* such denominations are not less than €50,000 nor more than €99,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

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 and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange. Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (*Notices*).

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Final Terms which supplement and/or amend those terms and conditions.

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 "Summary of Provisions relating to the Notes while in Global Form" below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons 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."

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented and/or amended by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. 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 "Summary of Provisions relating to the Notes while in Global Form" below. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. Introduction

- (a) *Programme:* Banca Popolare dell'Alto Adige Soc. Coop. per azioni (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €1,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented and/or amended by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 15 July 2010 (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 other 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).
- (d) *The Notes:* All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) and, where applicable, talons for further Coupons ("**Talons**") and holders of instalment receipts ("**Receipts**") appertaining to the payment of principal by instalments 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.

2. Definitions and Interpretation

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

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Bank of Italy**" means the Bank of Italy and/or any competent authority which at a future date carries out the functions which the Bank of Italy performs as at the Issue Date;

"**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 Circular No. 263 of 27 December 2006) as amended and supplemented;

"Business Day" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

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

"Consolidated Banking Law" means Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time.

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

"Day Count Fraction" means, means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **"Actual/Actual"** or **"Actual/Actual (ISDA)"** is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (c) If **"Actual/365 (Fixed)"** is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (d) If **"Actual/360"** is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (e) If **"30/360"**, **"360/360"** or **"Bond Basis"** is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; and

- (f) If "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows;

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30.

- (g) If "**30E/360 (ISDA)**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case D₂ will be 30;

"**Deed of Covenant**" means the deed of covenant dated 15 July 2010 relating to the Notes executed by the Issuer;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

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

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

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

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Government Entities" means any body, agency, ministry, department, authority, statutory corporation or other entity of or pertaining to the Republic of Italy or the government thereof or any political subdivision, municipality or local government thereof (whether autonomous or not);

"Guarantee" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences or a default in the payment and such indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised under any note purchase facility;
- (ii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iii) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of borrowing.

"Index" has the meaning given to it in the relevant Final Terms;

"Instalment Amount" has the meaning given in the relevant Final Terms;

"Instalment Notes" means Notes, any part of the principal amount of which is repayable by an Instalment Amount, as specified in the relevant Final Terms;

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

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" has the meaning given in the relevant Final Terms;

"Issue Price" has the meaning given in the relevant Final Terms;

"Liquidazione Coatta Amministrativa" means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Consolidated Banking Law;

"Lower Tier II Subordinated Notes" means *passività subordinate di secondo livello*, as defined in Title 1, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Final Terms as being Lower Tier II Subordinated Notes);

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

"Material Subsidiary" means a Subsidiary:

- (i) whose net revenues or net assets (in each case, consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 3 per cent. of the consolidated net revenues or, as the case may be, the consolidated net assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, non-consolidated) of the Subsidiary and the then last audited consolidated financial statements of the Issuer and its Subsidiaries, *provided that* where a Subsidiary is acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, the reference to such financial statements shall be construed as if such Subsidiary had been shown in such financial statements by reference to the then latest relevant financial statements of such Subsidiary, adjusting the latest audited consolidated financial statements of the Issuer in accordance with provisions contained in CONSOB communication No. DEM/1052803 of 5 July 2001 for the preparation of pro forma financial information (as the same may be amended, supplemented or replaced from time to time); or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, *provided that*, on or after the date on which the financial statements are published in respect of the financial period during which such transfer occurred, whether such transferor Subsidiary or such transferee Subsidiary is or

is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maturity Period" means the period from and including the Issue Date to but excluding the Maturity Date;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Capital" means the minimum amount of capital of the Issuer, as provided for by the Bank of Italy from time to time for the purposes of obtaining or maintaining the authorisation of the Bank of Italy to carry on banking activities, as determined by the external auditors of the Issuer and certified in writing by two directors of the Issuer;

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

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Participating Member State" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

- (i) if the currency of payment is euro, any day which is:
 - (A) 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
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) 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
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

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

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Exchange" has the meaning given in the relevant Final Terms;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Instalment Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"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 in the Principal Financial Centre of the currency of payment 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;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that

information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Reserved Matter**" shall have the meaning given to it in the Agency Agreement and includes, *inter alia*, 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 or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Senior Note**" means a Note specified in the relevant Final Terms as being unsubordinated or not specified as being subordinated;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

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

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subordinated Notes**" means any Notes specified as Upper Tier II Subordinated Notes, Lower Tier II Subordinated Notes or Tier III Subordinated Notes in the relevant Final Terms;

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

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, or are required to be, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**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 System is open for the settlement of payments in euro;

"**Tier III Subordinated Notes**" means *passività subordinate di 3° livello*, as defined in Title I, Chapter 2, Section I, paragraph 1.5 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Final Terms as being Tier III Subordinated Notes);

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

"**Upper Tier II Subordinated Notes**" means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations (being those Notes which are specified in the relevant Final Terms as being Upper Tier II Subordinated Notes);

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

- (b) *Interpretation:* In these Conditions:
- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
 - (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
 - (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
 - (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
 - (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
 - (vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement; and
 - (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. 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 any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status of Senior Notes and Negative Pledge**

- (a) *Application:* This Condition 4 (*Status of Senior Notes and Negative Pledge*) is applicable only to Senior Notes.
- (b) *Status:* The Notes and any related Receipts and Coupons constitute direct, general, unconditional, unsubordinated and (subject to the provisions of Condition 4(c) (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* without preference among themselves and (subject to Condition 4(c) (*Negative Pledge*)) at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application).
- (c) *Negative Pledge:* So long as any Note remains outstanding, the Issuer shall not, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness without at the same time or prior thereto securing the Notes equally and rateably therewith.

- (d) *Covered Bonds*: The provisions under Condition 4(c) (*Negative Pledge*) shall not apply to any Security Interest over assets granted or created by (i) the Issuer or (ii) a Material Subsidiary of the Issuer or (iii) a special purpose vehicle incorporated under Law No. 130 of 30 April 1999 (as amended) ("**Law 130**") issuing a Guarantee of any Relevant Indebtedness, in each case pursuant to the provisions of Article 7-bis and Article 7-ter of Law 130, where such assets are comprised of the following:
- (i) receivables on loans in respect of land, buildings or other real property assets, if secured by a mortgage over such land, buildings and real property assets; or
 - (ii) receivables against debtors who are Government Entities or receivables guaranteed by Government Entities; or
 - (iii) notes, bonds or other securities held by the Issuer and issued by a Person other than the Issuer, where such notes, bonds or securities are secured in favour of the holders of such notes, bonds or securities by a Security Interest over assets of the kind described in sub-paragraphs (i) or (ii) above or where the holders of such notes, bonds or securities have the benefit of a segregation of such assets,

provided, however that this Condition 4(d) shall only disapply the provisions of Condition 4(c) (*Negative Pledge*) to the extent that such Security Interest is created for the purpose of (i) securing Relevant Indebtedness of the Issuer under covered bonds issued by the Issuer or (ii) securing a Guarantee in respect of Relevant Indebtedness of the Issuer under covered bonds.

- (e) *State Guarantee*: The provisions under Condition 4(c) (*Negative Pledge*) shall not apply to any Security Interest given or deemed to be given, in favour of any Government Entities pursuant to Article 1-bis, first paragraph of Italian Law Decree No. 155 of 9 October 2008, as converted into law and amended by Law No. 190 of 4 December 2008 and as amended, supplemented and/or re-enacted from time to time.

5. **Status and Special Provisions of Subordinated Notes**

- (a) *Application*: This Condition 5 (*Status and Special Provision of Subordinated Notes*) is applicable only to Subordinated Notes.
- (b) *Status of Subordinated Notes*: Subordinated Notes and any related Receipts or Coupons constitute direct, unsecured and subordinated obligations of the Issuer and, subject to the provisions of this Condition 5, will at all times rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (c) *Winding up, etc.*: In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), the payment obligations of the Issuer under each Series of Subordinated Notes, and the relative Receipts or Coupons as the case may be, will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes and their respective Receipts or Coupons) of the Issuer but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer. Lower Tier II Subordinated Notes and Tier III Subordinated Notes rank *pari passu* amongst themselves and rank senior to Upper Tier II Subordinated Notes.
- (d) *Waiver*: Each holder of a Subordinated Note is deemed unconditionally and irrevocably to have waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.
- (e) *Loss absorption in respect of Upper Tier II Subordinated Notes*: To the extent that the Issuer at any time suffers losses which, in accordance with Articles 2446 and 2447 of the Italian Civil Code or otherwise in accordance with Italian laws and regulations, would require the Issuer to reduce its paid up share capital and reserves to below the Minimum Capital, the obligations of the Issuer in respect of interest and principal under Upper Tier II Subordinated Notes will be reduced to the extent necessary to enable the Issuer, in accordance with the requirements under Italian law and regulatory provisions, to maintain at least the Minimum Capital. The obligations of the Issuer in respect of interest and principal

due under Upper Tier II Subordinated Notes which are so reduced will be reinstated whether or not the Maturity Date of the relevant obligation has occurred:

- (i) in whole, in the event of bankruptcy, dissolution, liquidation or winding-up of the Issuer (including, *inter alia*, *Liquidazione Coatta Amministrativa*, *Amministrazione Straordinaria* or *Liquidazione Volontaria* or any other similar liquidation, bankruptcy or winding-up proceedings otherwise in accordance with any applicable Italian laws and regulations) and, with effect immediately prior to the commencement of such bankruptcy, dissolution, liquidation or winding up as if such obligations of the Issuer had not been so reduced in accordance with this Condition 5(e); and
- (ii) in whole or in part, from time to time, to the extent that the Issuer, by reason of its having made profits or by reason of its obtaining new capital contributions or by reason of the occurrence of any other event would not be required to reduce its obligations in respect of interest and principal in accordance with this Condition 5(e).

The Issuer shall forthwith give notice of any such reduction and/or reinstatement to the Noteholders in accordance with Condition 19 (*Notices*).

- (f) *Deferral of interest on Upper Tier II Subordinated Notes:* The Issuer will not be required to pay interest on Upper Tier II Subordinated Notes on an Interest Payment Date if (i) no annual dividend has been approved, paid or set aside for payment by a shareholders' meeting of the Issuer or paid in respect of any class of shares of the Issuer during the 12-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date or (ii) the Board of Directors of the Issuer has announced, at the time of the release of any interim accounts published during the six-month period ending on, but excluding, the fifteenth Business Day immediately preceding such Interest Payment Date that, based on such interim accounts, no sums are available at such time for the payment of interim dividends, in accordance with Article 2433-*bis* of the Italian Civil Code.

Any such unpaid amounts of interest will constitute arrears of interest which will bear interest at the rate applicable to the relevant Upper Tier II Subordinated Notes. Arrears of interest (together with any additional interest amount in respect of such arrears of interest) will become due and payable (i) in part *pari passu* and *pro rata* if and to the extent that the Issuer makes payments of or in respect of amounts of interest on or in relation to any other *pari passu* claims, and (ii) in full on the earliest to occur of: (A) the Interest Payment Date falling on or after the date on which a dividend is approved or paid on any class of shares of the Issuer; (B) the date for repayment of the Upper Tier II Subordinated Notes; or (C) the date on which the *Liquidazione Coatta Amministrativa* of the Issuer is commenced pursuant to Article 83 of the Consolidated Banking Law or on which the Issuer becomes subject to a liquidation order.

- (g) *Notice of interest deferral:* The relevant Issuer shall give not more than 25 nor less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 19 (*Notices*):
 - (i) of any Interest Payment Date on which, pursuant to the provisions of Condition 5(f) (*Deferral of interest on Upper Tier II Subordinated Notes*) above, interest will not be paid;
 - (ii) of any date upon which amounts in respect of arrears of interest shall become due and payable;
 - (iii) of (1) the amount of principal and of sums which would otherwise have been payable as interest in respect of the Notes and which, having been applied to meet the losses of the relevant Issuer pursuant to Condition 5(e) (*Loss Absorption in respect of Upper Tier II Subordinated Notes*), are to be reinstated as provided herein, (2) the date of such reinstatement and the date on which the relevant amount shall become due and payable in accordance with these Conditions and (3) details of the event giving rise to such reinstatement.

The information contained in any notice given in accordance with this Condition 5(g) will be available at the specified office of the Principal Paying Agent from the date of the relevant notice.

- (h) *Provisions relating to Tier III Subordinated Notes:* Tier III Subordinated Notes shall be subject to the same restrictions provided for in respect of similar indebtedness qualifying as Upper Tier II Subordinated Notes or Lower Tier II Subordinated Notes except that Tier III Subordinated Notes shall

be subject to (i) a minimum maturity period of two years from the Issue Date and (ii) a lock-in clause pursuant to which payments of interest and repayments of principal can not be effected if such payments or repayments would reduce the Issuer's total regulatory capital below the required regulatory capital, as provided under the Bank of Italy's Regulations.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the 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).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Fixed Rate Note comprises more than one Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

7. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the 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).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be

calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

- (h) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) *Notifications, etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 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.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 10(e) (*Redemption of Subordinated Notes*) and 11 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the prior approval of the Bank of Italy) in whole, but not in part:
- (i) at any time (if neither the Floating Rate Note Provisions nor the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy ("**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 first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by a legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may (subject, in the case of Subordinated Notes, to prior approval of the Bank of Italy) be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of 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, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or less than the minimum so specified.

- (e) *Redemption of Subordinated Notes:* Upper Tier II Subordinated Notes may be perpetual (*passività irredimibili*) or with a fixed maturity period of ten years or longer (*altri strumenti rimborsabili*). Lower Tier II Subordinated Notes shall have a minimum Maturity Periods of five years and Tier III Subordinated Notes shall have a minimum Maturity Period of two years, in each case as provided under Bank of Italy Regulations.

Notwithstanding the foregoing provisions of this Condition 10, the redemption and/or early redemption of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy as prescribed in Title I, Chapter 2, Section II of the Bank of Italy Regulations. If such approval is not given on or prior to the redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith. The Issuer will use its best endeavours to maintain the required regulatory capital and to obtain such approval.

Where Lower Tier II Subordinated Notes or Tier III Subordinated Notes have an indefinite Maturity Period but are subject to redemption at the option of the Issuer, such Notes may only be redeemed by the giving of notice from the Issuer to Noteholders as follows: (i) five years' notice, in the case of Lower Tier II Subordinated Notes; and (ii) two years' notice, in the case of Tier III Subordinated Notes.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders 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 such Subordinated Notes up to such seventh day.

- (f) *Redemption at the option of Noteholders:*
- (i) *Application:* This Condition 10(f) (*Redemption at the option of Noteholders*) is applicable only to Senior Notes and if the Put Option is specified in the relevant Final Terms as being applicable.
- (ii) *Put Options:* The Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(f), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to (f) (*Redemption at the option of Noteholders*).

- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *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:*
- (i) all unmatured Coupons are purchased therewith; and
 - (ii) Subordinated Notes may only be purchased by the Issuer or any of its Subsidiaries subject to the prior approval of the Bank of Italy, unless the Notes to be purchased (A) do not exceed 10 per cent. of the aggregate nominal amount of the relevant Series and (B) are not to be purchased in order to be surrendered to any Paying Agent for cancellation.
- (j) *Cancellation:* All Notes which are so redeemed or purchased and subsequently surrendered for cancellation by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. **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 cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest:* Payments of interest shall, subject to Condition 11(h)(*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 11(a) (*Principal*) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *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 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the

gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(f) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *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.
- (h) *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 (or in New York City if permitted under Condition 11(c) (*Payments in New York City*)).
- (i) *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.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) attached to the Notes, the Talon attached to such Note may be exchanged at the Specified Office of the Fiscal Agent for further Coupons, as the case may be (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*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.

12. **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 or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf 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 after such withholding or deduction 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) by or on behalf of a holder which 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
 - (ii) by a non-Italian resident entity or individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities; or
 - (iii) by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying on a business (including, but not limited to (A) partnerships, de facto partnerships not carrying on a business and professional associations, (B) public and private resident entities, other than companies, not carrying on a business, 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 Legislative Decree 239 of 1 April 1996 and related regulations of implementation which have been or may subsequently be enacted ("**Decree 239**") ; or
 - (iv) in all circumstances in which the requirements and procedures set forth in Decree 239 have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
 - (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/EU implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any 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 European Union; 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; or
 - (viii) in respect of any Notes having a Maturity Period of less than 18 months where such withholding or deduction is required by law pursuant to Presidential Decree No. 600 of 29 September 1973, as amended.
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than Italy, references in these Conditions to Italy shall be construed as references to Italy and/or such other jurisdiction.

13. **Events of Default**

- (a) *Events of Default of Senior Notes:* This Condition 13(a) is applicable only to Notes specified in the relevant Final Terms as Senior Notes. If any of the following events occurs:
- (i) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any interest in respect of the Notes within five Business Days of the due date for payment thereof;
 - (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent;

- (iii) *Cross-default of Issuer or Material Subsidiary:*
- (A) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (B) any Indebtedness of the Issuer or any of its Material Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or such Subsidiary of the Issuer; or
 - (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;
- provided that* the amount of Indebtedness referred to in sub-paragraph (A) and/or sub-paragraph (B) above and/or the amount payable under any Guarantee referred to in sub-paragraph (C) above individually or in the aggregate exceeds €5,000,000 (or its equivalent in any other currency or currencies);
- (iv) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount exceeding €5,000,000 is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment;
 - (v) *Security enforced:* any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries over a material part of the property, undertaking, assets or revenues of the Issuer or any such Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar officer);
 - (vi) *Enforcement proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, undertaking, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 120 days;
 - (vii) *Insolvency etc:* (A) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator of the Issuer or any of its Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made), (C) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (D) the Issuer or any of its Material Subsidiaries becomes subject to an order for *liquidazione coatta amministrativa* pursuant to Article 80 *et seq.* of the Consolidated Banking Law or *amministrazione straordinaria* pursuant to Article 70 *et seq.* of the Consolidated Banking Law (within the meaning ascribed to those expressions by the laws of the Republic of Italy) or similar proceedings in any other jurisdiction;
 - (viii) *Winding-up etc:* (A) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries or (B) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and the assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries;
 - (ix) *Analogous event:* any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (iv) to (viii) above;
 - (x) *Failure to take action etc:* any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, or order, at any time required to be taken, fulfilled or done in order (A) to enable the

Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Agency Agreement and the Deed of Covenant (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes, the Coupons, the Agency Agreement and the Deed of Covenant admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

- (xi) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Agency Agreement or the Deed of Covenant,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality unless prior to such date all Events of Default in respect of all Notes that are outstanding have been cured.

- (b) *Events of Default of Subordinated Notes*: This Condition 13(b) is applicable only to Notes specified in the relevant Final Terms as Subordinated Notes. If any of the following events occurs:
 - (i) *Winding-up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
 - (ii) *Analogous event*: any event occurs which under the laws of Italy has an analogous effect to any of the events referred to in paragraph (i) (*Winding up, etc.*) above,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

14. **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.

15. **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.

16. **Agents**

In acting under the Agency Agreement and in connection with Notes and 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 holder of any Note or Coupon.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. 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 will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) the Issuer shall at all times maintain a Paying Agent outside the Republic of Italy; and
- (e) 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.

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

17. **Meetings of Noteholders; Modification and Waiver**

- (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 it 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 one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one 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 one 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:* 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.

18. **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 Issue Price, the Issue Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **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 which are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in either case, 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.

20. **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.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) 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.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for Conditions 5 (*Status and Special Provisions of Subordinated Notes*), 10(e) (*Redemption of Subordinated Notes*) and 13(b) (*Events of Default of Subordinated Notes*) which are governed by and shall be construed in accordance with Italian law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (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 22(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 22 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* 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 DZ Bank AG London Branch at 10 Aldersgate Street, London EC1A 4HJ 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 Parts 34 and 37 of the Companies Act 2006. 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 and delivered to the Issuer or to the Specified

Office of the Fiscal Agent, 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 or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly, amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated []

Banca Popolare Dell'alto Adige Volksbank Soc. Coop. per azioni

Issue of [currency] [amount] [description] Notes

under the €1,000,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 15 July 2010 [and the supplement to the Base Prospectus dated [insert date] [delete if not applicable],] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address].] The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated [original date]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"), save in respect of the Conditions which are extracted from the base prospectus dated [original date] and are attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.] Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectuses dated [insert date] and [insert date]. The Base Prospectuses [and the supplements to the Base Prospectus] [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]]. The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[(When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive).]

1. Issuer: Banca Popolare Dell'alto Adige Volksbank Soc.
Coop. per azioni

2. [(i)] [Series Number:] []
- [(ii)] [Tranche Number:] []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
- [(i)] [Series:] []
- [(ii)] [Tranche:] []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] *(in the case of fungible issues only, if applicable)*
6. (i) Specified denominations: [] [and integral multiples of [] in excess thereof up to and including []]. No Notes in definitive form will be issued with a denomination above [].]
- (Notes including Notes denominated in Sterling, in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)*
- (ii) Calculation Amount: *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date (if different from the Issue Date): [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]
- (N.B. Notes with an original maturity (for these purposes, "original maturity" shall be the period from, and including, the Issue Date to, but excluding, the Maturity Date, each as specified in the applicable Final Terms) of less than 18 months are subject to a withholding tax at the rate of 27 per cent. per annum in respect of interest and premium (if any), pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. The Issuer shall not be liable to pay any additional amounts to Noteholders in relation to any such withholding.)*

(Unless otherwise permitted by current laws, regulations, directives and/or Bank of Italy requirements applicable to the issue of Subordinated Notes by the Issuer, (i) Lower Tier II Subordinated Notes must have a minimum maturity of 5 years, (ii) Upper Tier II Subordinated Notes must have a minimum maturity of 10 years and (iii) Tier III Subordinated Notes must have a minimum maturity of 2 years.)

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]

9. Interest Basis: [[] per cent. Fixed Rate]
[[Specify reference rate] +/- [] per cent. per annum Floating Rate]
[Zero Coupon]
[Index-Linked Interest]
[Dual Currency Interest]
[Other (Specify)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the principal amount, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive will apply.)
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: [Senior Notes/[Dated/Perpetual]/Upper Tier II Subordinated Notes/Lower Tier II Subordinated Notes/Tier III Subordinated Notes]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (v) Day Count Fraction: [Actual/Actual (ICMA)]/[Actual/365]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[30/360]/ [Eurobond basis]
[If none of these options apply, give details]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/
Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/
other (give details)]
- (iii) Additional Business Centre(s): [Not Applicable/give details]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- (vi) Screen Rate Determination:
- Reference Rate: [LIBOR/ EURIBOR/other (give details)]
 - Interest Determination Date(s): []
 - Relevant Screen Page: [For example, Reuters page EURIBOR01/other (give details)]
 - Relevant Time: [For example, 11.00 a.m.[London/Brussels] time/other (give details)]

- Relevant Financial Centre: *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)/other (give details)]*
- (vii) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (viii) Margin(s): [+/-][] per cent. per annum
- (ix) Minimum Rate of Interest: [Not Applicable/[] per cent. per annum]
- (x) Maximum Rate of Interest: [Not Applicable/[] per cent. per annum]
- (xi) Day Count Fraction: [Actual/Actual (ICMA)]/
[Actual/365]/
[Actual/Actual (ISDA)]/
[Actual/365 (Fixed)]/
[Actual/360]/[30/360]/[30/360]/
[Eurobond basis]
[If none of these options apply, give details]
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: [] *[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h) (Early redemption of Zero Coupon Notes)]*
18. **Index-Linked Interest Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: *[Give or annex details]*
- (ii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]*
- (iii) Provisions for determining Coupon where calculation by reference to Index, and/or Formula and/or other variable: []
- (iv) Interest Payment Date(s): []

- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vii) Additional Business Centre(s): []
- (viii) Minimum Rate of Interest: [Not Applicable/[] per cent. per annum]
- (ix) Maximum Rate of Interest: [Not Applicable/[] per cent. per annum]
- (x) Day Count Fraction: []
19. **Dual Currency Note Provisions:** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*Give or annex details*]
- (ii) Party, if any, responsible for calculating the principal and/or interest due: [[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: (*Need to include a description of any market disruption or settlement disruption events and adjustment provisions.*)
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. **Call Option:** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s) (Call): []
[*If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or Bank of Italy requirements applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than (i) in the case of Lower Tier II Subordinated Notes, 5 years after the Issue Date, (ii) in the case of Upper Tier II Subordinated Notes, 10 years after the Issue Date and (iii) in the case of Tier III Subordinated Notes, 2 years after the Issue Date.*]
- (ii) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s): [] per Calculation Amount

- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Maximum Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []

21. **Put Options:** [Applicable/Not Applicable]
(Applicable only to Senior Notes/if not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s) (Put): []
- (ii) Optional Redemption Amount(s) (Put) and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): []

22. **Final Redemption Amount:** [[] per Calculation Amount /other/see Appendix]

(N.B. If the Final Redemption Amount is other than 100 per cent. of the principal amount, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive will apply.)

[In cases where the Final Redemption Amount is Index-Linked]

- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount: [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)].
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/ or Formula and/or other variable: []
- (iv) Final Redemption Amount Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date: []
- (vii) Minimum Final Redemption Amount: []
- (viii) Maximum Final Redemption Amount: []

23. **Early Redemption Amount:**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [[] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice.]

[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

[In relation to any Notes issued with a denomination of €50,000 (or equivalent) and integral multiples of €1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable to Definitive Notes in the limited circumstances of (1) closure of the ICSDs; and (2) default of the Issuer.]

25. New Global Note Form:

[Applicable/Not Applicable]

26. Additional Financial Centre(s) or other special provisions relating to Payment Business Days:

[Not Applicable/give details. Note that this paragraph relates to the place of payment]

27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. If yes, give details]

28. Details relating to Partly Paid Notes (amount of each payment comprising the Issuer Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment):

[Not Applicable/give details]

29. Details relating to Instalment Notes (amount of each instalment, date on which each payment is to be made):

[Not Applicable/give details]

30. Other terms or special conditions:

[Not Applicable/give details]

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus)

Directive.)

DISTRIBUTION

31. (i) If syndicated, names of Managers: [Not Applicable/give names, addresses and underwriting commitments]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (ii) Date of Subscription Agreement: []
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
32. If non-syndicated, name of Dealer: [Not Applicable/give name and address]
33. US Selling Restrictions: [Reg. S Compliance Category 2 / TEFRA [C/D] not applicable]
34. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €1,000,000,000 Euro Medium Term Note Programme.]

[POST-ISSUANCE INFORMATION

(Notes constituting derivative securities only)

Unless otherwise required by any applicable laws or regulations, the Issuer does not intend to provide any post-issuance information in relation to assets underlying the Notes.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.

Signed on behalf of the Issuer:

By:
Duly authorised

PART B — OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].]/[Not Applicable.]
(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)
- (iii) [Estimated total expenses of admission to trading: [] (*Delete this paragraph if the information in paragraph 5(iii) (Estimated total expenses) below is provided*)

2. RATINGS

- Ratings: [The Notes to be issued have been rated:
[Moody's: []]
[[Other]: []]
(*Insert where the issue has been specifically rated*)
(*Insert where the issue has been specifically rated*)
[The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally:
[[Moody's]: []
[[Other]: []]
(*Insert where the issue has not been specifically rated*)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save for any fees payable to the [[Joint Lead] Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer." [*Amend as appropriate if there are other interests*].

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer []
(*See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)
- (ii) [Estimated net proceeds: []
(*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all*

proposed uses state amount and sources of other funding.)

(iii) [Estimated total expenses: []]

*[Include breakdown of expenses]
(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

[5. [Fixed Rate Notes only] YIELD

Indication of yield: []

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

[6. [Floating Rate Notes only] HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. [Index-Linked or other variable-linked Notes only] PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

(Need to include:

- (i) details of the exercise price or the final reference price of the underlying;*
- (ii) details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident;*
- (iii) description of any market disruption or settlement disruption events that affect the underlying;*
- (iv) adjustment rules in relation to events concerning the underlying;*
- (v) where the underlying is a security, the name of the Issuer of the security and its ISIN or other such security identification code;*
- (vi) where the underlying is an index, the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, details of where the information about the index can be obtained;*
- (vii) where the underlying is not an index, equivalent information;*
- (viii) where the underlying is an interest rate, a description of the interest rate; and*
- (ix) where the underlying is a basket of underlyings, disclosure of the relevant weightings of each underlying in the basket.)*

[8. [Dual Currency Notes only] PERFORMANCE OF RATE[S] OF EXCHANGE

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

9. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) New Global Note intended to be held in a manner which would allow Eurosystem eligibility [Not Applicable/Yes/No]

[Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem, either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[Include this text if "Yes" selected in which case the Notes must be issued in NGN form]

- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): []

[1 0. TERMS AND CONDITIONS OF THE OFFER

- (i) Offer price: [Issue Price] *[specify]*
- (ii) Conditions to which the offer is subject: [Not Applicable / give details]
- (iii) Description of the application process: [Not Applicable / give details]
- (iv) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable / give details]
- (v) Details of the minimum and/or maximum amount of application: [Not Applicable / give details]
- (vi) Details of the method and time limits for paying up and delivering the Notes: [Not Applicable / give details]
- (vii) Manner in and date on which results of the offer are to be made public: [Not Applicable / give details]
- (viii) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable / give details]
- (ix) Categories of potential investors to which the Notes are offered and whether [Not Applicable / give details]

tranche(s) have been reserved for certain countries:

- (x) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable / *give details*]
- (xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable / *give details*]
- (xii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None / *give details*]

11 FURTHER INFORMATION RELATING TO THE ISSUER [TO BE UPDATED BY THE ISSUER]

The following information relating to the Issuer is provided pursuant to Article 2414 of the Italian Civil Code.

- (i) Objects:

The objects of the Issuer, as set out in Article 2 of its by-laws, are as follows:

 - (a) The company has as its object the collection of savings and the carrying out of financing activities, in their various forms, both towards its members and non-members, following the principles of mutuality and people's credit ones.
 - (b) The company may carry out all transaction and banking, financial and transferable securities dealing services, including the activities admitted to the advantages of mutual recognition, as well as carry out any other transaction which is aimed at or anyway related to the achievement of the corporate object.
 - (c) In order to achieve its fundamental purposes, the Company may join associations and consortia and enter into agreements in Italy and abroad.
 - (d) The Company is the parent company of the Banca Popolare dell'Alto Adige bank group. Pursuant to the provisions in force and in the carrying out of the direction and coordination activity, it gives order to the members of the Group. The determination of the criteria for the coordination and direction of the companies of the Group is reserved to the exclusive authority of the Board of Directors of the parent Company.
- (ii) Registered office: Via Siemens 18, 39100 Bolzano, Italy

- | | | |
|-------|---|--|
| (iii) | Company registration: | Registered at the Companies' Registry in Bolzano under registration number 00129730214 |
| (iv) | Amount of paid-up share capital and reserves: | 69,340,638, consisting of 34,670,319 ordinary shares with a nominal value of €2 each as at 31 December 2009. |
| (v) | Amount of reserves: | €437,194,083 |

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary (in the case of a CGN) or a common safekeeper (in the case of an NGN) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and (in the case of an NGN) effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange. See " Form of the Notes — Minimum denominations and restrictions on exchange for Definitive Notes".

If:

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 15 July 2010 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (*Notices*).

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and, where applicable, with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 45 days of the bearer requesting such exchange. See "Form of the Notes — Minimum denominations and restrictions on exchange for Definitive Notes".

If:

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

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (*Notices*).

Conditions applicable to Global Notes

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

Payments: All payments in respect of the Global Note will be made through Euroclear and Clearstream, Luxembourg against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a CGN, the payment is noted on a schedule thereto and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(f) (*Redemption at the option of Noteholders*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice (which, for the avoidance of doubt, may be sent in electronic form) of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn. The exercise of the put option shall be effected via Euroclear and Clearstream, Luxembourg.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; except that for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is also a requirement of applicable laws or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

DESCRIPTION OF THE ISSUER

OVERVIEW

Banca Popolare dell'Alto Adige società cooperativa per azioni (a joint stock cooperative company) (the "**Issuer**" or "**Banca Popolare Alto Adige**") is an Italian commercial bank domiciled in Bolzano which carries out lending and funding transactions and offers a wide range of retail and commercial banking and other financial services to customers in Italy and abroad. The shares of Banca Popolare Alto Adige are not listed on any Regulated Market.

The Issuer provides a wide range of services both to individual and corporate customers, including current and savings accounts, call and time deposits, short- and medium- term loans, advice in relation to securities and foreign exchange, the handling of documentary credit and collection, mutual funds and mortgage credit.

The Issuer's lending to private clients is concentrated on mortgages and personal loans; corporate lending is primarily geared toward small/medium size manufacturing companies located in the north-east regions of Italy, in the provinces of Bolzano, Trento, Belluno, Treviso, Venice and Pordenone.

Asset management plays an important role in the Issuer's strategy, which increases fee-based revenues while aiming to optimise clients' investment returns. The Issuer sells a wide range of different mutual funds.

INCORPORATION, DURATION AND REGISTERED OFFICE

The Issuer is incorporated under Italian law as a joint stock company with limited liability based on its issued corporate shares (*società cooperativa per azioni*).

Banca Popolare dell'Alto Adige was established in 1992 following the merger of Banca Popolare di Bolzano (founded in 1902) and Banca Popolare di Bressanone (founded in 1889) according to Italian law No. 218/1990 (Legge Amato). In 1995 the Issuer acquired Banca Popolare di Merano (operating since 1886). The duration of Banca Popolare Alto Adige has been established until 31 December 2100, and may be extended thereafter.

The Issuer is registered as follows:

- Registro imprese di Bolzano: No. 00129730214 (Companies Register of Bolzano)
- Albo delle banche, held by Banca d'Italia: No. 3630.1.0 (Bank of Italy, Roll of Banks)
- No. 05856.0 Associazione Bancaria Italiana (Italian Banking Association)

Banca Popolare Alto Adige's registered office and principal place of business is located in Bolzano, Via Siemens 18, Italy, telephone no. +39 0471 996222.

OBJECT

Under Banca Popolare Alto Adige's by-laws its corporate purpose is to collect savings and carry out other credit activities, operations and banking and financial services in any form (including entering into partnerships in Italy and abroad and issuing of bonds). In addition, Banca Popolare Alto Adige is entitled to perform, in compliance with applicable laws and regulations, all banking and financial operations and services, including transactions that would benefit from the recently introduced "European passport" regime, and to carry out any other activity related to its corporate purpose.

SHARE CAPITAL

On 31 December 2009, the authorised share capital of the Issuer amounted to Euro 69,340,638.00 divided into 34,670,319 ordinary shares with a par value of Euro 2.00 each. All shares have been issued and are fully paid.

SHAREHOLDERS OF BANCA POPOLARE ALTO ADIGE

The shares of Banca Popolare Alto Adige are not listed on any Regulated Market. In accordance with the legal structure of "*banche popolari*" as provided by Italian law, each shareholder cannot hold more than 0.5 per cent. of the shareholders' equity and is entitled to one vote.

Banca Popolare Alto Adige's shareholder structure varies over time, as with all Italian "*banche popolari*".

Pursuant to Italian law the holders of shares in a joint stock cooperative company may only exercise both their administrative and economic rights in relation to their shares subject to the approval of the Board of Directors; those holders whom the Board of Directors has refused admission as shareholders are entitled to exercise the economic rights attached to the shares (including the right to receive dividends). The holders of shares with full administrative and economic rights are referred to herein as shareholders (the "**Shareholders**"), while those whose rights are only of an economic nature are referred to herein as members (the "**Members**").

MANAGEMENT

The management of the Issuer comprises the Board of Directors, the Board of Statutory Auditors and the General Manager.

Board of Directors

The Board of Directors of Banca Popolare Alto Adige comprises twelve members.

The Board of Directors is vested with ordinary and extraordinary powers regarding the administration of Banca Popolare Alto Adige, except for those reserved specifically for shareholders by Italian laws and the by-laws of Banca Popolare Alto Adige.

On 31 December 2009, the members of the Board of Directors, with address at Banca Popolare dell'Alto Adige Soc.coop.pa, via Siemens 18, I-39100 Bolzano, were as follows:

Hansjörg Bergmeister	Chairman
Lorenzo Salvà	Vice-chairman
Arno Eisendle	Vice-chairman
Marcello Alberti	Director
Otmar Michaeler	Director
Rudolf Christof	Director
Werner Gramm	Director
Alessandro Marzola	Director
Michael Seeber	Director
Gregor Wierer	Director
Oskar Zorzi	Director
Lukas Ladurner	Director, co-opted as of 1 January 2010

On 20 April 2010, the ordinary shareholders' meeting reconfirmed the appointment of the directors whose mandates expired with the approval of the Issuer's financial statements as at and for the year ended 31 December 2009 except in the case of Michael Seeber, who was replaced by Margit Tauber. The directors were appointed for a three year term. As a consequence the member of Board of Directors, as at the date of this Base Prospectus, were as follows:

Hansjörg Bergmeister	Chairman
Lorenzo Salvà	Vice-chairman
Arno Eisendle	Vice-chairman

Marcello Alberti	Director
Otmar Michaeler	Director
Rudolf Christof	Director
Werner Gramm	Director
Alessandro Marzola	Director
Gregor Wierer	Director
Oskar Zorzi	Director
Lukas Ladurner	Director
Margit Tauber	Director

In their capacity as directors, the members of the Board of Directors are domiciled at the Issuer's registered office.

General Manager

Pursuant to the by-laws of the Issuer, the general manager, as the head of the operating structure, implements the resolutions of the Board of Directors, conducts the day-to-day operations and affairs of the Issuer and exercises any other power conferred on him by the Board of Directors.

The current general manager of the Issuer is Mr. Johannes Schneebacher, who joined in 2001. His business address is at the registered office of the Issuer.

Conflicts of Interest

In 2009 the Issuer did not enter into any atypical transactions with the members of the Board of Directors, that might give rise to doubts in relation to the safeguarding of the Issuer's assets. All transactions with members of the Board of Directors concern the ordinary activities of the bank. They are usually regulated in accordance with market standards and in accordance with supervisory and company regulations.

The Issuer is not aware of any conflict between the duties owed to it by its directors and their other principal activities and there are no activities performed by the directors of the Issuer outside the Issuer that are significant with respect to the Issuer.

Board of Statutory Auditors

Under Italian law, the shareholders must appoint a Board of Statutory Auditors (*collegio sindacale*), composed of three standing auditors and two substitute auditors.

The statutory auditors are responsible for overseeing the management and verifying compliance with applicable Italian laws and Banca Popolare Alto Adige's by-laws. They are also responsible for ensuring that Banca Popolare Alto Adige's organisation, internal auditing and accounting system are adequate and reliable. The statutory auditors are usually appointed for a three-year period. They are required to meet on a quarterly basis and are required by law to attend each Board of Directors' meeting.

On 31 December 2009 the members of the Board of Statutory Auditors of the Issuer, with address at Banca Popolare dell'Alto Adige Soc.coop.pa, via Siemens 18, I-39100 Bolzano, were as follows:

Franz Vigl	Chairman
Joachim Knoll	Standing auditor

Günther Überbacher	Standing auditor
Franz Defatsch	Substitute auditor
Emilio Lorenzon	Substitute auditor

On 20 April 2010, the ordinary shareholders' meeting of the Issuer elected 3 new members of the Board of Statutory Auditors. As a consequence, the Board of Statutory Auditors, at the date of this Base Prospectus, is as follows:

Heinz Peter Hager	Chairman
Georg Hesse	Standing auditor
Joachim Knoll	Standing auditor
Massimo Biasin	Substitute auditor
Emilio Lorenzon	Substitute auditor

The Auditors were appointed for a three year term. In their capacity as statutory auditors, the members of the Board of Statutory Auditors are all domiciled at the Issuer's registered office.

INDEPENDENT AUDITORS

In accordance with applicable Italian laws and regulations, the accounts of the Issuer must be audited by external auditors appointed by a resolution of the ordinary shareholders' meeting. Their appointment must be approved by the Board of Statutory Auditors.

The independent auditors of the Issuer are BDO S.p.A., via Dietro Listone 16, I-37121 Verona who are registered on the special register of accounting firms held by CONSOB.

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005, Italian banks are required to prepare their non-consolidated annual financial statements as at and for the year ending 31 December 2009 in accordance with International Financial Reporting Standards issued by the IASB (International Accounting Standards Board) ("IFRS"), whereas previous financial statements of the Issuer have been prepared in accordance with generally accepted accounting principles in Italy issued by the Consiglio Nazionale dei Dottori Commercialisti e degli esperti contabili ("Italian GAAP").

The statutory financial statements of the Issuer as at and for the years ended 31 December 2008 and 31 December 2009 were audited by BDO S.p.A. in accordance with generally accepted auditing standards and legal requirements in Italy. The auditors have issued opinions thereon and such opinions are not qualified in any way.

ORDINARY SHAREHOLDERS' MEETINGS

Pursuant to the Issuer's by-laws, the ordinary shareholders' meeting is called at least once a year within 120 days of the end of the fiscal year.

FISCAL YEAR

The fiscal year of the Issuer is the calendar year.

BRANCHES

On 31 December 2009, the Issuer had a network of 133 branches located in the Italian north-east provinces of Bolzano, Trento, Belluno, Treviso, Pordenone and Venice.

EQUITY INVESTMENTS THAT FORM THE BANK GROUP

On 23 October 2008, a meeting of the Issuer's Board of Directors approved the prospective merger by incorporation of its subsidiary Berger S.p.A. into the parent company Banca Popolare dell'Alto Adige. The merger was completed on 5 June 2009 and on 10 June 2009, Berger S.p.A. was removed from the company register of Bolzano. The impact of the merger on the Issuer's asset and income statements has been insignificant and a provision amounting to € 14,504 has been set as a reserve. As a result of the merger, the Banca Popolare dell'Alto Adige banking group was removed from the Bank of Italy's Register of Banking Groups on 10 June 2009.

COMPANIES CONTROLLED BY THE ISSUER

<u>Company name</u>	<u>Registered Office</u>	<u>Activity</u>	<u>Total assets</u>	<u>Shareholding</u>
			<u>31/12/09</u>	
			(euro thousands)	
Voba Invest S.r.l.	Bolzano	Real estate company	17,886	100.00

RATING

The rating agency Moody's Investors Services Inc. ("Moody's") currently assigns a rating to the Issuer. The ratings, after an improvement in April 2007 in a generally review of the Italian Banks on July 10, 2009 were revised as follows:

Long-term debt: A2, outlook stable

Short-term debt: P-1 outlook stable

Financial strength: C- outlook stable

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.

LITIGATION

In the ordinary course of its business activities as a financial institution, the Issuer is involved in various legal proceedings both as plaintiff and as defendant. These proceedings are managed in accordance with principles of ordinary diligence and care. (See also "General Information - Litigation").

CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios pursuant to EU Capital Adequacy Directives. Italy's current requirements are similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The capital ratios consist of core (Tier I) and supplemental (Tier II) capital requirements relating to Banca Popolare Alto Adige's assets and certain off-balance sheet items weighted according to risks ("**risk-weighted assets**").

Under the Bank of Italy's regulations, Banca Popolare Alto Adige is required to maintain a total capital ratio (the ratio of total capital to total risk-weighted assets) of a least 8.00 per cent. on a non-consolidated basis.

The following table shows the composition of the Banca Popolare Alto Adige's Regulatory Capital as established by the Bank of Italy's rules on a non consolidated basis as at 31 December 2009 and 31 December 2008:

	31/12/2009 (Audited)	31/12/2008 (Audited)
	(euro thousands)	
Tier 1 Capital	404,280	383,825
Tier 2 Capital	74,469	74,028
Items for deduction	0	0
Regulatory capital	478,749	457,853
Capital to cover market risk	10,388	8,386
Capital to cover credit risk	310,812	331,511
Capital to cover other risks	0	0
Capital to cover operational risk	25,380	23,678
Total minimum requirements	346,580	363,575
Free capital ⁽¹⁾	132,169	94,278
Weighted risk assets	4,332,247	4,544,686
Tier 1 risk/Weighted risk assets	9.33%	8.45%
Equity for supervisory purposes/Weighted risk assets	11.05%	10.07%

NOTES:

(1) Free capital represents the capital available for investments in fixed assets or equity investments.

FUNDING

The following table provides a breakdown of the Issuer's non-consolidated loan portfolio according to category of debtor and type of loan as at 31 December 2009 and 31 December 2008.

	31/12/2009 <i>(Audited)</i>		31/12/2008 <i>(Audited)</i>	
	Value	%	Value	%
	<i>(euro thousands)</i>		<i>(euro thousands)</i>	
Loans to Banks				
Due to central banks	31,218	0.69	33,435	0.76
Repurchase agreements	0	0.00	0	0.00
Current accounts	9,688	0.22	5,791	0.13
Deposits	10,723	0.24	10,943	0.25
Financing	0	0.00	944	0.02
Other	0	0.00	0	0.00
Total loans to banks	51,629	1.15	51,113	1.16
Loans to customers				
Current accounts	1,626,465	36.22	1,738,629	39.57
Repurchase agreements	228	0.01	1,339	0.03
Mortgages	2,318,955	51.65	2,040,905	46.45
Credit card and personal loans	20,597	0.46	20,452	0.47
Leasing	0	0.00	0	0.00
Factoring	0	0.00	0	0.00
Other	471,845	10.51	541,262	12.32
Securities	0	0	0	0
Total loans to customers	4,438,090	98.85	4,342,587	98.84
Total loans	4,489,719	100.00	4,393,700	100.00

NON-PERFORMING LOANS

The following table sets out non-consolidated information regarding the Issuer's non-performing loans (where the borrower is insolvent or in a comparable position, regardless of any forecast or actual losses, excluding off-balance sheet exposure) as at 31 December 2009 and 31 December 2008:

	31/12/2009		31/12/2008	
	<i>(Audited)</i>		<i>(Audited)</i>	
	Value	%	Value	%
	<i>(euro thousands)</i>		<i>(euro thousands)</i>	
Non-performing loans, nominal	413,121	9.20	345,603	7.87
Provisions	101,535	2.26	76,061	1.73
Non-performing loans, net	311,586	6.94	269,541	6.13

LOAN LOSSES AND PROVISIONS

The following table sets out non-consolidated information regarding the Issuer's loan losses and provisions as at 31 December 2009 and 31 December 2008 (excluding off-balance sheet exposure):

	31/12/2009		31/12/2008	
	<i>(Audited)</i>		<i>(Audited)</i>	
	<i>(euro thousands)</i>		<i>(euro thousands)</i>	
Total loans to customers, net exposure	4,438,090		4,342,587	
Write-downs effected against loans and allocations for guarantees and commitments	19,526		22,701	
Total provision for loan losses	121,061		98,762	
Write-downs as percentage of loans to customers(*)	0.44%		0.52%	
Total provision for loan losses as percentage of loans to customers (*)	2.73%		2.27%	

NOTES:

(*) For the purpose of calculating the ratio, loans to customers include the total provision for loan losses.

OFF BALANCE SHEET EXPOSURE

The following table sets out non-consolidated information regarding the Issuer's off balance sheet exposure as at 31 December 2009 and 31 December 2008:

	31/12/2009		31/12/2008	
	<i>(Audited)</i>		<i>(Audited)</i>	
	Value		Value	
	<i>(euro thousands)</i>		<i>(euro thousands)</i>	
Impaired off balance sheet exposure, nominal	9,816		13,943	
Other off balance sheet exposure, nominal	646,380		707,078	
Portfolio adjustments	0		0	
Impaired off balance sheet exposure, net	9,816		13,943	
Other off balance sheet exposure, net	646,380		707,078	

STRATEGY

The 2010-2011 stand-alone business plan (the "**Business Plan**"), approved by the Board of Directors of the Issuer on 22 December 2009, was launched at the beginning of 2010. Such Business Plan, in addition to being in line with the recent past and defining targets for the consolidation of the operative management and improvement of the economic results of Banca Popolare Alto Adige, sets the basis for the creation of value for shareholders.

The strategic guidelines set forth in the Business Plan to pursue further improvements in productivity, efficiency and profitability of the Banca Popolare dell'Alto Adige :

- Consolidation of market extension achieved in the recent years;
- growth under re-engineering of central processes;
- differentiation from other competitors by established trust & confidence in working relationship;
- service-line extension;
- high service level standard including after sale service;
- relational marketing;
- USP strategies;
- ICT - enforced channel management;
- significant efforts to empower skills, improve permanent learning attitudes, create learning organisation systems;
- ensure that high standards in government, compliance and risk management accompany Issuer's growth.

CREDIT RISK MANAGEMENT AND RECOVERY POLICIES

Organisational issues

Credit risk is the risk of incurring losses due to a breach by debtors in their contractual duties (in particular, obligations to repay loans), or breaches of obligations in a broader sense, including by any providers of security.

Under Issuer's internal rules on credit management, risk assessment is based on prudence. The full documentation that is required for a suitable assessment to be made of a debtor's creditworthiness is obtained at the time of application for a loan. The documentation obtained must permit an assessment of the appropriate level of the amount, the form the loan is to take and the project that is being financed. It must also permit a determination to be made as to the debtor's characteristics and qualities, in light also of the dealings they have had with Banca Popolare Alto Adige in the past, taken as a whole.

Where there are connections of a legal or financial nature between customers (as stated in the Supervisory Instructions (*Istruzioni di Vigilanza*) of the Bank of Italy, Title IV, Chapter 5), such persons are taken to comprise a single set in terms of the risk profile, that is to say, they represent a group (an economic group or a risk group).

At the time a loan is granted or renewed, there is an obligation to examine the current risks the applicant presents, and that of any group with which they are connected.

When customer risk increases, the aim of credit management is to contain the Issuer risk by promptly taking all such measures as may be necessary.

In order to maintain correct and prudent credit management, in accordance with the Supervisory Instructions (Title IV, Chapter 11, Section II), Banca Popolare Alto Adige has introduced appropriate systems for the identification, measurement and control of risks.

These controls form an integral part of the Issuer's daily activities and may be divided into three categories:

- regular controls: these are carried out by management (for example, in the form of monitoring by superiors) or incorporated into procedures or carried out as part of back-office activities;

- risk management controls: these seek to establish methods for measuring risk, to check that limits imposed are adhered to and to check that transactions are carried out consistently. These checks are handled by units that are not involved in lending activities;
- supervisory controls: carried out by the audit department through on-site inspections and remote supervision, with a view to confirming credit quality of the loan and verifying the awareness of those responsible for granting and managing such loan.

Management, measurement and monitoring systems

The lending process has the following structure:

- grant of the loan, which comprises: application, review, approval, completion of loan and any security provided;
- credit management, which comprises: drawings, monitoring, loan reviews, irregular loan management; and
- management of non-performing loans and credit recovery.

The first and most important stage in measuring and managing credit risk takes place at the time the loan is granted and in particular in the initial application process, when the persons involved are identified, the documentation is assembled and reviewed, the various databases consulted and the offer drawn up.

The application procedure is supported by different forms of information technology and different skilled personnel structures depending on the kind of customer involved (private individuals, small business, corporate). In any case the decision whether to grant the loan in question is made by the branch or local area if the sums do not exceed certain thresholds and by central bodies for greater amounts; information technology is used to make an assessment of creditworthiness at the time new loans are granted using both internal and external information sources.

Notwithstanding the above, the Board of Directors retains full discretion with regard to the risks that may be accepted; the Chairman enjoys certain powers reserved by the by-laws and the Executive Committee enjoys certain powers where matters are urgent. The maximum credit limit for an economic group or individual counterparty that is not a bank or belonging to a banking group is calculated as the 10% of the Supervisory Assets ("Patrimonio di Vigilanza") (Euro 47,87 million at 31 December 2009).

As part of the credit risk monitoring and management activities, use of the risk management system is particularly important. It allows those managing credit positions to review the trend in each customer's creditworthiness and thus quickly identify loan positions that show a deterioration in creditworthiness. This system, which has been operative for approximately two years, is based on a scoring system which gives the customer a ranking based on a sliding scale of credit quality. Its calculation is based on performance indicators regarding the loan and various information from the Issuer's computer systems which enable any variation in the level of risk associated with the counterparty to be detected. The processes used in the system are described in more detail in "Deteriorated financial activities", below.

Deteriorated financial activities

Any loan that shows anomalies, although still qualified as performing, is monitored both by staff within the network and also by the organisation unit "*Controllo Crediti*", whose purpose is "the prevention of insolvency". This unit consists of staff based in Banca Popolare Alto Adige's headquarters, operates under the Credit Central Direction and answers to the Internal Credit Committee.

Identification of loans that show a downgrading of the solvency capacity of debtors is based on the monitoring of:

- anomalies deriving from internal factors (drawn down, past due, expired invoices etc.)
- anomalies deriving from external factors (non-performing loan from other Banks, disadvantageous loans etc.)

- analysis of debtor behaviour using an internal rating system, which on a monthly basis assigns each customer a risk category on a scale of twelve indicating increasing risk.

On the basis of the risk class assigned, a specific tool (SGR Sistema gestione rischi) produces a projection on a timescale of six or twelve months and assigns three risk categories each position: one for loans in good standing and two for positions to be classified.

Based on all these risk indicators, the internal credit control unit (controllo crediti) assigns the following risk categories:

- under observation (watchlist)
- sub-performing
- restructured
- non-performing

Typically, the position remains classified as "under observation" (watchlist) for a period of up to twelve months or as sub-performing or restructured for a period of up to 24 months, after which either a return to good standing or a move to "default" is considered.

The classification of loans as non-performing is based on criteria laid down by regulatory requirements. This category includes amounts owed by persons who are not in a position to pay their debts, whether or not this has been established in a court of law, or who are in a substantially equivalent position. Legal action is instigated against them for debt settlement, or other action is taken to ensure repayment of the borrowed amount.

Depending on the regulatory category, the management of non-performing loans and credit recovery by Banca Popolare Alto Adige is handled by the Credit Control unit (positions classified as sub-performing or restructured or by the Legal Departments "Service for Bad Debts", (positions classified as non performing). This service is staffed by in-house lawyers and personnel providing administrative and accounting support in relation to non-performing loans.

Within Banca Popolare Alto Adige, non-performing loans are handled by skilled personnel who for accounting processes make use of a computerised procedure shared by all the members of the SEC Servizi consortium, and in-house legal advisors for legal matters.

Recovery activities are pursued proactively to optimise the legal procedures and maximise the economic and financial outcome. In particular, in assessing the measures to be taken, internal legal advisors give preference to remedies that avoid court action frequently making use of settlement agreements with the result that both recovery times and costs are kept to a minimum. In circumstances where this is not an option, particularly if the sums involved are more substantial or it is thought that a greater sum might be recovered, external legal firms are used to bring court action. These frequently represent a useful means of bringing pressure to bear on the debtor and of solving certain disputes.

For financial statements purposes, non-performing loans are analysed in order to evaluate what allowance should be made in relation to the expected losses. For each position, and within that position for each relationship, the amount of the forecast loss is calculated according to the debtor's solvency rating, the nature and value of the security provided and the current status of any proceedings pending. The estimates are calculated by applying the most prudential of measures and now, following the introduction of international accounting standards, also by applying discounting principles.

Regular controls, both internal (by the Internal Audit section) and external (by, among others, the board of statutory auditors and the independent auditors), ensure that non-performing loans are properly managed and assessed.

Financial Risk Management

Market risk is the risk arising out of operations on markets with respect to financial instruments, currencies and goods.

The management of the Group's risk and return profile across different markets and financial products is entrusted to the Finance section, on the basis of:

- operating limits;
- position limits: credit and concentration risk;
- stop loss limits; and
- value at risk ("**VaR**") limits,

the thresholds of which are set at the beginning of each financial year by a resolution of the Issuer's Board of Directors.

The finance division determines, by agreement with the risk management division, the terms and limits upon the assumption of risks in operating terms, for all those units that incur market risks.

Responsibility for daily checks upon operating, position and stop loss limits falls to the risk management office.

VaR represents an estimate of the maximum potential loss of a portfolio of securities in unfavourable market conditions. The compliance of risk profiles with the limits set in terms of VaR is ensured by the daily monitoring performed by the risk management office. In calculating this measure BPAA uses an approach based on a confidence interval of 99 per cent. and a holding period of ten days.

Operational Risk

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events.

Operational risk does not include strategic risk and reputational exposure, although it does include legal risk, i.e. risks arising from a breach of, or failure to comply with, laws or regulations.

The Bank monitors and controls operational risk through:

- "line supervision" performed by the branches;
- inspections performed by the audit function, which is responsible for direct inspections and remote audits.

Since 2003 Banca Popolare Alto Adige adheres to a national banking pool project focused on operational risk management; the data have been feeding DIPO, the Italian database of operational losses managed by the Italian Banking Association (*Associazione Bancaria Italiana*).

Activities in monitoring and management of the operational risk are not only for the purpose of obtaining theoretical benefits in respect of asset requirements, but rather to achieve an effective understanding at all levels of the potential risks inherent in the Issuer's daily activities and to take all necessary steps to effectively mitigate and reduce such risks.

Notwithstanding the above-mentioned procedures, monitoring and control, it is not possible from the outset to prevent the occurrence of events that may cause unforeseeable losses.

OVERVIEW OF FINANCIAL INFORMATION RELATING TO THE ISSUER

The Issuer's audited non-consolidated annual financial statements as at and for the years ended 31 December 2009 and 2008, in each case together with the accompanying notes and audit reports.

Since 2006, the Issuer has prepared its annual financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular 262 of 22 December 2005 and related transitional regulations in Italy ("**IFRS**"). Accordingly, all of the following financial information of the Issuer incorporated by reference in this Base Prospectus has been prepared in accordance with IFRS.

The annual financial statements of the Issuer as at and for the year ended 31 December 2008 have been audited by BDO S.p.A., which has been appointed to audit the Issuer's financial statements for the period from 2010 to 2012.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, the above-mentioned annual financial statements and semi-annual financial information incorporated by reference in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The following tables present annual balance sheet and income statement information of the Issuer as at and for the years ended 31 December 2009 and 2008 which derives from, should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements of the Issuer incorporated by reference in this Base Prospectus, in each case together with the accompanying notes (where applicable).

ANNUAL BALANCE SHEETS

ASSETS	As at 31 December	
	2009	2008
	(EURO)	
CASH HIGHLY LIQUID DEPOSITS.....	35,354,852	41,311,383
FINANCIAL ASSETS HELD FOR TRADING	261,919,858	286,521,947
FINANCIAL ASSETS AVAILABLE FOR SALE.....	128,607,050	148,060,681
FINANCIAL ASSETS HELD TO MATURITY	11,415,985	11,702,429
LOANS TO BANKS.....	51,629,321	51,113,170
LOANS TO CUSTOMERS.....	4,438,089,947	4,342,586,521
EQUITY INVESTMENTS.....	4,048,961	5,041,317
TANGIBLE ASSETS.....	122,205,811	126,125,171
INTANGIBLE ASSETS.....	46,371,681	47,614,690
including:		
<i>Goodwill</i>	40,392,116	40,392,116
TAX ASSETS.....	36,419,827	36,049,806
a) <i>currents</i>	25,915,127	24,493,535
b) <i>anticipated</i>	13,504,700	11,556,271
OTHER ASSETS.....	50,650,618	45,165,436
TOTAL ASSETS	5,189,713,911	5,141,292,551

ANNUAL BALANCE SHEETS (Cont.)

LIABILITIES	As at 31 December	
	2009	2008
	(EURO)	
AMOUNTS OWED TO BANKS.....	274,484,035	298,725,799
AMOUNTS OWED TO CUSTOMERS.....	2,197,386,890	2,032,068,500
DEPT SECURITIES IN ISSUE.....	1,533,082,049	1,653,272,587
FINANCIAL LIABILITIES HELD FOR TRADING.....	17,295,252	3,642,445
FINANCIAL LIABILITIES DESIGNED AT FAIR VALUE.....	491,451,095	487,013,405
TAX LIABILITIES.....	42,496,012	45,913,977
<i>a) current.....</i>	<i>19,897,385</i>	<i>22,347,638</i>
<i>b) differed.....</i>	<i>22,598,627</i>	<i>23,566,339</i>
OTHER LIABILITIES.....	76,092,625	79,247,016
RESERVES FOR TERMINAL INDEMNITIES.....	19,986,629	20,898,889
RESERVES FOR RISKS AND CHARGES.....	1,897,200	1,840,600
<i>a) reserves for pensions and similar commitments.....</i>	<i>0</i>	<i>0</i>
<i>b) other reserves.....</i>	<i>1,897,200</i>	<i>1,840,600</i>
REVALUATION RESERVES.....	72,101,724	69,310,972
RESERVES.....	222,124,889	202,008,947
ADDITIONAL PAID-IN CAPITAL.....	145,772,727	145,772,727
CAPITAL STOCK.....	69,340,638	69,340,638
INCOME (LOSS) FOR THE PERIOD (+/-).....	26,202,146	32,236,049
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	5,189,713,911	5,141,292,551

ANNUAL INCOME STATEMENTS

	For the year ended 31 December	
	2009	2008
	(EURO)	
INTEREST INCOME AND SIMILAR REVENUES.....	196,292,971	292,552,633
INTEREST EXPENSE AND SIMILAR CHARGES.....	(68,514,237)	(162,146,816)
NET INTEREST INCOME.....	127,778,734	130,405,817
COMMISSION INCOME.....	51,116,990	41,519,206
COMMISSION EXPENSE.....	(4,778,496)	(5,574,370)
NET COMMISSIONS.....	46,328,494	35,944,836
DIVIDENDS AND OTHER SIMILAR REVENUES.....	4,378,407	4,694,895
INCOME (LOSS) ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (NET).....	6,175,815	(2,980,190)
INCOME (LOSS) ON DISPOSAL OF.....	(816,186)	331,661
<i>a) loans.....</i>	-	-
<i>b) financial assets available for sale.....</i>	(1,205,795)	(30,822)
<i>c) financial assets held to maturity</i>	27,614	-
<i>d) financial liabilities.....</i>	361,995	362,483
NET VALUES ADJUSTMENT ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE.....	81,111	344,242
GROSS OPERATING INCOME.....	183,926,377	168,741,261
NET VALUE ADJUSTMENT ON.....	(23,991,865)	(13,807,405)
<i>a) loans.....</i>	(23,832,693)	(13,211,509)
<i>b) financial assets available for sale.....</i>	-	(51,604)
<i>c) financial assets held to maturity</i>	-	-
<i>d) other financial assets.....</i>	(159,172)	(544,292)
NET INCOME FROM FINANCIAL MANAGEMENT.....	159,934,512	154,933,856
ADMINISTRATIVE COSTS.....	(117,222,656)	(110,149,904)
<i>a) staff costs.....</i>	(69,125,086)	(65,168,870)
<i>b) other administrative costs.....</i>	(48,097,570)	(44,981,034)
NET PROVISIONS FOR RISKS AND CHARGES.....	(309,200)	(646,600)
AMORTIZATION AND DEPRECIATION OF TANGIBLE FIXED ASSETS.....	(11,329,337)	(11,191,358)
AMORTIZATION AND DEPRECIATION OF INTANGIBLE FIXED ASSETS.....	(2,029,268)	(1,589,602)
OTHER OPERATING EXPENSES AND REVENUES.....	12,546,854	11,701,864
OPERATING COSTS.....	(118,343,607)	(111,875,600)

INCOME (LOSS) FROM EQUITY INVESTMENTS.....	-	-
INCOME (LOSS) FROM DISPOSAL OF INVESTMENTS.....	18,918	70,920
OPERATING INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXES.....	41,609,823	43,129,176
TAX EXPENSES (INCOME) RELATED TO PROFIT OR LOSS FROM ORDINARY ACTIVITIES.....	(15,407,677)	(10,893,127)
OPERATING INCOME (LOSS) FROM ORDINARY ACTIVITIES AFTER TAXES.....	26,202,146	32,236,049
NET INCOME (LOSS) FOR THE PERIOD.....	26,202,146	32,236,049

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Republic of Italy

Tax treatment of Notes issued by the Issuer having a maturity of not less than 18 months

Decree 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks, **provided that** the notes are issued for an original maturity of not less than 18 months.

Italian resident Noteholders

Where the Notes have an original maturity of at least 18 months, and an Italian resident Noteholder is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – see under "*Capital gains tax*" below);
- (b) a non-commercial partnership;
- (c) a non-commercial private or public institution; or
- (d) an investor exempt from Italian corporate income taxation,

interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 12.5 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

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

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14 bis of Italian Law No. 86 of 25 January 1994, are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**") or a SICAV, and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund accrued at the end of each tax period, subject to an ad-hoc substitute tax (the "**Collective Investment Fund Tax**") applicable at 12.5 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

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

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

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

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies *provided that* the non-Italian resident beneficial owner is:

- (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**White List States**") as listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the fiscal year in which the decree pursuant to article 168-bis of Italian Presidential Decree of 22 December 1996, No 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-bis, paragraph 1 of Italian Presidential Decree of 22 December 1986, No. 917 (for the 5 years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Italian Ministerial Decree of 4 September 1996 are deemed to be included in the new white-list); or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest and must:

- (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and
- (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty.

Early Redemption

Without prejudice to the above provisions, in the event that the Notes issued by an Italian resident issuer are redeemed, in full or in part, prior to 18 months from the Issue Date, the relevant issuer will be required to pay a tax equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

Notes with an original maturity of less than 18 months

Interest payments relating to Notes issued with an original maturity of less than 18 months are subject to a withholding tax, levied at the rate of 27 per cent.

Where the Noteholder is:

- (a) an individual engaged in an entrepreneurial activity to which the Notes are connected;
- (b) an Italian company or a similar Italian commercial entity;
- (c) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected;
- (d) an Italian commercial partnership; or
- (e) an Italian commercial private or public institution,

such withholding tax is deemed a provisional withholding tax.

In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the 27 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Notes issued by an Italian resident issuer, where the Noteholder is:

- (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected;
- (b) an Italian company or a similar Italian commercial entity;
- (c) a permanent establishment in Italy of a foreign entity;
- (d) an Italian commercial partnership; or
- (e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the 27 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised by such Noteholder from the sale or redemption of the Notes

would be subject to an *imposta sostitutiva*, levied at the rate of 12.5 per cent. Noteholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva*, on capital gains taxpayers may opt for one of the three regimes described below:

- (a) Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Noteholder holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *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.

The depository must account 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 upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, which may be deducted from capital gains subsequently realised, within the same securities management, 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 the capital gains in the annual tax return.

- (c) In the "asset management" regime (the "*risparmio gestito*" regime), any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, 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 paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian open ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5 per cent. substitute tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer and traded on Regulated Markets are not subject to the *imposta sostitutiva*. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorised financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer not traded on Regulated Markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary is:

- (a) resident in a country which allows for a satisfactory exchange of information with Italy;
- (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer and not traded on Regulated Markets may be subject to the *imposta sostitutiva* at the current rate of 12.5 per cent. However, Noteholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Notes or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding €1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding €100,000; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 168 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Luxembourg taxation

The information contained within this section is limited to withholding tax issues and prospective investors should not apply any information set out below to other areas under Luxembourg, including (but not limited to) the legality of transactions involving the Notes.

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 applicable Luxembourg laws, subject however to:

- (a) the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (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 and agreements; and

- (b) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a ten per cent. tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive.

The ten per cent. withholding tax described above or the ten per cent. tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws as 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 relevant Issuer.

EU Savings Directive

Under the EU Savings Directive on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a person within its jurisdiction to, or collected by such a person for an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg are permitted to apply an optional information reporting system, whereby if a beneficial owner (within the meaning of the EU Savings Directive) does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system applies for a transitional period during which the withholding tax rate will raise, over time, to 35 per cent. (20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. as from 1 July 2011). 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. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

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

On 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Implementation in Italy of the Savings Directive

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**"). Under Decree 84, subject to a number of important conditions being met, where interest is paid starting from 1 July 2005 (including interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State of the European Union or in a dependent or associated territory under the relevant international agreement (currently Jersey, Guernsey, the Isle of Man, the Netherlands Antilles, the British Virgin Islands, Turks and Caicos Islands, the Cayman Islands, Montserrat, Anguilla and Aruba), Italian paying agents (including any banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy) are required to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial

owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, undertakings for collective investments in transferable securities or "UCITS" recognised in accordance with Directive 85/311/EEC.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute "payments of interest" under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of Decree 84. Accordingly, such payments of interest arising out of the Notes would fall within the scope of the Directive being the Notes issued after 1 March 2001.

Implementation in Luxembourg of the EU Savings Directive

The EU Savings Directive was implemented in Luxembourg by the laws of 21 June 2005.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated on or about the date hereof (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

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.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Authorised institutions:* at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) *Significant enterprises:* at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts;
- (c) *Fewer than 100 offerees:* at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

- (d) *Denominations*: at any time if the denomination per Note being offered amounts to at least €50,000; or
- (e) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling restrictions addressing additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

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

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

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall as a result of any change(s), or any change(s) in official interpretation, after the date hereof of applicable laws and regulations no longer be applicable, but without prejudice to the obligations of the Dealers described in the preceding paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing and admission to trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the CSSF in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive. Application has been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed on the official list of the Luxembourg Stock Exchange or admitted to trading on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on or admitted to trading on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Base Prospectus; (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of the Summary of this Base Prospectus.

Authorisations

The update of the Programme was authorised by the Board of Directors of the Issuer on 24 June 2010. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for general funding purposes. If, in respect of any particular issue, a particular use of proceeds is identified, this will be specified in the applicable Final Terms.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 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.

Litigation

Save as disclosed in this Base Prospectus, the Issuer and its subsidiary is not is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

No material adverse change

Save as otherwise disclosed in this Base Prospectus and since 31 December 2009 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no material adverse change in the financial condition or prospects of the Issuer or its subsidiaries.

No significant change

Save as otherwise disclosed in this Base Prospectus and since 31 December 2009 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no significant change in the financial or trading position of the Issuer and its group.

Auditors

The financial statements of the Issuer have been audited without qualification for the years ended 2008 and 2009 by BDO Sala Scelsi Farina Società di Revisioni per azioni of Via Dietro Listone 16, 37121 Verona, Italy, independent accountants.

Material Contracts

Save as disclosed in this Base Prospectus, the Issuer has not entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Noteholders.

Trend information

Save as otherwise disclosed in this Base Prospectus and since 31 December 2009 (being the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been published) there has been no material adverse change, nor any development reasonably likely to involve an adverse change, in the prospects or general affairs of the Issuer or its subsidiary that is material in the context of the Programme or the issue of the Notes.

Post-issuance information

Unless otherwise required by any applicable laws or regulations, the Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

Minimum denomination

Where Notes issued under the Programme are admitted to trading on a Regulated Market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Notes will not have a denomination of less than €50,000 (or, where the Notes are issued in a currency other than euro, the equivalent amount in such other currency).

Documents on display

For so long as the Programme remains in effect or any Notes are outstanding, copies of the following documents may be inspected (and, in the case of (e) and (f) below, are available for collection) during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Dealer Agreement;
- (d) the Programme Manual (being a manual signed for the purposes of identification by the Issuer and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Notes in global and definitive form);
- (e) any Final Terms relating to Notes which are listed on any stock exchange (save that Final Terms relating to Notes which are neither admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a base prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity);

- (f) this Base Prospectus and any supplement to this Base Prospectus and any other document incorporated by reference herein or therein;
- (g) the By-laws of the Issuer;
- (h) the most recent publicly available audited annual non-consolidated financial statements of the Issuer beginning with such financial statements as at and for the years ended 31 December 2009 and 2008; and
- (i) the most recently available unaudited interim non-consolidated financial information of the Issuer, beginning with such financial information as at and for the six months ended 30 June 2009.

The Issuer does not currently publish any consolidated financial statements.

REGISTERED OFFICE OF THE ISSUER
Banca Popolare dell'Alto Adige Volksbank Soc. Coop. per azioni
Via Siemens 18
39100 Bolzano
Italy

ARRANGER
Natixis
30 Avenue Pierre Mendès-France
75013 Paris
France

DEALERS

Banca IMI S.p.A. Largo Mattioli, 3 20121 Milan Italy	Banca Popolare dell'Alto Adige Volksbank Soc. Coop. per azioni Via Siemens 18 39100 Bolzano Italy
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Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

DZ BANK AG
**Deutsche Zentral-Genossenschaftsbank, Frankfurt
am Main**
Platz der Republik
D-60265 Frankfurt am Main
Germany

MPS Capital Services Banca per le Imprese S.p.A.
Via Leone Pancaldo 4
50127 Florence
Italy

Natixis
30 Avenue Pierre Mendès-France
75013 Paris
France

FISCAL AGENT, LUXEMBOURG PAYING AGENT AND LISTING AGENT
BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich Howald-Hesperange
L-5826 Luxembourg

LEGAL ADVISERS

<i>To the Dealers as to English and Italian law</i> Clifford Chance Studio Legale Associato Piazzetta M. Bossi, 20121 Milan Italy	<i>To the Issuer as to Italian law</i> NCTM Studio Legale Associato Via Agnello, 12 20121 Milan Italy
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AUDITORS TO THE ISSUER
BDO Sala Scelsi Farina Società di Revisioni per azioni
Via Dietro Listone 16
37121 Verona
Italy