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ANNUAL REPORT

2010

BANCO POPOLARE
BANKING GROUP

Annual Report
2010

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Banco Popolare Società Cooperativa

Registered office and General headquarters: Piazza Nogara, 2 - 37121 Verona
Fully paid up share capital as at 31 December 2010: 2,305,742,421.60 euro
Tax Code, VAT No. and Verona Companies' Register Enrolment No. 03700430238
Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Parent Company of the Banco Popolare Banking Group
Enrolled in the register of Banking Groups

OFFICERS, DIRECTORS AND INDEPENDENT AUDITORS AS AT 31 DECEMBER 2010

Supervisory Board

Chairman	Carlo Fratta Pasini
Acting Deputy Chairman	Guido Castellotti
Deputy Chairman	Maurizio Comoli (*)
	Giuliano Buffelli (*)
	Pietro Buzzi (*)
	Costantino Coccoli (*)
	Gabriele Camillo Erba (*)
	Gianni Filippa (*)
	Dino Piero Giarda
	Andrea Guidi (*)
	Pietro Manzonetto (*)
	Maurizio Marino (*)
	Enrico Perotti
	Gian Luca Rana (*)
	Claudio Rangoni Machiavelli (*)
	Fabio Ravanelli (*)
	Alfonso Sonato (*)
	Angelo Squintani (*)
	Sandro Veronesi (*)
	Tommaso Zanini (*)

(*) Independent directors as per Article 6 of the Code of Best Practice adopted by Banco Popolare

Management Board

Chairman	Vittorio Coda
Managing Director and Deputy Chairman	Pier Francesco Saviotti
Directors	Alfredo Cariello
	Aldo Civaschi (**)
	Luigi Corsi (**)
	Domenico De Angelis
	Maurizio Di Maio
	Maurizio Faroni
	Leonello Guidetti
	Bruno Pezzoni
	Roberto Romanin Jacur (**)
	Andrea Sironi (**)

(**) Independent directors as per Article 6 of the Code of Best Practice adopted by Banco Popolare

Ethics and Disciplinary Committee

Standing	Giuseppe Bussi
	Marco Cicogna
	Luciano Codini
Alternate	Aldo Bulgarelli
	Attilio Garbelli

Manager responsible for preparing the Company's financial reports

Gianpietro Val

Independent Auditors

Reconta Ernst & Young S.p.A.

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BANCO POPOLARE
GRUPPO BANCARIO

Soc. Coop. - Registered office in Verona, Piazza Nogara, 2 - Share capital euro 4,293,417,736.68 fully paid up
Tax Code, VAT No. and Verona Companies' Register Enrolment No. 03700430238
Enrolled on the Bank Register under no. 5668 - Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Parent Company of the Banco Popolare Banking Group - Enrolled on the Register of Banking Groups

ORDINARY SHAREHOLDERS' MEETING

NOTICE OF CALL

In accordance with art. 22 of the Articles of Association, the Ordinary Shareholders' Meeting is hereby convened for Friday 29 April 2011, on first call, at 9 am, in Lodi, at the registered office of Banca Popolare di Lodi S.p.A. (Via Polenghi Lombardo, 13 - Lodi) to discuss the following

AGENDA

1) Report of the Management Board, of the Supervisory Board and of the Independent Auditors on 2010; approval of the consolidated and non-consolidated financial statements as at 31 December 2010, pursuant to articles 20, 3rd paragraph, point 3, and 41.3 lett. a) of the Articles of Association; presentation of the consolidated and statutory financial statements
2) Resolutions on the distribution of profit
3) Determination of the total amount to be addressed to aid, charity and initiatives in the public interest, pursuant to art. 4 *bis* of the Articles of Association
4) Authorisation to purchase treasury shares in order to sustain share liquidity; relevant and consequent resolutions
5) Decisions on remuneration policies - in compliance with supervisory regulations and the Articles of Association - and specifically:
   a) remuneration policies relating to Management Board members
   b) share allocation plan addressed to executive members of the Management Board and to executives of particular importance of the Banco Popolare Group; authorisation to purchase of treasury shares relating to the plan and consequent resolutions
6) Decisions on the fees of members of the Supervisory Board, including therein those of Directors with specific assignments, pursuant to art. 39.12 of the Articles of Association
7) Election of five members of the Supervisory Board for 2011-2012-2013

If the legal quorum is not reached, the Shareholders' Meeting, again pursuant to art. 22 of the Articles of Association, will be convened on second call on **Saturday 30 April 2011 at 9 am in Lodi, at the Palazzetto Palacastellotti, Via Piermarini**, to discuss the above-indicated agenda, as per articles 24 and 25 of the Articles of Association.

Participation rights (art. 23 of the Articles of Association)

The Meeting may be attended by Shareholders who have been enrolled in the shareholders' register for at least 90 (ninety) days and who have sent Banco Popolare the "communication" of the broker assigned under art. 83 sexies, paragraph 4 of Italian Legislative Decree 24/02/1998 no. 58 (CFL) and art. 27 of the Joint Provision of the Bank of Italy and Consob of 22/02/2008, updated with the deed dated 24/12/2010 (the "Joint Provision"), at least 2 (two) working days before the date set for the first call, namely **by 27 April 2011.**

Shareholders whose shares have already been deposited in file under the custody and administration, and which have therefore already been dematerialised, of the following Group banks

- Banca Popolare di Verona – S.Geminiano e S.Prospero
- Banca Popolare di Novara
- Credito Bergamasco
- Banca Aletti & C.
- Banca Popolare di Lodi
- Banca Popolare di Crema
- Banca Popolare di Cremona
- Cassa di Risparmio di Lucca Pisa Livorno

must in any event request, pursuant to art. 22 of the Joint Provision, that the "communication" be made, and that they receive a copy of the same, which shall serve for admission to the Shareholders' Meeting.

As regards Shareholders whose shares have been deposited with other authorised brokers, pursuant to the cited art. 22 of the Joint Provision, the request for the "communication" must be made **by 22 April 2011**, or another, not prior, term that may be set by the broker in compliance in any event with the provisions of art. 23 of the Articles of Association, ensuring that a copy of the same is issued.
Shareholders who are in possession of shares that have not yet been dematerialised must deliver the same to Banco Popolare, to the cited group banks, or to other authorised brokers, so that the same may be dematerialised and therefore request the issue of the "communication" so that they may participate in the Meeting.

Under the Articles of Association, each Shareholder has one voting right, regardless of the number of shares the same possesses.

Shareholders may be represented by other Shareholders who have a right to participate in the Meeting - on condition that the same are not a member of the Supervisory Board or Management Board, or employee of Banco Popolare, or a member of the administrative or control bodies or an employee of companies directly or indirectly controlled by Banco Popolare, or of the independent auditors who have been assigned to audit the accounts, or the person legally responsible for auditing the accounts of Banco Popolare and that do not satisfy one of the other conditions of incompatibility provided for by law - by means of a written proxy, drawn up as per the law, the signature of which has been authenticated by a public official or by an employee of Banco Popolare or one of the cited Group banks. To this end, the proxy form included at the end of the "communication" issued to the Shareholder by one of the Group banks or by another authorised broker may be used.
Each Shareholder may only represent one other Shareholder, with the exception of cases of legal representation.

Under art. 26 of the Articles of Association, the Chairman of the Supervisory Board, as Chairman of the Shareholders' Meeting, is fully authorised to ascertain that said proxies are in order and in general to decided on the right of those present to participate in the Meeting, to ascertain that the same is regularly constituted and that the quorum required to pass resolutions has been reached. To this end, the Shareholders in question may forward proxies to the central offices of Banco Popolare, also via branches of Group banks, **by 26 April 2011**. Any proxies submitted after said date, or at the Shareholders' Meeting must in any event be completed and authenticated as indicated above.

Shareholders may exercise the right set forth in art. 22, paragraph 4 of the Articles of Association by means of a signature authenticated by a notary or by an employee of Banco Popolare authorised to authenticate signatures as *infra* envisaged by the regulations on the submission of lists. Signatures of shareholders must be authenticated by a notary or by authorised company employees. The legitimation of the exercise of the right is confirmed by the deposit of a copy of the certificate issued by the broker in accordance with legislation and regulations in force.

Appointment of five members of the Supervisory Board: submission of the list of candidates (art. 39 of the Articles of Association)

As regards the expiry of the term of office of the Supervisory Board Directors appointed by the Shareholders' Meeting on 3 May 2008, the next Shareholders' Meeting is called to elect 5 (five) Supervisory Board members.

On the basis of the provisions of the Articles of Association and in compliance with the same:

- 2 (two) candidates must be chosen from shareholders resident in the provinces of BPI's Historic Area: the provinces of Lombardy (not Brescia, Bergamo or Mantua), Tuscany, Liguria, Lazio, Abruzzo, Sicily and the province of Bologna (Imola area);
- 3 (three) candidates must be chosen, beyond the Historic Area of BPI, from shareholders resident in the provinces of the Historic Area of BPVN, including in particular, the provinces of Veneto, Emilia Romagna (not Bologna, Imola area), Piedmont and the Valle d'Aosta.

All of the above must, in any event respect the rule that of the twenty Board members, eight must be resident in the Historic Area of BPI - and of these, at least five must be resident or domiciled in the province of Lodi - twelve must be resident in the Historic Area of BPVN - and of these, at least five must be resident or domiciled in the province of Verona and at least three must be resident or domiciled in the province of Novara.
Under the Articles of Association, they shall remain in office for three financial years, and said term will expire on the date of the subsequent Shareholders' Meeting envisaged in the second paragraph of art. 2364 *bis* of the Italian Civil Code and may be re-elected.
The election of Supervisory Board members is made on the basis of lists as per the Articles of Association and in compliance with legislative and regulatory provisions in force.
Therefore, pursuant to art. 39.1 of the Articles of Association, each list must be submitted directly, or together with the Supervisory Board, by at least 500 Shareholders with voting rights, regarding of the percentage of share capital held by the same as a whole, or by shareholders that individually or together possess a shareholding corresponding to at least 0.50% of the share capital of Banco Popolare.
Given that the share capital - updated to 24 February 2011 - is euro 4,293,417,736.68 divided into 1,763,464,410 shares, we specify that the minimum number of shares for submission of a list is 8,817,322 shares.
Admission is conditional on the following:

a) lists of candidates must be ordered progressively by number and must be deposited, under penalty of cancellation, at the head office of Banco Popolare **between 30 March 2011 and 16 April 2011 inclusive, by 5 pm** (the period between the 30th and 13th day prior to the date set for the Shareholders' Meeting on first call). In order to prove possession of the number of shares required to submit a list, shareholders must sign the list and submit a copy of the notice pursuant to art. 144 *sexies*, paragraph 4 *quater* of the Issuers' Regulation, issued in compliance with the legislative and regulatory provisions in force. The signature of each shareholder in question must be legally authenticated or the list must be signed in the presence of an employee of the Company of the Group banks authorised to this end;
b) in accordance with that envisaged in art. 38.1.1, lists must envisage that the first candidate on the list is one of the shareholders indicated as resident in the Historic Area of BPVN (resident or domiciled in the province of Verona), the second in the Historic Area of BPI (resident or domiciled in the province of Lodi), the third in the Historic Area of BPVN (resident or domiciled in the province of Novara), the fourth in the Historic Area of BPI and the fifth in the Historic Area of BPVN;
c) each shareholder may submit and vote for one single list of candidates and each candidate may present his candidature on one single list, on penalty of ineligibility;

d) lists must contain at least two names and in any event a number of candidates that does not exceed that of the Board Members to be elected;
e) together with each list, within the term for the deposit of the same, an exhaustive document must be deposited at the registered office of Banco Popolare regarding the personal and professional characteristics of candidates, containing the declarations with which the individual candidates accept their candidature, and in which they certify, under their own responsibility, the non-existence of causes of ineligibility, as well as the existence of the requirements prescribed by legal, regulatory and self-regulatory provisions for the position of Supervisory Board Director and an indication of the management and control positions held in other companies.

The lists of candidates must be deposited in compliance with the above terms:
– at the Registered Office of Banco Popolare (Shareholders and Shares Office), Piazza Nogara, 2, 37121 Verona (on Saturday 16 April 2011 only at the entrance of Via Fabio Filzi, 4, 37121 Verona); or
– via e-mail, to the certified e-mail address segreteria@pec.bancopopolare.it, attaching the documents in pdf format with digital signatures.

Any lists submitted that do not comply with the above paragraphs will be considered as having not been submitted.
In the event in which on the deadline cited above a) only one list has been submitted or only lists submitted by shareholders, which on the basis of regulations in force are related to one another, Banco Popolare will issue a notice to the market advising that lists may be submitted up until the 3rd day following said date, reducing the threshold envisaged in art. 144 *sexies*, paragraph 5 of the Issuers' Regulation.
In compliance with regulatory provisions in force, all lists correctly submitted will be made available to the public at least ten days prior to the Shareholders' Meeting at the registered office of Banco Popolare, Borsa Italiana S.p.A., as well as published on the Company's website (www.bancopopolare.it).
Pursuant to art. 39.7 of the Articles of Association, if no list is submitted before the deadline, the Shareholders' Meeting will decided on the basis of the relative majority of the Shareholders present at the Meeting.
Without prejudice to the provisions of the Articles of Association, and with a view to harmonising the activities required to form and submit lists for the appointment of Supervisory Board members, Banco Popolare has approved specific operating procedures. Furthermore, in order to render the process of submitting lists of candidates more accessible, specifically identified Branch Managers, Business Area Directors and Executives of Banco Popolare, of the Territorial Banks and of Banca Aletti have been authorised to authenticate the signature of Shareholders on lists.
The relative documentation is deposited at the registered office of Banco Popolare in Verona, Piazza Nogara, 2 (Shareholders and Shares Office – tel. 045/8675659), available to Shareholders; it is also available on the Company's website (www.bancopopolare.it).

Information on share capital
The share capital fully paid up corresponds to euro 4,293,417,736.68 divided into 1,763,464,410 shares.

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The reports of the company bodies, the prescribed documentation relating to proposals for the agenda and information on Banco Popolare's adhesion to the Code of Self-regulation of Listed Companies will be deposited at the registered office and at Borsa Italiana S.p.A. as soon as the same are published on the Company's website (www.bancopopolare.it) in accordance with the applicable law.
Once said deposit has been made, Shareholders have the right to obtain a copy.

This notice of call is published according to the law and is available on the website of Banco Popolare.

Verona, 25 March 2011

On behalf of the MANAGEMENT BOARD
Chairman
(prof. Vittorio Coda)

Published according to statutory provisions in the Official Gazette of the Republic of Italy - part II no. 35 of 29 March 2011

Ercole Calvi, *View of Piazza Brà in Verona*, 1883 post, oil on canvas

REPORT ON OPERATIONS AND CONSOLIDATED FINANCIAL STATEMENTS 2010

Group Structure

Aletti & C. Banca di Investimento Mobiliare
Aletti Gestielle SGR
Banca Aletti & C. (Suisse)
Efibanca
Italfortune International Advisors
B.P.I. International (UK)
Valori Finanziaria
Aletti Fiduciaria

Banca Popolare di Verona - S.Geminiano e S.Prospero
Banca Popolare di Lodi
Banca Popolare di Novara
Credito Bergamasco
Cassa di Risparmio di Lucca Pisa Livorno
Banca Popolare di Crema
Banca Popolare di Cremona

Banca Italease
Mercantile Leasing
Italease Finance
Release

Società Gestione Crediti BP
Società Gestione Servizi BP
Holding di Partecipazioni Finanziarie Banco Popolare
Bipielle Real Estate
Immobiliare BP
Tecmarket Servizi
Bipielle International Holding
AT Leasing Romania
Banco Popolare Česká Republika
Banco Popolare Croatia
Banco Popolare Hungary
Banco Popolare Luxembourg

Banche del Territorio (Local retail banks)

Investment & Private Banking, Asset Management

Leasing and Factoring

Others

GROUP GEOGRAPHICAL NETWORK

Branches of Gruppo Banco Popolare in Italy

The subsidiaries of Gruppo Italease are not included.

Banco Popolare Group Branches (*)	Number
Banca Popolare di Verona – S.Geminiano e S.Prospero	517
Credito Bergamasco	251
Banca Popolare di Novara	416
Banca Popolare di Lodi	463
Cassa di Risparmio di Lucca Pisa Livorno	231
Banca Popolare di Crema	44
Banca Popolare di Cremona	70
Banca Aletti	36
Efibanca	5
Total	**2,033**

(*) Excluding treasury branches and branches of the Italease Group

Presence abroad

Operations abroad are carried out by subsidiaries BP Luxembourg, BP Croatia, BP Česká Republika, BP Hungary, AT Leasing Romania, a branch of Banco Popolare in London and Banca Aletti Suisse.

The Group's presence beyond the national borders also takes the form of Representative Offices in India (Mumbai), China (Beijing, Shanghai and Hong Kong) and Russia (Moscow).

GROUP FINANCIAL HIGHLIGHTS AND ECONOMIC RATIOS

Highlights

The highlights and main ratios of the Group, calculated on the basis of the reclassified financial statements, are presented below.

(in millions of euro)	31/12/2010	31/12/2010 without Italease	31/12/2009 (*) without Italease	Change
Income statement figures				
Financial margin	1,851.1	1,838.2	2,018.5	(8.9%)
Net fee and commission income	1,266.4	1,256.3	1,198.2	4.8%
Operating income	3,719.5	3,661.4	3,480.7	5.2%
Operating expenses	2,451.9	2,347.6	2,352.9	(0.2%)
Income (loss) from operations	1,267.6	1,313.8	1,127.8	16.5%
Income (loss) before tax from continuing operations	175.5	475.5	486.8	(2.3%)
Income for the year	308.0	255.5	202.4	26.2%

(*) The figures have been adjusted in compliance with IFRS 5. The attachments contain a statement of reconciliation between the reclassified income statement schedule published in the annual financial report as at 31 December 2009 and that restated in this schedule.

(in millions of euro)	31/12/2010	31/12/2009	Change
Balance sheet figures			
Total assets	135,155.7	135,709.1	(0.4%)
Loans to customers (gross)	98,559.6	99,485.7	(0.9%)
Financial assets and hedging derivatives	17,726.3	14,607.6	21.3%
Shareholders' equity	11,527.5	11,532.8	(0.0%)
Customers financial assets			
Direct deposits	104,523.7	105,183.1	(0.6%)
Indirect deposits	76,168.6	77,212.6	(1.4%)
- Asset management	31,377.3	30,974.7	1.3%
- Mutual funds and Sicavs	9,137.9	9,996.0	(8.6%)
- Securities and fund management	9,445.0	9,908.7	(4.7%)
- Insurance policies	12,794.4	11,070.0	15.6%
- Administered assets	44,791.3	46,237.9	(3.1%)
Information on the organisation			
Average number of employees and other staff (*)	19,872	20,375	
Number of bank branches	2,119	2,292	

(*) Arithmetic average calculated on a monthly basis which does not include the Directors and Auditors of Group companies. Companies involved in merchant banking activities are excluded from operating expenses and from the average number of employees.

Financial and economic ratios and other Group figures

	31/12/2010	31/12/2009
Profitability ratios (%)		
ROE	2.7%	2.4%
Financial margin / Operating income	49.8%	56.8%
Net fee and commission income / Operating income	34.0%	33.3%
Operating expenses / Operating income	65.9%	66.6%
Operational productivity figures (000s of euro)		
Loans to customers (gross) per employee	4,959.7	4,882.7
Operating income per employee	187.2	181.1
Operating expenses per employee (*)	123.4	120.7
Credit risk ratios (%)		
Net doubtful loans / Loans to customers (net)	3.05%	2.79%
Net substandard loans / Loans to customers (net)	4.59%	5.70%
Net doubtful loans / Shareholders' equity	24.98	23.05%
Banco Popolare stock		
Number of outstanding shares	640,484,006	640,482,201
Official closing prices of the stock		
- Maximum	4.10	7.24
- Minimum	2.30	1.88
- Average	3.28	5.25
Basic EPS	0.346	0.336
Diluted EPS	0.247	0.319

(*) Arithmetic average calculated on a monthly basis which does not include the Directors and Auditors of Group companies. Companies involved in merchant banking activities are excluded from operating expenses and from the average number of employees.

Giovanni Boldini, *Interior with figure*, about 1866-1867, oil on canvas

Group Report on Operations

ECONOMIC SCENARIO

The international scenario

In 2010, the recovery of the global economy – albeit differentlyin each individual geo-economic areas - continued, mostly by virtue of a positive trend in international trade. Growth rates in emerging economies were extremely high (especially in China), the indirect beneficiaries of Western expansionary monetary policies, while the major industrialised economies, although recording an upturn, continued to have difficulties in reabsorbing the consequences of the recent global financial crisis.
In general, world economic growth was still dependent on expansionary counter-crisis policies, curbed by the generalised tendency of private sector operators to reduce financial leverage, unfavourable employment market conditions in developed countries and the acute period of sovereign debt crisis in the European countries with an unbalanced public finance situation (Greece, Ireland, Portugal and Spain).
More specifically, GDP in the USA rose by 2.8% in 2010, against a fall of 2.6% recorded in 2009. As regards income components, consumer spending was an important contributor, recording +1.8% against -1.2% in 2009. Furthermore, gross fixed investments in the private sector, after a sharp fall of 22.6% in 2009, made a significant recovery, recording a rise of 16.8%. The accumulation of stock made a positive contribution of 1.38% to the overall growth rate of GDP. The rise in exports, +11.8%, was more than compensated for by the upturn in imports, +12.7%, so much so that net exports fell by USD 58.8 billion in real terms compared to 2009. Although consumer prices have rise, the upturn has been fairly contained: in December the relative index rose 1.6%.
In Japan, GDP recorded a rise of 3.9% in 2010, mainly sustained by private consumption and exports; however, the contribution of the latter has started to decrease with respect to previous quarters due to exchange rate pressure.
In China, according to initial estimates, GDP rose 10.3%, confirming expectations that it would be overtaken by Japan's GDP in absolute terms by the end of the year. This did take place, despite the restrictive policy adopted by the People's Bank of China which, at the beginning of December 2010, once again raised the compulsory reserve requirement for commercial banks by 50 basis points, the second time in two weeks, and the fifth time that year. The aim of the measure is to counter rising inflation, after the consumer price index rose 3.6% in September, and in October consumer prices were the highest of the past 25 months.
The strengthening of the global economic recovery and the consistent amount of liquidity made available by the monetary policies adopted over the past two years breathed new life into commodity prices in 2010. In particular, from the third quarter on, prices in international markets returned to a state of moderate tension. Crude oil prices settled at over USD 70 per barrel at year-end, then rose rapidly following the tensions that emerged in North Africa; gold reached a new record high, surpassing the threshold of USD 1,300 an ounce; agricultural raw materials also recorded significant rises, in some cases coming close to or surpassing record highs.

The situation in Europe and Italy

The Euro Zone benefited from the upturn in exports, also thanks to the weakness of the currency triggered by the outbreak of the Greek crisis first, followed by those in Ireland and then Portugal. In the second half of the year, the boost of expansionary policies was mitigated by the effects of fiscal policies, which became more restrictive to avoid the risk of contagion of the Greek crisis. Over the course of twelve months, overall growth was moderate but not homogeneous: the significant recovery of production activities in several "core" nations, led by Germany, was contrasted by the weakness of other EU economies. The so-called "peripheral" nations did not record signs of recovery in 2010 and initial figures for the year show that the growth rate of GDP in the same appears to be negative.
According to the latest available figures, in the Euro Zone (EA-16), GDP rose by 1.7% in 2010. Compared with the last quarter of 2009, retail customers consumption rose by an average of 1.1%, gross fixed investments by 1.2% and exports, which are the largest contributor to GDP growth, rose 11.7%. Germany was the main beneficiary of this phenomenon, especially due to its ability to penetrate Asian markets. Thanks to an average annual increase of 10.4% in imports, the highest balance of net exports, at aggregate level in the Euro Zone, improved significantly with respect to 2009, closing 2010 at euro 35.14 billion. However, despite this positive result, the trade balance deteriorated, falling from euro 3.2 billion in December 2009 to a negative figure of euro 0.5 billion in December 2010. Inflation rose at a faster pace than in 2009, closing the year at an annual rate of 2.6% against 1.5% last year.
Public finances continue to represent a weak aspect of the European economic-financial framework. Following the deterioration of debt in the Euro Zone in 2009, where the deficit/GDP ratio shot up to 6.3% from the 2% recorded in 2008, the situation stabilised in 2010: according to initial figures, the ratio is unchanged and stands at 6.3%.

As far as Italy is concerned, the growth rate of the economy benefited, like our other European partners, from the increase in exports. The boost provided by the latter did not however spread to domestic demand, thus damping its impact on growth in the second half of the year. Uncertainties regarding future employment prospects have led Italian retail customers to adjust their domestic budgets and put a greater emphasis on savings: resident retail customers spending is therefore practically unchanged, remaining at the level of the third quarter of 2009. At the same time, spending cuts in the Public Administration, due to the control plan launched by the Government, had a depressive impact on the economy.
Following the sharp upturn in the first half of the year, gross fixed investments started to slow down, linked partially to the end of the tax breaks envisaged by the so-called Tremonti-*ter* legislative provision. After two consecutive years of significant downturn, in the second half of the year investment in construction showed the first moderate signs of an inversion in trend,

linked above all to the non-residential segment. Overall, in 2010, GDP rose 1.2% compared to 2009. In terms of individual components, national consumption rose 0.6%, gross fixed investments 2.5%, exports of goods and services 9.1% and imports 10.5%. Consequently, net exports of goods and services, which were already negative in 2009, deteriorated further.
In the face of the difficult economic growth, consumer price growth was moderate, although it is quickening, and rose, on a trend basis, 1.8% in December. At year-end, public finances recorded an improvement of the cash deficit of the State both on a trend basis, and on a cumulative basis, from the beginning of the year, recording a figure of euro 67.5 billion against euro 85.8 billion in December 2009. The primary balance, namely net indebtedness less interest expense, was euro -1,059 million, corresponding to -0.1% with relation to GDP, an improvement on the -0.7% recorded in 2009. Italy is not one of the most exposed countries in Europe, with a deficit/GDP ratio of 4.6% according to initial ISTAT estimates, against 5.4% in 2009, even though burdened by a public debt that is one of the highest: the deficit/GDP ratio has risen 3 percentage points, increasing from 116% to 119%.

The situation of the money and financial markets

The underlying climate of the financial markets has remained moderately positive, despite the outbreak of the Euro crisis, due to continuing expansionary monetary policies in the major industrialised economies, particularly the United States. The major stock markets, in the USA, Europe, Japan, China and Emerging Countries in particular closed the year with a positive balance, although there were widespread and pointed exceptions to the rule, first and foremost the downturn of the Italian stock market (FTSE MIB index -13.2%) and the weakness of the financial instrument segment, particularly in Europe. The latter have also suffered a progressive rise in the cost of borrowing on the bond markets resulting from higher credit risk premiums requested by underwriters. The prices of sovereign securities, especially European ones, continued to fuel concerns linked to the considerable amount of issues expiring in 2011 and the consequent need for refinancing. The return of the currency markets to relative instability and the temptation to turn to competitive devaluations between industrialised countries, in order to provide relief to feeble domestic economies through exports, confirmed that the process of reducing international imbalances and absorbing the effects of the financial crisis will be slow and gradual.
During the year, the FED left the refinancing rate in a range of between 0 and 0.25% and, in the fourth quarter, launched a significant expansive manoeuvre of over USD 600 billion (so-called "Quantitative Easing 2") to sustain the economy. The ECB left the official interest rate at 1% for the whole of 2010, and continued to adopt the method of fixed-rate auctions for refinancing transactions of the system, fully meeting demand. In general, the tone of the interbank markets has continued to be strictly dependent on the transactions of central banks, in the absence of any reprisal of liquidity swaps between intermediaries due to continuing concerns as to counterparty risk. Money market interest rates, which fell in the first six months of the year, reaching record lows (the fixing of the 3-month Euribor touched 0.63%), started to recover towards the end of April, as the result of a less accommodating approach of the ECB with respect to that adopted on the other side of the Atlantic, and continued to rise on all maturities as the year progressed; from October on, even following measures to reduce excess liquidity adopted by the ECB, the 3-month Euribor settled at around 1%.
In Europe, to respond to the turbulence in the Greek government bond market, which heightened in April, European Union (EU) authorities and member states of the Euro Zone agreed, in May, on a plan of financial support, which entailed the granting of bilateral loans totalling euro 80 billion; the IMF granted a further euro 30 billion, which the ECB facilitated the use of bonds issued or guaranteed by the Greek government in bank refinancing transactions. Almost simultaneously, Ecofin launched an Intergovernmental Stabilisation Fund for a figure of euro 440 billion.
In terms of structural reforms, in 2010, efforts were made to revise legislation governing international finance. At the summit held in Seoul in November, the reform of capital requirements for banks - also called Basel 3 - was presented. Conceived on 12 September by the Basel Committee, the reform had been approved by all leaders of G20 countries. The strengthening of prudential regulations regards, in particular, the new definition of capital, the introduction of a financial leverage ratio and the definition of new liquidity standards. The new rules will be introduced gradually as of 2013 and the transition to the new system will be completed by 2019. The European Commission subsequently approved the reform of financial supervision in Europe, ratifying the establishment (as of 1 January 2011) of a new European architecture for the control and supervision of intermediaries and markets, as well as approving new constraints and obligations regarding capital, leverage and liquidity envisaged by the new Basel 3 regulations.

Domestic banking scenario

On the basis of strengthening demand, associated with the recovery in economic activities, bank loans to the private sector during the first part of 2010 picked up after the slowdown experiences during the crisis. The loans trend in Italy was mainly sustained by the demand for medium/long term borrowing from retail customers, while short-term credit, requested above all by the corporate segment, continued to feel the effect of the difficult pace of the recovery; an inversion of the trend was seen only towards the end of the year.

More specifically, based on estimated figures of ABI, retail customers' loans and loans to non-financial companies had risen 3.8% at the end of 2010. As mentioned earlier, retail customers' loans were the largest contributor, rising 7.6% at the end of December, while corporate loans rose by only 1.6%. Loans of up to one year rose at the end of the period to 0.8% on a trend basis, while those with terms of beyond one year rose 4.9%. However, trends differed depending on the size of the intermediary: the major groups recorded more moderate growth rates for loans, while medium and medium-small banks recorded more lively growth rates.
In 2010, deposits recorded a significant slowdown, particularly medium-term products. Right from the start of the crisis of PIGS countries, Italian banks were forced to suffer a loss of creditworthiness for sector-related reasons; this, combined with

the flattening of the returns curve, explains the weak trend of bank bonds which, for the first time in over a decade, saw their share of total funding fall.
Over the year, total deposits (deposits plus bonds) performed rather well, although they slowed down as the year progressed: the growth rate fell from +9.5% in January 2010 to +7.2% in March, +5.6% in June, +4.1% in September and to +3.0 at year end. However, based on the indications of the Bank of Italy, if repurchase agreement transactions with market operators is deducted from the figure for the growth rate of deposits, the latter is much lower: in November 2010, the last available figure, it recorded a fall of 0.5%, on a trend basis, against a rise of 3.7% for the same aggregate, but including the above-cited transactions. In terms of categories, deposits recorded the most active trend. At the end of 2010, the growth of resident customer deposits was 6.3%, while bonds - which recorded a negative trend for almost the entire second half of the year - closed 2010 with an annual fall of 1.7%.
As regards bank interest rates, the accommodating monetary policies of the major central banks maintained the levels of returns of loans and deposits at limited levels, and overall lower than those recorded at the end of the previous year. The spread between bank interest rates - given by the difference between the average interest rate on loans to retail customers and non-financial companies and the average interest rate on deposits - was 212 basis points at year end (217 b.p. in December 2009). The mark-up of loans compared to the 3-month Euribor was 260 b.p. at year end, marking a significant decrease on the figure twelve months earlier (-45 b.p.). The mark-down was -48 b.p., a significant improvement (+40 b.p.) on the figure recorded twelve months earlier. Lastly, as far as credit quality is concerned, available data indicates that at year end, reflecting the deterioration of the economic scenario, gross doubtful loans of the Italian banking industry totalled euro 77.8 billion, euro 18.7 billion more than the figure recorded in December 2009, an annual rise of 31.6%. The above doubtful loans represented 4.0% of total loans, up on the 3.3% recorded in December 2009. Doubtful loans net of write-downs amounted to euro 46.9 billion in December 2010 (+30.3% from the end of 2009).
The asset management segment closed the year with net deposits in Italian and foreign mutual funds amounting to euro 1.1 billion. Total mutual funds as at December 2010 amounted to euro 452.5 billion, marking an annual increase of 4%.

SIGNIFICANT EVENTS DURING THE YEAR

The main events which occurred during the 2010 are described below.

Purchase obligation on ordinary Banca Italease shares pursuant to Article 108, paragraph 2 of Italian Legislative Decree No. 58/1998.

Following the conclusion of the share capital increase transaction which took place during the first few days of January 2010, Banco Popolare obtained 91.397% of the share capital of Banca Italease which led to the obligation to purchase the remaining shares of Banca Italease in circulation.
On 4 March 2010, pursuant to Article 108 of the CFL, Consob set the price for the fulfilment of the purchase obligation on Banca Italease ordinary shares at euro 0.797 for each ordinary share, involving a total maximum equivalent value of euro 127,011,686.16 referring to the 159,362,216 residual shares, and also authorised the publication of the disclosure document relating to the Purchase Obligation procedure.
The Procedure was launched on 8 March 2010 and ended on 26 March 2010 involving the addition of 138,124,468 shares. Adding these shares to those already held directly and indirectly by Banco Popolare, as of the date of payment of the price established as 31 March 2010, the Group held 98.853% of Banca Italease's capital.
As a consequence of reaching the threshold of 95% of Banca Italease's capital, the legal conditions for the purchase, at the same price of euro 0.797, of the remaining shares still held by the market occurred.
Accordingly, on 8 April 2010 Banco Popolare launched the procedure for the purchase of the 21,237,748 ordinary Banca Italease shares still in circulation, equal to 1.147% of its share capital and at the same time took steps to deposit the overall equivalent value equal to 16,926,485.16. As of the same date, the transfer of the ownership of said shares in favour of Banco Popolare became effective, with the consequent recording in the shareholders' register by Banca Italease.
As from 8 April 2010, the Banca Italease shares were delisted.
The effect of the increase in the shareholding during the period, equal to the difference between the amount paid and the book value of the shareholders' equity pertaining to non-controlling interests shareholders, presented a negative balance of euro 2.7 million and was recorded as a matching balance to the equity reserves, as established by the reference accounting standards for the changes in the shareholding which took place after acquisition of control (for further details, please refer to the accounting standards contained in Part A of the consolidated Explanatory Notes.

Banca Italease – Corporate rationalization transactions

In April and May 2010, Banco Popolare's Management Board and Banca Italease and Italease Network's Boards of Directors resolved the merger by incorporation of Italease Network within Banca Italease subject to the transfer by the latter of the "agent business segment" in favour of Mercantile Leasing (both Italease Network and Mercantile Leasing are wholly-owned by Banca Italease).
In detail, the transaction was split into the following two stages:

- partial spin-off from Italease Network to Mercantile Leasing of the business segment made up of the legal relationships with the agents and certain related assets/liabilities;
- merger by incorporation of Italease Network post spin-off within Banca Italease.

The spin-off of the agent business segment within Mercantile Leasing makes it possible to supplement the indirect sales network of Mercantile Leasing, due to the complementary territorial and business nature of the two indirect networks, while the merger of Italease Network within Banca Italease makes it possible to streamline the corporate and organisation structure of the former Italease Group, involving a reduction in the corporate and administrative expenses, as well as the standardisation of the risk management and control methods and processes (operational and lending risks) at Group level so as to enhance the supervision of the risks by the Parent Company, and thus achieve a considerable decrease in operating expenses.
Both transactions were finalized on 30 November; the spin-off, effective as of 2 December, the merger, authorised by the Supervisory Authority on 2 August, was effective as of 3 December 2010.

Disposal of Factorit

On 25 February 2010, the management bodies of Banca Popolare di Sondrio and Banca Popolare di Milano approved the purchase of 90.5% of Factorit S.p.A.'s share capital from Banca Italease and Itaca Service. Factorit S.p.A. involved in providing advances on and collecting trade receivables and associated services and is, by business volumes, is the fourth leading Italian operator in the sector.
The contract was formally drawn up on 22 March 2010 and finalized on 29 July: Banca Popolare di Sondrio acquired 60.5% at a price of 103.8 million, while Banca Popolare di Milano acquired 30% at a price of 51.5 million.
The remaining 9.5% of Factorit's share capital remains within the sphere of the Banco Popolare Group, via the subsidiary Banca Italease, and is recorded under financial assets available for sale; the investee company was consequently deconsolidated and excluded from the Banking Group as of the third quarter.
The effects of the above-illustrated transaction have been recorded on the basis of the provisions of accounting standard IAS 27, in the new formulation applied from financial year 2010, which envisages that, in the event of disposal of shareholdings

with loss of control, any residual holding must be re-measured at fair value and the consequent effects booked to the income statement. On the basis of IAS 27, the amount recorded in the income statement was therefore calculated by comparing the fair value values of the price paid and of the residual holding with the book value of net assets, including the profits that the subsidiary has recorded up until the date of the sale, and the goodwill attributed to Factorit. The net impact as at 31 December recorded under item 310 of the income statement "Income/loss after tax from discontinued operations" was a profit of euro 1.1 million, of which 0.1 million represented the portion attributable to the fair value of the investment retained. For further details, please refer to the accounting standards contained in Part A of the consolidated Explanatory Notes.

Project for the reorganisation and integration of the former Italease Group

In parallel with the extraordinary and corporate rationalization transactions for the former Italease Group already mentioned in the previous sections, the reorganisation projects continued aimed at fully integrating Italease within the Banco Popolare Group's operating model.
In the first nine months of 2010, the Debt Recovery Management, Business Property Management, Finance, Risk Management, Audit, Purchasing, Support and Controls 262, Personnel Administration, Industrial Relations, Welfare and Training, Disputes, Specialist Legal Consulting and Appraisals / Surveys divisions were consolidated within the Parent Company and within a number of product companies (SGC and BP Property Management). Furthermore, at the beginning of 2011, Security and Safety activities were consolidated into SGS-BP, while several administrative functions (supplier accounting, tax consulting and operating company accounting) were centralized within the Parent Company.
These reorganizations have enabled Banca Italease and its subsidiaries to benefit from the increased efficacy of the services provided by the integrated support and control division in the Group system, as well as achieve significant synergies and save costs.
To regulate the provision of services by the Parent Company (or by other companies that have been consolidated), specific outsourcing contracts have been prepared and signed, in line with the standards in force within the Banco Popolare Group.
Several other projects to centralize other activities within the Parent Company are currently being discussed, as well as projects to rationalise and simplify operations, achieve the gradual streamlining of existing processes and strengthen the Parent Company's control mechanisms.
Projects also continued aimed at simplifying the information system of the former Italease Group and its progressive integration with that of the Group; of these, as of November 2010, the information system of Mercantile Leasing was migrated into that of Banca Italease.
Furthermore, a project to optimise and to progressively further integrate information systems has been launched between the two IT service companies – SGS BP and Itaca Service – with the aim of seizing all the possible operating synergies, also in consideration of the organisational consolidations implemented and being implemented - in particular speeding up the information flows of the subsidiary Italease towards the Parent Company specifically for reporting by consolidated enterprises.
The organisational and corporate rationalisation of the former Italease Group is carried out by paying the greatest of attention to the maintenance and requalification of the wealth of human resources existing as well as safeguarding commercial assets.

Agreement for the exchange of loan portfolios between Banca Italease and Alba Leasing

Within the sphere of the reorganisation transactions finalised at the end of 2009, at the time of conferral of the business segments to Alba Leasing, Banca Italease and the newly-established company agreed that the latter would have carried out due diligence activities on the portfolio of loans acquired.
As a result of this process, on 2 July 2010, the parties signed an agreement, finalised in September 2010, on the basis of which Banca Italease and Release purchased a series of loans (selected on joint agreement of the parties), which had been conferred by Banca Italease and Mercantile, for a figure of euro 299.6 million from Alba Leasing, and in parallel, the same purchased a loans portfolio from Banca Italease and subsidiaries for a similar figure (euro 300.4 million).

Supplement to the agreement with Alba Leasing on securitised loans

By way of partial integration and amendment of the similar agreement entered into on 24 December 2009, on 2 July 2010 Banca Italease reached an agreement with Alba Leasing regarding a more precise definition of the rules relating to the transfer to Alba Leasing of the securitised loans originating from the banking channel.
In consideration of the complexity of the December 2009 agreement and in the absence of shared interpretations between the parties on the accomplishment formalities, so far it has not been possible to execute the agreement or avail of accurate information necessary for a final accounting survey of the impacts deriving from the same. In more detail, as of the date of drawing up its financial statements as at 31 December 2009, Banca Italease had taken steps to record the derecognition of the securitised loans originating from the banking channel and the liabilities associated with the same, at the same time seeing to the registration of junior and senior securities subscribed by the originator for the portion corresponding to these loans. In the absence of the required information, Banca Italease was unable to record the additional effects on a definitive basis deriving from the agreement in the pertinent balance sheet and income statement items. At the time of drawing up the financial statements as at 31 December 2009, Banca Italease had consequently had to record the estimate of the net economic effects which presumably will ensue from the execution of the agreement, setting aside the overall amount of euro 100 million to the provision for risks and charges.

On the basis of the agreement reached between the parties on 2 July, as already mentioned at the time of the interim financial report, Banca Italease took steps to use the entire provision for risks and charges (euro 100 million) so as to neutralise the significance of the economic effects of the Agreement on Securitised Loans listed below:

- effects deriving from the breakdown of the remuneration and the "Deferred Purchase Prices" relating to the securitisations for the period until 31 March 2009;
- effects deriving from the agreements relating to the remuneration of the banking sub-portfolio for the period 31 March 2009 - 31 December 2009;
- effects deriving from the agreements on the treatment of liquid advances;
- effects deriving from other cases consequent or correlated to the Agreement on Crediti Securitised loans.

Banca Italease's derisking process

Consistent with the aim of reducing the portfolio of impaired loans of the former Italease Group, with particular reference to the real estate property sector, Release, a company specialised in the handling of non-performing loans, carried out various negotiations with the leading debtors aimed at closing current default positions or restoring them to performing status.
In 2010, the above efforts led to:

- the contractual termination, with the simultaneous regaining of possession of the underlying properties of: a contract of euro 111.5 million gross with a real estate operator, three problem contracts regarding Risanamento for a total of euro 116 million gross and two problem contracts (regarding just one property) vis-à-vis the Colli Aminei Group for 198 million gross and a contract that had already been restructured with another real estate operator of euro 58.5 million gross;
- the finalisation of the transfer of a property leasing agreement (gross receivable of around 81 million) from Risanamento to the special purpose entity Sviluppo Comparto 8, subsequently acquired by Bipielle Real Estate; furthermore, in August, the latter took over the financial lease contracts of another special purpose entity of the Risanamento group (Tradital) and, consequently, the substandard loan exposure of Release (corresponding to euro 24.5 million gross at the time of the agreement) was reclassified as performing;
- the transaction with the group led by real estate agent Giuseppe Statuto, which permitted: the consensual early termination of financial lease agreements for a total of euro 308 million gross (euro 49 million doubtful and euro 259 million substandard) with the simultaneous regaining of possession of the three underlying properties; the early release of two substandard leasing agreements for a gross risk of euro 19 million; the payment of euro 26 million in back instalments and the disbursement of a new loan of euro 20 million guaranteed by pledge on the holding in a Closed-End Property Fund. The residual exposure of the group in question, totalling euro 712.3 million gross as at 31 December 2010, has been classified as restructured loans;
- the partial replacement by a third party on one of the two properties underlying the financial lease agreement with a company belonging to the Coppola group (Multicity Sarl), leading to a consequent decrease in the risk vis-à-vis the Coppola group for around euro 34 million gross loan (classified as performing given the new counterpart); in October, against vis-à-vis the Coppola group, leasing contracts relating to three companies (Palermo RE Sarl, Como RE Sarl and Firenze RE Sarl) were by mutual consent terminated, with repossession of the relative underlying properties and the full and final settlement of a gross loan classified as a substandard loan for a total of euro 126 million;
- the entering into of an Outline Agreement with the Aedes Group by virtue of which the agreement was reached to consensually terminate – with the simultaneous regaining of possession of the underlying property by Banca Italease - a substandard lease agreement (with a value of around euro 79.8 million gross) and guidelines were defined for the restructuring of the residual loan with Release of around euro 40.9 million gross. The Agreement also led to the changeover of ownership, from the Aedes Group to Bipielle Real Estate, of a shareholding of 50% in Mariner S.r.l., holder of a leasing agreement with Release for a value, at the time of the agreement, of euro 60.5 million gross; as a result of this changeover and the transfer, in July, of the remaining 50% of Mariner to Bipielle Real Estate, the exposure was consequently reclassified as regular;
- the resolution on the restructuring of the debt relating to a real estate group (with a gross risk relating to real estate leases of euro 59.5 million). This will also entail the closing of a settlement on an exposure relating to derivative contracts of around euro 26 million;
- the reduction of gross substandard loans, due to:
  - the agreement reached in the second half of 2010 to settle the position of a customer with an exposure, at the time of the agreement, of euro 176 million gross;
  - the early extinguishment of a substandard mortgage with a gross risk of euro 37.2 million towards another real estate operator.

Exercise of the put option issued in favour of the Cassa di Risparmio di Lucca Foundation

On 6 May 2005, Banca Popolare Italiana had entered into an option agreement with the Cassa di Risparmio di Lucca Foundation on the basis of which the Foundation had the faculty to exercise a sale option on 143,997,909 ordinary Cassa di Risparmio di Lucca Pisa Livorno shares (equal to 20.39% of the share capital) and Banco Popolare which, following the merger took over all the commitments of the former Banca Popolare Italiana, had the obligation to purchase the same shares at a price equal to the shareholders' equity of Cassa di Risparmio di Lucca Pisa Livorno, on the basis of the last set of financial statements approved before the option was executed, multiplied by the multiple agreed contractually and equals to

1.3054.
On 11 February 2010, the Foundation exercised the put option in full: as regards the afore-mentioned exercise, the payment due by Banco Popolare amounted to euro 312.7 million. On the basis of the provisions of the 2005 contract, Banco Popolare would have had to pay the price by means of the transfer to the Foundation of share-based financial instruments issued by companies belonging to the Banco Popolare Group duly listed and traded on an Italian organised stock market.
The effective settlement finalized on 5 July 2010 took place in accordance with the various formalities agreed between Banco Popolare and the Cassa di Risparmio di Lucca Foundation in the agreement signed on 5 June 2010. On the basis of this agreement, it was established that the payment of the price for the purchase of the Cassa di Risparmio di Lucca Pisa Livorno shares as of the execution date, corresponding to euro 312.7 million, would take place 50% in cash and the remaining 50% in ordinary Credito Bergamasco shares, on the basis of an assignment price equal to the average Stock Market price for the last five days prior to the execution date (euro 21.9097 per share).
Therefore, on 5 July 2010 the parties implemented the agreement with the transfer to Banco Popolare of 144,000,305 ordinary Cassa di Risparmio di Lucca Pisa Livorno shares, corresponding to 20.39% of share capital, by means of the payment in cash of an amount of euro 156.4 million. At the same time, the first tranche of 6,166,512 ordinary Credito Bergamasco shares were transferred to the Foundation, equal to 9.99% of the share capital; the remaining 970,199 shares (corresponding to 1.57% of share capital), were transferred on 21 September, with entitlement as of 5 July 2010, when legal authorisation was obtained. As a result of these transactions, the controlling investment of Banco Popolare in Credito Bergamasco dropped from 88.99% to 77.428%; the investment held in Cassa di Risparmio di Lucca Pisa Livorno rose from 78.923% to 99.309%.

As an integral part of the agreements, the Foundation has undertaken to grant Banco Popolare a purchase option, which can be exercised by the eighteenth month from the date of execution, on all the Credito Bergamasco shares held by the Foundation as a result of said settlement. The purchase options exercise price is equal to the assignment value of the Credito Bergamasco shares to the Foundation. Until expiry of the deadline for the purchase option, the Foundation cannot carry out acts for the transfer of the Credito Bergamasco shares acquired following the execution of the Sale Option.
The agreement also envisages the termination of all the agreements existing between the parties, including therein the Shareholders' Pacts relating to Cassa di Risparmio di Lucca Pisa Livorno, with the exception of certain commercial agreements outstanding between the Banco Popolare Group and the Foundation.

The changes in the shareholdings held in Cassa di Risparmio di Lucca Pisa Livorno and in Credito Bergamasco following the actual transfer of the shares, were treated as capital transactions between shareholders, since the Group has maintained control over both companies. As illustrated in detail in the section entitled "Accounting principles" in Part A of the consolidated Explanatory Notes, the impact on the consolidated financial statements depends, in addition to the cash outlay, on the respective book values of the investments in associates: the book values of the shareholders' equity of the group and non controlling interests shareholders have in fact been adjusted to reflect the change in percentage shareholding. The overall impact on the Group's shareholders' equity as at 31 December 2010 is a reduction of euro 124.7 million; the fall in shareholders' equity resulting from the cash payment of euro 156.4 million, already recorded as at June 2010, has been mitigated by the positive impact resulting from the effective transfer of the shares, insofar as the portion transferred to group shareholders' equity was higher than that transferred to non controlling interests shareholders' equity, by a total amount of euro 31.7 million.

Note that the option granted by the Foundation to Banco Popolare for the purchase at a pre-established price of the Credito Bergamasco shares transferred, has been recorded in the consolidated financial statements as a derivative on instruments representative of shareholders' equity; therefore, this option did not give rise to any income statement or balance sheet accounting entry.

Disposal of Banca Caripe

On 31 December 2010, the agreement to sell the investment, corresponding to 95% of share capital, held by Banco Popolare in Banca Caripe S.p.A. to Cassa di Risparmio della Provincia di Teramo S.p.A. (Banca Tercas) for the sum of euro 228 million, became effective, in line with that envisaged and agreed by the parties on 1 October 2010. The agreement was finalised after receiving authorisation from the supervisory authorities and the successful conclusion of the due diligence conducted by the purchaser. The consideration will be paid in four tranches, the first of which, of euro 70 million, was paid on 31 December 2010, while three other six-monthly tranches will follow of euro 70, 50 and 38 million respectively, plus interest corresponding to the 6-month Euribor plus 0.05 percentage points on the basis of one year, without prejudice to Banca Tercas' faculty to pay the instalments in advance.
As a result of the above transaction, the income statement for the year ended 31 December 2010 benefited from a positive impact of euro 23.6 million, recognised in the item 310 "Income/loss after tax from discontinued operations".

In the days immediately after the conclusion of the 1st October agreement, a dedicated project was launched with the aim of addressing and completing all of the activities needed to close the transaction and migrate Banca Caripe into Tercas' systems.
To this end, a joint technical-commercial committee was set up, comprising representatives of both the Banco Popolare and Tercas groups, which will represent the governance and control body of the project in question, which has been broken down into several task-specific working groups.

The project comprises three main phases:

- phase 1: action consequent to the departure of Caripe from the Banco Popolare Group and its entrance into the Tercas Group;
- phase 2: management of the transition phase after the closing of the transaction and before the migration of data to the purchaser's information system;
- phase 3: data migration and the termination of service agreements with Banco Popolare Group companies.

The first phase of the project has been successfully completed. Activities regarding the management of the transition phase after the closing of the transaction are now in progress, as well as preparations for the IT migration of Banca Caripe to the target Tercas system, envisaged by the end of the first half of 2011.

Agreement for the disposal of Banco Popolare Česká Republika

On 9 December 2009, an agreement for the sale of 100% of BP Česká Republika web Banco Popolare to a company belonging to the British private equity fund AnaCap at a price of around euro 47 million was signed. The due diligence was successfully completed. As the authorisation to proceed with the purchase of the Central Bank of the Czech Republic was not received within the term envisaged by the agreement for the execution of the sale, on 30 November 2010, Banco Popolare's Management Board approved a new agreement for the sale of 100% of BP Česká Republika to the British private equity fund AnaCap, expiring 30 June 2011, subject to the authorisation of the Central Bank of the Czech Republic. The new agreement was signed on 21 December 2010, and envisages a sale price of around euro 48 million, by effect of which, the Group should record, based on the latest available figures, an estimated pre-tax profit of around euro 10 million.

Winding-up and disposal of other subsidiaries

On 11 January 2010, the Irish company Royle West Limited, 99% owned by Banco Popolare, was placed in voluntary liquidation. Likewise, on 16 June 2010, the extraordinary shareholders' meeting of the associated company Novara Promuove S.r.l., carried at equity, resolved to wind up the company.

On 19 January 2010, on completion of the winding-up procedures, Essegibi Finanziaria SpA (in liquidation), controlled indirectly by Banca Italease through Italease Gestione Beni SpA, was cancelled from the Milan Companies' Register.

Following the exercise of the options to redeem the innovative equity instruments in advance for euro 25 million, issued via the US trust company (Delaware) by Banca Popolare di Lodi Trust, wholly owned by the special purpose vehicle, Bipielle Capital Company LLC, on 8 June 2010, both the trust and the special vehicle company specifically established for the issue of these securities were wound-up.

On 10 June, on conclusion of all the winding up transactions, Efigestioni SGR S.p.A., a company 90.16% owned by Efibanca and included in the Banco Popolare Banking Group, was cancelled from the Companies' Register.

Again in June, the voluntary liquidation procedure of the company Parchi del Garda was concluded, a subsidiary of Efibanca involved in merchant banking activities.

On 19 October, the Cassa di Risparmio di Lucca Pisa Livorno transferred its entire shareholding in Castimm S.r.l. corresponding to 100% of share capital, to Porto Industriale Livorno. As a result of this transaction, which entails the exit of this subsidiary from the Banco Popolare Banking Group, the investee company was deconsolidated without a significant impact on the consolidated income statement.

In December, the winding-up of Mercantile Finance S.r.l., a special purpose entity for the securitisation transactions of the former Italease Group, was concluded. The company was therefore cancelled from the Companies' Register.

Lastly, on 22 December 2010, 100% of the share capital of Monticchio Gaudianello S.p.A., a company controlled by Efibanca through Acque Minerali Riunite was sold to Norda S.p.A.. The sale, concluded at a price of euro 6.4 million, had a negative impact on the consolidated income statement of around euro 5.6 million, due to the loss for the year of the investee company (euro 1.9 million) and the write-down made to align the consolidated book value with the sale value.
Following the above transaction, Acque Minerali Riunite was placed in voluntary liquidation, as resolved by the company's Shareholders' Meeting held in January 2011.

Disposal of investments in associates

On 30 April 2010, the contract entered into in November 2009 with Sofos S.r.l. for the transfer of the investment held in Efibanca Palladio Finanziaria SGR was finalised. This contract concerned 4,999 shares out of 5,000 shares held by Efibanca, equal to 50% of the company, for a basic price established as euro 363 thousand.
The remaining Efibanca Palladio Finanziaria SGR shares not disposed of, subject to a reciprocal Put&Call agreement between the parties at a price of euro 100, equal to the nominal value of said share, were transferred in July 2010, thereby writing off the investment held in the company which in the meantime changed its corporate name to Star Capital SGR.

Furthermore, in June the disposal to third parties of the entire investment held by Banca Popolare di Lodi in Co.Im.A. – Costruzioni Immobiliari Acesi S.r.l., corresponding to 33.33% of the share capital, took place.
The transactions described did not have significant impacts on the result for the period since the transfer price was in both cases in line with the book values in the consolidated financial statements.

On 23 June, the transfer of 210,364 shares of Istituto Centrale delle Banche Popolari Italiane to Banca Carige S.p.A. was finalised.
The total shareholding transferred by Holding di Partecipazioni Finanziarie BP, Banca Popolare di Crema and Banca Italease corresponded to 1.499% of the share capital of ICBPI, at an overall price of euro 12 million, and led to the recognition of capital gains in the income statement for the year of euro 3 million; furthermore, the parties agreed that the dividends pertaining to 2010, which will be distributed in 2011, will be paid to transferring parties at the rate of 50% to make up the price.

On 24 June 2010, the transfer to the Cassa di Risparmio di Verona Vicenza Belluno e Ancona Foundation of the shares held by Banca Popolare di Verona – S.Geminiano e S.Prospero in the company Polo Finanziario S.p.A., corresponding to 33.33% of the same's share capital, was finalised for a price of euro 13 million. As a result of this transaction, the Group recorded a consolidated pre-tax capital gain of euro 1.7 million.
On 2 July, the transfer to third parties of the investment Ch&f Bertolini, held by Efibanca as part of the merchant banking activities, corresponding to 20.165% of the share capital, was finalised. No economic effects emerged from this transaction since the book value has been aligned with the envisaged disposal value at the time of drawing up the 2009 consolidated financial statements.

Again in the month of July, the transfer of the entire holding held by the Group (directly by Banco Popolare and through Banca Popolare di Crema, Banca Popolare di Cremona, Cassa di Risparmio di Lucca Pisa Livorno and Banca Italease) in Centrosim, corresponding to 25.149% of the share capital, was finalised. The overall equivalent value of the transaction comes to around euro 2.3 million, to which the consolidated book value of the company was aligned by means of a write-down of euro 1 million made in the income statement during the second quarter of the year.

On 28 July, Efibanca sold 50% of the investment held in AF Mezzanine SGR to Fineurop S.p.A.; the price for the transaction, established as euro 0.8 million, was in line with the company's consolidated book value.

Lastly, on 23 September, the agreement for the partial sale of the investment held by Banca Aletti in Gruppo Operazioni Underwriting Banche Popolari S.r.l. was finalised. More specifically, Banca Aletti sold 5.71% of the company's share capital to Banca Carige for a price of euro 5.5 million; as a result of this transaction, which did not impact the income statement, the investment in associates, previously carried at equity, was deconsolidated and the residual shareholding, corresponding to 14.29% of share capital, was recognised under financial assets available for sale.

Aedes and Risanamento developments

As part of the agreements entered into with the Risanamento Group and exposed banks, including the Banco Popolare Group, on 1 March 2010, a Framework Agreement was signed by Risanamento and Bipielle Real Estate, which as of 31 December 2009 presented an exposure of a total of around euro 100 million for down payments and advances relating to the Milano Santa Giulia project. On the basis of this agreement, Risanamento transferred to Bipielle Real Estate the holding representing the share capital of Sviluppo Comparto 6 S.r.l. (100%), Sviluppo Comparto 8 S.r.l. (100%) and Mariner S.r.l. (50%), in addition to the revenues deriving from the sale of a number of properties.
Furthermore, on 23 July, the acquisition by Bipielle Real Estate of the remaining 50% of the share capital of Mariner S.r.l. was finalised, 35% of which was sold by Aedes S.p.A., and 15% by Aedes Trading S.r.l.. Further to the transaction, which took place at a symbolic fee of 1 euro, Bipielle Real Estate holds 100% of Mariner's share capital.

The more extensive project for restructuring the loans of the Risanamento Group by contrast included the transaction via which, on 5 August 2010, the subsidiary Bipielle Real Estate purchased 55 properties used as bank branches from Tradital S.p.A. (Risanamento Group), by taking over the respective financial lease agreements outstanding with Release for a value of around euro 33 million.

Lastly, in February 2011, the increase of the share capital of Risanamento S.p.A. was finalised for a total of euro 150 million, underwritten by the signatory banks of the restructuring agreement, including Banco Popolare which, with a total disbursement of around euro 8 million, now holds 3.542% of the company's share capital.

Acquisition of the investment in TT Toscana Tissue s.r.l.

As part of the credit collection activities regarding Cartiera Fenili S.r.l., subject to arrangement with creditors, on 14 October 2010, the subsidiary Cassa di Risparmio di Lucca Pisa Livorno acquired the entire investment held by Cartiera Fenili S.r.l. in the newly-established company called TT Toscana Tissue S.r.l., as *datio in solutum*, for a value of euro 7.8 million, corresponding to the share capital of the entire investment.

As of the fourth quarter therefore, the company was included in the scope of line-by-line consolidation of the Banco Popolare Group.

Reorganisation of the asset management sector

On 28 July 2010, Banco Popolare, fulfilling the resolutions of the Management Board dated 15 June and 13 July, acquired the entire investment of the two Group asset management companies, Aletti Gestielle SGR and Aletti Gestielle Alternative SGR, previously held by Holding di Partecipazioni Finanziarie BP and by Credito Bergamasco. The transfer of the investments in question, which did not lead to any changes in the Group's scope of consolidation, was preparatory to the merger by incorporation of Aletti Gestielle Alternative SGR into Aletti Gestielle SGR, finalised on 31 December 2010.
The merger, which does not entail any changes to the share capital of the incorporating company, or any cash payment, took accounting and fiscal effect as of 1 January 2010.

Merger between Group companies

In addition to the transactions illustrated above, in July the merger by incorporation of Novara Invest SIM into Compagnia Finanziaria Ligure Piemontese (Cofilp) took place, both of which in liquidation.
Furthermore, in December, the merger by incorporation of Aletti Fiduciaria into Nazionale Fiduciaria was finalised. At the same time, the incorporating company resolved to change its name to Aletti Fiduciaria and to transfer the registered office from Brescia to Milan.
The above-illustrated transactions took accounting and fiscal effect as of 1 January 2010.

Outcome of settlement agreements for liability and compensation of damage action

In 2010, Mr. Gianpiero Fiorani and Mr. Silvano Spinelli submitted a settlement proposal, the former in relation to the liability action brought against the same, the second with regard to the compensatory claims enforced by Banca Popolare di Lodi for the activities of the same carried out in collaboration with Mr. Fiorani, which was accepted by the Management Board of Banco Popolare and by the Board of Directors of Banca Popolare di Lodi. The proposal, limited to the respective portions of liability and therefore not communicable to the possible responsible parties jointly, entailed an allocation to Banco Popolare in cash and investments in real estate property companies for an estimated amount of euro 50 million.

Following the progressive, but still partial execution of the obligations deriving from the afore-mentioned agreements, in 2010, Banca Popolare di Lodi acquired securities totalling euro 32.3 million (recorded in the income statement under other operating income) and became the holder of a series of investments in real estate companies (Liberty S.r.l., S.I.A.L. S.r.l. in liquidation, P.M.G. S.r.l., Arcene Infra S.r.l. in liquidation, Arcene Immobili S.r.l. in liquidation, Cores S.r.l., S.E.T.A. S.r.l. and Immobiliare Marinai d'Italia S.r.l.).
The shareholdings have been recorded on the balance sheet of Banca Popolare di Lodi under "Investments in associates and companies subject to joint control", as a balancing entry to the item "other income" on the income statement, at the value corresponding to the fair value calculated on the basis of shareholders' equity as at 31 December 2009, adjusted by updating the historic value of the properties to their market value, determined on the basis of appraisals by external assessors. Under this method, the investment in Liberty was recognised at a value of euro 6 million, while an allocation of euro 3.9 million was made to provisions for risks and charges for the remaining companies, recognised at the value of one euro each (given their negative shareholders' equity), to adjust the value of shareholders' equity as at 31 December 2010.
In the consolidated financial statements, subsidiaries Liberty and S.I.A.L. were consolidated on a line-by-line basis, while the remaining investment in associates were carried at equity.

As part of the criminal proceedings against a number of former managers and certain credit brokers in which Banca Italease has filed civil action, a settlement has already been reached with one of the defendants for the amount of euro 10 million, received during the year, while the remaining defendants were sentenced in first instance in October 2010 to pay an interim award in favour of the civil claimant for a total amount of around euro 20 million.

Share capital increase of Banco Popolare

At a meeting held on 24 October, the Management and Supervisory Boards of Banco Popolare launched a transaction to increase the share capital by a maximum of euro 2 billion, submitted to the approval of the Extraordinary Shareholders' Meeting held on 11 December 2010, which entails awarding the Management Board, pursuant to art. 2443 of the Italian civil code, the power to increase the share capital against payment and in one or more tranches within a period of 24 months from the date of the resolution of the Shareholders' Meeting, through the issue of ordinary shares to be offered on option to shareholders and to bondholders of the convertible bond "Banco Popolare 2010/2014 4.75%" (so-called "CB"), with the power to establish, close to the offer date, the number of shares to be issued, the issue price and the entitlement.
The share capital increase was preceded by the elimination of the nominal value recorded for the shares, corresponding to euro 3.6.

This transaction will enable the following objectives to be pursued:

- to reinforce the Group's capital, improving capital ratios;

- to organise the redemption of the financial instruments set forth in art. 12 of Italian Law Decree no. 185/08 underwritten on 31 July 2009 by the Ministry of the Economy and Finance (so-called Tremonti Bonds) for an amount of euro 1.45 billion;
- to bring forward the alignment to the more stringent requirements to be introduced relating to minimum capital requirements (Basel III);
- to ensure that Banco Popolare is able to position itself favourably on the market and to grasp the opportunities created by future economic growth;
- to have more flexibility in assessing future decisions regarding the conversion of the CB.

The share capital transaction also entailed the establishment of a guarantee consortium, the members of which have undertaken to underwrite the share capital increase of Banco Popolare as regards the entire portion for which no option has been taken at the end of the offer period. The consortium comprises: Mediobanca and BofA Merrill Lynch as Joint Global Coordinators and Joint Bookrunners; Credit Suisse, Deutsche Bank and Goldman Sachs as Joint Bookrunners.

On 11 December, the Extraordinary Shareholders' Meeting approved the share capital increase with a very large majority, as well as several amendments to the articles of association concerning, briefly, the elimination of the indication of the nominal value of the shares, the update of parts of the Articles of Association to new legislation, the revision of the quotas to be assigned, as part of the mutual insurance system, to sustain the network, and lastly the possibility of attending shareholders' meeting by means of a remote connection.

On 12 January 2011, Consob authorised the publication of the prospectus; on the same date the Management Board, with the approval of the Supervisory Board, resolved on the divisible share capital increase, for a maximum equivalent amount of euro 1,987,675,315.08, in a single tranche, to be allocated entirely to the share capital, through the issue of a maximum of 1,122,980,404 shares, and established the option ratio as 7 Banco Popolare shares to every 5 ordinary shares and/or bonds held. The shares were offered for subscription at a price of euro 1.77 each (corresponding to a discount of 29% with respect to the theoretical ex right price); the option offer period was set from 17 January to 11 February 2011. The new shares, admitting to listing on the Italian Electronic Equity Market (MTA), have standard entitlement and the same characteristics as the ordinary shares in circulation at the time of issue.
As better illustrated in the section of the Explanatory Notes regarding events subsequent to the date of the financial statements, at the end of the option offer period, a total of 1,121,091,216 shares had been subscribed, corresponding to 99.832% of the total offered, corresponding to a value of euro 1,984.3 million, while all of the unexercised option rights were sold in the first offer session on the Stock Market. Following the above transaction, the share capital of Banco Popolare now amounts to euro 4,293,417,736.68 and is comprised of 1,763,464,410 shares.

Guaranteed bank bond issue programme

In January 2010, as part of a long-term programme which envisages the overall issue of 5 billion Guaranteed Bank Bonds, the first Guaranteed Bank Bonds ("GBB" or "Covered Bonds") were issued at Group level, addressed to institutional investors, for which Banco Popolare acts as Issuing Bank for the Covered Bonds, while the network banks belonging to the Group act as the banks transferring the assets as per Article 7-*bis* of Italian Law No. 130 dated 30 April 1999.
The Covered Bonds issue is part of the Group's strategic plan, and represents a tool to diversify sources of funding, to reduce the relative cost and to extend the maturities of liabilities.
The programme is to be carried out through the non-recourse assignment to BP Covered Bond S.r.l. ("Special purpose entity") enrolled in the list set forth in article 106 of the Consolidated Banking Law, in which Banco Popolare holds a 60% stake, by several Banks of the Banco Popolare group (Banca Popolare di Verona – S.Geminiano e S.Prospero S.p.A, Banca Popolare di Novara S.p.A, Credito Bergamasco S.p.A., Banca Popolare di Lodi S.p.A. and Cassa di Risparmio Lucca Pisa Livorno S.p.A. "Assigning Banks") of the monetary receivables relating to mortgages with the characteristics set forth in art. 2, paragraph 1, letter a) of Italian MEF (Mortgages) Decree.
The Programme is structured so that Banco Popolare transfers the benefits and the costs associated with the issue of the GBB to the individual Assigning Banks through a hedge derivative mechanism.
On 18 January 2010, steps were taken to carry out the unwinding of the BPL Mortgages 1 ("2007 Residential") and BPL Mortgages 2 ("2008 Residential") transactions and to transfer an initial portfolio as collateral for a total amount of around euro 1.4 billion to the special purpose entity; to pay the purchase price of the cover pool, the special purpose entity obtained a subordinated loan granted by the Assigning Banks for an amount corresponding to the purchase price of the mortgages, the repayment of which is conditional on the fulfilment of the rights of GBB holders.
On 3 March 2010, Banco Popolare issued the first tranche of the Series 1 GBBs for a notional amount of euro 1 billion; a fixed-rate coupon accrues on the securities equal to 3.625% and the maturity is "soft bullet" with a duration of 7 years (maturity 31 March 2017); the bond, which was given a rating of "AAA" by Fitch and Aaa by Moody's, was entirely subscribed by institutional investors. Relations between Banco Popolare and the Assigning Banks were regulated on the basis of specific infra-group loan agreements drawn up between the parties, in which the Assigning Banks undertake to pay Banco Popolare interest corresponding to that paid on the individual series of GBBs, as well as the relative capital on maturity.
On 17 May 2010, a second portfolio of receivables was assigned to the Special purpose entity for a total amount of around euro 1.9 billion originated by the same Assigning Banks; to pay the purchase price of the cover pool, the special purpose entity obtained a subordinated loan.
On 5 August 2010, Banco Popolare re-opened the Series 1 GBBs, placing a second tranche for a notional total of euro 400

million with the same characteristics as the first tranche, the bond was used in a repurchase agreement; on 5 August 2010, the Assigning Banks issued bonds with the same characteristics as those of the second tranche of GBBs subscribed by Banco Popolare.
On 16 September 2010, Banco Popolare issued Series 2 GBBs for a notional amount of euro 800 million; a fixed-rate coupon accrues on the securities equal to 3.25% and matures on 30 September 2015; the bond was given a rating of "AAA" by Fitch and "Aaa" by Moody's; the Assigning Banks issued bonds with the same characteristics as those of Series 2 GBBs subscribed by Banco Popolare.
On 21 October 2010, Banco Popolare issued a second tranche of Series 2 GBBs for a notional amount of euro 150 million, fully subscribed by institutional investors; the characteristics of the bonds are identical to those of Series 2; the Assigning Banks issued bonds with the same characteristics as those of Series 2 GBBs subscribed by Banco Popolare.
On 29 November 2010, a third portfolio of receivables was assigned to the Special purpose entity for a total amount of around euro 1.6 billion originated by the Assigning Banks; to pay the purchase price of the cover pool, the Special purpose entity obtained a subordinated loan.

Banco Popolare 2010/2014 4.75% convertible bond issue with faculty to repay in shares

The Extraordinary Shareholders' Meeting of Banco Popolare held on 30 January 2010 approved the issue of a convertible bond loan for a maximum amount of euro 1 billion; more specifically, the Shareholders' Meeting assigned the Management Board the faculty to issue bonds convertible into ordinary shares of the Parent Company, subject to the favourable opinion of the Supervisory Board, up to an amount of 1 billion to be offered under option to shareholders and to holders of the bonds convertible into shares known as "Banco Popolare Convertible subordinated bond issue ("TDF") 4.75% 2000/2010 – ISIN IT 0001444360", with a consequent divisible share capital increase serving the conversion for a total maximum equivalent value of 1 billion, inclusive of the share premium, by means of the issue of ordinary Banco Popolare shares.
Subject to the favourable opinion of the Supervisory Board, the Bank's Management Board was awarded the faculty to establish the terms and conditions of the issue of the convertible bonds and the corresponding underlying share capital increase.

The shareholders' meeting consequently approved the amendments to Article 6 of the Articles of Association, "Share capital", implemented by means of inclusion of a new point indicating the entity, methods and timescales for any share capital changes deriving from the issue of the Convertible Bond Issue and the exercise of the associated rights.

The meeting of Banco Popolare's Management Board held on 25 February 2010, by virtue of the cited resolution and the favourable opinion of the Supervisory Board, approved the conditions of the convertible bond loan known as "Banco Popolare 2010-2014 4.75% convertible with faculty of reimbursement in shares" to be offered under option to the shareholders of the Parent Company and/or holders of the convertible bonds indicated previously. On 1 March 2010, Consob authorised the publication of the information prospectus relating to the offer under option and the listing of the bonds on the MTA (Italian electronic equity market).

The issue amounts in total to euro 996,386,475.15, carried out by means of 162,014,061 convertible bonds with a par value of euro 6.15 each, offered to shareholders and/or holders of the convertible bonds already mentioned at an exchange ratio of 1 convertible bond for every 4 shares and 43 convertible bonds for every 400 convertible bonds held.
The issue price of each convertible bond is fixed at par, equal to euro 6.15.
The convertible bonds envisage the payment of a fixed coupon of 4.75% gross per annum and have a duration from 24 March 2010 to 24 March 2014. Reimbursement of the same is not subordinate to other debts of the company.
The convertible bonds envisage:

- the faculty of the bondholders to convert the bonds into ordinary Banco Popolare shares, at a price of euro 6.15, at any time as from the eighteenth month subsequent to the issue date and until maturity;
- Banco Popolare's faculty, as from the eighteenth month subsequent to the issue date and until maturity, to redeem the bonds in advance by means of payment in full or part in shares, with allocation of a premium on the nominal value of the bond equal to 10%;
- Banco Popolare's faculty to redeem those convertible bonds in relation to which the conversion faculty has not been exercised, in cash and/or in shares, on maturity, on the basis of the market price of the Banco Popolare stock in the last period and for a value of no less than the bond's par value.

The subscription period is established as 1 to 24 March 2010.

The Management Board also resolved a divisible share capital increase to serve the conversion for a total maximum equivalent value of euro 996,386,475.15, inclusive of the share premium, by means of the issue of 162,014,061 ordinary shares, with standard entitlement, and the same characteristics as those in circulation as of the issue date, to exclusively serve the conversion.

During the offer under option period, a total of 160,128,993 bonds were subscribed, equal to 98.84% of the total offered, for a total equivalent value of euro 984.8 million.
As from 31 March 2010, the bonds were traded on the Italian Electronic Equity Market (MTA).
The unsubscribed bonds, with a value of 11.6 million, were offered on the Italian Stock Market.
Following the afore-described transaction, 162,014,061 bonds were subscribed for a total of 996.4 million.

Public Exchange Offer on UGF Assicurazioni and Eurovita Assicurazioni index-linked policies

So as to increase the loyalty retention of its customers, the Group launched important initiatives during the past year in favour of customers who had subscribed policies with underlying securities of Icelandic banks in default.
More specifically, on 1 December 2009 Banco Popolare resolved the launch of a public offer for voluntary exchange via which holders of the index-linked policies "Bipielle Aphrodite II Series Index I/2005", "Bipielle Magnolia Index II/2005", "Bipielle Azalea Index III/2005" of UGF Assicurazioni (former Aurora Assicurazioni), and "Bipielle Aphrodite Series II", "Bipielle Magnolia", "Bipielle Azalea" of Eurovita Assicurazioni, with underlying securities issued by the Icelandic banks Landsbanki Islands, Glitnir Banki and Kaupthing Bunadarbanki, were offered the possibility to exchange each policy with zero coupon type senior bonds, issued by Banco Popolare, and a possible cash settlement.
The offering was furthered in the name and on behalf of the Group banks (Banca Popolare di Lodi, Banca Caripe, Banca Popolare di Crema, Banca Popolare di Cremona, Cassa di Risparmio di Lucca Pisa Livorno) who had placed the policies with their respective customers (8,535 policies for a total nominal value of premiums paid equal to euro 138.7 million, referring to the policies not yet settled) and who had been transferred the policies allocated as a result of compliance with the offering.
The holders complying with the offering were assigned unstructured zero coupon senior bonds with a duration of five years, issued by Banco Popolare as of the exchange date, set for 12 April 2010, for a maximum amount of 150 million. The issue price of the securities offered in exchange was established as euro 807.5, in other words equal to 80.75% of the unit par value of euro 1,000.
Each participant complying with the offer is acknowledged, by way of payment, an overall nominal value on maturity of the securities being exchanged with an amount equal to the sole premium paid for each policy, calculated net of the issue costs, inclusive of any cash adjustment, in the event that the sum of the premium paid is not a multiple of the minimum denomination of euro 1,000 of each security.
For the purpose of the satisfactory conclusion of the Offering, the placing banks have undertaken, to an extent proportionate to the equivalent value of the polices which the same originally placed, to subscribe the residual amounts of securities under exchange, in the event that not all the policies covered by the Offering are assigned, and also an additional amount of securities up to the extent of the overall nominal value totalling euro 150 million.

The offering, which was irrevocable and not conditional on a minimum level of participants, was concluded during the first quarter with the participation of 8,442 policies for a nominal value of premiums paid amounting to euro 137 million. In exchange, zero coupon senior securities issued by Banco Popolare with a five-year duration for a nominal value of euro 136.6 million were offered, in addition to an adjustment in cash of euro 0.4 million.
On 12 April 2010, Banco Popolare also issued an additional amount of senior bonds for a nominal value of euro 13.4 million, subscribed proportionally by the banks placing the policies to be exchanged, so as to achieve an issue amount of euro 150 million, needed to meet certain supervisory regulation requirements.
The total cost incurred by the Group for the exchange of financial assets, essentially represented by the difference between the estimated fair value of the Icelandic policies and the fair value of the assets offered in exchange, amounts to euro 56.4 million, net of the related taxation. As at 31 December 2010, the gross liability charged in the income statement, for the portion exceeding the provisions made in previous years, was reflected under the "Net financial result" for euro 14.6 million (euro 9.9 million net of the related taxation).

Optimisation of the Group network

Banco Popolare has launched the process to optimise the Group network, with the aim of improving the competitive positioning throughout the area of operation, taking action on existing overlaps and improving branch performance. In April, 84 branches were closed, while another 15 were turned into separate branches. The transaction involved 199 employees, relocated without any layoffs. The reorganisation also sought to identify opportunities to invest in/reinforce presence in highly-attractive specific historic areas. More specifically, the closures concerned 34 branches of Banca Popolare di Verona – S.Geminiano e S.Prospero, 33 of Popolare di Lodi, 12 of Popolare di Novara and 5 of Cassa di Risparmio di Lucca Pisa Livorno.

Purchase of treasury shares

The Parent Company's shareholders' meeting, held on second call on 24 April 2010, among the other resolutions, granted the Management Board, the Managing Director and the Finance Director, acting separately, in observance of the limits pursuant to Article 2357, paragraphs 1 and 3 of the Italian Civil Code, authorisation to purchase treasury shares, up to a maximum amount of the available reserves totalling euro 50 million and for a holding of no more than 2% of the shares representative of the share capital. Authorisation to purchase treasury shares is granted until approval of the 2010 financial statements.
The purchase transactions, which will be carried out in compliance with the provisions of the Issuers' Regulations and in observance of the price and volume limits laid down by Consob Resolution No. 16839 dated 19 March 2009, will make it possible to carry out targeted measures on the equity market supporting the liquidity of the shares issued by Banco Popolare and for the purpose of dealing with any excess volatility of the stock, in observance of applicable legislation.
To this end, no treasury shares were purchased during the year.

Allocation of shares to Banco Popolare Group employees

The Parent Company's shareholders' meeting held on 24 April 2010 also approved the Share Allocation Plan, addressed to the majority of the employees of the Banco Popolare Group companies which apply the national collective labour agreement (CCNL) in the credit sector, as the portion of the company bonus for 2009 and 2010. The Management Board was granted authorisation to purchase treasury shares to serve this plan, in line with the provisions of article 2357 of the Italian Civil Code, within the limits of distributable profits and available reserves, up to a maximum of 9.7 million ordinary Banco Popolare shares representing in total 1.51% of the share capital, for a total maximum equivalent value of euro 35 million for each year of disbursement.
In June, Banco Popolare launched the purchase programme; between 3 and 15 June 1,255,500 ordinary shares were purchased, needed to meet the number of applications to the Plan by employees, for a value of euro 5.5 million.
The aim of the Share allocation plan is to enhance the sense of belonging to the Group and commitment to the corporate objectives, with an economic and tax benefit both for employees and the company.

Extension of the scope of the "tax consolidation" scheme of Banco Popolare to Banca Italease

In June, Banco Popolare informed the Tax Authority of exercise of the renewal for the three-year period 2010-2012 of the Group taxation option envisaged by Article 117 of Italian Presidential Decree No. 917/1986 with reference to its subsidiaries resident in Italy (so-called national tax consolidation scheme). At the time of this renewal, the scope of the subsidiaries which comply with the Group taxation regime was extended to Banca Italease and to its subsidiaries.
As a result of this extension, it is now possible to calculate the taxable income for IRES (company earnings tax) purposes of the Banco Popolare Group also taking into account the positive or negative taxable income of these latter companies.
It will therefore be possible to "offset" any tax losses, generated by Italease as from the 2010 tax period, against the taxable income generated by the other companies complying with the Group taxation scheme hereby limiting the possible negative residual impacts potentially deriving from the old management of the new subsidiaries.
As of 31 December 2009, deferred tax assets referring to Banca Italease and its subsidiaries amounted in total to euro 522 million. These assets were recorded in the financial statements for a total of euro 100 million only due to the foreseeable inability of Banca Italease and its subsidiaries included within the scope of tax consolidation to autonomously generate sufficient taxable income to permit the recovery of the whole deferred tax assets.
Following the extension of Banco Popolare's tax consolidation scheme to Banca Italease and its subsidiaries, steps were therefore taken to carry out a new assessment of the probability of recovering the Group's deferred tax assets, also extending it to the assets referring to the afore-mentioned companies. In more detail, excluding the assets which cannot be recovered within the sphere of the tax consolidation scheme such as for example those referring to the tax losses carried forward recorded by Banca Italease in years prior to that underway, the deferred tax assets subject to the new assessment, net of deferred tax liabilities, amounted as of 1 January 2010 to euro 385.8 million.
On the basis of the estimate made as at 31 December 2010 of the capacity to generate tax income for IRES purposes with regard to all the companies together which have opted for Group taxation - an estimate based on the same forecast documentation used for carrying out the impairment tests on intangible assets with an indefinite useful life - it was retained that Banco Popolare in its capacity as consolidating body will probably be able to recover all the deferred tax assets previously indicated on behalf of Banca Italease and its subsidiaries.
On the basis of the communication to Banca Italease and its subsidiaries of the illustrated assessment, the afore-mentioned companies have taken steps to record deferred tax assets in their financial statements, net of deferred tax liabilities, for an additional euro 285.8 million crediting their income statement with a matching balance and consequently also the consolidated income statement of Banco Popolare for the same amount.

Assessments conducted by the Bank of Italy

In 2010, progress was made in credit processes based on recommendations made by the Bank of Italy following a specific inspection on corporate loans conducted by the Supervisory authority in 2009. In the second half of 2010, the Bank of Italy conducted another inspection for the purpose of assessing the governance, management and credit risk control systems in the retail segment, as well as those relating to liquidity and interest rate risk. The outcome of the same provided recommendations and stimuli to further strengthen the organisational structure and risk management system, as well as to bring forward other projects that had already been planned.

Changes in corporate offices

During the meeting held on 30 March 2010, Banco Popolare's Supervisory Board resolved to appoint Mario Minoja, already Supervisory Director of Banco Popolare, as the new Chairman of Banca Popolare di Lodi. The candidature was approved by the shareholders' meeting of the subsidiary which was held on 14 April 2010.

Following the expiry of the term of office of the first ten Supervisory Board Directors appointed under the merger agreement, simultaneous to the approval of the financial statements as at 31 December 2009, pursuant to articles 38.1 and following of the Articles of Association, Banco Popolare's Shareholders' meeting held on 24 April 2010 elected ten Supervisory Board Directors for the three year term 2010-2011-2012, namely: Carlo Fratta Pasini (Chairman), Guido Castellotti (who will also

act as Acting Deputy Chairman), Maurizio Comoli (Deputy Chairman), Giuliano Buffelli, Pietro Buzzi, Dino Piero Giarda, Pietro Manzonetto, Maurizio Marino, Enrico Perotti and Claudio Rangoni Machiavelli.

The Supervisory Body meeting of Banco Popolare held on 26 April 2010, extended the term of office of Pier Francesco Saviotti, as Managing Director of Banco Popolare until the date of approval of the 2012 annual financial statements.
It also appointed 11 Management Board Directors, whose term of office expired with the approval of the financial statements as at 31 December 2009, for the three-year term 2010-2011-2012. The following were confirmed: Vittorio Coda (Chairman) Franco Baronio, Alfredo Cariello, Domenico De Angelis, Maurizio Di Maio, Maurizio Faroni, Aldo Civaschi, Luigi Corsi, Roberto Romanin Jacur and Andrea Sironi. Furthermore, Bruno Pezzoni was appointed to replace Giorgio Papa.

In September, the new management structure of Banco Popolare di Verona - S.Geminiano e S.Prospero was established, with a single new figure at the helm, instead of the managing director, Franco Baronio, who reached an amicable settlement to leave the Group, and General Manager Cristiano Carrus. This decision is in line with the drive to streamline the chain of command in an extremely important area, which is also the operational headquarters of the holding company Banco Popolare. In this perspective, and due to the need to boost the commercial activities of the network in the Bank's historic area, Leonello Giudetti has been appointed to head the same, deputy general manager responsible for the S.Geminiano e S.Prospero network. At the Supervisory Board meeting held on 14 September 2010, Mr. Guidetti was also appointed a member of the Management Board to replace Franco Baronio.

GROUP BUSINESS ACTIVITIES

The following pages provide an illustration of the Group's business activities, by operating segments, with specific reference to the products and services provided. Please refer to part L of the Consolidated Explanatory Notes "Segment Reporting" for segment results and to the section regarding the performance of the Group's main companies in the Report on operations for an analysis of the main balance sheet and income statement aggregates.

Network Banks

"Network Banks" is the term used to refer to the Retail Banks encompassed in the Banco Popolare Group and vis-à-vis third parties, which manage customer accounts and relations with the same through their commercial networks. At present, they comprise: Banca Popolare di Verona - S.Geminiano e S.Prospero, Banca Popolare di Lodi, Credito Bergamasco, Banca Popolare di Novara, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona and Banca Popolare di Crema. Banca Caripe is no longer part of the Group as it was sold on 31 December 2010 to the Cassa di Risparmio di Teramo.

The Group operates through the direct presence of 2,060 distribution structures in 19 regions (excluding Banca Caripe) a high percentage of which are located in Northern Italian regions (74% of the total), namely in the geographic areas in which these commercial banks originally set down roots, followed by Central Italy (16% of the total) and Southern Italy (the remaining 9%).

The breakdown by region in terms of percentage of the Group's operating branches as at 31/12/2010 is as follows:

Lombardy	28%
Veneto	15%
Tuscany	12%
Emilia Romagna	11%
Piedmont	11%
Liguria	7%
Sicily	6%
Lazio	3%
Campania	3%
Trentino Alto Adige	1%
Friuli Venezia Giulia	1%
Umbria	1%
Marche, Molise, Puglia, Valle d'Aosta, Basilicata, Calabria and Sardinia	1%
Total	**100%**

Although the Network Bank branches handle relations with customers, Retail and Corporate Management, each within its own scope of competence, establish and coordinate the development strategies for the reference market. Not only do the latter - together with central Parent Company Departments and those based locally - provide fundamental support to Network Banks, they are also the powerhouse where innovative products and services are developed to meet the needs of current and future customers.
To improve coordination and to manage Group liquidity and treasury activities in the most balanced way possible, the role of Single Issuer has become a permanent feature of the Parent Company since 2008, and has the task of both issuing bonds - placed with Retail customers on the domestic market and with Institutional Investors on foreign markets - and of acting as the counterparty for individual Network Banks, to meet any requirements generated by credit activities.

The interest margin generated by this aggregate amounted to euro 1,877.4 million at the end of December. At the end of the previous year, it totalled euro 1,924.1 million (this figure was adjusted following the sale of Banca Caripe).
The contribution to the interest margin of deposits and loans relating to customers of Network Banks was euro 1,784.0 million, down 6.9% compared to the previous year's adjusted figure. While average assets (detailed below) showed resilience to the difficult economic scenario, the spreads of deposits and loans dropped a total of 25 bps compared to 2009, shared between the two components of loans (-5bps) and direct funding (-20 bps).

Total customer loans of this aggregate as at 31 December 2010 amounted to euro 78,973.4 million, marking a 4.1% rise compare to the figure recorded at the end of the previous year, which was euro 75,844.5 million.
Performing loans relating to Network Bank customers recorded an annual average figure of euro 74,841.2 million, with a 1.7% rise compared to the average figure for the previous year (adjusted to exclude Banca Caripe), which amounted to euro 73,562.0 million, and generated a margin of euro 1,795.1 million. Short-term loans account for 35.6% of the total, and amounted to euro 26,644.9 million, while medium/long term loans have a larger share of the total, and amounted to euro 48,196.3 million.
Looking more in detail at customer segments, average annual performing loans to Retail customers amounted to euro 32,694.2 million (43.7% of the total), up 9.1% against euro 29,968.7 million last year, while those to Corporate customers

(54.1% of the total) amounted to euro 40,526.1 million in 2010, up 4.1% compared to the euro 38,945.4 million recorded last year.

As far as customer deposits are concerned: direct funding as at 31 December 2010 amounted to euro 71,179.1 million, down -8.2% on the adjusted figure of euro 77,541.9 million recorded as at 31 December 2009. The performance of this asset component reflects the decision made by the Banco Popolare Group to establish the Parent Company Banco Popolare as the Single Issuer of the Bonds placed by the commercial network of the Network Banks: the Bonds previously issued by the Network Banks, which are gradually maturing, are being replaced by new Bonds issued by Banco Popolare, the values of which are not included in the total direct deposits of the Banks as illustrated above.
Average annual extended direct funding (therefore extending the information provided below to the Bonds issued by the Parent Company as Single Issuer, and placed by the Network Banks with Retail customers) for the year in question amounted to euro 67,247.7 million, recording a rise of 5.8% compared to the adjusted figure for the previous year of euro 63,562.7 million, an increase which in any event was not sufficient to offset the negative effect on the margin resulting from the fall in the markdown on deposits. The interest rates of the financial markets have had a significant impact on the "price" component of the margin, confirming the obvious connection between trends of various origins and the domestic market.
Looking at the retail customer segment, the average volumes of deposits, both short and medium/long term, therefore including the capital placed in Bonds, totalled euro 50,784.5 million, up 8.2% compared to euro 46,948.5 million recorded in 2009, while in the corporate customer segment, the average total was euro 11,361 million, a rise of 5.3% on the euro 10,786.7 million recorded in 2009 (adjusted figure).

The spread between loans and extended direct funding recorded by Network Banks was 2.38 percentage points in 2010, compared to 2.63% in the previous year. We have already seen how the loans component generated a positive mark-up (240 basis points) more than enough to offset the 2 negative basis points generated by the mark-down.

Net commissions generated by network Banks amounted to euro 1,338.3 million in 2010, a fall of -2.5 percentage points compared to euro 1,372.1 million recorded in 2009 (figures adjusted for a correct comparison).

Average indirect funding for the aggregate under analysis amounted to euro 51,790.3 million in 2010, down 4.1% compared to the average figure recorded in the previous year of euro 54,011.4 million. The above figure obviously excludes the portion represented by the Bonds placed by the network but issued by the Parent Company Banco Popolare, as recorded under extended direct funding.

Retail

The retail customers of the Banco Popolare Group include private customers and small businesses.
More specifically, "private customers" means private parties whose personal assets do not exceed one million euro[1]
In addition to customer segmentation made on the basis of assets, different quality-based targets are also identified and receive special attention from the Banco Popolare's Retail Division: shareholders, retail customers in the areas where Banco Popolare has its roots, students, young people, foreigners, the more senior customers (relating to Private customers) and the companies, business people, cottage industries and professionals (relating to Small business customers).
Overall, the Retail division encompasses around 2.3 million customers (natural persons and companies) who are current account holders. Please note that this and all future information does include the contribution of Banca Caripe. Even though the bank was sold with effect as of 31 December 2010, it was involved in the commercial and the business development initiatives of the Retail Division, and as such also contributed to the results achieved.
Customers can be broken down in the following main segments:

Segment	% No. of customers with a Current Account
Universal (customers with assets of under euro 100 thousand)	64%
Affluent (customers with assets of between euro 100 thousand and 1 million)	18%
Small Businesses	12%
Other Retail segments	6%
Total Retail Customers with a current account	**2.3 million**

[1] A specific type of offer and a service coordinated by the Network Banks and Banca Aletti is envisaged for private customers with assets exceeding one million euro.

The breakdown of Retail customers with the Group's Network Banks is as follows:

Network Banks	% No. of customers with a Current Account
Banca Popolare di Verona – S.Geminiano e S.Prospero	25%
Banca Popolare di Lodi	22%
Banca Popolare di Novara	22%
Credito Bergamasco	13%
Cassa di Risparmio di Lucca Pisa Livorno	11%
Banca Popolare di Cremona	3%
Banca Caripe	2%
Banca Popolare di Crema	2%
Total Retail Customers with a current account	**2.3 million**

Products, services and loans for retail customers

In 2010, with the objective of best meeting our customers' needs, schemes addressed to developing the "Young people" "Immigrants" and "Shareholders" segments were extended. In addition, on-line channels were enhanced and innovative, cutting-edge products were launched. The "product shelf" has also been rationalised and simplified, creating a more streamlined portfolio able to offer customers increasingly competitive and interesting products.
In the e-money sector, significant changes have been made to debit cards to bring them in line with new SEPA regulations by introducing microchip technology. As regards credit cards, commercial schemes were organised and new Cartasi "Idea Business" and "Extra version Plus" products were launched by Agos Ducato. In the prepaid cards sector, a new "evolved" KDue prepaid card has been created, an innovative product able to distinguish itself in a dynamic and fast developing market.
In terms of Consumer Credit and Mortgages, a series of commercial initiatives were launched, addressed both to helping retail customers in difficulty due to the crisis of recent years and/or struck by disastrous events, and to provide economic support to young students in their projects. Furthermore, the launch of new, particularly innovative products continued ("Extralarge" loans, "Last Minute" mortgages, "Protected Instalment" mortgages, "Pocket Mortgages") with the aim of continuous expanding the range of solutions available to customers.
At the same time, strategies aimed to improve customer retention and satisfaction have been continually revised through the creation and integration of loyalty schemes, contests and benefits reserved to customers.

Current accounts

The number of current accounts held by Retail customers of Network Banks totalled 1.89 million at the end of December, of which around 1.51 million were retail customers accounts (Universal + Affluent). The table below shows the breakdown of existing accounts at the end of 2010 by customer segment and Network Bank.

Segment	% Commercial current accounts
Universal (customers with assets of under euro 10 thousand)	62%
Affluent (customers with assets of between euro 100 thousand and 1 million)	18%
Small Businesses	15%
Other Retail segments	5%

Network Banks	% Commercial current accounts
Banca Popolare di Verona – S.Geminiano e S.Prospero	25%
Banca Popolare di Lodi	22%
Banca Popolare di Novara	22%
Credito Bergamasco	13%
Cassa di Risparmio di Lucca Pisa Livorno	12%
Banca Popolare di Cremona	2%
Cassa di Risparmio di Pescara	2%
Banca Popolare di Crema	2%

In 2010, around 230 thousand new current accounts were opened, of which 172 thousand relating to Universal and Affluent customers.
As part of the offer of Current Account Packages, again in 2010, commercial initiatives focused on promoting products addressed to customers under 30, who can choose between Brucoconto and Let's Bank. Both products were very successful, recording an increase over last year of 35%, and 90,000 account holders.
Brucoconto is a savings book created for children aged between 0 and 11. In 2010, the new "Brucoraccolta" (collection) was introduced, with a wealth of new features. Account holders can now acquire more "Brucopunti" (points) with respect to

the previous points mechanism at events where "Bruky" participates with dedicated gadgets. There is also a new "Brucocard" which gives holders discounts of between 5 and 40% on toys, clothes and personalised cards directly at participating shops or on the websites of partners.
The graphic content has been given special attention through the collaboration of Lorenzo De Pretto, author and designer of Bruky and his colourful world.
A number of schemes have also been designed for the "Let's Bank" product, addressed to young people aged between 12 and 30, aimed to encourage their involvement and their road towards "banking": both the gifts to choose from when an account is opened have been changed, as well as those related to important events in their lives (such as a diploma, degree and marriage). The relative award ceremonies took place directly in the local branch, often involving the whole local community.
The "Let's Bank" product range includes:

- Discovering 12-17, the savings account for young people broaching the world of banking;
- Studying 18-29, addressed to those that continue their studies to University or Master level;
- Working 18-29, the current account for young workers.

There are a very large number of benefits envisaged for "Let's Bank" customers, again in 2010 the possibility of having a 4% discount on the purchase of fuel or the card distributed in participating McDonalds, which is delivered directly to the home of "Let's Bank customers" were extremely successful. The website www.letsbank.it continues to provide information to all customers who have already opened or wish to open one of the accounts designed for young people aged under 30.
Insieme Soci continues to be the preferred account of Banco's shareholders - a package containing a wealth of prestigious off-the-shelf products. To date over 74,000 have been sold, an increase of 11% over the previous year. In 2010, two new services included in the cost of the *Insieme Soci* account were introduced: an extension of the *Insieme Soci* insurance policy to protect the family unit and the introduction of a free Security Card for *By Services*.
Valore Insieme Soci, the points collection scheme continued for the fifth consecutive year which, combined with the wide range of exclusive discounts and benefits, has meant that *Insieme Soci* account holders are the most satisfied with their accounts. An in-depth internal survey revealed that *Insieme Soci* account holders have a significantly higher loyalty rate than other Banco account holders and have changed their habits, tending to use bank services that enable them to accrue points. It was particularly interesting to see how all of the analysis parameters showed distinctive patterns and traits for Shareholders that actively participate in the points collection scheme and requesting the gifts from the catalogue; this led the Retail Division to continue with and extend loyalty schemes addressed to the same.
In the 2010 regulations relating to the accumulation of points, obtaining a personal loan with Agos-Ducato and Avipop non-life insurance policies were added to the reward scheme; additional products will be added to the scheme in 2011. Furthermore, benefits and discounts have been updated, re-confirming first and foremost the most-appreciated advantages such as the 3% discount on fuel at Erg Points, under which the discount is automatically credited to the customer's account when payments are made using an ATM card. Lastly, a range of exclusive products at advantageous prices has been introduced and an e-commerce portal where customers can choose and purchase products directly on line, accessing through *by Web*.
The renewal of the *Valore Insieme Soci* programme also entailed an update of advertising material, both that addressed to existing customers and to potential customers. The creativity of the programme continues; the welcome kit has been completely renewed and offers a simple and practical "shopping bag", while the Guide to Services and the Rewards Catalogue have also been updated. The theme-based areas have been rationalised with the addition of a section dedicated to children and the renewal of the charity section relating to the associations linked to Network Banks.
Alongside the top version of the *Insieme Soci* range, *Insieme Soci Light* has returned, a current account that is more accessible in terms of costs and that includes a wide number of essential services. The latest *Light* version led to the opening of 7,000 accounts and is now an integral part of the range because it offers an alternative way to enter the world of *Insieme Soci* and then evolve towards the more complete version.
Lastly, plans are underway for the launch of a new important initiative in 2011: the *Club Valore Insieme Soci* card, which will enable 115 thousand current account holders, who have not yet purchased an *Insieme Soci* package, to have access to the exclusive loyalty benefits, the discounts and the services of the scheme without having to open an *Insieme Soci* current account.
During the year, Banco continued its efforts to develop and gain the loyalty of foreign customers. The ethnic team, set up in 2009 and dedicated to promoting specifically-designed products, closed the year with a rise of 14% over the already excellent performance of the previous year. The presence of staff of the same nationality as customers helped to overcome intercultural barriers, permitting profitable dialogue between the parties and a more incisive promotion of dedicated products, namely:

- *Formula Friend Account*: an account with a fixed charge, which offers numerous free services, and insurance cover designed especially to meet the needs of those that live a long way from their home country;
- *Formula Friend Transfer*: a service that enables money orders to be sent at very competitive costs;
- lastly, for Romanian and Moroccan customers, *Formula Friend TwinAccount:* the only service of its kind in Italy, thanks to an agreement drawn up with Société Générale enables a current account in the home country to be opened (at BRD Groupe Société Générale and SoGen Maroc) simply by making a phone call to a dedicated number. In 2010 sales of this specific product increased significantly, recording a rise of 42% over last year.

The efforts of the development team have also led to agreements with embassies, consulates and other institutional organisations, and the promotion of marketing and communications initiatives targeting specific ethnic groups.
Within cross-sector products, the success of the *Specchio* range continued, encompassing almost 270,000 customers (+36%

compared to last year), who have subscribed to one of the four available products:

- *Tuttofare*: for those that carry out a large number of transactions on their current accounts and need a fixed charge and an unlimited number of transactions;
- *Tuttotasso*: an offer addressed to customers who have a significant amount of money in their accounts and who require a good annual rate of return;
- *Tuttoperuno*: designed for those that only carry out occasional transactions on their current account, so envisages a "pay as you go" rate;
- *Tuttonline*: addressed to customers who prefer a "self-service" approach to their current accounts, this product has no additional commissions for on-line transactions.

On-line channels (By Services)

The product line known as *by Services* was created as a multi-channel package to be used in addition to those available at the counter and was designed to allow the bank and its customers to interact in different ways.
The nature of the channels available (Internet, telephone operator, voice mail, ATM machine, text messages and e-mail) means that they have to be updated continuously and are subject to project work that evolves from year to year.
In 2010, the *by Web* service was made even safer and practical. The new Security Card was launched, similar to an ATM card, flexible, hardwearing, equipped with a special viewer device able to generate a one-time password that lasts for 30 seconds. The Card represents a step forward in terms of technology and portability. The device with these features can be used on all channels and was the first to be created in the Italian banking scenario. To safeguard the environment, special attention has been paid to the disposal of returned Cards; this is another reason why the *by Services* Card is the only one of its kind. It enjoyed immediate success: over 40,000 cards were sold in the space of a few months.
As regards *by Services*, in addition to work on security, numerous improvements were made, the most important of which is a new feature exclusive to Banco Popolare. It's a payment schedule, created to provide an important service to customers who need to made payments with different deadlines. This new service allows customers to plan payments up to 365 days in advance and the amount of the bank transfer is debited at no extra cost. The transaction takes place on a reservation basis, the sum is not set aside, the "planned" transaction is recorded and can be revoked at time at no additional cost. If the transaction is not successful, for example if there are insufficient funds in the account, the customer is promptly advised by e-mail, in the case of *by Web*, or by a phone call, in the case of *by Call*.
The other new features of *by Services* regard:

- a new account summary section with improved and easy-to-understand information;
- an "interest and expenses" section, which, to be more transparent towards customers, enables interest charges to be displayed, as well as interest income and the expenses of each account;
- the management of the supporting accounts of savings accounts (entry and amendment of accounts);
- a "maximum limit management" and "Netsafe" section which allow customers to personalise their own "card account".

With a view to the continuous improvement on on-line channels, in terms of both graphics and functions, in 2010 important projects were planned and launched, which will be developed over the course of 2011. The first of these will be *by Mobile*, which will allow customers to obtain information on their accounts and make payments directly from their mobile phones.

ATM

In 2010 the migration of the Group's ATMs to microchip technology was completed. Around 2,500 ATM machines were replaced or updated and now represent a standardised integrated domestic network. Banco Popolare customers can now enjoy a more modern, personalised, three-dimensional and standardised interface on network banks, as well as improved security thanks to the new technology introduced.

Payment instruments

Debit cards

In line with the strategies defined in the previous year, 2010 saw the consolidation of the same through the continual increase of product penetration with customers. In particular, the rise in stock was higher than expected, despite replacement schemes set in place to comply with SEPA regulations. During the year, more than 750,000 microchip cards were issued, representing over 50% of total cards.

	Change in no. of debit cards (in thousands and %)
2006	- 17 (-1.7%)
2007	- 13 (-1.3%)
2008	+77 (+7.6%)
2009	+ 87 (+7.9%)
2010	+ 40 (+3.6%)

Banco Popolare undertook a large number of complex initiatives to fully apply SEPA provisions which, with the objective of

making payments and withdrawals safer, have required the migration of ATM cards from magnetic strip technology to microchip technology. This migration took place in a number of different ways, starting from simple correspondence, to the sending of over three hundred thousand new microchip cards to the homes of customers, which can be used with the PIN of the former card.
Two promotional campaigns were launched to facilitate the above-described changes. The objective of the first "Let's change the cards on the table - Go to the cinema" was to replace the 100,000 cards that can only be used in Italy, which are not part of the Maestro circuit, and was launched at the end of June in collaboration with Mastercard. The regulations envisaged that each current account holder who had subscribed to and used their new microchip card had the right to a ticket to the cinema valid throughout the country. The campaign received a good response from customers, who showed their appreciation of the free tickets.

Furthermore, in October, almost 300,000 new Maestro microchip ATM cards were sent to the homes of customers to replace old magnetic strip Maestro cards. These cards featured: a new layout, created exclusively for this occasion; the possibility of activating and using the new card with the same PIN as the former one; maintaining the same economic conditions as the replaced card and the introduction of a single spending limit.
70,000 customers were then selected on the basis of usage frequency and spending capacity for a second campaign called "Let's change the cards on the table - Live your emotions". By means of a simple mechanism linked to the widespread use of the card, in January 2011, participants took part in a draw of 121 prizes.
At the end of 2010, over 94% of current account holders possessed a microchip card and the complete migration of cards was achieve in the first few months of 2011.

Private mortgage loans

In 2010, the mortgage loan market showed positive signs of recovery, and as a result, Banco Popolare recorded a total sum disbursed of euro 4.356 billion, up 10% on 2009. Over 47% of this amount was disbursed to new customers.
In terms of stock, for Banco Popolare, mortgage loan transactions to private customers at the end of 2010 amounted to around euro 18 billion (residual debt) and were distributed as follows between the various Network Banks:

Network Banks	Breakdown of residual debt
Banca Popolare di Verona – S.Geminiano e S.Prospero	28%
Banca Popolare di Novara	21%
Banca Popolare di Lodi	21%
Credito Bergamasco	14%
Cassa di Risparmio di Lucca Pisa Livorno	10%
Banca Popolare di Cremona	2%
Banca Caripe	2%
Banca Popolare di Crema	2%

As regards mortgages, marketing activities in 2010 focused on two main areas:
- continuing to support retail customers in the current economic crisis;
- continuing to respond to the residential needs of customers by proposing innovative products.

Action to support retail customers

In a market characterised by profound changes to the real economy, to the capital market and to the legislative framework, the Government and the country's main economic bodies have taken steps to tackle the current situation.
Banco Popolare has reacted proactively to these schemes both by subscribing to the agreements proposed by the Government, Bodies, Trade Associations and Institutional Bodies, and by implementing its own schemes.
Furthermore, the occurrence of natural disasters prompted Banco Popolare to act rapidly offering the customers involve solutions able to provide effective assistance in overcoming situations of difficulty.
The following list provides a brief description of the main initiatives promoted by Banco Popolare and the relative target audience:
- ABI Retail customers Plan: the Banco Popolare Group promptly subscribed to the Agreement signed on 18 December 2009 by ABI and consumer associations, the objective of which was to support retail customers with difficulties in making mortgage payments. The agreement envisages the suspension of payments on mortgages obtained for the purchase of a first home for up to 12 months, without the application of any additional expense. This scheme is related to the previous suspension scheme "Miss a Payment - Tremonti Bond", which Banco Popolare joined in July 2009;
- Solidarity Fund: in November, the MEF Regulation came into force which envisages the establishment of the "Solidarity Fund" for mortgage loans to purchase a first home. The Fund allows customers, who meet specific requirements and submit an application, to obtain a suspension of mortgage payments for a maximum of twice and in any event for a period of up to 18 months overall;
- SOS Retail customers: a specific scheme set in place by the BP Group, launched in May and created to support retail customers who have started to show signs of difficult in making mortgage payments (presence of unpaid

instalments), and envisages lengthening the residual repayment period (up to 10 years but within an overall term of 35 years) and the consequent resizing of the amount of payments to be made;
- Tuscany: following the natural disaster that struck Tuscany in December 2009, the Group set in place an extraordinary action plan in favour of retail customers that are customers of group Banks in the provinces of Lucca, Pisa and Perugia hit by the floods. More specifically, the plan regarded the offer of a mortgage loan of up to euro 50,000 and a loan of up to euro 10,000, both of which at special conditions;
- Veneto: following the exceptional flood that hit the provinces of Veneto in November 2010, a provision issued by the Prime Minister established the option for victims of the disaster to request the suspension of loan instalments for 8 months, choosing between the suspension of the entire instalment or of the principal only. The Banco Popolare Group, which has always sought to focus on the local area, took immediate action, launching a specific communication campaign, enabling customers hit by the floods until 31 January 2011 to request a suspension of mortgage payments of up to 12 months.

New products

In 2010, Banco Popolare continued to propose new, highly innovative products.
In the current macroeconomic scenario, characterised in particular by interest rates at record lows, in order to complete its range of mortgage loans with protective solutions, Banco Popolare presented the new "Protected Instalment Mortgage". It is a real estate/mortgage loan with a duration of up to 30 years, which guarantees a monthly payment that is never higher than the amount of an instalment calculated at 5.50%. If the interest rate (Euribor + spread) during the repayment period exceeds 5.50%, the difference is postponed, at no additional cost to the customer, to the end of the repayment plan, therefore extending the duration of the mortgage loan. Any accumulated amount will then be repaid in monthly instalments corresponding to the last mortgage payment made or such that the mortgage loan is fully paid off within 60 months from the original duration.
Again with a view to offering its customers new solutions, exploiting the interest rate trend and the preference of its customers for fixed-rate mortgage loans, in October, Banco Popolare launched a "Last Minute Fixed-rate Mortgage", a highly competitive product with a particularly advantageous fixed interest rate of 2.95% for the first 2 years of the loan and 4.00% in subsequent years.
Beyond the advantageous conditions proposed, this product is special in that it has a "finite and blocked" fixed interest rate, valid for any duration chosen, which guarantees certainty for the customer as to the amount of the monthly payments to be made for the entire duration of the loan.
In addition to the "Last Minute Fixed-rate Mortgage", Banco Popolare has also proposed a "Pocket Mortgage", namely an innovative instrument based on "conditional approval", which means that the customer knows the amount of the mortgage loan that the Bank is willing to disburse before starting to look for a home to buy. In this way, the customer can negotiate the purchase of a home with full peace of mind, as he already knows that his bank is willing to grant him a mortgage for a known amount, duration and conditions.
This option, which is available for all transactions with private parties secured by residential real estate, enables the customer to obtain the approval of a mortgage based on his income, on the asset value stated by the same, before an external assessment is made of the property: the customer receives an "Approval letter" in which the Bank undertakes to grant the mortgage loan at the conditions indicated.
In order to give the proper emphasis to such an innovative product, the "Pocket Mortgage" was also featured in an advertising campaign, which entailed, beyond the standard branch merchandising, television/radio commercials and a dedicated website.
These two new products have proven to be very popular with customers, resulting in a record number of mortgage applications being submitted to Group branches.
As regards the above, it was the highly competitive "Last Minute Fixed-rate Mortgage" in particular that succeeded in attracting new customers to the Group: indeed, given an average percentage, at Group level, of 44% of mortgage loans disbursed to new customers, 67% of applications for Last Minute Fixed-rate Mortgages came from new customers, with a consequent impact, therefore, on the number of new current accounts opened.

Consumer credit

On the domestic front, at macroeconomic level, the consumer credit segment continued to be conditioned by the modest growth of consumption, demonstrating the caution shown by retail customers in purchasing behaviour.
As regards consumer credit, therefore, a further fall was recorded in 2010, albeit not as sharp as that recorded last year. In June, the fall compared with the same period of the previous year was -2.10%, against a more significant drop of -8.40% in 2009 compared to the same period of 2008. Despite the weakness shown by the consumer credit market, the Banco Popolare Group recorded an overall rise of 2% compared to 2009.

More specifically, the breakdown of personal loans disbursed by Agos-Ducato (which represents almost all personal loans disbursed by Banco Popolare) over the various Network Banks is as follows:

Network Banks	% Agos-Ducato Loans Disbursed
Banca Popolare di Verona – S.Geminiano e S.Prospero	28%
Banca Popolare di Novara	19%
Banca Popolare di Lodi	23%
Credito Bergamasco	10%
Cassa di Risparmio di Lucca Pisa Livorno	15%
Banca Popolare di Cremona	2%
Cassa di Risparmio di Pescara	2%
Banca Popolare di Crema	1%

These results have been achieved by virtue of a "successful" model based on product specialisation (Agos-Ducato) and the implementation of new sales and after-sales forms, which seek to simplify internal processes and therefore streamline transactions and relations with the customer.
It was precisely this constant focus on the coherence between the development of the product range and the needs of customers that led to a number of initiatives to extend and diversify the offering in 2010. More specifically, a new product called "Personal Credit Extra Large" was created, addressed to customers with medium-high standing that do not wish to use their personal liquidity for large-scale expenses.

Support to retail customers

In order to provide a solid and tangible support to retail customers in difficulty (which, due to the birth or the adoption of a child, encounter new expenses and the need for additional funds), Banco Popolare has subscribed to the agreement signed by ABI and the Prime Minister to set up a guarantee fund called "Credit Fund for Newborns". More specifically, Banco Popolare has joined the scheme to be able to grant subsidised loans for a maximum of euro 5,000 per child, at an advantageous interest rate, secured by the guarantee of the same fund, set up by the "Department for Family Policies".

Young people

Again with a view to supporting young people and their families, in July 2010, Banco Popolare set in place two advantageous and innovative solutions to guarantee the needed and adequate instruction and university education to all young people: "Let's Bank School Credit" (reserved to families with children at Secondary and High School) and "Let's Bank University Credit" (to sustain and encourage university education). These products represent two soft financing solutions for small-scale loans (Let's Bank School Credit for loans of up to euro 500, and Let's Bank University Credit for up to euro 3,000, both at zero interest rates) available to students to help pay the costs of school/university instruction and education and the costs of buying textbooks, without any additional expense or interest.

Salary/pension-backed loans

Collaboration with Soluzio Quinto Finanziaria (an Agos-Ducato Group Company) continued throughout 2010, as regards identifying potentially interested customers.
Important changes took place in this sector following new provisions and specific regulations dictated by a Bank of Italy circular dated 10/11/2009, which entailed the review and remodelling of Soluzio's sales network, with a view to speeding up the approval process and reducing the accessory costs charged to customers, guaranteeing the utmost transparency.

Credit cards

In order to reduce inefficiencies relating to cash management, again in 2010, Group Banks continued to make considerable efforts to extend the circulation of cards with its customers, through two widespread initiatives called "More Cards 2010" and "More Cards October 2010". The results were extremely positive: average redemption (combining the data of the two initiatives) at Banking Group level was 17% on a total of over 70,000 customers involved (note that several Network Banks achieved a redemption of 25-30%).
Offering "immediate delivery" of Cartasi credit cards, with no charge for the first year, numerous current account holders, shareholders and otherwise, were able to freely approach the e-money world, experiencing its efficacy and convenience first hand.
Updating the product range entailed the introduction of an evolved prepaid card "KDue" from Cartasi Idea Business and the Agos Ducato deferred payment card "Extra version Plus".

Evolved prepaid "KDue" card

At the end of the first half of 2010, a new "evolved" prepaid card called KDue was introduced, an innovative product able to distinguish itself in a dynamic and fast- developing market like that of so-called "account cards" (prepaid cards with their own IBAN).

KDue was created with the twofold objective of encouraging customer development (by anticipating the needs and expectations of traditionally poorly-served segments) and of extending the range of electronic payment instruments available to account holders.
Just a few months from its launch, over 22,000 KDue cards had been sold, 55% of which to new customers to the Group. This figure confirms this product's competitiveness in terms of attracting new customers. The high usage levels recorded to date, also confirm the particular appreciation expressed implicitly by customers through the intense exploitation of the card's potential.

Cartasi Idea Business

In order to meet the needs of Small Business customers, who are increasingly aware of what the financial market has to offer, in collaboration with Cartasi and the Mastercard circuit, a new Business credit card was launched in 2010 called "Idea Business".
Idea Business has been specifically created to meet the needs of small businesses and represents an effective and convenient solution as a means of payment and an alternative source of credit with respect to cash advances: it is an instrument that offers a wide range of quality services usually reserved to large companies, with a very advantageous pricing profile.

Deferred payment card "Extra version Plus"

Changes in the legislative framework and the increasing customer awareness of deferred payment credit cards led, in 2010, to a review of current products offered, and the introduction of a renewed version of a current product, in terms of both pricing and features, called the "Extra version Plus" card.
"Extra version Plus" is a credit card that makes a line of credit at a fixed interest rate available to the holder, and may be used in Italy and abroad, for both POS payments, and for cash withdrawals from automated ATMs linked to the MasterCard circuit.
The strength of the new card is its very competitive pricing and the presence of an automatic "rate cutting" promotion, which halves the interest rate on purchases of or over euro 800.

Savings/investment products and services

This segment includes products and services addressed to Group customer savings and investment activities, such as:

- direct funding instruments: for example bonds and repurchase agreements;
- asset management products: mutual investment funds and portfolio management;
- investment instruments: for example certificates, administered assets;
- Life insurance policies.

After the 2009 financial crisis, the financial markets experienced difficulties in 2010 as well, mainly due to turbulence on the debt instruments of so-called "peripheral" countries, such as, for example, Greece and more recently Ireland.
The ECB continued to maintain official interest rates at record lows and through refinancing transactions, allowed facilitated access to liquidity by intervening on the sovereign securities market at the most difficult and tense times.
The European stock markets experienced a year of transition, losing on average several percentage points compared to the previous year, but with very diverse results within the Euro Zone (e.g. positive in Germany), and the Italian stock market down by around 13% on 2009. This market scenario clearly affected the investment decisions of customers, and, consequently, the commercial business of Group banks.
In particular, Customers continued to opt for fairly prudent investment solutions, subscribing bonds with the payment of coupons and, in terms of insurance products with financial content, traditional policies and guaranteed units with set maturities.

Group bond issues

In 2010, Group bonds were issued aimed to meet the various requirements of Retail customers, for a total figure of around euro 10,470 million, of which around euro 6,320 million in structured products, as well as around euro 1,635 in bonds of third party issuers.
As regards the placements made, customers continue to favour the more simple forms of investment, such as, for example, plain vanilla average maturity bonds, both fixed rate and zero coupon types.
The issues were also diversified into structured bonds, which continue to be appreciated by customers, including types that envisage stepped coupons that can be redeemed in advance by the issuer (step up callable). During the year, to start to exploit expectations of a rise in interest rates, floating-rate bond issues were also proposed, although with a pre-set minimum and maximum coupon amount (floor and cap) and floating-rate securities, with the first coupon pre-set and subsequent ones indexed to the Euribor, subject to conditions or barriers.
In March, following the approval of the Extraordinary Shareholders' Meeting, Banco Popolare issued a 4-year "soft mandatory" convertible bond for a figure of euro 1 billion. The aim of said issue was to obtain benefits for Banco, in the short term, to sustain the significant increase of corporate loans and, in the medium term, in the case of conversion, to consolidate capital, extending the range of instruments available to meet the needs of the economy and retail customers.
In line with Banco Popolare's objective to increase deposits, in 2010, the standard offer of ordinary Group bond issues was flanked, in 2010, by specific issues of securities at particularly competitive conditions aimed to acquire new customers and

gather new assets; in 2010, these issues reached a placement volume corresponding to around euro 3,258 million. Efforts to attract new customers and gather new assets were further strengthened by the offer of specific short-term deposit products (e.g. Repurchase agreements with a maturity of 12 months and towards the end of the year also with terms of 3 and 4 months). Furthermore, Shareholder customers benefited from transactions to invest liquidity through Repurchase agreements at more competitive rates.
As far as bonds of third party issuers are concerned, 5 issues of leading Italian and foreign banks with reliable ratings were placed, aimed to offer the utmost protection of the capital invested by investors. These were floating rate bonds with fixed caps, floors or interest rates, with the option of paying coupons indexed to the Euribor with a positive spread.

Other investment instruments and initiatives to benefit customers

The high volatility of the financial markets has in reality led to interesting opportunities for customers with risk profiles that are more oriented towards investments in the stock market. The Group offered these investors Aletti Certificates, namely medium-term investment certificates that are linked with forms of, sometimes conditional, protection to the financial markets.
More specifically, each month products indexed to single share indices (e.g. FTSE/MIB, Eurostoxx50, S&P500), or to Italian blue-chip shares (e.g. ENI, Enel), were placed with Retail customers, for a total of around euro 326 million. The structures were diversified according to the protection offered:

- "Planar" certificates, with participation in the rising of the underlying and mitigated exposure to falls;
- "Step" and "Step Plus" certificates with stepped coupons and an early redemption option (on condition that the underlying instrument is higher than the initial value on the interim dates) and protection conditioned by the failure to reach specific barriers in the event of a marked fall in the price of the underlying securities;
- "Bonus" and "Cash Collect" certificates with exposure to the rising of the underlying (with a minimum guaranteed bonus) or fixed coupons, as long as the elements protecting the falling of the underlying are respected during the life of the certificate.

The Group provided assistance to customers involved in the second Public Exchange Offer promoted by the Argentinean Republic, which proposed to exchange old securities in circulation with new securities with a longer maturity, but that are more liquid and can be exchanged on the market.
Lastly, to protect private and corporate customers with medium-long term loans, amortised and index-linked to the Euribor, the Group Banks proposed financial instruments to hedge possible rises in interest rates. These are Banca Aletti Euribor Cap covered warrants, which pay a coupon if the index exceeds a set threshold: in this case, the mortgage payment, which will rise due to the rise in interest rates, will be offset by the amount of the coupon paid to the customer.

Asset management

2010 proved to be a difficult year for the asset management segment, an area in which redemptions prevailed over new subscriptions, thus resulting in negative net deposits. The liability recorded for mutual funds, SICAVs and portfolio management relating to Retail customers amounted to around euro 1,600 million.
In particular, also due to the minimum performance levels offered and prospects, monetary funds recorded liabilities of over euro 1,000 million. Net negative deposits also regarded bond funds (not including funds with coupons) and share funds to a lesser extent. Portfolio management also recorded negative performance in terms of deposits.
Several more innovative investment solutions were particularly appreciated by the public, recording positive deposit figures, namely coupon funds, total return funds and formula funds.
Aletti Gestielle SGR, which continues to specialise in the management of flexible funds, where the manager has wider delegated powers, launched the following products in 2010:

- Gestielle Total Return (Obiettivo Più, Obiettivo Cedola and Obiettivo Più Valore);
- Gestielle Brasile;
- Gestielle Doppia Opportunità 2015.

As far as Arca SGR is concerned, of the innovative coupon funds managed, with set durations and falling risks, the following performed well in terms of deposits and met the appreciation of investors:

- Arca Cedola Bond 2015 Alto Potenziale I e II and Arca Cedola Bond Globale;
- Arca Formula Eurostoxx 2015.

Lastly, as regards asset management products, in the first six months of the year, monthly windows of the Portfolio Management called Aletti Gestione Sicura were placed: this envisaged the protection of 95% of the capital conferred with a 3-year duration.

Bancassurance Protection

2010 was an important year for Avipop Assicurazioni and Avipop Vita, the two joint ventures between the Banco Popolare Group and the Aviva Group. The strategic decision to replace the old procedure for the issue and management of all non-life policies with a new web platform (activated in October 2010 and fully operational as of November in all banks) entailed a considerable commitment in both economic terms and as regards resources. Also due to the introduction of the new platform, excellent results were achieved in terms of production and product innovation, in particular the creation of a new

life insurance policy (temporary life insurance) by Avipop Vita, which provided a solution to the needs of customers, so much so that during the year over 20,000 contracts were issued.
All of the above, combined with a better knowledge of products and the increasing need for protection and guarantees of customers, in 2010, led to the substantial figure of euro 310 million in premiums collected.

Bancassurance Life

In this segment, the entire Banco Popolare Group operated, again in 2010, through Popolare Vita, a joint venture established with Fondiaria SAI and through the Irish subsidiary "The Lawrence Life Assurance".
In 2010, the product range Popolare Vita underwent a process of continuous enhancement in 2010, through the marketing of new products that "fully" respond to the insurance investment needs of Group customers.
Market trends also conditioned business performance in this sector as well, which in any event generated a volume of new premiums totalling around 3,627 million. The majority of the above regarded traditional products (around 2,173 million), followed by fixed-term and whole life Unit-linked products, with lower results (1,380 million), and lastly pension products.
The Group's product range saw the introduction of a multi-segment policy called *Multicrescita* (which envisages initial investment in a separate portfolio and the payment of recurring premiums with an automatic switch to the internal funds of the unit part, chosen on the basis of the risk profile approved by the customer) and the restyling of the unit-linked policy, Valore 2010 (a single premium policy, with 5 internal flexible share funds, in the recurring premium version).
Placements of Unit-linked products resumed during the year with the issue of 4 policy windows by the Irish company, which envisage Banco Popolare bonds with guaranteed capital on maturity as the underlying, a structure with fixed coupons and a 6-year term.
With reference to the management of Index-linked policies with the securities of defaulting Icelandic banks as underlying instruments, as mentioned in the section of this Report on operations dedicated to Significant events during the year, the scheme to protect subscribers was concluded in March 2010; the scheme had involved the launch of a public offer for voluntary exchange of index policies and 5-year zero-coupon bonds issued by the Parent Company (with an eventual settlement in cash for non-multiple amounts). When the bond offered as consideration of the exchange of the index matures, the customer may regain possession of the capital invested originally, net of the tax applied to the interest accrued.
Towards the end of 2010, a campaign was promoted inviting customers to subscribe and pay premiums to the Company's Supplementary Pension Plan, in order to exploit the tax benefits associated with supplementary pensions.

Products and services for small businesses

Despite the continuing impact of the economic crisis, again in 2010, Group Banks continued to provide solid support to the Small Businesses located in their areas, guaranteeing the same constant access to credit and offering a full range of products to meet every financial need.

Current accounts

In 2010, the Banco Popolare Group extended its customer base. Commercial current accounts, in particular, recorded an increases of around 7,500 accounts (meaning the difference between accounts being closed and opened), corresponding to a net increase of around 3% compared to the figure recorded as at 31 December 2009.
The range of "Idea" current accounts was further extended in 2010, with the introduction of a new product for the agricultural sector, available to companies in the Small Business commercial segment and the Mid Corporate segment.
The *Idea Agricultura* account envisages three product lines (Base, No Limits, Agricorp) which differ in terms of the annual charge and the services offered.
With the intention of making an interesting proposal to the Network to increase its customer base, the *Idea Commercianti Sviluppo* offer, a version of *Idea Commercianti* at advantageous conditions and available for a limited time only to acquire new Small Business customers was maintained for the whole of 2010.
New customers then benefited from the advantageous conditions for 12 months from the date on which they subscribed to the package. At the end of the period of special conditions, the account is automatically transferred into the corresponding classic version.

Loans and lending

Continually changing market scenarios have led many credit institutions to adjust their lending policies. Nevertheless, in 2010 Network Banks continued to provide solid support to the enterprises located in their areas, guaranteeing Small Businesses constant and secure access to credit.
Medium-long term loans of over euro 3.9 billion were disbursed to the group's small business customers, which corresponds to an increase of 8% compared to the figure disbursed in 2009. The amount represented by unsecured loans rose by 19%, against a 25% increase in the number of loans disbursed. The number of mortgage and landed property loans to Small Businesses rose instead by 7%, while the amounts disbursed overall remained substantially at the same levels as those of 2009.
In 2010, the new catalogue of medium-long term "Ordinary loans" was launched (at Cassa di Risparmio di Lucca Pisa Livorno at the end of December, followed by the other Network Banks), based on more sophisticated creditworthiness assessment and pricing techniques, with the aim of rationalising and simplifying the products offered, eliminating those that are little used by the Network, standardising the lending products offered by Network Banks and applying "risk-adjusted"

prices, namely differentiated on the basis of the rating class attributed to the customer.
The 15 products that now comprise the catalogue are as follows:

- MORTGAGE LOAN (FIXED RATE AND FLOATING RATE) AND MORTGAGE CURRENT ACCOUNT to sustain liquidity, finance the purchase of machinery and equipment, the construction, purchase and renovation of buildings relating to the company's business activities, for non-residential uses, also with the option of disbursements in a number of tranches (based on progress of works);
- BUILDING AND RENOVATING: a "building" mortgage loan for the construction or renovation of property for residential, commercial, small or large-scale industrial use;
- MULTI-BRACKET: mortgage/landed property or unsecured loans with an innovative repayment mechanism, structured to generate lower payments in the first few years, which then rise progressively over time;
- PERSONALISED *IDEA CREDITO*: an unsecured loan which is able to meet the needs of customers in terms of new investments and/or procurement of supplies and reconstitution/recomposition of stock (working capital). Thanks to the advice received from the manager, customers are able to optimise cash flows and the relative financial charges and can assess the option of possible guarantees or subscription to correlated products (e.g. Credit Protection Insurance "CPI") to obtain reductions of the spread;
- *IDEA APERCREDITO*: the opening of a credit line on a current account, with a planned repayment plan, characterised by a maximum duration of 48 months, and a maximum amount of euro 500,000. This combines the elasticity and flexibility of a cash loan and the progressive repayment in instalments of a standard loan;
- F24+13th/14th MONTH WAGES: this meets the extraordinary cash flow needs of companies that have to pay taxes (national insurance and social security) contributions, tax demands and other types of taxes/fiscal charges, as well as the periodic payment of thirteenth and fourteenth month wages to employees. This product therefore enables customers to meet tax- and contribution-related obligations without touching company liquidity;
- *IDEA FIERA*: an unsecured loan to finance the expenses relating to participation in trade fairs, congresses and promotional events (rental of the stand or rooms, fitting and fixtures, registration costs, promotional material etc.);
- EMPLOYMENT SUPPORT: this assists Small Businesses that have increased or wish to increase the number of permanent employees, or if temporary, for a minimum period of 18 months;
- LOANS TO HEDGE RISK: this funds the since or advance premium paid when subscribing insurance policies in the non-life segment, or when purchasing products to hedge interest rates, such as for example Euribor Cap Covered Warrants or "Maximum Rate" OTC Derivatives;
- FINANCIAL EQUILIBRIUM: an unsecured loan for customers that wish to improve their financial structure, re-balancing the situation by consolidating short-term exposures;
- *IDEA CAPITALE*: sustains transactions to strengthen company capital, through a share capital increase against payment (in accordance with the ABI-MEF Common Announcement on 3 August 2009 and the subsequent extension to 31 January 2011);
- PHOTOVOLTAIC: to fund the purchase and installation of photovoltaic panels for the production of electrical energy through the transformation of solar energy, benefiting from the subsidies envisaged by the "Energy Account" of the Electricity Services Provider;
- POS ADVANCE IDEA: a credit line for customers that have a commercial business and use POS terminals. An amount is made available to the same, which will be repaid through payments made on the POS terminal;
- UNFREEZING OF TRADE RECEIVABLES FROM THE STATE: for customer firms that have certain, liquid and payable receivables due from the Public Administration.

Insurance policies

The Allrisk Commerce and Allrisk Business policies continue to record the positive results achieved in 2009, the year in which these products were launched, with total premiums collected of over euro 500,000, up over 25% on the previous year.
As far as Creditor Protection Insurance (CPI) policies are concerned, a rise of 14% was recorded compared to the previous year in terms of the number of transactions, and a rise of over 30% in terms of the amount of premiums paid by customers.
In 2011, some of the current features of insurance products are due to be restyled, with particular regard to increasing the upper limits of both Allrisk and CPI policies.

E-money

In October 2010, a new "company" credit card was launched, CartaSi Idea Business, created specifically to meet the needs of Small Businesses. CartaSi Idea Business is offered to Customers with particularly competitive pricing, in fact, the annual fee is automatically reduced if a set annual threshold is reached.

Action to support small businesses

The BP Group subscribed to the extension to 31 January 2011 of the term for the submission of applications for the benefits of the "Common Announcement" scheme, an agreement signed in August 2009 by ABI, the Government and Trade Associations to suspend the debts of Small and Medium Enterprises. The scheme was addressed to all companies with less than 250 employees and annual revenues of less than euro 50 million (or with balance sheet assets not exceeding euro 43 million which, even though faced with temporary difficulties, have adequate economic and business continuity prospects.
The measures envisage suspending the principal portion of mortgage (landed property or unsecured) loan payments for 12

months, suspending the implicit capital portion of "real estate" lease payments for 12 months and that of "securities" leasing for 6 months, extending the due dates of short-term trade receivables of up to a maximum of 270 days, as well as the option of accessing a specific form of financing (*Idea Capitale*) for those that wish to strengthen company capital.
The terms envisaged by the "Common Announcement" as regards suspending the debts of companies towards Credit Institutions were repeated and readapted in the ABI scheme called "Post 30 June", subscribed by the Group to further assist businesses in the Abruzzo Region, hard hit by the earthquake in the Spring of 2009. In this case, companies that were solvent on the date of 6 April 2009, the day of the earthquake, had the option of submitting applications up until 31 January 2011.
Banco Popolare also made a contribution following the disastrous events that affected a number of Italian regions, offering both "Private" and "Small Business" customers solid support.
In February 2010, following the floods in the province of Messina in the previous October, Banco Popolare resolved to suspend the payments of mortgages underwritten by both private and small business customers resident in the worst-hit areas up until 31 May 2010 (implementing the provisions of Ministerial Order no. 3825 of 27/11/2009). In addition to the suspension of payments, the customers in question were also able to request the renegotiation of their mortgage loans.
Following the floods in October 2009 in the Messina area, in December 2009 in the provinces of Lucca, Pisa and Perugia, and in November 2010 in Veneto, specific measures were put in place to provide solid financial assistance to the Small Businesses present in the areas hit, including suspending loan payments.
In 2010, Banco Popolare also implemented Ministerial Order no. 3824 of 22/12/2009 to assist those affected by the rail accident in Viareggio, envisaging the option of renegotiating loans or suspending payments due up until 31 July 2010.

Guarantee instruments for enterprise

To facilitate the access to credit of Small and Medium Enterprises, especially at times of economic crisis, Banco Popolare entered into important agreements and conventions with the managers and provides of guarantees. The following bodies with which agreements have been signed are listed below:

National and supranational funds

- A Guarantee Fund for SMEs to protect medium-long term loans used for company investments in tangible and intangible assets. This Fund benefits from the ultimate guarantee of the State (recognised against direct guarantees and "first demand" counter guarantees) and applicable in the event of the default of the Fund in question) which allows the Bank to lower the costs of lending and to apply conditions to loans guaranteed by the Fund that reflect the lower risk of the transaction;
- ISMEA (Institution of Services for the AgriFood Market)/ SGFA (AgriFood Funds management Company) for the issue of direct or subsidiary guarantees, joint-guarantees and counter guarantees to agricultural businesses; the ISMEA/SGFA guarantee also benefits from the ultimate guarantee of the State;
- SACE (Insurance Services for Foreign Trade) for the issue of guarantees to invest abroad (JET - Joint Export Target programme).

Regional financial companies

- Banca Impresa Lazio (the management company of the Rome Capital Guarantee Fund), to encourage investments in production by SMEs located in the Rome area;
- Finmolise (management company), to set in place guarantees for SMEs in Molise;
- Fidi Toscana (Tuscany Region), to take action under the Memorandum of Understanding "Economic Emergency", drawn up between the Tuscany Regional Authority and the main network banks. New lending products were created with Fidi Toscana to promote investments in innovation by SMEs and to encourage the internationalisation of SMEs in Tuscany.

Local associations – Confidi

Banco Popolare has over 180 active agreements with the Confidi, these represent a fundamental tool to facilitate the access to credit and microcredit by SMEs.

To better grasp the opportunities that are being created as a result of the profound changes taking place as regards Guarantee Bodies, from the second half of 2010, a new function, "Confidi" was added to the "Portal for E-Services Advantage", which allows Guarantee Bodies to directly and safely interact with the integrated Pegaso Guarantees System (PGAR). The PGAR system manages the acquisition and the reporting on the guarantees issued by Guarantee Bodies (particularly Confidi and Trade Associations), with the aim of facilitating access to credit of member companies, by virtue of the Agreements drawn up with the Parent Company or with Network Banks.
Furthermore, in line with the principles of social and environmental sustainability pursued by the Group, the system encourages the digitisation of documents, thus saving paper.

Soft financing tools

To cut the cost of borrowing for SMEs, "providers" of funds at advantageous conditions have been identified both at national

and regional level. More specifically:

- at national level, Banco has joined the European Investment Bank's (EIB) programme called "Loans for SMEs", obtaining funding to be able to grant loans to sustain the investment plans of SMEs. To date 38 loans have been granted on the basis of this new global funding, amounting to a disbursement of euro 43.3 million. As far as existing loans are concerned, namely those granted on the basis of previous global funding conceded by the EIB, the same total 118 loans with a residual debt of over euro 90 million;
- at regional level, Banco has worked with local finance companies, in which the Regional Authorities or local credit institutions have a shareholding, mostly with those located in the Bank's "historic" areas: Veneto Sviluppo, Finlombarda, Finpiemonte and Fidi Toscana. Loans financed by subsidised regional funds active as at 31 December 2010 totalled more than 1,900 within the Group, with a residual debt of over euro 56 million.

In this regard, subsidised funding was used to assist SMEs, through counter-crisis measures and to support the SMEs affected by the floods in Veneto in October 2010: The Regional Authority intervened through Rotation Funds (managed by the regional finance company Veneto Sviluppo) which entailed granting medium-long term loans to the damaged companies, using regional funds for the entire amount, disbursed by the regional finance company Veneto Sviluppo, at a subsidised rate (zero interest).

Subsidies on contributions and guarantees

As part of the measures to assist SMEs, the Group channels various types of subsidies, both on contributions (lower interest), and on guarantees, more specifically:

- national subsidies: including soft loans to small-scale industry, those for environmental protection and technological innovation and lastly the Guarantee Fund for SMEs. Over 1,560 loans were disbursed in this sector, with a residual debt of over euro 55 million;
- regional subsidies: efforts were focused in particular in Emilia Romagna, Veneto, Lombardy and Piedmont, entailing the disbursement of around 1,300 soft loans with a residual debt of over euro 68 million;
- local subsidies: in terms of counter-crisis measures, Group banks subscribed to the measures adopted by Local Bodies. For example, in Tuscany, the Cassa di Risparmio di Lucca Pisa Livorno entered into agreements with the local Chambers of Commerce and with several town councils to grant microcredit to small and medium regional businesses assisted by the contribution to interest disbursed by the above-mentioned Bodies.

Assistance to agricultural enterprises

In 2010, Rural Development Plans (2007-2013) were fully implemented. Specific agreements were entered into with Finlombardia, a finance company of the Lombardy Regional Authority, and with the Tuscany Regional Authority to set in place subsidised solutions for agricultural enterprises.
Group Banks offered their support to Agricultural Enterprises through a range of specific products dedicated to agriculture, included in the special programme called "Green Horizon".

Leasing

As of January 2010, of part of the changes within the Banca Italease Group, Alba Leasing S.p.A. became operational, the new company operating in the leasing market, in which the Group has a significant shareholding.
The main strengths resulting from this partnership are the presence of Alba's commercial structure (dedicated exclusively to Network Banks), the placement of products only through the channel of participating Banks and the wide range of products offered to customers (car, capital goods, property, nautical leases etc.).
In this way, Small Business customers are able to finance their investments, delaying the repayment of the debt to the medium-long term, as well as grasping all of the opportunities and tax breaks that are usually associated to leased products.
The operating processes that regulate the business partnership are of two different types, namely disciplined by the "Prestoleasing Agreement" or by the "Operating Agreement". On the basis of the "Prestoleasing Agreement", the banks have to right to independently decide on the leasing transaction, sharing 50% of the credit risk with Alba Leasing. Instead, in the second case, Group Banks have to submit the transaction to Alba Leasing, which then assesses the creditworthiness of the borrower and decided independently, taking on the entire credit risk.

Marketing campaigns and initiatives for Small Businesses

With the aim of providing Small Business customers of the Banco Popolare group with a personalised service designed to meet their real needs, studies and analyses have been conducted to identify their requirements. Based on the results of these analyses, several ad hoc campaigns were then set in place, aimed to offer instruments and products in line with the outcome of the research. The main marketing campaigns and initiatives of this type are summarised below:

Trust in your current account: this is a series of initiatives addressed to granting and/or increasing current account overdraft facilities, structured as follows:

- disbursement of a new cash facility to customers that did not have one;
- combining an existing medium-long term loan with a short-term and/or revocable cash facility;
- increase of an existing cash facility.

Prendi quota: a scheme aimed to increase the assets resulting from short-term business loans (advance payments of invoices and disposal of portfolios). This breaks down into three separate options for Small Businesses which:

- have a self-liquidating temporary loan close to expiry, with the objective of proposing an extension of the same and/or its consolidation;
- even though show good usage of the business loans granted by Group banks, could be open to increasing the amount of the agreed credit lines and, therefore, the opportunity to channel new business portfolio cash flows;
- with respect to their operating potential, show a low level of use of self-liquidating loans and, consequently, there is an opportunity to increase the same within the scope of already-agreed credit lines.

F24 duties and taxes: periodic campaign to assist Small Businesses in paying, using the F24 form, tax charges, which, at certain times of the year (June and November), represent a demanding financial commitment, due to the accumulation of several tax payment deadlines in addition to regular monthly payments. The offering, represented by a specific loan product, repayable over a 13 month period, helps the enterprise to manage and plan its financial requirements.

Repeat leasing: a scheme designed for all Small Businesses that wish to further the development of their business activities through new investments (particularly in the automotive and capital goods sectors). In these cases, the "leasing" product represents a valid solution to access a medium-long term form of funding, without using resources that are usually used to sustain the company's current operations. The campaign entailed the direct involvement of Alba Leasing's commercial office, which provided its professional services to customers.

Interest rate hedging: exploiting the relatively low level of interest rates (short and long term), this campaign offers Small Business customers simple and competitive "hedging" solutions to protect themselves from a future rise in interest "rates", therefore limiting the negative impact of a rise in the amount of repayments on their ability to pay.

Updating financial statements and/or questionnaires: in order to fully comply with the obligations envisaged by Prudential Supervision legislation (Basel 2), branches and customer account managers were involved in a specific drive to obtain all of the information on Small Businesses needed to guarantee the accuracy of the ratings assigned to individual customers. This scheme was of key importance to update the official information on Small Businesses, as the correct assessment of the creditworthiness of the same also works to their benefit.

Specific provisions for collection/payment services

Following the introduction of the PSD (Payment Services Directive), to standardise and harmonise pricing at Group level, a new price-list of conditions was adopted for the main "commercial collection" services (Ri.Ba. (collection order), RID (authorised debit instruction) and MAV (payment against notice)) as well as related service (advance payment on invoices in Italy and bill payments). The above also enabled the bank to understand which channels were most used by customers when imparting orders (e.g. branches versus remote channels).
In addition, special attention was paid to the provision of collection and payment services: from the more traditional means (e.g. Italian/Foreign bank transfers, collections on portfolios), to more evolved ones (e.g. SEPA credit transfers, e-commerce, electronic invoice advances etc.).
In 2010, a team of specialists working in the local area provided professional support to both the commercial network and directly to Small Business customers.

Banca Diretta products and services

Banca Diretta offers a range of "multichannel" e-products and services to the group's various customer segments: Private Retail customers, Small Businesses, Corporate and Large Corporate.

The key figures of the above are as follows:

Product/Service	End of 2010 figures
No. of *by Call* - Telephone Banking Customers	282,098
No. of *by Web* - Home Banking Customers	386,467
No. of On Line Web Trading Customers	39,608
No. of *by Alert* - Mobile Banking Customers	156,062
No. of Remote Banking Customers	213,809
No. of POS Terminals	64,180
No. of ATM Machines	2,424

To continually improve the quality of the service offered, during the year, Banca Diretta worked on "Disaster Recovery" procedures and simulations, the aim of which is to guarantee operational continuity to customers, even in the event of significant unexpected events.
This continuous focus on quality and on improving the product range fuelled the increase in the number of customers using direct channels.

by Web - Home Banking

The *by Web* service recorded a further increase in the number of users (+23%) accompanied by a significant rise in usage figures.
During the year, considerable progress was made in terms of security. From 2010, customers have been offered the innovative OTP CARD: this is a card that is the size of a simple ATM card, with a viewer device that generates a "one-time" password. This so-called "Token Card" is the utmost in terms of security and can be used as an alternative to the standard "electronic certificate", enabling customers to easily access by Web services even when on the move, without needing to install certificates.
Still on the subject of security, further progress was also made for those that use the Certificate-based service: these customers have been offered an OTP (One Time Password) service via Text Messages for transactions that entail placing orders and others.
Over the course of next year, these services will also be made available on the Mobile banking channel.

by Alert - Mobile Banking

Alerting services both via Text Messages and e-mail were also improved. The above are used to communicate information on transactions, and contribute to improving the service also in terms of security. They are popular with customers because they are simple and immediate. During the year, therefore, efforts were made to render the graphics of Text Messages and e-mails more functional and rational. Further progress in this direction is envisaged next year as well.

Remote banking and Business Portal

In 2010 significant progress was made in the development of the *Vantaggio* platform which, from a simple remote banking role, became a "Portal for *Vantaggio* e-Services": a real e-branch within the company where accounts, collections and payments can be managed remotely.
The main new features of the *Vantaggio* portal regard security (all customers now use the identification and authorisation system activated via OTP, One Time Password), the very new service to dematerialise and file documents and accounts in electronic format addressed to Small Business and Corporate customers ("On Line Documents"), the implementation of new functions (list of banking domiciles, bank cheques statements and the automatic extraction of data pertaining to company records), customer assistance, through the expansion of the Help Desk telephone service, which customers may contact if necessary.
In the second half of the year, around 30,000 customers, which previously used old remote banking systems, were migrated to *Vantaggio*.
Over the year, a specific and special version of "*Vantaggio* Large Corporate" was launched to meet the complex needs of this customer segment.
Lastly, a version of the *Vantaggio* portal was created to enable CONFIDI to access the same.

All of the tradition Remote Banking (active and passive) services were continually updated, also in line with the standards of Corporate Interbanking.

Physical and virtual POS, e-commerce

Investments were made in the POS service to be able to offer customers both traditional physical and e-commerce collection services.
Again in 2010, customer appreciation was confirmed by the rise in the number of POS terminals (7%) and volumes (8.5%).
Projects in this area regarded: the migration of customers holding the old "Bankpass" to virtual POS solutions "by Pos" and "@pos"; the implementation of new functions for e-commerce through the new "Pay Mail" and "Recurring Payments" services; renewed collaboration with Mastercard entailing the offer of new contactless POS, particularly in Milan; collaboration with Amex, Visa, Cartasì and KCCS to develop joint schemes to develop acquiring activities; the migration of POS to EMV POS, an area in which the Group excels with respect to the average in Italy in terms of the number of evolved terminals; and lastly, the use of the phone channel (Contact Center) to encourage customer loyalty and to monitor their level of satisfaction.

Contact Center

The Contact Center encourages daily dialogue between customers and the Group's commercial network; its scope encompasses four macro areas:

- inbound calls, on a toll-free number, both for traditional phone banking transactions and due to the increasing need for remote customer assistance. Contact is made both with an operator and through IVR (Interactive Voice Response);
- outbound calls made as part of commercial campaigns regarding existing or potential new customers, for telemarketing (to organise appointments), cross-selling (to suggest products), customer satisfaction (service satisfaction surveys) and fraud detection (to manage fraud risk on payment cards or direct channels). The above may also entail the services f external firms;
- requests for information sent via e-mail and management of reports and complaints received via the websites of

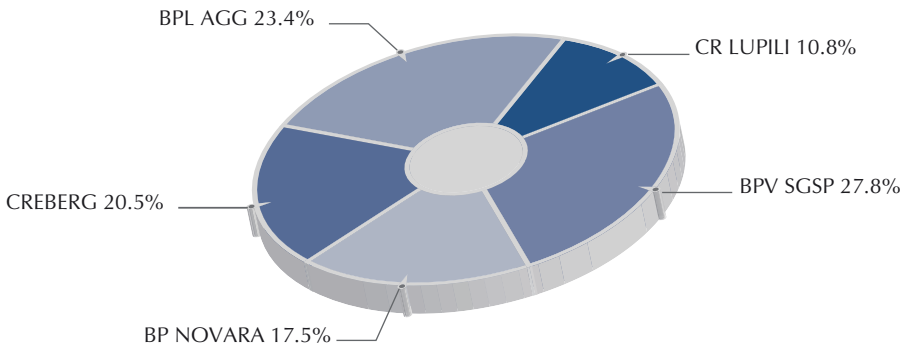
the Network Banks;
- assistance to customers on specialist topics such as MiFID and Life Insurance Policies.

Over the year, several specific projects involved the Contact Center:
- the launch of new assistance services for holders of new KDue account cards;
- the introduction of new technologies to improve the quality of the service provided: a new ticketing system to manage customer contact, a new outbound platform, applications for the display of financial quotations;
- rationalisation of the organisation, which entailed centralising the operations room in Novara;
- training to raise the quality of customer relations, standardising the same with that adopted for the commercial network;
- extension of assistance to branches for "Bankassurance" activities;
- launch of the Customer Care Service for new customers of Banco Popolare's POS Contactless.

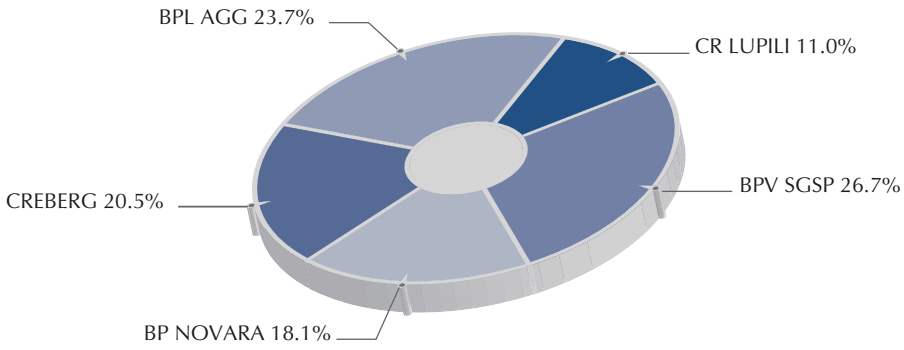
Corporate

The Group's commercial network dedicated to the Corporate segment, broken down into the various Network Banks, has 69 Business Centres, which accommodate 384 Corporate managers, plus the branches of Credito Bergamasco, which look after corporate customers through the majority of these offices spread throughout the area in question.
The contribution of Banca Caripe has been included in all of the figures reported below. Although it was sold as of 31 December 2010, it was involved in a number of commercial initiatives during the year and actively participated in the results achieved with customers.
As at 31 December 2010, the Corporate segment had around 58,000 customers, recording a significant increase compared with the adjusted 2009 figure (around 51,000)[2] also as a result of considerable efforts made to acquire new Corporate customers in 2010. Furthermore, compared to 2009, the breakdown by Network Bank remains substantially the same. (figures 1-2).

2010



2009

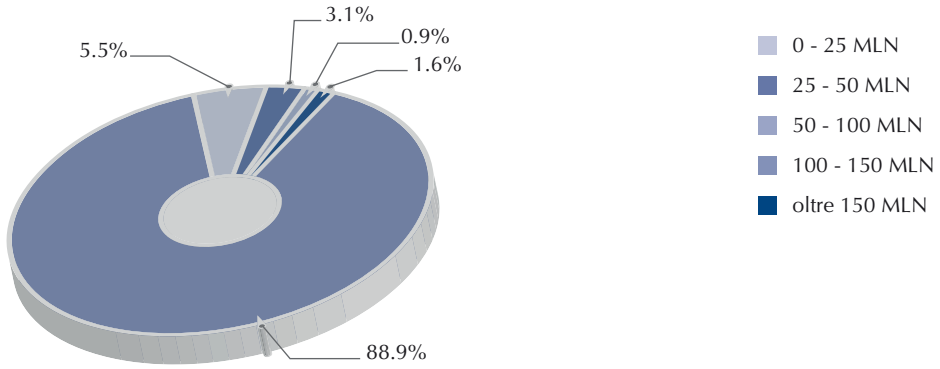


Figures 1-2. Breakdown of Corporate customers by Bank (active counterparties of the Corporate segment as at the date - BPL Aggregate include BPL SpA, BP Crema, BP Cremona and Caripe).

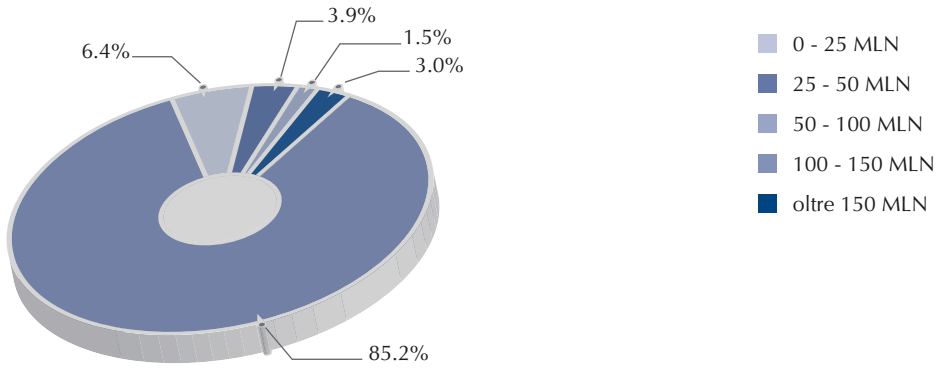
[2] on a comparable basis with 2010 customer segmentation.

The breakdown of customers by revenue category shows a significant concentration in the categories between zero and euro 25 million, marking an increase of 3.6% over 2009 by virtue of policies and strategies attentive to the needs of Small and Medium Enterprises (figures 3-4).

2010



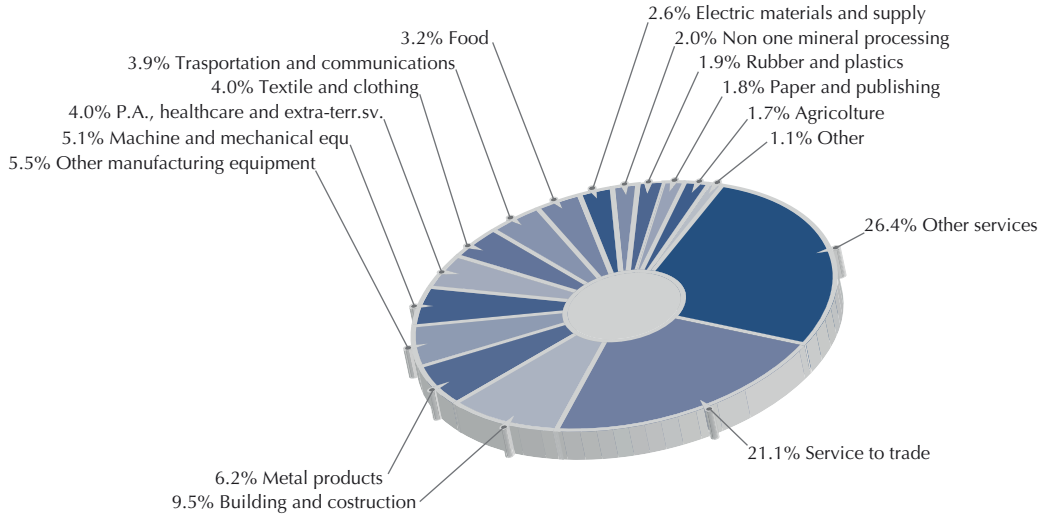
2009



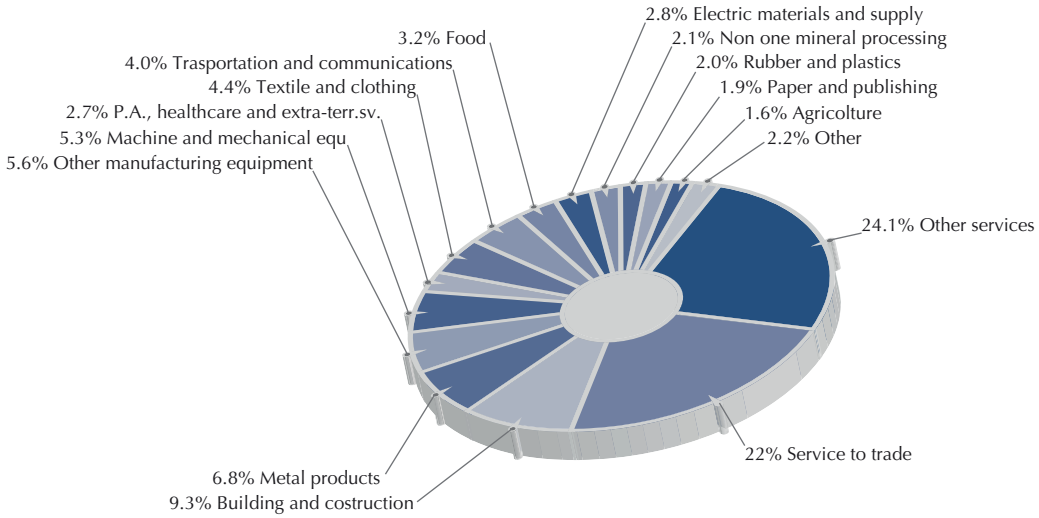
Figures 3-4. Breakdown of Corporate Customers by revenue category.

In the breakdown of customers by production sector (total Corporate segments: Large – Mid Corporate – Bodies) the services and commerce sectors continue to represent a significant share (figures 5-6).

2010



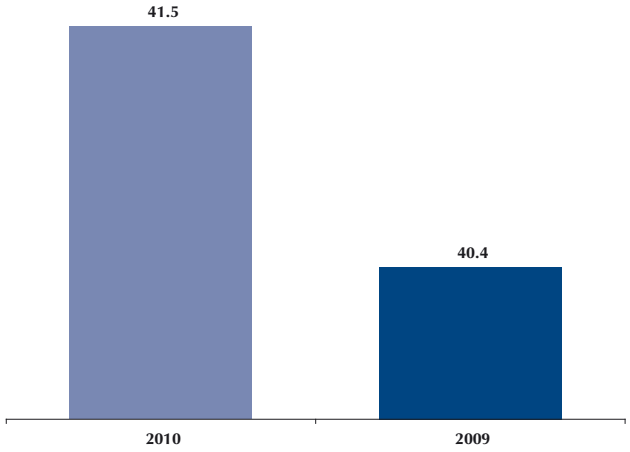
2009



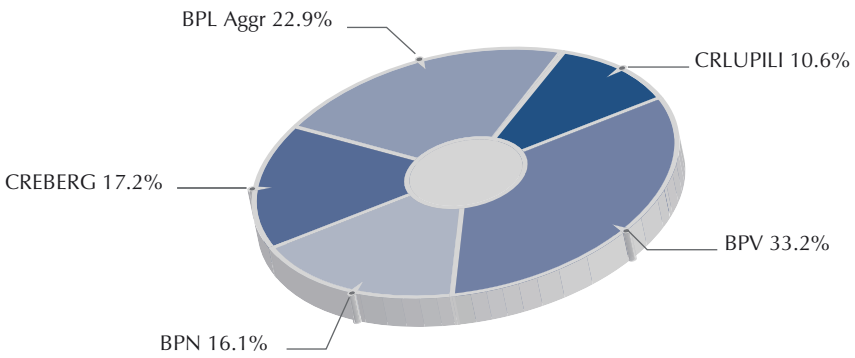
Figures 5-6. Breakdown of Corporate Customers by Business sector.

With regard to the assets managed of segments as a whole, the average balance of loans rose to euro 41.5 billion as at 31 December 2010 (figures 7-8).

Total loans - comparison 2010/2009



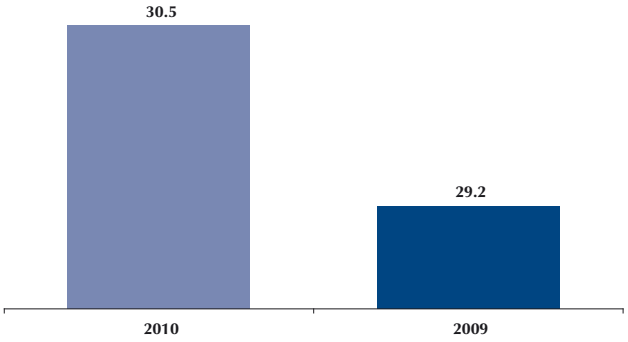
Total loans by Network Bank



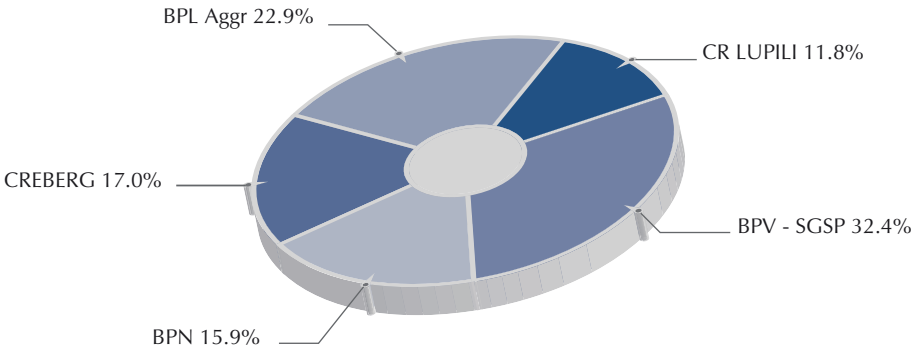
Figures 7-8. Comparison of the average monthly balance of total loans in 2010 versus 2009 on a comparable basis with 2010 customer segmentation. Breakdown of total loans of Corporate customers by Network Bank (average monthly balances as at 31 December 2010).

More specifically, the loans of the core Mid Corporate segment (corporate customer category with revenues of between euro 2.5 and 250 million) rose to euro 30.5 billion as at 31 December 2010 (+4.4% compared to 2009), representing 73.5% of total corporate loans (figure 9-10).

Mid Corporate total loans - comparison 2010/2009



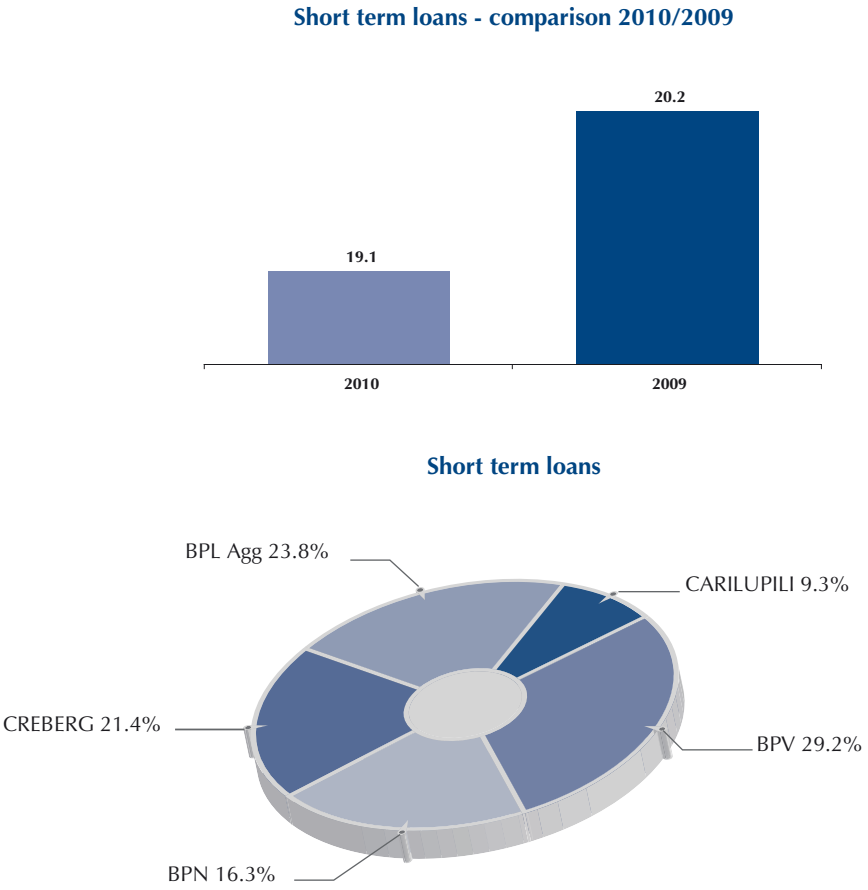
Mid Corporate total loans



Figures 9-10. Comparison of the average monthly balance of total loans of the Mid Corporate segment in 2010 versus 2009 on a comparable basis with 2010 customer segmentation. Breakdown of total loans of Mid Corporate customers by Network Bank (average monthly balances as at 31 December 2010).

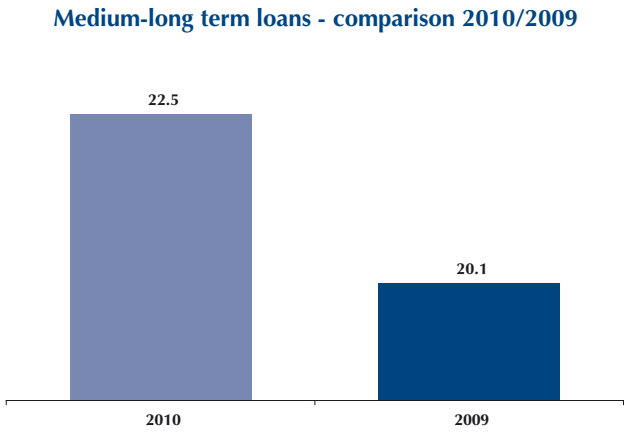
The breakdown by maturity of loans shows how the medium-long term component made a larger contribution to the rise in volumes over the year. The reason for this is due to the specific economic scenario which, while on one hand led companies to reduce investments and address planning to short-term requirements, on the other hand, it increased demand to the banking system for "committed" medium-long term loans, even from the perspective of restructuring the same and lengthening maturities.

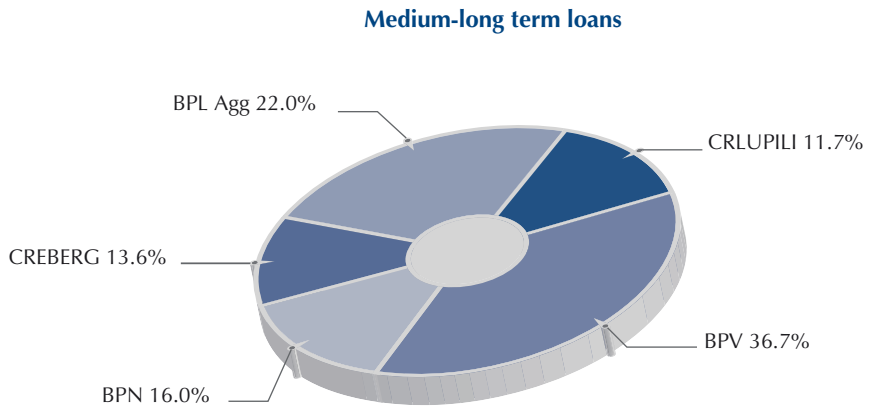
Short-term loans totalled around euro 19 billion (figures 11-12).



Figures 11-12. Comparison of the average monthly balance of short term loans in 2010 versus 2009, on a comparable basis and 2010 customer segmentation. Breakdown of short term loans by Network Bank (average monthly balances as at 31 December 2010).

Medium-long term loans totalled over euro 22 billion, and represent around 54% of the total (figures 13-14).

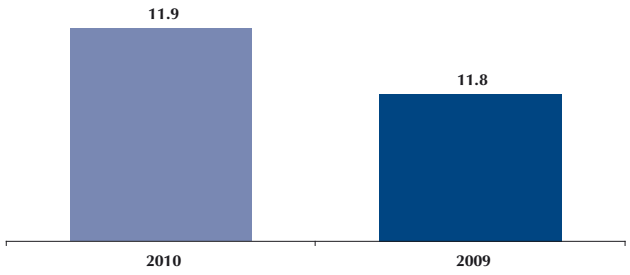




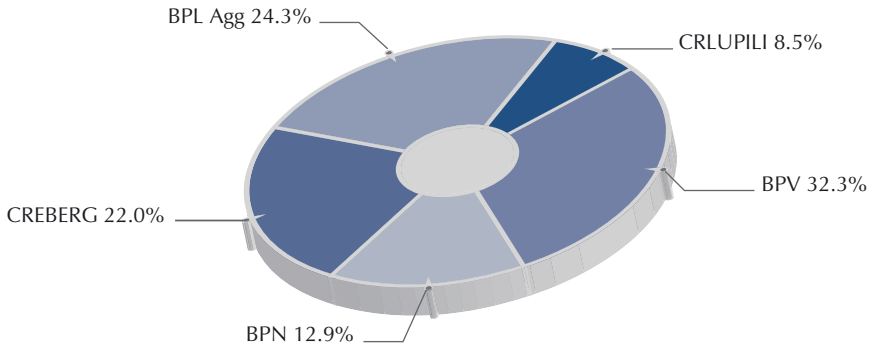
Figures 13-14. Comparison of the average monthly balance of medium-long term loans in 2010 versus 2009, on a comparable basis and 2010 customer segmentation. Breakdown of medium-long term loans by Network Bank (average monthly balances as at 31 December 2010).

Extended direct funding from Corporate customers grows to euro 11.9 billion at the end of 2010 (figures 15-16).

Extended direct funding (EDF) comparison 2010/2009



Extended direct funding (EDF)



Figures 15-16. Comparison of the average monthly balance of Extended Direct Funding in 2010 versus 2009 on a comparable basis with 2010 customer segmentation. Breakdown of Extended Direct Funding by Network Bank (average monthly balances as at 31/12/2010).

The continuing difficult economic situation, which has impacted both company results and growth, has meant that a high percentage of the banking system has increasingly focused on the efficiency of their services, risk management and on ways to better meet the requirements of corporate customers.
In the light of this economic scenario, the Corporate Department of the Banco Popolare Group therefore decided to continue to concentrate on the priorities already identified and pursued in the past. Therefore, while continuing to observe Group strategies, 2010 was characterised by:

- a constant focus on the "core" sector of mid-sized companies, encouraging forms of lending that favour economic recovery and company investments over purely financial loans;
- increasing attention on corporate direct funding, to sustain, as far as possible, the necessary self-financing linked to the rise in loans;
- increasingly incisive management of the efficient allocation of capital and of the pricing applied to the various types of loans based on the duration of the same and on creditworthiness, by using dedicated tools and models that guarantee an increasingly accurate and adequate return on capital, monitoring risk capital in business activities;
- the continual improvement of the service revenue component as a percentage of total revenues, encouraging high value loyalty-oriented forms and business advisory services (foreign operations, corporate finance, hedges);
- the reorganisation and centralisation of sales coordination and development to improve and optimise the service provided to customers and to the Network Banks.

Based on the priorities identified and assigned, the Corporate Department implemented a series of measures and launched various projects in a drive to improve the efficiency and effectiveness of its sales department, seeking to improve the quality of the assistance provided to the Network Banks.

The most important of the above include:

- following the creation of a service model centralised in the Parent Company for large group customers, rendered fully operational in the second half of 2009, the service model was further refined by organising, from the first quarter of the year, specific visits by GRMs (Global Relationship Manager) with the aim of obtaining more in-depth information and therefore improving the service provided to individual customers and Banks;
- the review and update, in collaboration with the Loans Division of all the groups of companies that are Banco Popolare customers through the various Network Banks, to better manage individual and overall risk (credit

groups);
- the development and perfections of sales and credit coordination mechanisms for the Large Local and Mid segments with significant credit lines by allocating a contact manager to each customer/group to coordinate the conditions of said credit lines as well as any necessary action;
- the spreading of commercial practices, tools, indications on pricing and products aimed to optimise returns in proportion to the relative risk, introducing a modus operandi appropriate to Banco Popolare's capital allocation requirements;
- the constant use of the resources of the holding company, to provide a tangible contribution to the increasing number of training programmes for the sales staff dedicated to the Corporate segments of Group Banks;
- centralising Business Financing management and procedures previously carried out by individual Network Banks in the Parent Company, reinforcing the role of managing and developing the specialist products and services offered in this segment.

Large Corporate, Institutions and Public Entities

The Large Corporate, Institutions and Public Entities Service is in charge of dealing with Banco Popolare's customer segment that encompasses large manufacturing and commercial enterprises (Large Corporate), Italian and foreign financial institutions (Institutions) and Local Authorities and their subsidiaries (Public Entities).
The service's three customer groups share a common characteristic, namely it manages the commercial and lending needs of the same, by establishing creditworthiness thresholds for the segment, through teams of managers and analysts that are dedicated exclusively to managing customer relations, while operations are managed through the Network Banks.
In line with the strategic guidelines established at group level, in 2010 the GRMs focused their commercial efforts on obtaining a return on loans from these customers (around 120 Groups) in line with the current market scenario, often to the detriment of the number of loans disbursed with respect to the previous year, developing the commission component (corporate finance, risk hedging and foreign operations).
The most important change from an organisational/dimensional perspective in the Large Corporate segment was represented by the decision made jointly by the Parent Company's Corporate Department and the General Departments of Network Banks in December 2010, to transfer a further 130 business Groups from the Large Local segment, previously managed by the Network Banks to the national management model.
In 2011, the organisational changes and the extension of the human resources of the Large National segment will take place to render the new structure operational.

Institutional customers are managed by 2 teams, each of which comprised of 2 managers (called Institutional Counterparty Managers) and an Analyst/Assistant. One team is responsible for relations with Italian Financial Institutions (banks, insurance companies and non-banking finance companies), while the other team handles relations with International Financial Institutions from Developed and Developing countries.
The 2010 was the first year of operation of the Institutional Counterparty Managers. In line with the role assigned to the same, during the year they strengthened their coordination with the various Group entities that have relations with Institutional customers (mainly the Finance Department, Banca Aletti and the Banking Correspondent) and managed the credit risk of the reference customer segment.

Lastly, efforts to coordinate the activities of all Group Banks as regards the Public Entities Segment (mainly Local Entities, Public Utilities, Healthcare Organizations and Institutions, Social Security Agencies, Welfare Agencies and Schools of all levels) continued with the support of a team of dedicated specialists.

Mid Corporate

In 2010, based on the changing general economic scenario, work focused on providing companies with solutions able to encourage growth and support the resumption of production activities. In addition to the planned coordination of Banco Popolare's schemes for Mid Corporate customers, the projects described below were launched.

Schemes were set in place with the Capital Market service of Banca Aletti to increase the awareness of capital reinforcement tools, in collaboration with Borsa Italiana and Confindustria. Special attention was paid to customers with high growth potential, by offering the same a combination of financial solutions and services specifically designed to support development projects.

Furthermore, collaboration with Banca Aletti's Private Banking service continued to provide financial solutions and services designed to meet the personal financial needs of entrepreneurs. The above enabled the basis of relations with entrepreneurs, associated with companies that were already customers, to be extended to a "private" dimension.

Lastly, to support the recovery of the industrial districts located in the areas covered by the Banco Popolare Group, a method aimed to identify the critical areas and the potential of these districts was introduced in order to develop corrective measures that are more targeted to the new requirements of the same. More specifically, this method introduced new diagnosis tools and provided support to the offering of the Network Banks, including system agreements based on collaboration with the key figures of the industrial districts (trade associations, district entities, local Confidi).

Strategic Planning

Given the still weak economic scenario and the consequent need to strengthen relations with local enterprise, the task of the Strategic Corporate Planning Service was to direct and support the sustainable medium-term development of relations with Banco Popolare's customers by establishing objectives, setting in place initiatives and taking action to support the Commercial Network in collaboration with the other services of the Corporate Department.

To provide support to Network banks, the following measures were implemented to:

- increase the Mid Corporate customer base, by focusing more on acquiring new customers in the reference area;
- develop all existing customers with the highest growth potential, first and foremost SMEs, through targeted action to identify areas in which conditions and the offer of added-value services could be optimised based on financial needs.

More specifically, through its dedicated services, the Strategic Planning function launched or consolidated important projects aimed to strengthen the operational capacity of Network Banks, in addition to its standard activities of objective planning, the continual analysis of the customer base and the monitoring of the segment's commercial performance.

The above included the *Gestione Valore Cliente* (Customer Value Management) programme, launched in 2009, for which the "risk-adjusted" business model was developed and consolidated. The aim of the latter is to optimise RWA (Risk Weighted Assets) and the returns generated as a function of risk, through:

- the application of specific performance indicators to all of the resources dedicated to the management of the Group's Corporate segment, which explicitly take the cost of the risk into account on the basis of Basel II methods (soon to be developed in the light of legislative changes underway);
- the promotion of a risk-adjusted loan pricing management approach, aimed to ensure that the most appropriate price is applied to each customer based on the profile of the same, in this way also increasing the value of the relationship;
- the completion of the range of IT tools for the commercial network to support the management and continuous control of efficient capital allocation during day-to-day operations;
- the continuous and targeted improvement of the skills of commercial resources through training courses and on-the-job training in collaboration with the Group's Training School.

Furthermore, to make the management of the conditions applied to customers more effective and efficient, significant efforts were made to coordinate and standardise the same at group level, represented by:

- the creation and release to Network Banks of a single delegation system for conditions aimed to boost the Network's sales efforts regarding Corporate customers, to facilitate operating procedures and response times, rationalising and harmonising the Group approach at the same time;
- monitoring and analysing the conditions applied, first and foremost to customers shared by more than one Group bank, which has enabled areas for improvement to be identified within the management of the conditions applied, both internally and externally, by aligning pricelists to market benchmarks.

Corporate products and services

In 2010, the *Programma Banco Imprese*, launched in 2009, was continued and innovated. The Programme offers a range of products that supplement those traditionally offered, the aim of which is to support strategic corporate investment plans devoted to research and development, technological, product and process innovation, as well as at sustaining business growth and competitiveness.
The Programma Banco Imprese is structured into 4 options, each of which responds to specific business needs with a number of different products:

- *Circolante* (working capital): seeks to help companies manage the slowdown of their working capital turnover resulting from longer payment collection times in a more efficient way, by providing them with a sort of financial buffer which helps them handle the pressure generated by the economic crisis;
- *Sviluppo* (development): the goal is to sustain companies with productive investments, including most innovative ones with respect to energy saving;
- *Capitale* (capital): the aim is to help companies improve their capital structure with ad hoc financial measures;
- *Estero* (foreign operations): the goal is to provide guidance to Italian SMEs in the internationalization process, through a structured offer of banking and non-banking instruments, ranging from loans to insuring foreign commercial transactions and real advisory and customer services throughout the entire process.

Foreign operations

In 2010, significant efforts were made to assist companies that decided to use the foreign markets as a virtuous and competitive factor in the relaunch of their businesses, marked by the profound crisis in 2008/2009.
The provision of qualified advice, combined with the further development of high added-value products, aimed to promote the exports of our SMEs, represented an important success factor for the Group and for corporate customers. This was demonstrated by the continual growth of market share in specialist foreign transactions.

As regards the financial support of customer's foreign projects, during the year, the Banco Popolare Group renewed an important partnership agreement with SACE drawn up to sustain the process of internationalisation of Italian SMEs, which envisages funding up to an global ceiling of euro 200 million for new loans addressed exclusively to supporting growth in foreign markets.
Furthermore, at Group level, the range of foreign products and services and relative prices was harmonised, in order to allow customers better usage of the same with maximum transparency and available across the country.
Furthermore, efforts to centralise several foreign activities in Banco Popolare continued, which when completed, will enable Banco Popolare to approach international markets with better visibility and commercial strength.
Banco Popolare also continued to actively participate in the most important international events, with a view to offering its customers increasingly innovative and up-to-date products, services and advice.
Communications and public relations with the world of business, associations and institutions continued to be another area of focus.

Lastly, important business missions to foreign countries were undertaken: the most important of which to China (May/June 2010), Saudi Arabia (November 2010) as well as participation in other international events with a view to customer support.

Risk Hedging

The mission of the Risk Hedging Function is to supervise the offer of derivative products to hedge business risk, managing and maintaining the product catalogue and adapting commercial processes and methodologies to changes in the market or in the regulatory/legislative framework.
In 2010, 3,007 hedging transactions against interest rate and exchange rate were set in place with customers. In terms of the type of the same, 95% of the transactions belonged to the effective hedge category and break down substantially into Fixed Rate (IRS) and Maximum Rate (CAP). With regard to the management of the existing product portfolio, the Banco Popolare Group continued to eliminate transactions belonging to the Active Management category, which now represent a residual component of the portfolio as a whole. As at 31 December 2010, the composition of the portfolio of existing derivatives with customers indicates the presence of 9,797 Effective Hedge transactions (+3.9% compared to 2009) out of a total of 10,196 (+2.9%), which corresponds to a notional commercial value of euro 10,602 million (-8.4%) out of a total of around euro 11,361 million (-9.5%).
In terms of processes, the Risk Hedging Function worked on the further development of the applications used to provide advice on OTC derivative products, with the aim, on one hand to bring the same in line with the requirements of MiFID legislation and on the other, to facilitate the sales efforts of network banks. Efforts in 2010 were focused on:

- price transparency (disclosure). Customers classified as retail received a specific disclosure on the individual components that make up the final price of the transaction, both in offers and in confirmations; the disclosure of the price contains the implicit costs of the transaction, including the margin made by the bank.
- checking for correlation. Each quarter, the bank checks that the hedge transaction is correlated, namely that the notional value of the loan hedged does not fall below the notional value of the transaction. If the transaction loses correlation, the customer receives a specific notice and a meeting is organised to assess possible alternative options.

Corporate Finance

In 2010, the process to reorganise Corporate Finance was completed. The project entailed assigning the Corporate Department direct operations related to supporting the origination, structuring, closing and post-closing of all types of Corporate Finance transactions and bank agency activities[1] to be performed on behalf of Network Banks through the establishment of two new organisational units:

- Structured Finance Office, which has been assigned, at Group level, activities to support the origination, structuring and execution of customer transactions managed by network Banks, by the Large Corporate, Institutions and Public Entities service and by the Institutions and Public Entities function;
- Bank Agency and Syndicated Loans Office, which, at Group level supervises:
    - activities to verify and manage contractual and extracontractual fulfilment and activities relating to the responsibilities of Network Banks linked to the role of bank agency for all in pool loans and for bilateral structured loans, via-à-vis third parties;
    - activities to control risk and returns on transactions by specifically monitoring contractual commitments;
    - the coordination, management and sale of syndicated loans (also on a club deal basis) strictly related to the structuring phase.

The application of the new service model pursues the following primary objectives:

- to guarantee that all Network Banks can effectively monitor the transactions requested by customers, also with a view to the risk/returns of the same;
- to guarantee systematic specialist support to Network Banks by simplifying and harmonising the operating practices of the same;

(1) *Bank agency activities relate to the management of specific types of structured loans or of projects. This therefore includes activities relating to disclosures to third parties (for example financial communities in the event of market transactions) and checking the commitments made contractually by the subscriber.*

- to extend the Group's activities to highly-profitable areas with a consequent increase in the commissions of individual Network Banks and as a whole;
- to contribute to better risk management in collaboration with the Loans department of Banco Popolare.

As regards the results of the segment, Corporate Finance activities have confirmed its potential to contribute to the overall margin of the Corporate Segments.

As regards customer segments:

- the focus on the sphere of SMEs is also evident in a specialist sector such as corporate finance, the results of which receive a significant contribution from the mid-corporate segment (57%). The latter segment was the target of almost all of the more structured projects, mostly regarding acquisitions and project finance (with specific focus on the renewable energy sector relating to medium/small sized companies); the structuring of the same is an indicator of the important link between the Network Banks and local enterprise;
- a significant contribution to revenues was again made by the transactions of National Large Corporate customers (28% of revenues) and Local customers (13%);
- the remaining 2% refers the transactions of the Public Entities segment.

Furthermore, in 2010, the Corporate Finance Function continued to work on harmonising the segment processes of Network Banks, making specific technical tools available to the specialists and, in collaboration with the Group's Training School, participating in the design of specific training programmes for Corporate managers.

Corporate Laboratory

The Corporate Laboratory continued in its efforts to assist SMEs belonging to several districts in areas in which the Group's Banks are the most deep-rooted, working in close contact with local business associations.
The new sectors examined in more depth through studies, interviews with opinion leaders, small-scale meetings, conferences and project proposals, included the shipyard in Viareggio, the fruit and vegetable cooperatives in Verona, the stone-working districts in Carrara and Verona, the taps and fittings districts in North-Western Piedmont and Lumezzane, the wine-making chain in Tuscany and the textile district in Val Seriana. The Corporate Laboratory currently monitors 22 sectors. This has enabled Banco to gain an up-to-date perspective and awareness of the production sphere, of the challenges faced and of the medium-long term prospects. The working groups linked to the Laboratory in 2010 involved representatives of 73 local institutions and hundreds of businessmen and women. The results of some of these groups were presented at specific local seminars, a national one and an international one. The projects undertaken were reserved to the entrepreneurs directly interested by the same.
In the first part of the year, the training programme of the network colleagues that work closest with corporate customers was completed. The courses provided attendees with the means to analyse business prospects, leading to an assessment of creditworthiness that is closer to the new competitive scenario.

Investment & Private Banking, Asset Management

Investment, Private Banking and Asset Management activities are carried out by the subsidiaries Banca Aletti (private banking and securities), Efibanca (merchant banking), Aletti Gestielle (management of mutual investment funds and hedge funds), Aletti Fiduciaria (management of fiduciary mandates).
The paragraphs below illustrate the main activities performed by the Investment & Private Banking and Asset Management services of the subsidiary Banca Aletti.

Capital Market

The Capital Market service is in charge of coordinating origination, arranging and syndication activities for primary share and bond market transactions on behalf of Group Banks and Companies and institutional customers.
Again in 2010, the primary share market in Italy was characterised mainly by share capital increases and Public Purchase Offers, during to the continuing uncertainty in financial markets.
In this regard, the subsidiary Banca Aletti took part in several transactions such as the placement of the Convertible Bond issued by Credito Valtellinese as sub-guarantor, participation in the guarantee and placement consortium for the listing of Tesmec shares, the guarantee consortium for the share capital increase of Banca Ifis and the guarantee and placement consortium for the listing of Enel Green Power shares, with its role as specialist operator substantially unchanged in the year.
With regard to the debt securities market, Banca Aletti took part in the placement of all of the bonds issued by Banco Popolare addressed to institutional investors, acting as Joint-Bookrunner, for two bond issues under the EMTN programme and as Joint-Bookrunner, for two covered bond issues made as part of the "BP Covered Bond" programme. Furthermore, Banca Aletti took part in two Lower Tier II subordinated bond issues, one of which entirely structured and placed by the same as Sole-Bookrunner and one as Joint-Bookrunner.
Lastly, as regards the placement of bonds issued by third party issuers, Banca Aletti participated in the Initial Public Offering of the fixed-rate and floating-rate bonds issued by ENEL, in the Public Exchange Offer of the mixed-rate bond issue with a cap and a floor issued by the Royal Bank of Scotland, together with other group banks, and in the placement of five bond issues of the EIB, as Co-lead Manager.

Equity Research

In 2010, the equity research office focused on maintaining the scope of its analysis and stabilising the number of counterparties. Given the Group's customer base, the office is continuing to cover Italian companies with low/medium capitalisation, with a continuous extension to mid caps, given the higher amount of liquidity requested by institutional investors. This took place by ending the coverage of several securities with a low free float and capitalisation, as well as the arrival of new professional figures, extending coverage to new securities and new wider capitalisation sectors. Furthermore, marketing activities with the main counterparties continued.

Commercial services

Banca Aletti's "Commercial" organisation, divided into "Private Banking Commercial" services and "Corporate and Institutional Sales Commercial" services, offers integrated investment services to Private, Corporate and Institutional customers, in cooperation with the Group's Commercial Service.
In terms of **private banking commercial services**, at the end of 2010, Banca Aletti recorded a global amount of "assets under management" (administered and managed) of euro 14.9 billion, of which euro 0.3 billion regarded institutional customers.
Even in the presence of a continuing difficult market scenario, 2010 was characterised by a significant recovery of net interest and other banking income compared to the previous year, with a monthly trend that showed a constant and gradual rise. This increase was also the result of an increase in the total number of assets under management, following the re-launch made in 2009 with a view to rebuilding the medium-term portfolio, which continued in 2010.
Net deposits were substantially in line with the commercial objectives for the year.
With a view to rationalising local operations, at the end of 2010, the private network of the subsidiary Banca Aletti was comprised of 8 Areas, 36 Units and 180 Private Bankers.
In terms of the **Corporate and Institutional Sales commercial organisation**, the distribution strategies and the structuring and placement of investment products in 2010 were influenced by the continuation of several macroeconomic dynamics and trends. Customers continued to prefer simple products with guaranteed capital, indexed to interest rates and issues of Banco Popolare against third party issues.
Consequently, of the approximately euro 9.5 billion structured products placed (in line with 2009), around 65% were represented by Banco Popolare bonds.
The volumes placed by Group networks doubled compared to 2009, with an upturn in the second half of the year, the first signs of a return to products indexed to stock markets.
As regards products to hedge interest rate, the offer of Euribor Cap Covered Warrants to customers with floating rate mortgage loans, through Group networks, had a significant impact. The above led to a 48% rise in the volumes hedged compared to 2009, surpassing euro 1.1 billion, due to the record low short-term interest rates and to expectations of future rises of the same.
Commercial services provided to intermediaries and "non captive" institutional customers showed a preference for simpler structures and Italian issuers, favouring the subsidiary Banca Aletti's role as arranger for Banco Popolare issues.
Bonds trading on secondary markets, in turn, benefited from the continuation of several market dynamics, which led numerous institutional investors to prefer less risky types of investment such as bonds, which led to a rise in intermediated volumes and the acquisition of 17 new customers.

As regards the placement of products issued by the subsidiary Banca Aletti, a high aversion to risk, which led customers to prefer products indexed to interest rates, resulted in a fall in volumes of Certificates.

In terms, on the other hand, of products to hedge interest rates, Warrant Cap volumes recorded a significant increase compared to 2009 due to expectations of a rise in interest rates.
With regard instead to the placement of asset management products with non-captive networks, negative net deposits were recorded, the result of the difficulties currently being experienced in the asset management sector, which has meant that customer prefer direct funding products and products with an insurance content, such as investment-linked policies.
In 2010, Financial Risk Management activities were consolidated with accredited customers of the Network Banks, and efforts continued to attract new potentially creditable customers. During the year, interest rate and exchange hedges were concluded, while the instruments used to manage interest rate risk were exclusively effective hedge products (IRS and CAP), in line with the specific medium-long term indebtedness profile of the underlying.
Exchange hedges mainly regarded the US Dollar, and to a far lesser extent, the British Pound and the Canadian Dollar, with the majority of transactions entailing simple term transactions, plain vanilla bonds, or in some cases, knock-in forward instruments.

Investment Banking

The subsidiary Banca Aletti's "Investment Banking" service is in charge of coordinating the planning and development of investment products and financial risk hedges for the Group's Private, Retail and Corporate customers, as well as for Institutional customers, and to coordinate transactions performed by the Group on its own account or on behalf of third parties, on the share and bond markets in cash and in derivatives.
Product structuring activities have been impacted by the upward trend of monetary rates. In fact, in 2010 the record low reached by interest rates encourage the sale of protection products such as Cap Warrants, the volumes of which rise, while

sales of hedge products to Corporate customers fell. In this context, the levels of share prices recorded very broad trading ranges, characterised by noticeably high levels of volatility and correlation (implicit and realised), although lower than those of the previous year.
Trading activities were characterised by the search, on one hand, for spot hedge positions on maturities and less liquid underlying instruments, in order to reduce the more complex risk positions in the portfolio, and on the other, for opportunities linked to the assumption of risk positions on the spot, volatility and correlation markets, although limited to more liquid underlying instruments. Market making activity on regulated IDEM and SEDEX markets continues to be in line with last year, albeit almost exclusively focused on short-term maturities.
The structuring of equity-linked products fell significantly due to the lower volumes linked to said products placed both group networks and by non-captive customers. Requests for products have exclusively regarded certificate instruments. The demand for short-term exchange hedging instruments of corporate customers was stable.
As regards, instead the activities performed by the Financial Engineering function, in 2010 the latter mainly worked on the development of new tools to manage the risks of derivative financial instruments.
With reference to the macro-category of derivatives, valuation models have been designed that enable higher flexibility in the management of interest rate and share based positions, the latter with a view to managing a high number of cases and therefore to handle the continuous evolution of the products requested by the market.
Trading in Government debt securities was affected by market uncertainty, which was tackled by adopting a dynamic trading approach, obtaining, combined with a contained duration, excellent performance of the portfolio, also as a result of low borrowing costs.
In the trading in non-government debt securities, considerable attention was placed on the selection of issuers and a contained duration was maintained; in this way, a very positive margin was obtained for the portfolio despite the widening of credit spreads.
Trading on the stock market was carried out in a macroeconomic framework in which the volumes of stock traded on the market normalised.
In terms of brokerage, the subsidiary Banca Aletti had a very successful year, recording higher volumes than in 2009, despite the downturn of the reference share index. Good results were also achieved in the management of its own portfolio as a result of the adoption of neutral market strategies, cash/futures arbitrage activities and a careful selection of M&A transactions that came up during the year.
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Investment Management

The returns offered on managed products are substantially in line with those of the reference indices, although weighed down in the bond component by the recurring phases of widening of the spreads between “core” and “peripheral” countries and, as regards the share component, by the volatility that has characterised 2010.
As at 31 December 2010, assets under management totalled around euro 13,750 million, recording an increase of 15.5% on the figure as at 31 December 2009: the clearly positive trend of deposits in the first three quarters of the year was contrasted by a slowdown in the last few months of the year. As regards the breakdown of assets under management, funding for portfolio management lines for Private and VIP customers and for institutional lines performed well; funding relating to retail lines and guaranteed capital products, on the other hand, confirmed the negative results recorded in 2009.

The Advisory Desk service provided to Private customers recorded good performance in 2010, and currently has 130 active contracts, with an equivalent value of around euro 304 million.

Merchant Banking

During the year, in the Merchant Banking sector Efibanca adapted to the general guidelines of the Banco Popolare Group, reorganising its overall portfolio of private equity and merchant banking investments.

As at 31 December 2010, total investment in securities and equity and that in closed-end investment funds or equivalent Italian or Foreign instruments owned by the Bank amounted to euro 282 million, a 2% rise on the corresponding figure as at 31 December 2009 of euro 277 million.

Overall investment in securities and equity made in 2010 amounted, at cost, to euro 14.8 million, against 23 million in 2009, and regarded:

- investments in associates of euro 1.3 million, including euro 0.8 million of investments in companies that were not previously part of the equity portfolio (purchase of a shareholding in SGS-BP) and euro 0.5 million of follow-on, namely contributions to the share capital of company already present in the equity portfolio;
- 13.6 million for payments to closed-end private equity funds and/or similar instruments of (euro 1.2 million of which was bridge financing for the ILP III SCA SICAR fund), for cash calls against subscription commitments for a total original amount of euro 244.3 million (attributable to Efibanca) and reduced at the end of 2010 to euro 71.3 million.

Disposals made during the year amounted to euro 14.5 million, compared to the figure at the end of last year of euro 19.7 million, and more specifically regarded:

- disposals of industrial and financial equity investments totalling euro 10.1 million;
- repayment of euro 4.3 million received by the Bank from closed-end funds and similar instruments following divestitures made by the same funds.

During the year, the above business activities generated revenues (capital gains and dividends) of around euro 16.8 million, and value adjustments of euro 13.3 million.

Asset Management

Aletti Fiduciaria and Aletti Trust

For Aletti Fiduciaria, 2010 saw the completion of the process to reorganise the fiduciary segment with the signature on 20 December 2010 of the deed for merger by incorporation of Aletti Fiduciaria S.p.A. into Nazionale Fiduciaria S.p.A., legally effective as of 31 December 2010, and the simultaneous change of the company name from Nazionale Fiduciaria S.p.A. to Aletti Fiduciaria S.p.A., as well as the transfer of the registered office from Brescia to Milan.
Following the above merger by incorporation, Aletti Fiduciaria is now one of the key players in Italy, with managed assets of over euro 2 billion and in excess of 2,200 fiduciary contracts. It boasts a highly qualified team of internal staff and a consolidated network of highly experienced external professionals that specialise in legal and tax-related areas.
2010 was also distinguished by the so-called "tax shield" resulting in the opening of new fiduciary mandate contracts for the purpose of the physical/legal repatriation of assets held abroad, and the removal of the constraints to repatriation transactions previously set in place in 2009.
Given the above, in 2010, Aletti Fiduciaria concentrated significant efforts on completing the afore-mentioned "tax-shield" transactions, as well as on the process to standardise operations and IT activities following the above-mentioned merger transaction.
Again in the year ending 31 December 2010, the Company provided considerable assistance to Banca Aletti's private network and to those of network Banks, which enabled Aletti Fiduciaria to continue to develop and strengthen its role as a qualified provider of fiduciary services for Group customers.
In addition to the provision of fiduciary services to the private network of Banca Aletti and to the retail and corporate networks of Network Banks, Aletti Trust, a Group company whose main focus is on the protection and transfer of personal and corporate assets, acting as a trustee and providing advice on trusts and transfers between generation, adds a further level of specialisation to the services offered.
In 2010, Aletti Trust recorded an increase both of the number of trusts in the portfolio and of the amount of assets managed.

Aletti Gestielle SGR

The most important event in 2010 regarded the merger by incorporation of Aletti Gestielle Alternative into Aletti Gestielle SGR, with the consequent extension of the scope of Aletti Gestielle SGR S.p.A. to the management of funds of hedge funds; the transaction, resolved upon by the respective Board of Directors on 23/06/2010, was authorised by the Bank of Italy through a provision issued on 23/09/2010. The merger deed was signed on 3/12/2010; the transactions of the incorporated company were recorded in the accounts of the incorporating company, with accounting and fiscal effect, pursuant to article 2504 bis, third paragraph of the Italian civil code, as of 1 January 2010. The merger became legally effective on 31 December 2010.

As far as the product range is concerned, the company rationalised several harmonised open-ended mutual securities investment funds through the merger by incorporation of funds (four funds incorporated with effect 29/05/2010, one fund with effect 31/12/2010). During the year, 6 flexible funds were established, plus a fund with a placement window formula, for which the company is the SGR promoter (Amundi SGR is the SGR Manager).
Furthermore, a sweeping revision of the characteristics of several funds belonging to the Gestielle System and of funds of funds was decided, of which the most important regard the transformation of all share funds and of the Gestielle Cash Euro fund into flexible funds and the conversion of class B quotas of share funds into the respective ordinary quotas. These changes took effect as of 31 December 2010.
Note that on 03 July 2010, the non-harmonised open-ended mutual securities investment fund AGA Absolute Return became operational, set in place by the Board of Directors of Aletti Gestielle Alternative on 22 July 2009 (at the same time, extending operations to the collective management of open-ended mutual funds), authorised by the Bank of Italy through a provision issued on 23 April 2010.
As regards the segment of supplementary pensions, the Open-ended Pension Fund *Gestielle Pensione e Previdenza* recorded a percentage increase in net assets for the distribution of benefits of 9.1%, rising from euro 80.6 million at the end of the previous year to euro 87.9 million at year end.
In this regard, note that, pursuant to a resolution of the Board of Directors of Aletti Gestielle SGR on 28 May 2010, effective as of 1 January 2011, the business activities regarding the segment of supplementary pensions have been terminated, both as regards the "Open-ended Pension Fund *Gestielle Pensione e Previdenza"*, sold to Arca SGR on the same date, as regards the financial management of pension funds provided to third parties.
At present therefore, the company's product range comprises 27 harmonised open-ended mutual funds, 6 non-harmonised open-ended mutual funds (funds of funds), 8 hedge funds and 2 closed-end funds (side Pocket).

As far as the performance of the funds promoted or managed is concerned, during the year the Banco Popolare Group continued to hold fourteenth place in the ranking of management groups, with a market share of 1.60%, and total managed assets of euro 7,230 million, euro 6,371 million of which is represented by the assets managed by Aletti Gestielle and 710 million by those managed by Aletti Gestielle Alternative; the remainder is represented by the assets of the Group's SICAVs.
In 2010, the company recorded a fall in assets relating to open-ended mutual funds, from euro 7,341 million at the end of 2009 to euro 6,371 million at the end of 2010, marking a decrease of 15.2%. With regard to net funding for the period, Aletti Gestielle mutual funds recorded a decrease of euro 1,147 million.

The following table shows a comparison between the net asset values of the various categories of mutual funds managed (the variations in each category of funds have been influenced by the changes resulting from the mergers that took place during the year, but do not take into account the reclassification of share and liquidity funds into flexible funds, which took effect as of 31 December 2010:

Net assets by category *(in millions of euro)*	**31/12/2010**	**31/12/2009**	**Changes**
Share funds	1,587	1,621	(2.1%)
Bond funds	3,243	4,872	(33.4%)
Balanced funds	272	395	(31.2%)
Flexible funds (excluding Formula Funds)	849	215	294.9%
Non-harmonised funds (including funds of funds)	370	238	55.5%
Net managed assets	**6,321**	**7,341**	**(13.9%)**

The *Gestielle Doppia Opportunità 2015* - Formula Fund, for which the company is the Promoter SGR (while Amundi SGR is the Manager SGR), reached net assets of euro 49.3 million and net funding of euro 49.6 million.

As confirmation of its constant commitment to asset management, again in 2010 the company received, amongst others, for the second year running, the most prestigious acknowledgement of the asset management world, winning the *Premio Alto Rendimento* (High Performance Prize) organised the Sole 24-Ore Group and CSF Rating, gaining 1st prize as the Best Italian Mutual Fund Manager - BIG class; in addition, the following also received awards:

- The *Gestielle Bond Dollars* Fund as the Best Bond Fund America;
- The *Gestielle America* Fund as the Best Geographic Share Fund.

In the sphere of ethical finance, the Gestielle Etico Fund for AIL accrued a contribution of around euro 192 thousand for the AIL (Italian Association against Leukemia-lymphomas and myeloma).
The donation made in 2010 will contribute to the development of a project of paramount importance, launched in 2009: creating a single "AIL Home Care" model across Italy.

As regards the management and development of the non-captive market (namely sales activities promoted by banks and networks that do not belong to the Banco Popolare Group), total net funding fell (-144 million).
Assets pertaining to non-captive networks at year end totalled euro 1,258 million, which represents around 20% of the total assets managed by the SGR (+1.3% compared to the previous year).

As regards assets relating to hedge funds managed by the incorporated Aletti Gestielle Alternative, in 2010, a fall in the assets of hedge funds was recorded from euro 820 million at the end of 2009 to euro 703 million as at 31 December 2010, marking a fall of 14%. Total net funding for hedge funds in the calendar year fell, net of duplications, by euro 177 million.
With regard to Side Pockets specifically, in 2010, Aletti Gestielle Alternative made two distributions to customers of the available liquidity of the two closed-end funds established Gestielle Hedge Concentrated Low – Side Pocket and Gestielle Hedge Concentrated Medium – Side Pocket; the sum of the two distributions corresponds to around euro 15.7 million and euro 1.9 million respectively.

Lastly, the non-harmonised open-ended mutual securities investment fund AGA Absolute Return, set up by the incorporated Aletti Gestielle Alternative and characterised by a policy that seeks to invest in UCITS III hedge funds, recorded net assets at year end of euro 12.1 million and a rise in net funding of euro 11.9 million.

During the year, transactions between Banco Popolare and other Group companies regarded:

- the placement of managed funds, including therein those of the incorporated Aletti Gestielle Alternative, by Banca Popolare di Verona – S.Geminiano e S.Prospero, Credito Bergamasco, Banca Aletti & C., Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Crema, Banca Popolare di Cremona and Banca Caripe (up until 31/12/2010);
- activities relating to the role of Custodian Bank for all of the funds managed, including therein those of the incorporated Aletti Gestielle Alternative, by Banco Popolare (with the exception of the Gestielle Doppia Opportunità 2015 - Formula Fund).

Leasing and Factoring

Leasing

According to the figures provided by the trade association Assilea, in 2010, the Italian leasing market showed timid signs of recovery despite the uncertainties in the economic scenario, with the number of executed lease agreements, after two years of downturn, closing the year up 4.4%. In fact, the volume of executed lease agreements in the market rose from euro 26 billion to around euro 27 billion. The segment that suffered the most was naval aviation and the railways, down 16.2%. The automotive sector recorded a slight increase in volumes of 1.2%, while the capital goods sectors, up 3.5%, and above all real estate, up 9%, showed the most evident improvements, mainly due to the inclusion of shares relating to the renewable energies sector in these two sectors, the real star of the national market, due to policies adopted by the government.
Compared to December 2009, an increase of the share of total executed lease agreements of the real estate sector was recorded, mainly to the detriment of the naval aviation and rail (at 32.4%) and automotive (21.1%) sectors. The fall in the contribution of the capital goods sector was less marked (at 32.4%).

In this perspective, as part of the overall project to reorganise the sub-group Banca Italease, new lease agreements are being recorded by the non-consolidated, investee company Alba Leasing S.p.A..
For this reason, as at 31 December 2010, Banca Italease recorded a fall in the volumes of executed lease agreements of 47.9% yoy on a consolidated basis, reaching a total value of euro 57.6 million and 531 agreements, while new lease agreements corresponded to euro 221.8 million, marking a fall of 52.4%, and 805 agreements.

Factoring

The Banco Popolare Group no longer has any factoring business, following the disposal of Factorit, a company belonging to the former Italease group, in July. For further details on the disposal, please refer to the section in this Report on Operations that illustrates the significant events that occurred during the year.

Corporate Center and Other

Foreign banks

Italian companies that wish to operate in foreign markets with a long-term perspective, alongside the more traditional business of goods and services import and export, can rely on the Bank to receive information and tailored assistance, allowing them to assess possible solutions to do business abroad, exploiting developments in new markets and facilitating their access.
A network of dedicated specialists operates at local level, supported by central offices that focus in particular on high potential markets for Italian companies, such as China, India, Russia and other East European Countries (specific Desks have been created for these countries).
The Banco Popolare Group also has own operating Banks in Croatia, Hungary and the Czech Republic, a Leasing company in Romania, and Representative offices in China (Hong Kong, Shanghai, Peking), India (Mumbai) and Russia (Moscow), where customers can count on a bespoke service. As regards the subsidiary Banco Popolare Česká Republika, on 21 December 2010, the agreement to sell 100% of the shareholding to the private equity fund AnaCap was extended to 30 June 2011.
Finally, the international network also includes by Banks in Luxembourg, Switzerland and the London Branch, which are more focused on financial services, but provide also commercial services.

Banco Popolare Croatia d.d.

The year ending 31 December 2010 saw a return to profit for the Croatian subsidiary, with a net income of euro 1.4 million. This objective was achieved partially as a result of the improved efficiency of the bank, and partially due to the removal of the credit ceiling imposed by the Central Croatian Bank and in force between 2007 and 2009, which particularly penalised small-medium sized banks such as Banco Popolare Croatia.
Business activities in 2011 will be focused on the retail and small business segments, and will be accompanied by strategy to control the costs and optimise the profitability of the network, with the aim of confirming and improving on the positive results achieved in 2010.

Banco Popolare Hungary Kft

2010 was a particularly difficult year for economies in Central-Eastern Europe, especially Hungary which, due, amongst other things, to high foreign debt and the weight of foreign currency exposures of the national banking industry, was more vulnerable to negative shocks than other economies.
In this climate, lending activities were considerably restricted, and efforts focused on both increasing direct funding from customers and on the repricing of existing loans in order to sustain the profit margin of the portfolio.
Results, which recorded a loss of euro 3.8 million, suffered from a brokered asset base lower than expectations.
For the current year, the strategy will be to focus on small businesses and to launch retail business on mortgage loans (from the end of 2010, local legislation prohibits the disbursement of mortgage loans in a foreign currency, a market which,

incidentally, the Hungarian subsidiary had decided to approach for strategic reasons), with the aim of resuming the sustainable growth of the loans portfolio needed to re-balance future economic results.

Banco Popolare Česká Republika a.s. (disposal underway)

Banco Popolare Česká Republika closed 2010 with a loss of euro 3.9 million.
Following the agreement signed with the private equity fund, AnaCap on 9 December 2009, which entailed the sale to the same of 100% of the subsidiary, the company ceased lending activities, concentrating instead on direct funding, which rose 55%; on the contrary, loans, also following the return of several corporate transactions to the Parent Company, fell by 30%.
The extension of the above-cited agreement signed on 21 December 2010, means pursuing a strategy to contain economic losses in 2011, by partially re-balancing brokered assets, which at present entail a net prevalence of direct funding over loans; the new agreement, valid until the end of the first six months of 2011, envisages nonetheless the offsetting of the current loss that will be recognised up until the conclusion of the agreement.

AT Leasing Romania

The continuation of the crisis that has hard hit throughout the country, particularly the leasing sector, contributed to 2010's negative result for AT Leasing, which recorded a loss of euro 0.6 million.
The factors that most impacted the result were the need to make provisions for receivables of around euro 1 million and the lack of growth of the loans portfolio, which fell 11% with respect to the previous year.
During 2010, also given the continuing crisis, five sales points were closed with a view to rationalising sales activities and cutting costs.

Banco Popolare London Branch

The London branch closed the year with a local profit of euro 6.5 million. This particularly positive result was mainly due to the profit margins generated by several exposures to former Italease companies (particularly Release and Alba Leasing) which alone represent 80% of the customer loans portfolio.

Banco Popolare Luxembourg S.A.

The year closed with a local profit of euro 3 million, in line with expectations, achieved as a result of operational cost cutting and a cost of credit (net provisions for 2010 amounted to euro 0.4 million) lower than the previous year.
Brokered volumes with customers fell (loans -10%, direct funding -12%) compared to last year.

Group Services: Group Finance

The Parent company coordinates and oversees the management policies of its structural asset and liability items, as well as those of the other Group companies, to optimize available capital, identify adequate funding strategies and transactions for the Group, through action on domestic and international markets, as well as to monitor liquidity requirements and dynamics, and the management of portfolios of securities and of other financial instruments held by the Group.
Group Finance activities are performed by the following organizational units: ALM & Asset Backed Funding, Capital Management & Wholesale Funding, Proprietary Portfolio Management and Group Treasury.
The coordination and supervision of asset items mainly regards interest rate risk and the liquidity position. In 2010, for domestic bond issues characterised by structured pay-offs and issues on the institutional market, structural **interest rate risk** management and containment policies envisaged timely interest rate risk hedging, while for fixed-rate plain vanilla retail bond issues, given expectations of rising interest rates, no hedging has been set in place to date.

Liquidity risk, generated by the time mismatch between expected cash inflows and outflows on a short time horizon, is monitored in two different ways:

- the monitoring of the cumulative operating liquidity mismatch, generated by transactions with interbank and institutional counterparties, over timeframes of overnight, 14 days, 1 month, 3 months and 6 months;
- the monitoring of any structural liquidity mismatches, generated by transactions of the whole banking portfolio, over timeframes of 14 days, 1 month, 3 months and 6 months. The measurement of structural liquidity risk is carried out on a static basis, measuring liquidity requirements by constructing the liquidity gap on single timeframes (the difference between loans and funding due to mature), and on a dynamic basis, establishing liquidity requirements in different scenarios, characterised by changes in several financial parameters able to influence the liquidity profile over time.

To manage the liquidity position, a strategy to increase the eligible and available securities portfolio is pursued.
In terms of funding, the Guaranteed bank bond issue programme was launched. These issues envisaged the unwinding of the securitisation transactions BPL Mortgages 1 and BPL Mortgages 2 and the disposal of the resulting receivables to the special purpose entity BP Covered Bond. Furthermore, other portfolios were assigned to the special purpose entity BP Covered Bond, which issued guaranteed bonds totalling euro 2.35 billion.

Capital Management was characterised by three main events:

1. the effect on the Core Tier 1 ratio resulting from the disposal of several equity investments, including the sale of Banca Carige and of Factorit, which generated an increase;
2. the placement of the 2010-2014 4.75% soft mandatory convertible bond with the option to repay in shares, for a total value of around euro 1 billion. This transactions represents - due to the nature of the same and the distinctiveness of the instrument in question - a highly flexible form of financing insofar as it can be used, immediately, to financially support assets and, from the eighteenth month following the issue date, may be converted into capital by the issuer. Therefore, this scheme is able to potentially strengthen capital, while at the same time extending the range of instruments available to support the economy and retail customers in the areas covered by the Group;
3. the launch of the share capital increase for a maximum amount of euro 2 billion, which will enable the Group's capital base to be strengthened, organising the redemption of the financial instruments set forth in art. 12 of Italian Law Decree no. 185/08 underwritten on 31 July 2009 by the Ministry of the Economy and Finance (so-called Tremonti Bonds), bringing forward compliance with the more stringent requests currently being introduced as regards minimum capital requirements (Basel III).

Funding obtained on the institutional market was characterised by two public senior issues, made within the Bank's EMTN programme, for a total of euro 1 billion; the first completed in January 2010, at a floating rate, for euro 500 million and a 2-year maturity; the second, completed in September, at a fixed rate, for euro 500 million with a 3-year maturity. Lastly, Banco Popolare issues a private placement of senior bonds (with maturities of between 4 and 6 years) for a total of around euro 1.28 billion.
Furthermore, as part of the same programme, Lower Tier 2 subordinated liabilities were issued for a total amount of euro 1.193 billion, euro 1 billion of which was a ten-year bond.
In 2010, three hybrid capitalisation instruments (Upper Tier II) were redeemed, recognised in the financial statements of the subsidiary Banca Popolare di Lodi, for a total of euro 369.5 million and a subordinated liability (Lower Tier II) of around euro 173 million. Furthermore an innovative capital instrument (Tier 1) was redeemed for euro 25 million, after the issue of a new Tier 1 for the same amount.

As regards the management of assets in financial asset instruments, given the climate of high uncertainty of the financial markets, which has also led to a squeeze of the liquidity of Government bonds and of the "financial" sector, the management of the **trading portfolio of securities owned** by the Parent Company has been structured with a view to reducing risk, taking care that the same does not preclude the possibility of benefiting from any recovery in the value of Italian government securities resulting from a reduction of the spread with respect to German securities.
Consistent with the widespread expectations at the beginning of the year regarding the rise in returns resulting from an improvement of the macroeconomic scenario and the exit strategy with particularly accommodating monetary policies imposed by the ECB, a modest exposure to the risk of a rise in returns was maintained for the entire year, obtained by immunising a large part of the same through derivatives.
Even the exposure to credit risk in Italy was maintained constant for the whole of 2010, by continually adapting the composition of the portfolio of Italian Government securities and the relative hedges against the risk of a rise in returns, set in place through derivatives, to the changing market conditions.
Between May and June, a strategy to accumulate floating-rate Italian securities (CCT) and at the same time reduce those with fixed rates (BTP) was adopted. This increase enabled the risk of the securities portfolio to be more concentrated on the Italy credit risk component, at interesting economic conditions, at the same time reducing the stock of futures set in place to hedge the risk of a rise in returns.
The portfolio of government securities made a significant recovery of its countervalue, until the worsening of the crisis of the Irish financial system from November 2010. This crisis dragged the Government securities market of Peripheral Countries back into a particularly acute state of stress, resulting in the erosion of the positive results achieved in previous months. To demonstrate the very high level of tension at that time, the extra return requested by the market to hold Italian Government securities as opposed to German ones reached around 200 bps at the end of November and the spread maturity structure was particularly flat, justifiable from an economic perspective only with relation to the creation of high expectations of an intervention to restructure the debt. The Group sought to exploit this specific market situation, which enabled the average maturity of the securities portfolio to be reduced, without sacrificing profit margins, by increasing the percentage invested in BOT and CTZ.
Also as regards the non-government bond component, invested mainly in the Italian financial sector from the second half of the year, strategies were pursued with the aim of maintaining the results that had been positive up until then and to gradually reduce the contribution to the portfolio's exposure to risk. Action regarding corporate sector and supranational issues was more constant and gradual, halving the sensitivity to credit risk with respect the beginning of the year. As regards issues of the financial sector, intervention was restricted by the liquidity squeeze, particularly towards the end of the year also experienced in this sector: sensitivity to credit risk was reduced by around 30% with respect to the beginning of the year.
During the year, the portfolio of bonds classified as financial assets available for sale was significantly increased. Towards the end of the year, particularly, a decision was made to progressively purchase euro 3 billion of fixed-rate Italian Government securities (with a maximum maturity of June 2014 and an average duration of around 2.6 years), to exploit the interesting level of implicit profitability and therefore the high return on the allocated capital.
Furthermore, the position of inflation-indexed BTP was slightly increased, as the same enjoy returns above the 3-month Euribor.

As far as positions of the portfolio of assets held to maturity are concerned, at the end of the year, the same were represented by around euro 90 million in fixed-rate securities at market value, with maturities of under two years, and issued by governments. The securities in the portfolio have a high level of liquidity, as they may be presented in advance to the Central European Bank and therefore immediately available to tackle any liquidity crises without having to dispose of the portfolio on the market.
As regards the share component, not conditioned by the difficulties linked to the liquidity of instruments, the Group was able to take a tactical approach, diversifying both as regards the investment markets and the instruments used (single stock, derivatives and UCIs). Consistent efforts to reduce the risk of the share portfolio as well were made between October and November, also in line with the objective of maintaining the positive results achieved during the year and of reducing the overall risk exposure of the portfolio. Exposure to stock market trends was then partially resumed in the final days of the year to be able to participate, albeit to a minor extent, in any share rally at the beginning of the year, given the positive expectations.

Banco Popolare traded on the **money market** in an Italian market scenario characterised by the following:

- the introduction of a new protocol for transactions on the Eurosystem, managed, from 1 July through a pooling mechanism (establishment of collateral with the Central Bank to guarantee transactions) which guarantees higher flexibility and availability in the management of allocable collateral;
- the evolution of the Interbank Collateralized Market (MIC) guaranteed by the Bank of Italy within its own extraordinary initiatives to promote market stabilisation, which from October 2010 has been replaced by the New MIC managed by Cassa di Compensazione e Garanzia (Clearing and Guarantee House), based on a guarantee structure similar to the previous one.

Banco Popolare has therefore sought to optimise collateral management to support the liquidity needed by the Group, grasping the opportunities offered by the initiatives of Central Banks and aligning its activities, to the extent permitted by the restrictions imposed by the technical infrastructures and the products managed, to the models imposed by the evolution of the crisis.
More specifically, efforts have been made to consolidate the differentiated make-up of funding and financing channels, preferring to use the markets rather than monetary policy.
Funding from the MIC and the NewMIC continued to record high levels throughout the year, fully depleting its resources in December.
Lastly, the importance of the traditional unsecured interbank deposits market progressively diminished.
The exchange market, just like other financial markets, was highly conditioned by the various critical situations that involved several Eurozone countries on different occasions.
The activities of the Forex office focused on these marked trends, exploiting the high market volatility, which led to a decisive increase in both the number of transactions and trading volumes.

Group Services: real estate segment

In 2010, measures were taken to enhance the value and rationalise the Group's real estate assets in order to obtain higher levels of synergy and efficiency.

Of these, the following are of particular note:

- the centralisation of service activities relating to real estate assets (technical, administrative, accounting etc.) of former Banca Italease Group companies into BP Property Management, through the signature of specific outsourcing contracts. This enabled us to extinguish several lease liabilities towards third parties in advance, resulting in the consequent economic benefits for the Group;
- changes in the operating procedures for real estate purchase and sale transactions that integrate the guidelines contained in the Regulations for Real Estate Groups;
- the rationalisation of rental agreements with third parties, achieved by:
  - eliminating intergroup sub-rental arrangements subject to tax by transferring existing rental agreements to BP Property Management;
  - renegotiating rental payments;
  - optimising the allocation and the use of available space by the Group banks and companies.

RESULTS

The balance sheet and income statement schedules shown below have been reclassified, according to operating criteria, in order to provide clear indications on the trend of the Group's general performance based on the economic-financial data that can be determined rapidly and easily.

Disclosures on the business combinations and the reclassifications made to the financial statements envisaged by Circular no. 262/05, in compliance with the requirements of Consob as per communication no. 6064293 dated 28 July 2006 are also provided below.

A reconciliation between the reclassified income statements and that drawn up on the basis of Circular no. 262 is provided in the attachments.

Consolidated balance sheet

Reclassified asset items *(in thousands of euro)*	**31/12/2010**	**31/12/2009**	**Changes**	
Cash and cash equivalents	639,932	580,798	59,134	10.2%
Financial assets and hedging derivatives	17,726,308	14,607,639	3,118,669	21.3%
Due from banks	7,565,103	9,566,348	(2,001,245)	(20.9%)
Loans to customers	94,461,905	95,350,225	(888,320)	(0.9%)
Investments in associates and companies subject to joint control	1,641,429	1,637,221	4,208	0.3%
Property and equipment	2,444,749	1,442,462	1,002,287	69.5%
Intangible assets	5,171,742	5,294,942	(123,200)	(2.3%)
Non-current assets held for sale and discontinued operations	371,890	1,915,762	(1,543,872)	(80.6%)
Other assets	5,132,614	5,313,694	(181,080)	(3.4%)
Total	**135,155,672**	**135,709,091**	**(553,419)**	**(0.4%)**

Reclassified liabilities and shareholders' equity *(in thousands of euro)*	**31/12/2010**	**31/12/2009**	**Changes**	
Due to banks	9,492,950	8,420,417	1,072,533	12.7%
Due to customers, debt securities issued and financial liabilities designated at fair value through profit and loss	104,523,749	105,183,120	(659,371)	(0.6%)
Financial liabilities and hedging derivatives	3,969,498	4,047,105	(77,607)	(1.9%)
Liability provisions	1,448,122	1,474,904	(26,782)	(1.8%)
Liabilities associated with non-current assets held for sale and discontinued operations	159,407	960,065	(800,658)	(83.4%)
Other liabilities	3,621,551	3,511,268	110,283	3.1%
Minority interests	412,913	579,373	(166,460)	(28.7%)
Shareholders' equity	11,527,482	11,532,839	(5,357)	0.0%
- Capital and reserves	11,219,467	11,265,801	(46,334)	(0.4%)
- Income (loss) for the period	308,015	267,038	40,977	15.3%
Total	**135,155,672**	**135,709,091**	**(553,419)**	**(0.4%)**

The reclassified balance sheet represents a simple aggregation of the items envisaged in the balance sheet schedule as per the Bank of Italy circular no. 262 dated 22 December 2005.
The main aggregations regarding the balance sheet are as follows:

- the asset item "Financial assets and hedging derivatives" encompasses the financial instruments shown in the portfolios relating to "Financial assets held for trading", "Financial assets designated at fair value through profit and loss", "Financial assets available for sale", "Assets held to maturity" and "Hedging derivatives" shown under assets items 20, 30 40, 50, and 80 in the Bank of Italy schedule;
- the residual asset item "Other assets" aggregates the "Value adjustment of financial assets subject to micro hedging", "Tax assets" and "Other assets" (respectively asset items 90, 140 and 160);
- the grouping of the amount due to customers (item 20) and securities issued (classified under items 30 and 50, as a function of the application or otherwise of the fair value option) into a single item;
- the inclusion of the financial instruments recognised in the financial statements in portfolios relating to "Financial liabilities held for trading" and "Hedging derivatives" (respectively liability items 40 and 60) as a single aggregate;
- the grouping of the "Liability provisions" for Employee termination indemnities (item 110) and "Provisions for risks and charges" (item 120) into a single item;
- the residual liability item "Other liabilities" includes the "Value adjustment of financial liabilities subject to macro hedging", "Tax liabilities" and "Other liabilities" (respectively liability items 70, 80 and 100);
- the indication of "capital and reserves" as an aggregate, net of any own shares held (financial statement items

140, 160, 170, 180, 190 and 200).

Consolidated income statement figures

Reclassified income statement items *(in thousands of euro)*	31/12/2010	31/12/2010 without Italease A	31/12/2009 (*)	31/12/2009 (*) without Italease B	Change A/B
Interest margin	1,812,481	1,795,052	1,953,315	1,914,771	(6.3%)
Income/(loss) from investments in associates carried at equity	38,602	43,125	103,779	103,741	(58.4%)
Financial margin	**1,851,083**	**1,838,177**	**2,057,094**	**2,018,512**	**(8.9%)**
Net fee and commission income	1,266,359	1,256,284	1,211,330	1,198,233	4.8%
Other net operating income	62,558	33,429	189,863	(6,235)	
Net financial result	539,537	533,530	187,837	270,232	97.4%
Other operating income	**1,868,454**	**1,823,243**	**1,589,030**	**1,462,230**	**24.7%**
Operating income	**3,719,537**	**3,661,420**	**3,646,124**	**3,480,742**	**5.2%**
Personnel expenses	(1,544,260)	(1,511,160)	(1,497,920)	(1,463,860)	3.2%
Other administrative expenses	(759,390)	(715,483)	(760,687)	(733,502)	(2.5%)
Net value adjustments on property and equipment and intangible assets	(148,283)	(120,942)	(160,983)	(155,532)	(22.2%)
Operating expenses	**(2,451,933)**	**(2,347,585)**	**(2,419,590)**	**(2,352,894)**	**(0.2%)**
Income (loss) from operations	**1,267,604**	**1,313,835**	**1,226,534**	**1,127,848**	**16.5%**
Net adjustments on loans to customers	(771,123)	(729,578)	(740,179)	(665,150)	9.7%
Net adjustments on receivables due from banks and other assets	(96,236)	(97,075)	(31,680)	(31,680)	206.4%
Net provisions for risks and charges	(236,319)	(16,478)	(55,426)	(49,587)	(66.8%)
Value adjustments on goodwill and investments in associates	(1,138)	(1,129)	(9,132)	(9,131)	(87.6%)
Gains (losses) on the disposal of investment in associates and other investments	12,699	5,961	116,141	114,532	(94.8%)
Income (loss) before tax from continuing operations	**175,487**	**475,536**	**506,258**	**486,832**	**(2.3%)**
Taxes on income from continuing operations for the period	114,536	(247,413)	(240,152)	(262,031)	(5.6%)
Income (loss) after tax on merchant banking investments and non-current assets held for sale	41,504	40,073	(8,167)	(16,067)	
Net income (loss) for the period attributable to minority interests	(23,512)	(12,704)	9,099	(6,361)	99.7%
Parent Company's net income (loss) for the period	**308,015**	**255,492**	**267,038**	**202,373**	**26.2%**

(*) Figures adjusted in compliance with that envisaged by IFRS 5. The attachments include the reclassified income statement schedule relating to the previous year reconciliated with the figures originally published in the 2009 financial statements.

The main reclassifications made with respect to the balances shown for the items of the official income statement schedules are illustrated below. The quantitative impact and the relative explanatory notes can be found in the attachments:

- the figurative cost relating to the financing of the financial assets acquired to obtain structured financial products to be held for trading, has been reclassified from the item interest expense (item 20) to the net financial result;
- dividends on shares classified under financial assets available for sale and assets held for trading (item 70) have been reclassified under the net financial result;
- the profits and losses on the disposal of loans, not represented by debt securities, (included in item 100) have been grouped, together with net losses/recoveries on impairment of loans, under item "Net adjustments on loans to customers";
- the profits and losses on the disposal of financial assets available for sale, receivables represented by debt securities and financial liabilities (envisaged in item 100) have been stated under the net financial result. This last aggregate also includes adjustments due to impairment on debt securities classified in the loans portfolio, which in the financial statements are shown under item 130;
- recoveries on taxes and other costs (included in item 220) have been booked directly against administrative expenses, where the relative cost has been recognised, rather than being indicated in the reclassified aggregate "other net operating income;
- the amortisation of leasehold improvement costs (recorded in item 220) has been stated together with value adjustments on property and equipment and intangible assets, rather than stated together with other net operating income;
- the portion of the economic results pertaining to investee companies carried at equity (included in item 240) has been stated in a specific item which represents, together with the interest margin, the aggregate defined as the financial margin. Value adjustments on equity investments (item 240) have been stated, together with impairment of goodwill, under "Value adjustments on goodwill and investments in associates";
- the revenues and expenses of the investee companies relating to merchant banking activities carried out by the Group, which do not fall within the sphere of application of IFRS 5 but which in essence represent assets held for

sale, are recorded in the consolidated income statement in the item Income/(loss) after tax from discontinued operations.

Note that, in accordance with that envisaged by the reference international accounting standard (IFRS 3), the Banco Popolare Group's income statement includes the economic impacts deriving from the allocation of the cost of the business combination transactions (so-called Purchase Price Allocation – PPA) which took place in 2007 (merger with the Banca Popolare Italiana Group dated 1 July 2007) and 2009 (acquisition of control of the Group to which Banca Italease belongs as of 1 July 2009).

The result for 2010 was in fact influenced by "re-entries" to the income statement of the differences recorded with reference to the acquisition date between the value at which the balance sheet assets and liabilities are recorded in the respective financial statements and the fair value assigned them at the time of allocation of the cost of the business combination.

By way of additional disclosure, the impacts on the income statement as at 31 December 2010 deriving from the statement of the adjustments to the results recorded by the cash generating units acquired by the Group to which Banca Italease belongs are illustrated below:

- the impact on the income statement for 2010 comes to euro -78.2 million, and is attributable to the minor value recognised at the time of PPA for the financial liabilities issued by Banca Italease. The negative impact derives from the consequent integration of the interest expense of Banca Italease in relation to the afore-mentioned financial liabilities, for the portion not re-acquired after 1 July 2009;
- net financial result: the impact is euro -7.2 million and is also attributable to the lower value assigned at the time of PPA to the financial liabilities issued by Banca Italease, following the repurchase of the above-mentioned financial liabilities made in the year;
- gains (losses) on the disposal of investment in associates and other investments: the income statement as at 31 December 2010 was affected by the recognition of lower gains of euro 27.9 million, deriving from the disposal of properties revalued at the time of PPA;
- income (loss) after tax from discontinued operations: the impact was -20.3 million, due to the higher value recognised at the time of PPA to the investment held in Factorit, sold in July.

The following impacts, as at 31 December 2010, were seen on the aggregates presented below:

- operating income: euro -85.3 million;
- income (loss) from operations: euro -85.3 million;
- income (loss) before tax: euro -113.2 million;
- income taxes: euro +36.6 million;
- income (loss) after tax on assets held for sale: euro -20.3 million;
- income (loss) attributable to minority interests: euro +0.5 million.

The overall effect on the net consolidated result was therefore euro -96.5 million.

For the sake of completeness, note that the above-described impacts cannot be compared with those reported in 2009 insofar as the process to allocate the cost of a business combination relating to Banca Italease and its subsidiaries, completed at the time of the preparation of the annual financial statements for 2009, resulted in the recognition on the income statement, under other operating income, of the difference between the cost of the business combination and the value of the capital assets and liabilities acquire for a total of euro 191.5 million. Furthermore, note that the effects as at 31 December 2009 only referred to the second half of the year, namely from the date on which the control of Banca Italease was acquired and therefore cannot be compared with the effects as at 31 December 2010 which relate to the year as a whole.

Having said that, the impacts as at 31 December 2009 were as follows:

- operating income: euro +61.2 million;
- income (loss) from operations: euro +68.2 million;
- income (loss) before tax: euro +161 million;
- income taxes: euro +14.6 million;
- income (loss) attributable to minority interests: euro +1.5 million

which led to an overall impact on the consolidated net result of euro +176.7 million.

It should also be noted that the income statement of the Banco Popolare Group includes, both for 2010 and for the previous, adjusted for comparative purposes, the economic effects deriving from the allocation of the merger difference relating to the business combination transaction with the former BPI Group as well, as analysed below:

- interest margin: the impact on the income statement for 2010 was euro -135.6 million (euro -145.7 million as at 31 December 2009) and was essentially attributable to the greater value recognised at the time of PPA in relation to the receivables acquired as part of the combination transaction;
- other operating income: the effect, as at 31 December 2010, amounted to euro -45.3 million (euro -41.5 million in 2009), mainly represented by the amortisation charges on intangible assets with a specified useful life recorded at the time of PPA (euro -40 million) and to the greater value recognised at the time of PPA of several non controlling interests shareholdings sold during the year;
- value adjustments on property and equipment: the impact on the 2010 income statement was euro -4 million (in line with the figure as at 31 December 2009) and represents the depreciation charge on the greater value

recognised at the time of PPA of the properties acquired as part of the combination transaction;
- gains (losses) on the disposal of investment in associates and other investments: the income statement for the year ended 31 December 2010 was affected by the recognition of lower gains of euro 12.5 million, deriving from the disposal of investments (including Istituto Centrale Banche Popolari Italiane of euro -4.7 million) and properties (euro -2.6 million) revaluated at the time of PPA. In 2009, the impact was euro -2.6 million;
- loss after tax on discontinued operations: the item in question includes charges of euro 7.5 million mostly relating to repayments recognised in 2010 of the PPA related to Banca Caripe, sold on 31 December 2010 (euro 7.2 million for the year ended 31 December 2009).

The following impacts were seen on the aggregates presented below:
- operating income: euro -180.8 million in 2010 and euro -187.3 million in 2009;
- income (loss) from operations: euro -184.8 million in 2010 and -191.4 million in 2009;
- income (loss) before tax : euro -197.4 million in 2010 and euro -196.7 million in 2009;
- income taxes: euro +60.7 million in 2010 and euro +64.5 million in 2009;
- income (loss) after tax on assets held for sale: euro -7.5 million in 2010 and euro -7.2 million in 2009.
- income (loss) attributable to minority interests: euro +7 million in 2010 and euro +10 million in 2009.

The overall effect on the net consolidated result was therefore euro -137.2 million in 2010 compared to euro -129.4 million in 2009.

Adding together the effects of the PPA relating to the former Banca Popolare Italiana Group and the group which Banca Italease heads up, the net result recorded in the 2010 income statement suffered a negative impact of euro 233.7 million.

The effects relating to significant non-recurrent events or transactions on the consolidated income statement result for the periods compared, are summarised below.
For the purposes of identifying the non-recurrent components, the following approaches are used on the whole:
- the results of the disposal transactions relating to all fixed assets (equity investments, property and equipment, financial assets available for sale, financial assets held to maturity and portfolios of non-performing loans) are considered to be non-recurrent;
- gains and losses on non-current assets undergoing divestiture are considered to be non-recurrent;
- the income statement components associated with improvements, reorganisations, etc. (e.g. expenses for use of the redundancy fund, leaving incentives) are considered to be non-recurrent;
- income statement components for a significant amount which are not destined to reoccur frequently (e.g. fines, impairment of fixed assets, effects associated with legislative changes, exceptional results, etc.) are considered to be non-recurrent;
- the results generated by merchant banking activities carried out by the Group as well as the impact on the income statement, even if significant, deriving from valuation aspects and/or changes in parameters in the application of the valuation methods applied on an on-going basis are by contrast considered to be recurrent.

Overall, the non-recurrent components that affected the Group's net result for the year ended 31 December 2010, excluding the contribution of the Banca Italease subsidiaries, refer to:
- the impact of euro +395.5 million on the **net financial result**, deriving from the reduction in the book value of the financial liabilities issued at fair value as a consequence of the deterioration of the creditworthiness of the issuer (in 2009, the adjusted impact for comparative purposes was euro -341.6 million);
- charges booked to the income statement for the year, under **personnel expenses**, relating to incentives of euro 57.4 million (euro 13 million in 2009 adjusted for comparative purposes);
- value adjustments on the investments held in Centrosim and GI Holding, recognised under **value adjustments on goodwill and investments in associates** of euro 1.1 million (euro 9.1 million in 2009, referring mainly to the investments in Efibanca Palladio Finanziaria and the Comital Group);
- the gains, totalling euro 6 million recorded under **gains (losses) on the disposal of investment in associates and other investments**, deriving from the disposal of shareholdings (including the gain on the partial disposal of the interests held by the Group in Istituto Centrale Banche Popolari Italiane for euro 3 million) and of property and equipment carried out by Group companies during the year; the figure for 2009 presented a positive balance of euro 114.5 million, mainly as a result of the gains generated by the contribution to the Eracle fund for properties of artistic importance, within the sphere of the project for developing and rationalising the Group's property assets;
- to **income after tax from discontinued operations** which totalled euro 40.1 million, euro 13.2 million of which relates to the contribution of investee companies sold or being sold, namely Banca Caripe and Banco Popolare Ceská Republika, and euro 26.9 million to the contribution generated by merchant banking activities (mainly related to the Bormioli Group). In 2009, it showed a negative balance of euro 16.1 million.

Lastly, note that the income statement for the year ended 31 December 2009 included, as non recurring component, the extraordinary dividend totalling euro 22.1 million disbursed by Agos at the time of distribution of the income for 2008 generated before the acquisition of the investment by the Banco Popolare Group, as well as the charges, recorded under income taxes, deriving from the settlement, via the provision of the assessment with compliance, of nearly all the tax disputes associated with the activities of the companies belonging to the former Banca Popolare Italiana Group prior to the

merger transaction for euro 52.1 million.

With reference to Banca Italease and its subsidiaries, the main non-recurring components refer by contrast to the benefits, recognised in the first half of the year, deriving from the extension of the scope of the so-called "tax consolidation" system of Banco Popolare to Banca Italease. Thanks to the exercise of the option for Group taxation proposed by Banco Popolare, Banca Italease was in fact able to record almost all the prepaid tax receivables in its consolidated financial statements, receivables which mainly derive from the significant value adjustments and provisions booked to the income statements in the last few accounting periods. On the basis of current tax legislation, these adjustments and provisions may be deducted from the total taxable income which will be generated in the coming accounting periods by the Group's companies included in the new scope of the "tax consolidation" system. The net benefit credited to the income statement for the year, corresponding to the amount of the receivable recorded, amounts to euro 285.8 million. Furthermore, the consolidated income statement benefited from non-recurring income of euro 6.7 million deriving from the disposal of investment in associates and other investments, mainly in real estate. The economic components that can be classified as non-recurring that had a negative impact on the income for 2010 are instead represented by the deduction, in the fourth quarter of the charge, corresponding to euro 208.8 million before tax, resulting from the agreement reached on 15 March 2011 with the Tax Authority on the out-of-court settlement of almost all existing tax disputes. In 2009, the main non-recurring component attributable to the former Italease group refers to the recognition, under other net operating income, of "badwill" of euro 191.5 million relating to the business combination (PPA) illustrated above.

Reclassified consolidated income statement – Quarterly changes

To better understand the dynamics of the items that contribute to the year's income, the table below breaks down the 2010 reclassified consolidated income statement into quarters. The figures included in the same have been taken from previous periodic reports published, and may have been reclassified in order to permit a like-for-like comparison, based on the parameters used as at 31 December 2010.

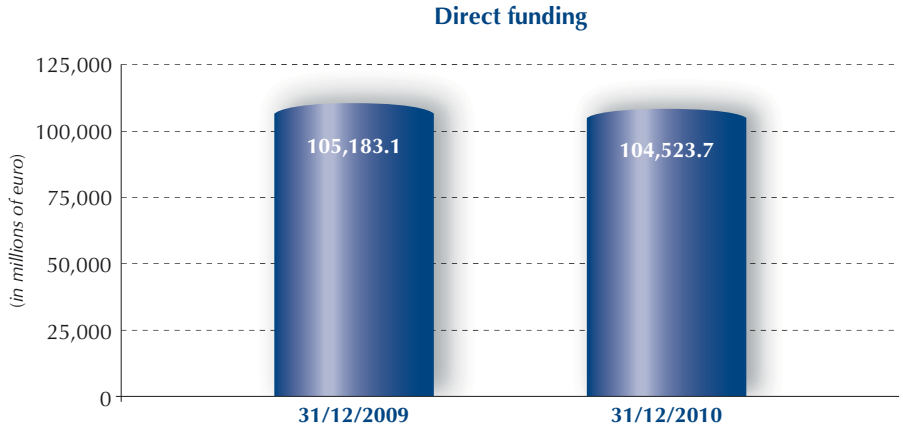
Reclassified income statement items *(in thousands of euro)*	**FY 2010**			
	Q4	**Q3**	**Q2**	**Q1**
Interest margin	445,170	441,013	449,017	477,281
Income/(loss) from investments in associates carried at equity	7,455	9,942	8,229	12,976
Financial margin	**452,625**	**450,955**	**457,246**	**490,257**
Net fee and commission income	309,608	313,232	326,097	317,422
Other net operating income	15,957	16,534	36,159	(6,092)
Net financial result	141,235	122,180	162,510	113,612
Other operating income	**466,800**	**451,946**	**524,766**	**424,942**
Operating income	**919,425**	**902,901**	**982,012**	**915,199**
Personnel expenses	(419,619)	(377,392)	(373,169)	(374,080)
Other administrative expenses	(182,133)	(188,744)	(198,656)	(189,857)
Net value adjustments on property and equipment and intangible assets	(51,808)	(33,879)	(24,404)	(38,192)
Operating expenses	**(653,560)**	**(600,015)**	**(596,229)**	**(602,129)**
Income (loss) from operations	**265,865**	**302,886**	**385,783**	**313,070**
Net adjustments on loans to customers	(162,731)	(221,568)	(211,146)	(175,678)
Net adjustments on receivables due from banks and other assets	(61,020)	(8,291)	(15,261)	(11,664)
Net provisions for risks and charges	(223,566)	9,834	(24,794)	2,207
Value adjustments on goodwill and investments in associates	(291)	136	(983)	-
Gains (losses) on the disposal of investment in associates and other investments	237	204	13,635	(1,377)
Income (loss) before tax from continuing operations	**(181,506)**	**83,201**	**147,234**	**126,558**
Taxes on income from continuing operations for the period	8,886	(38,881)	199,365	(54,834)
Income (loss) after tax from discontinued operations (*)	24,122	(7,127)	14,761	9,748
Net income (loss) for the period attributable to minority interests	(10,565)	(7,038)	(1,532)	(4,377)
Parent Company's net income (loss) for the period	**(159,063)**	**30,155**	**359,828**	**77,095**

(*) The item also includes the results of the subsidiaries acquired as part of the merchant banking activities.

Loan brokering activities

To better understand the dynamics of the main balance sheet items relating to direct funding and loans, note that the figures reported as at 31 December 2010 cannot be directly compared to those as at 31 December 2009 insofar as of 2010, Banca Caripe contributes summarily to the balance sheet and income statement items of the consolidated financial statements relating to assets being disposed of, while as at 31 December 2009, it was consolidated on a "line-by-line" basis. In any event, the comments on the figures shown below refer to an analysis made on a comparable basis.

Direct funding



As at 31 December 2010, direct funding presented a balance of euro 104,523.7 million, compared with euro 105,183.1 million as at 31 December 2009, showing a fall of 0.6%. If the contribution of Banca Caripe as at 31 December 2009 is excluded, a slight increase is shown (+0.3%). As regards the different types of funding, the more traditional direct funding products recorded decreases: current accounts and deposits fell from euro 43,622 million at the end of 2009 (euro 42,865.1 million net of the contribution of Banca Caripe) to euro 39,602 million as at 31 December 2010 (-9.2%, -7.6% excluding the effect of Banca Caripe) and certificates of deposit and other securities showed a fall of euro 1,527.6 million, corresponding to -65.5% (euro -1,502.3 million, corresponding to -65.1% excluding the contribution at the end of 2009 of Banca Caripe); these decreases were almost entirely offset by the rise in repurchase agreement transactions, which recorded a +53.9% (+54.6% net of Banca Caripe) and in bonds, which recorded a slight increase (euro +196.7 million, corresponding to +0.4%, +0.6% net of Banca Caripe). Funding from retail customers and small businesses recorded a 3% rise compared to the end of 2009.

Banco Popolare Group

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Traditional funding	**41,718,430**	**47,107,600**	**(5,389,170)**	**(11.4%)**
- current accounts and demand deposits	39,602,043	43,622,032	(4,019,989)	(9.2%)
- time deposits	1,311,718	1,153,305	158,413	13.7%
- certificates of deposit and other securities	804,669	2,332,263	(1,527,594)	(65.5%)
Repurchase agreements	**12,949,653**	**8,416,526**	**4,533,127**	**53.9%**
Bonds	**49,855,666**	**49,658,994**	**196,672**	**0.4%**
Total direct funding	**104,523,749**	**105,183,120**	**(659,371)**	**(0.6%)**

Banco Popolare Group (stand-alone)

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Traditional funding	**41,652,999**	**46,942,372**	**(5,289,373)**	**(11.3%)**
- current accounts and demand deposits	39,617,396	43,622,032	(4,004,636)	(9.2%)
- time deposits	1,300,093	1,136,970	163,123	14.3%
- certificates of deposit and other securities	735,510	2,183,370	(1,447,860)	(66.3%)
Repurchase agreements	**12,949,653**	**8,547,399**	**4,402,254**	**51.5%**
Bonds	**45,549,855**	**42,390,308**	**3,159,547**	**7.5%**
Total direct funding	**100,152,507**	**97,880,079**	**2,272,428**	**2.3%**

Excluding the contribution of the companies belonging to the Banca Italease group, direct funding increased by 2.3%, rising from euro 97,880.1 million at the end of 2009 to euro 100,152.5 million as at 31 December 2010. Excluding the

contribution of Banca Caripe from the end of 2009 figures, and therefore on a more comparable basis, the aggregate recorded a rise of 3.3% from 31 December 2009. Within this aggregate, the breakdown by technical form reflects the trends registered by the Group overall as indicated above.

Banca Italease Group

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Traditional funding	**160,690**	**165,228**	**(4,538)**	**(2.7%)**
- time deposits	11,625	16,335	(4,710)	(28.8%)
- certificates of deposit and other securities	149,065	148,893	172	0.1%
Loans and other payables	**198,642**	**270,821**	**(72,179)**	**(26.7%)**
Bonds	**4,931,644**	**8,100,059**	**(3,168,415)**	**(39.1%)**
Total direct funding	**5,290,976**	**8,536,108**	**(3,245,132)**	**(38.0%)**

Direct funding attributable to Banca Italease and its subsidiaries mainly comprised liabilities relating to the securitisation transactions outstanding of euro 712.3 million and other bonds issued of euro 4,219.3 million, for a total of overall securities outstanding amounting to 4,931.6 million.
The aggregate also includes a Preferred Securities transaction with a value of euro 149.1 million (par value of euro 150 million), recorded under other securities.

It is also worth noting that the companies belonging to the Banca Italease group use the interbank channel as an important source of funding: payables due from banks as at 31 December 2010 in fact amounted to euro 4,975 million, down 12.9% with respect to December 2009 and include euro 828.3 million in payables associated with repurchase agreement activities (euro 953.7 million at the end of December 2009). Net of repurchase agreement transactions, 79.3% of the outstanding loans were entered into with Banco Popolare Group companies.

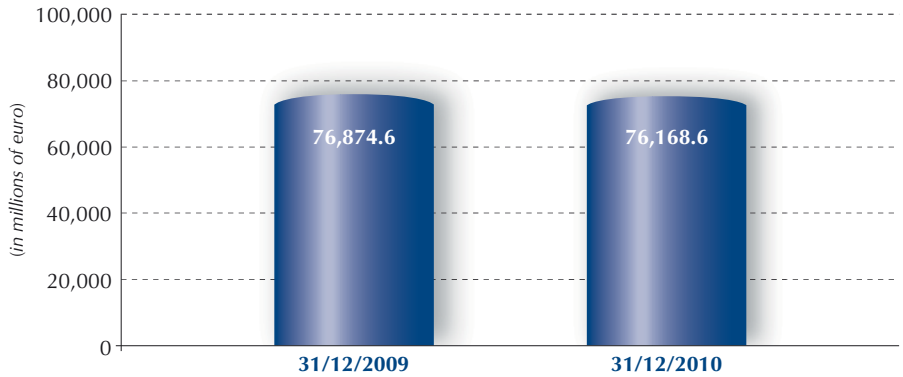
Indirect funding

Excluding Banca Caripe from the scope of Group companies, 2010 closed with a figure for indirect funding from Retail and institutional customers of 76,168.6 million, down compared to the adjusted figure as at 31 December 2009 by 0.9%, when indirect funding of 76,874.6 million was recorded.

Within the aggregate, the managed segment, with euro 31,377.3 million in assets, recorded an increase of 1.7% at year end, driven by the rise in life insurance policies (+16.8%), essentially relating to the issue and placement of policies via Lawrence Life, within the sphere of the bankassurance agreements entered into with the Fondiaria-SAI Group. The 2010 edition of the Unit-linked policy "Unit Valore Rendimento", the subject of subsequent placements during the year, was very popular with customers, so much so that the Lawrence life stock rose 907.5 million (+41.4%) compared to the figure at the end of 2009. The underlying assets of these placements are bonds issued by the Parent Company, which amounted to 2,374.8 million at the end of 2010, included under direct funding.

The administered segment, also the victim of an unfavourable financial market trend, eroded the rise in the asset management segment, falling from euro 46,029.6 million (adjusted) at the end of 2009 to euro 44,791.3 million at the end of 2010.

Indirect funding



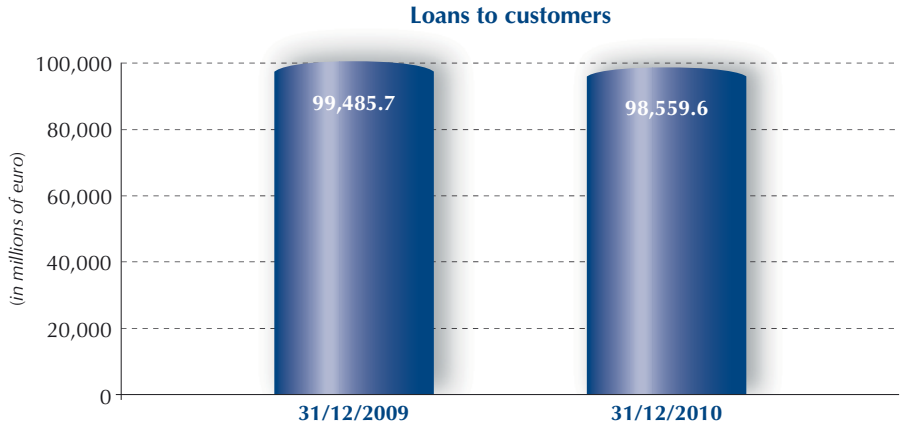
(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Managed assets	**31,377,317**	**30,845,041**	**532,276**	**1.7%**
- mutual investment funds and SICAVs	9,137,918	9,979,701	(841,783)	(8.4%)
- securities and fund management	9,444,966	9,908,294	(463,328)	(4.7%)
- insurance policies	12,794,433	10,957,046	1,837,387	16.8%
of which: Lawrence Life policies	*3,100,522*	*2,193,058*	*907,464*	*41.4%*
Administered assets	**44,791,293**	**46,029,553**	**(1,238,260)**	**(2.7%)**
Total indirect funding	**76,168,610**	**76,874,594**	**(705,984)**	**(0.9%)**

Excluding administered and managed assets deriving from institutional customers (mutual investment funds, banking foundations, merchant banks, leasing and factoring companies, SIMs (Investment management companies), SICAVs, fund management companies, insurance companies, pension funds and other welfare funds, central control authorities and trade banking associations) from the aggregate, administered and managed assets amounted to euro 56,942.8 million, with a decrease of 1.9% with respect to the euro 58,047.8 million (adjusted) as at 31 December 2009.
Total administered assets, both in the form of direct and indirect funding, amounted to euro 178,317.6 million, net of the direct funding underlying the insurance policies placed by the Group, recorded a fall with respect to the balance as at 31 December 2009 (adjusted) of -0.7%.

As at 31 December 2010, the Italease Group did not have any indirect funding transactions outstanding, either in managed or administered form.

Loans to customers

As at 31 December 2010, total gross loans had reached the figure of euro 98,559.6 million, down 0.9% compared to the figure of euro 99,485.7 million recorded as at 31 December 2009. On a comparable basis, therefore excluding Banca Caripe from the end of 2009 figure, a slight increase is recorded instead (+0.3%). During the year, the rise in loans essentially concerned the core segments (retail customers and small economic operators), which recorded increases of 10.4% and 8.7% respectively against the end of 2009.



The following tables show the breakdown of net loans, analysed by technical form.

Banco Popolare Group

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Mortgage loans	45,473,741	42,943,825	2,529,916	5.9%
Current accounts	16,555,686	17,024,840	(469,154)	(2.8%)
Financial leases	6,833,473	9,313,281	(2,479,808)	(26.6%)
Repurchase agreements	1,763,763	2,016,603	(252,840)	(12.5%)
Loans and other receivables	23,835,242	24,051,676	(216,434)	(0.9%)
Total net loans to customers	**94,461,905**	**95,350,225**	**(888,320)**	**(0.9%)**

Banco Popolare Group (stand-alone)

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Mortgage loans	44,038,323	41,801,744	2,236,579	5.4%
Current accounts	16,589,363	17,116,382	(527,019)	(3.1%)
Repurchase agreements	1,763,763	2,016,603	(252,840)	(12.5%)
Financial leases	42,956	35,598	7,358	20.7%
Loans and other receivables	24,901,341	24,980,935	(79,594)	(0.3%)
Total net loans to customers	**87,335,746**	**85,951,262**	**1,384,484**	**1.6%**

Net of the total value adjustments and the contribution of the Banca Italease group, loans came to euro 87,335.7 million, showing a rise of 1.6% with respect to the euro 85,951.3 million as at 31 December 2009. Excluding the contribution of Banca Caripe from the end of 2009 figure, the increase is more marked, reaching 3.1%.

Mortgage loans showed an upward trend, the rise in which, corresponding to euro 2,236.6 million (+5.4%) more than offset the falls recorded for other technical forms.

The portfolio of the Banca Italease group showed the following breakdown for the period in question:

Banca Italease Group

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Financial leases	6,584,754	8,815,588	(2,230,834)	(25.3%)
Mortgage loans	1,498,814	1,666,135	(167,321)	(10.0%)
Loans and other receivables	1,541,119	2,159,237	(618,118)	(28.6%)
Total net loans to customers	**9,624,687**	**12,640,960**	**(3,016,273)**	**(23.9%)**

Net loans to customers as at 31 December 2010 amounted to euro 9,624.7 million, down 23.9% with respect to the figure at the end of December 2009.
In detail, receivables for leasing activities came to euro 6,584.8 million, down 25.3%, while mortgage loans amounted to 1498.8 million, down 10%. This trend, not only linked to the consensual terminations of doubtful or substandard leasing agreements further to transactions carried out with major customers illustrated previously, was also affected by the scant volume of new disbursements.
Loans and other receivables, amounting in total to euro 1,541.1 million, include euro 666.5 million (euro 1,290.3 million as at 31 December 2009, with a decrease consequent to the start-up phase of said securities) relating to the portion of junior securities of securitisations and senior securities of self-securitisations not placed on the market corresponding to the portfolio transferred to Alba Leasing by means of the agreement on securitised receivables; these securities remained the property of Banca Italease; and euro 874.6 million in other receivables which include, among other things, euro 203.7 million of receivables acquired with recourse as part of the overall agreements with Alba Leasing, euro 223.8 million of receivables for income accrued against the securities of the securitisations, as well as assets under construction and those pending financial lease, totalling euro 305.1 million.

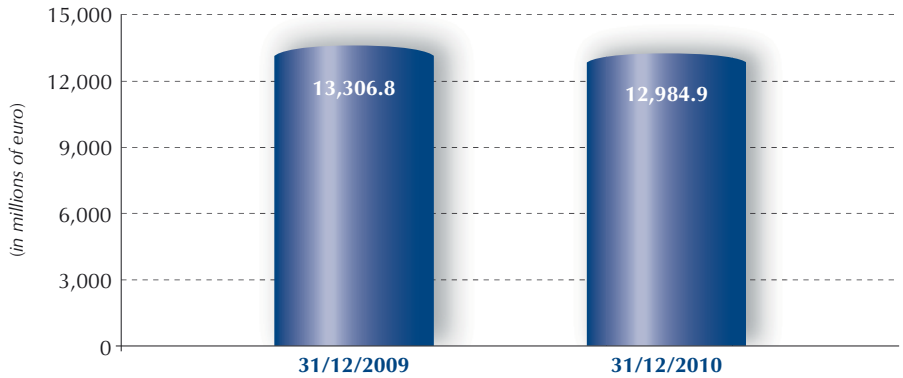
The following tables provide a breakdown of cash loans to customers as at 31 December 2010 compared with the same balances as at 31 December 2009.

Banco Popolare Group

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Gross non-performing loans	**12,894,887**	**13,306,786**	**(411,899)**	**(3.1%)**
Doubtful loans	5,156,666	4,856,731	299,935	6.2%
Substandard loans	5,264,795	6,651,290	(1,386,495)	(20.8%)
Restructured loans	2,008,217	860,323	1,147,894	133.4%
Past due loans	465,209	938,442	(473,233)	(50.4%)
Gross performing loans	**85,664,735**	**86,178,879**	**(514,144)**	**(0.6%)**
Total gross exposure	**98,559,622**	**99,485,665**	**(926,043)**	**(0.9%)**
Adjustments on non-performing loans	**(3,540,785)**	**(3,562,346)**	**(21,561)**	**(0.6%)**
Doubtful loans	(2,277,289)	(2,198,437)	78,852	3.6%
Substandard loans	(927,810)	(1,212,062)	(284,252)	(23.5%)
Restructured loans	(299,404)	(106,155)	193,249	182.0%
Past due loans	(36,282)	(45,692)	(9,410)	(20.6%)
Adjustments on performing loans	**(556,932)**	**(573,094)**	**(16,162)**	**(2.8%)**
Total adjustments	**(4,097,717)**	**(4,135,440)**	**(37,723)**	**(0.9%)**
Net non-performing loans	**9,354,102**	**9,744,440**	**(390,338)**	**(4.0%)**
Doubtful loans	2,879,377	2,658,294	221,083	8.3%
Substandard loans	4,336,985	5,439,228	(1,102,243)	(20.3%)
Restructured loans	1,708,813	754,168	954,645	126.6%
Past due loans	428,927	892,750	(463,823)	(52.0%)
Net performing loans	**85,107,803**	**85,605,785**	**(497,982)**	**(0.6%)**
Total net exposure	**94,461,905**	**95,350,225**	**(888,320)**	**(0.9%)**

Gross non-performing loans (doubtful, substandard, restructured and past due) amounted as at 31 December 2010 to around 12.9 billion and showed a fall of 3.1% with respect to the beginning of the year (-2.6% excluding the contribution of Banca Caripe as at 31 December 2009). The aggregate includes, as illustrated in more detail below, receivables originated by Banca Italease of around 3.9 billion mainly represented by leasing agreements guaranteed by properties (down 20.1% with respect to the beginning of the year), while those attributable to the rest of the group came to 9 billion (up 6.7% with respect to the beginning of the year, by 7.6% excluding the non-performing loans of Banca Caripe from the beginning of the year figure).

Gross non-performing loans

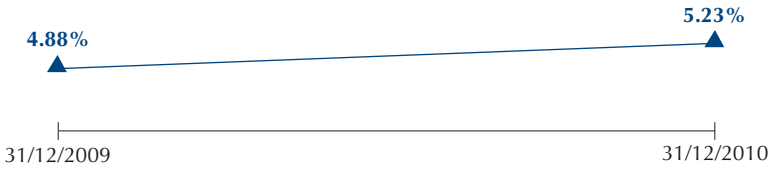


In greater detail, doubtful loans amount to 5,156.7 million (+6.2% with respect to 31 December 2009), substandard loans to 5,264.8 million (-20.8% with respect to the start of the year), while restructured loans amounted to 2,008.2 million (+133.4%) and those past due to 465.2 million (-50.4%).

The ratio of non-performing loans to total loans to customers, before value adjustments, as at 31 December 2010, was 13.1%, slightly lower than the figure of 13.4% as at 31 December 2009. Net of value adjustments, the ratio in question fell from 10.2% as at 31 December 2009 to 9.9% at the end of 2010.

Looking at doubtful loans only, the ratio of these to total loans, before value adjustments, was 5.2%, compared with 4.9% as at December 2009. Net of value adjustments, the ratio in question rose to 3% compared with 2.8% as at 31 December 2009. The percentage of total loans represented by substandard loans fell instead from 5.7% to 4.6%.

Gross NPL/Gross Loans



Value adjustments to non-performing loans as at 31 December 2010, represented 27.5% of their total gross amount compared to 26.8% as at 31 December 2009. More specifically, value adjustments to doubtful loans as at the end of 2010, represented 44.2% of their total gross amount (45.3% as at 31 December 2009). However, note that doubtful loans were written down as a whole, either written off or covered by guarantees for 92% of their gross amount.

Banco Popolare Group (stand-alone)

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Gross non-performing loans	**9,020,782**	**8,455,387**	**565,395**	**6.7%**
Doubtful loans	3,878,581	3,056,138	822,443	26.9%
Substandard loans	3,807,350	3,968,416	(161,066)	(4.1%)
Restructured loans	997,304	674,685	322,619	47.8%
Past due loans	337,547	756,148	(418,601)	(55.4%)
Gross performing loans	**81,363,614**	**80,416,505**	**947,109**	**1.2%**
Total gross exposure	**90,384,396**	**88,871,892**	**1,512,504**	**1.7%**
Adjustments on non-performing loans	**(2,565,234)**	**(2,423,408)**	**141,826**	**5.9%**
Doubtful loans	(1,729,224)	(1,572,359)	156,865	10.0%
Substandard loans	(638,915)	(730,194)	(91,279)	(12.5%)
Restructured loans	(174,254)	(82,943)	91,311	110.1%
Past due loans	(22,841)	(37,912)	(15,071)	(39.8%)
Adjustments on performing loans	**(483,416)**	**(497,222)**	**(13,806)**	**(2.8%)**
Total adjustments	**(3,048,650)**	**(2,920,630)**	**128,020**	**4.4%**
Net non-performing loans	**6,455,548**	**6,031,979**	**423,569**	**7.0%**
Doubtful loans	2,149,357	1,483,779	665,578	44.9%
Substandard loans	3,168,435	3,238,222	(69,787)	(2.2%)
Restructured loans	823,050	591,742	231,308	39.1%
Past due loans	314,706	718,236	(403,530)	(56.2%)
Net performing loans	**80,880,198**	**79,919,283**	**960,915**	**1.2%**
Total net exposure	**87,335,746**	**85,951,262**	**1,384,484**	**1.6%**

As at 31 December 2010, total non-performing loans (doubtful, substandard, restructured and past due /over-run), before value adjustments and excluding the contribution of the Italease Group, amounted to euro 9,020.8 million, up 6.7% with respect to the euro 8,455.4 million as at 31 December 2009. Under non-performing loans, gross doubtful loans (euro 3,878.6 million) recorded a rise of 26.9% compared to 31 December 2009. On the contrary, substandard loans recorded a fall of euro 161.1 million, dropping from euro 3,968.4 million as at 31 December 2009 to euro 3,807.3 million as at 31 December 2010.

Cash loans referring to the Banca Italease group showed the following changes:

Banca Italease Group

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Gross non-performing loans	**3,875,404**	**4,851,253**	**(975,849)**	**(20.1%)**
Doubtful loans	1,278,085	1,800,497	(522,412)	(29.0%)
Substandard loans	1,457,445	2,682,824	(1,225,379)	(45.7%)
Restructured loans	1,010,913	185,638	825,275	444.6%
Past due loans	128,961	182,294	(53,333)	(29.3%)
Gross performing loans	**6,798,415**	**9,005,651**	**(2,207,236)**	**(24.5%)**
Total gross exposure	**10,673,819**	**13,856,904**	**(3,183,085)**	**(23.0%)**
Adjustments on non-performing loans	**(975,616)**	**(1,138,938)**	**(163,322)**	**(14.3%)**
Doubtful loans	(548,065)	(626,078)	(78,013)	(12.5%)
Substandard loans	(288,895)	(481,868)	(192,973)	(40.0%)
Restructured loans	(125,150)	(23,212)	101,938	439.2%
Past due loans	(13,506)	(7,780)	5,726	73.6%
Adjustments on performing loans	**(73,516)**	**(77,006)**	**(3,490)**	**(4.5%)**
Total adjustments	**(1,049,132)**	**(1,215,944)**	**(166,812)**	**(13.7%)**
Net non-performing loans	**2,899,788**	**3,712,315**	**(812,527)**	**(21.9%)**
Doubtful loans	730,020	1,174,419	(444,399)	(37.8%)
Substandard loans	1,168,550	2,200,956	(1,032,406)	(46.9%)
Restructured loans	885,763	162,426	723,337	445.3%
Past due loans	115,455	174,514	(59,059)	(33.8%)
Net performing loans	**6,724,899**	**8,928,645**	**(2,203,746)**	**(24.7%)**
Total net exposure	**9,624,687**	**12,640,960**	**(3,016,273)**	**(23.9%)**

As regards the former Italease group, total consolidated gross non-performing loans (comprised of doubtful, substandard, restructured and past due) fell by around euro 1 billion in 2010, dropping from euro 4.9 billion at the end of 2009 to euro 3.9 billion at the end of 2010, despite the exchange of receivables with Alba Leasing, which took place on 30 September 2010 and already envisaged in the agreements between the former Pattiste Banks in 2009, generated a one-time increase of around euro 200 million in problem loans.

Under this aggregate, against an even larger decrease of the substandard and doubtful loans aggregate (around euro 1.7 billion), loans classified as restructured increased, rising from euro 0.2 billion to euro 1 billion.

Following numerous reorganisations in 2010 made with the main creditors of Banca Italease and subsidiaries, the level of substandard and doubtful loans changed with respect to 31 December 2009. More specifically, at the end of December 2010, around 50% of gross doubtful loans was represented by 30 economic groups (compared to 72% the previous year), around 62% of gross substandard loans was represented by 30 economic groups (compared to 80% the previous year), while restructured loans were comprised by receivables from around 10 economic groups and around 72% of overdue positions was represented by 30 economic groups.

As at 31 December 2010, the ratio of gross doubtful loans to total gross loans to customers was 11.97%, down compared to the 12.99% recorded as at 31 December 2009. Following write-downs of euro 548.1 million, as at 31 December 2010, net doubtful loans amounted to euro 730 million, corresponding to 7.6% of total net loans to customers (9.3% at the end of December 2009).
The ratio of gross substandard loans to total gross loans to customers represented 13.6% as at 31 December 2010, down with respect to 19.4% as at 2010 December 2009. Following write-downs, net substandard loans amounted to euro 1,168.6 million, corresponding to 12.1% of total net loans to customers (17.4% at the end of December 2009).

The rate of coverage of doubtful loans, which rose from 34.8% at the end of December 2009 to 42.9% at the end of December 2010, and that relating to substandard loans, corresponding to 19.8% (18% as at 31 December 2009) benefited from the presence of increased secured guarantees underlying the agreements in the real estate sector. The rate of coverage of restructured loans was 12.4%, in line with the figure recorded at the end of 2009 of 12.5%, while that of past due loans rose from 4.3% to 10.5%.
Overall, value adjustments to non-performing loans as at 31 December 2010, represented 25.2% of their total gross amount (23.5% as at 31 December 2009).

Financial assets

The Group's financial assets as at 31 December 2010 amounted to euro 17,726.3 million and recorded an increase of 21.3% with respect to the euro 14,607.6 million as at 31 December 2009, mainly attributable to the portfolio of assets available for sale and to hedging derivatives. The aggregate broke down as follows:

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Financial assets held for trading	11,613,306	11,930,649	(317,343)	(2.7%)
Financial assets designated at fair value through profit and loss	178,931	183,526	(4,595)	(2.5%)
Financial assets available for sale	5,591,176	2,056,466	3,534,710	171.9%
Financial assets held to maturity	140,926	306,240	(165,314)	(54.0%)
Hedging derivatives	201,969	130,758	71,211	54.5%
Total	**17,726,308**	**14,607,639**	**3,118,669**	**21.3%**

The breakdown by type of assets is as follows:

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Debt securities	11,924,364	8,888,939	3,035,425	34.1%
Equity instruments	954,480	1,039,745	(85,265)	(8.2%)
UCIT units	1,273,519	1,201,184	72,335	6.0%
Derivative trading and hedging instruments	3,573,945	3,477,771	96,174	2.8%
Total	**17,726,308**	**14,607,639**	**3,118,669**	**21.3%**

Cash assets (debt securities, equity instruments and UCIT units) amounted to euro 14,152.4 million, recording a change of euro 3,022.5 million compared to the figure at the end of 2009. 84.3% of this figure is represented by debt securities, the majority of which of government issuers (mainly securities of the Italian government) and bank and financial issuers. The rise in financial assets is the result of the investment strategy pursued by the Group, particularly towards the end of the year, which entailed investing around 3 billion in Italian government securities, in order to benefit from the interesting levels of implicit profitability and therefore the high return on the capital allocated, as illustrated in the section entitled "Group assets" herein. Said investments were classified in the financial assets available for sale portfolio.

The assets held for trading as at 31 December 2010 represented 65.5% of the Group's total financial assets and recorded a fall of 2.7% compared to the end of year figure. The breakdown by type of financial instrument of assets held for trading is presented below.

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Debt securities	7,025,443	7,350,093	(324,650)	(4.4%)
Equity instruments	329,138	395,937	(66,799)	(16.9%)
UCIT units	886,749	837,606	49,143	5.9%
Financial and lending derivatives	3,371,976	3,347,013	24,963	0.7%
Total	**11,613,306**	**11,930,649**	**(317,343)**	**(2.7%)**

Financial assets designated at fair value through profit and loss, detailed in the following table, are mainly represented by investments in UCIT units (Undertakings for collective investment in transferable securities).

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Debt securities	4	9,814	(9,810)	(100.0%)
Equity instruments	2,069	3,118	(1,049)	(33.6%)
UCIT units	176,858	170,594	6,264	3.7%
Total	**178,931**	**183,526**	**(4,595)**	**(2.5%)**

The breakdown of financial assets available for sale is presented as follows.

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Debt securities	4,757,991	1,222,792	3,535,199	289.1%
Equity instruments	623,273	640,690	(17,417)	(2.7%)
UCIT units	209,912	192,984	16,928	8.8%
Total	**5,591,176**	**2,056,466**	**3,534,710**	**171.9%**

Assets held to maturity are represented exclusively by debt securities, a part of which is used to fund repurchase agreement transactions.

(in thousands of euro)	31/12/2010	31/12/2009	Absolute change	% change
Debt securities	140,926	306,240	(165,314)	(54.0%)
Total	**140,926**	**306,240**	**(165,314)**	**(54.0%)**

Investments in associates and companies subject to joint control

Investments in associates and companies subject to joint control as at 31 December 2010 amounted to euro 1,641.4 million, compared with 1,637.2 million as at 31 December 2009.
Details of the companies subject to significant influence (associates) are provided in the Explanatory Notes, Part B, Section 10; the following paragraphs illustrate the main transactions that involved investments in associates carried at equity that took place during the year.

The main changes recorded during the year in the item in question refer to payments to increase share capital made for associates Popolare Vita (20 million) and Avipop Assicurazioni (euro 5.2 million), as well as the sale of the investment in Istituto Centrale Banche Popolari Italiane (12 million), Polo Finanziario (13 million), Centrosim (euro 2.3 million) and AF Mezzanine (euro 0.7 million).

Lastly, note that the book value of equity investments held for sale is shown under "Non-current assets held for sale and discontinued operations"; as at 31 December 2010, this item also included the consolidated book value of the equity investment in Finoa, corresponding to euro 60 million.

Property and equipment

As at the date of the financial statements, property and equipment amounted to euro 2,447.7 million, compared with euro 1,442.5 million recorded in the previous year. This increase refers, on one hand to the contribution of the real estate assets of the investments acquired during the year, totalling around euro 280 million (of which euro 251.3 million regards companies which became part of the Banco Popolare Group following the agreements with the Risanamento Group), and on the other hand, to the properties purchased by Banca Italease and Release, totalling euro 762.9 million, following the termination of contracts with several important customers in default, which resulted in the re-possession of the properties covered by the lease contracts ("*datio in solutum*"), described in more detail in the paragraph regarding the "derisking" of the Italease Group herein, which the reader should refer to.

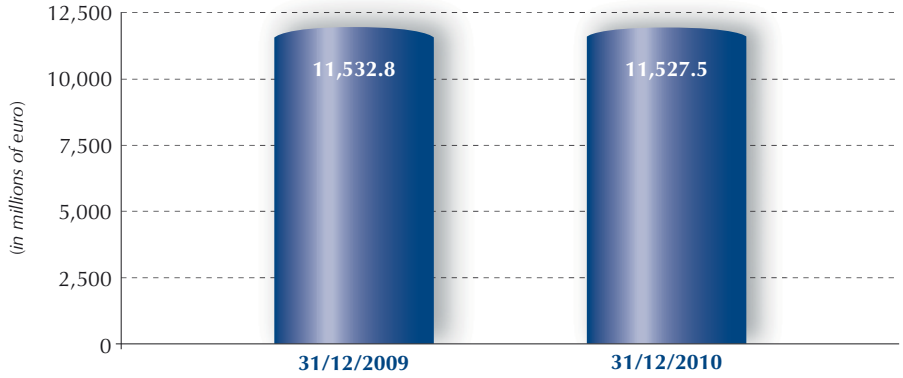
It should also be noted that non-current assets held for sale include euro 152.2 million of property and equipment (euro 42.9 million as at 31 December 2009) euro 110.6 million of which refers to properties of Banca Italease and Release purchased following the full and final settlement of positions with debtors.

Capital and solvency coefficients

The Group's consolidated shareholders' equity as at 31 December 2010, inclusive of the valuation reserves and net income for the period, amounted to euro 11,527.5 million, compared to the figure at the end of 2009, totalling euro 11,532.8 million. The increase observed in the period is ascribable, in positive terms, to the total profitability for the year, amounting to euro 254.9 million, and the recording, under the Parent Company's equity instruments, of the value of the implicit option, corresponding to euro 33.2 million, of the convertible bond issue made in the first quarter by Banco Popolare, as established by the reference international accounting standards; by contrast, the consolidated shareholders' equity was reduced following the exchange of the controlling shareholdings held in Cassa di Risparmio di Lucca Pisa Livorno and in Credito Bergamasco, corresponding to 124.7 million. In this regard, please refer to the content of the section dedicated to significant events during the year.

Furthermore, the shareholders' equity as at 31 December 2010 was influenced by the recording of the return on the financial instruments pursuant to Article 12 of Italian Law Decree No. 185/08 (so-called Tremonti Bonds) pertaining to the period 31 July 2009 – 30 June 2010 for a total of euro 113.1 million, as well as the payment of the dividends by the Parent Company of euro 51.2 million.

Group's consolidated shareholders' equity



As at 31 December 2010, total consolidated regulatory capital was euro 10,154.5 million, while Tier 1 capital was euro 6,793.2 million.
The Group's Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) as at 31 December 2010 was 7.16%, while the total capital ratio (regulatory capital plus subordinated third level loans issued to hedge market risk) was 10.70%.

Reconciliation between the Parent Company's shareholders' equity and consolidated net income (loss)

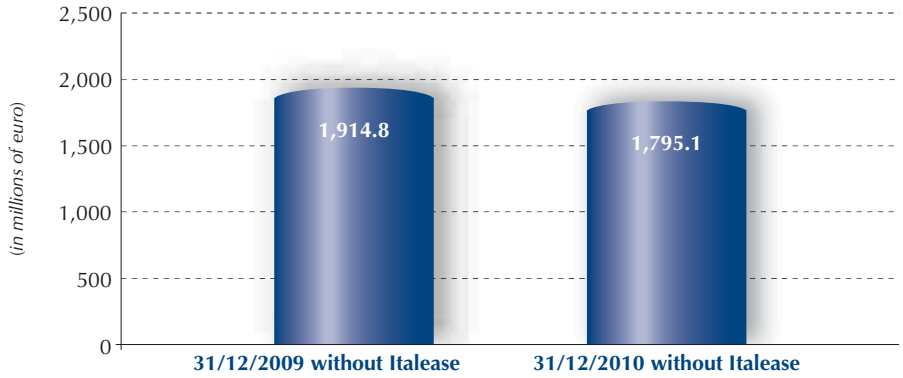
(in thousands of euro)	Shareholders' equity	Result for the year
Balances as at 31/12/2010 as per the Parent Company's financial statements	**10,476,505**	**288,909**
Cancellation of dividends collected in the period from companies consolidated line-by-line and carried at equity		(377,355)
Elimination of intercompany gains/losses deriving from disposals and conferrals of business segments	(129,997)	44,427
Differences between the shareholders' equity of the consolidated investee companies and their book value, less the portion pertaining to minority shareholders	1,004,426	
Income (loss) for the period of consolidated investee companies, less the portion pertaining to minority shareholders		314,374
Difference between the pro-quota value of the shareholders' equity and the book value of the equity investments carried at equity	176,548	
Income (loss) for the period of investee companies carried at equity pertaining to the Group		37,660
Balance as at 31/12/2010 as per the consolidated financial statements	**11,527,482**	**308,015**

Consolidated income statement figures

The trends of the main income statement items for the year ended 31 December 2010 are illustrated below, also presented in a form which excludes the contribution of the Banca Italease group, compared with the figures for the previous year, which also exclude the contribution of Italease in the second half of the year. The reclassified figures are stated in columns A and B of the tables presented below. Note that Banca Italease's contribution is represented by the results generated by Banca Italease and its subsidiaries, adjusted and supplemented by the recoveries to the income statement deriving from the PPA. Furthermore, as the contribution of Banca Caripe to the consolidated results for 2010 is included under income/loss on assets held for sale, following the disposal of the subsidiary finalised on 31 December 2010, the contribution of the previous year has also been included in said item, in order to permit a comparison on a like-for-like basis.

The **interest margin** amounted to euro 1,812.5 million. Excluding the contribution of Italease (euro 17.4 million), it amounts to euro 1,795.1 million, down 6.3% compared to the figure of euro 1,914.8 million recorded the previous year. The fall is mainly the result of the trend of market interest rates, which in turn led to a fall in spreads mainly linked to funding from customers.

Interest margin



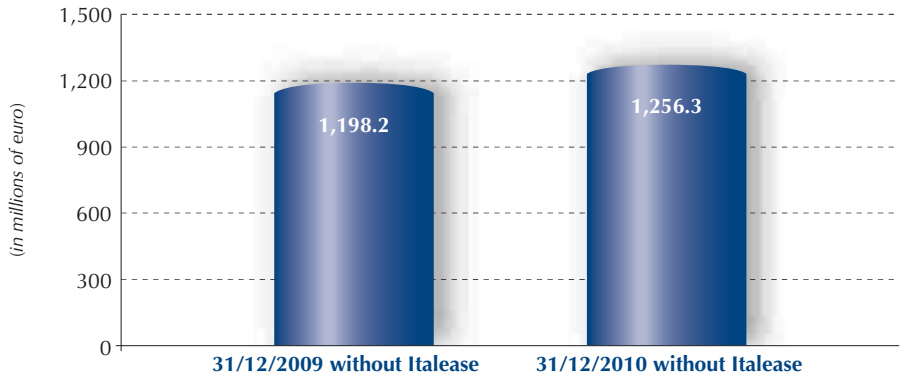
The Italease group made a positive contribution to the consolidated interest margin for the year of euro 17.4 million, which includes the contribution of the companies belonging to the Banca Italease group of euro 95.6 million, net of the recoveries of the PPA, of euro 78.2 million, relating to the lower value assigned to the financial liabilities issued by Banca Italease as part of the business combination transaction.
The Italease Group also reported a drop in the interest margin (euro 104.2 million as at 31 December 2010 compared with euro 164.6 million in the same period last year), mainly due to the natural decrease of the loan portfolio for the period, benefiting marginally from new disbursements, and changes in non-performing loans. Furthermore, following the transfer to Alba Leasing of euro 4.8 billion of net receivables for lease contracts and mortgage loans, which took place as at 31 December 2009, the comparison between 2010 income statement results and those of 2009 are not very representative as they refer to portfolios with very different scopes.

The item **income (losses) from investments in associates carried at equity** amounted to euro 38.6 million and includes the portion of the results reported by the main associates which include Agos-Ducato for euro 49.5 million, Istituto Centrale delle Banche Popolari Italiane for euro 19.8 million, Arca SGR for euro 1.7 million, Popolare Vita for euro -5.7 million, Avipop Assicurazioni for euro -17.5 million and Energreen for euro -3.9 million.
This item also includes the negative contribution of Alba Leasing of -4.4 million, relating to the portion of the result for the six months ended 30 June 2010, adjusted to align the same with the Group's accounting standards (as at the date of these consolidated financial statements, the investee company has not prepared and approved any further balance sheets or income statements). In addition, note that the consolidated income statement for the period includes the share of income of Alba Leasing resulting from the financial statements as at 31 December 2009 (approved on 27 July 2010), adjusted to align the same with the Group's accounting standards and booked against the expenses recorded in the period by Banca Italease deriving from the execution of the agreement on securitised receivables. This agreement, in fact, was also affected by the partial recovery of these expenses via the equity investment.
The contribution of the companies carried at equity in 2009 amounted to euro 103.8 million; this amount included the extraordinary dividend of euro 22.1 million distributed by Agos using the net income recorded in 2008, prior to the acquisition of the investment by Banco Popolare.

The **financial margin** was euro 1,851.1 million; net of the contribution of the Banca Italease group, it amounts to euro 1,838.2 million, showing a fall of 8.9% compared to the figure of euro 2,018.5 million recorded in 2009.

Net fee and commission income amounted to euro 1,266.4 million, euro 1,256.3 million excluding the contribution of the Italease Gruop, and showed an increase of 4.8% compared to the figure of euro 1,198.2 million recorded in 2009. The increase mainly derives from loan brokerage activities (the increase in commission relating to loans granted and the holding of current and deposit accounts was +10.9%), while commission resulting from the placement of financial products (mainly bankassurance and asset management) rose +9.4%.

Net fee and commission income



(in thousands of euro)	31/12/2010	31/12/2010 (Stand-alone) A	31/12/2009	31/12/2009 (Stand-alone) B	% change A / B
Management, brokerage and advisory services	604,282	597,472	567,039	567,691	5.2%
Maintenance and management of current accounts and other loans of ordinary customers and loan arrangement commission (CDC)	421,941	422,475	380,800	380,813	10.9%
Collection and payment services	114,252	114,920	109,976	110,408	4.1%
Guarantees given	57,555	58,508	53,143	53,517	9.3%
Other services	68,329	62,909	100,372	85,804	(26.7%)
Total net fee and commission income	**1,266,359**	**1,256,284**	**1,211,330**	**1,198,233**	**4.8%**

The following table provides a breakdown of net management, brokerage and advisory commission.

(in thousands of euro)	31/12/2010	31/12/2010 (Stand-alone) A	31/12/2009	31/12/2009 (Stand-alone) B	% change A / B
Portfolio management	153,420	153,420	142,561	142,561	7.6%
Distribution of third party services	297,103	290,293	292,348	293,000	(0.9%)
Placement of securities	76,509	76,509	46,592	46,592	64.2%
Custodian bank	14,761	14,761	15,043	15,043	(1.9%)
Acceptance of orders	48,376	48,376	52,396	52,396	(7.7%)
Financial instrument trading	11,863	11,863	12,070	12,070	(1.7%)
Currency trading	1,673	1,673	4,284	4,284	(60.9%)
Custody and safekeeping of securities	4,583	4,583	4,867	4,867	(5.8%)
Advisory activities	2,629	2,629	2,119	2,119	24.1%
Door-to-door sales of securities, products and services	(6,635)	(6,635)	(5,241)	(5,241)	26.6%
Total	**604,282**	**597,472**	**567,039**	**567,691**	**5.2%**

Other net operating income presented a positive balance of euro 62.6 million, euro 33.4 million net of the contribution from the Italease Group, compared with the negative figure of euro -6.2 million recorded last year. The income statement for the year benefited from the recognition of out-of-period income resulting from the collection of sums originating from settlements reached with a number of former Banca Popolare Italiana and Banca Italease directors and executives, amounting respectively to euro 32.3 and euro 10 million. The item in question also includes the amortisation charges on intangible assets with a definite useful life recorded at the time of the "Purchase Price Allocation (PPA)" of the former Banca Popolare Italiana (euro -40.1 million).

The **net financial result** was euro 539.5 million, euro 533.5 million excluding the effect of the consolidation of the Italease Group (euro +6 million), compared with the euro 270.2 million recorded last year.

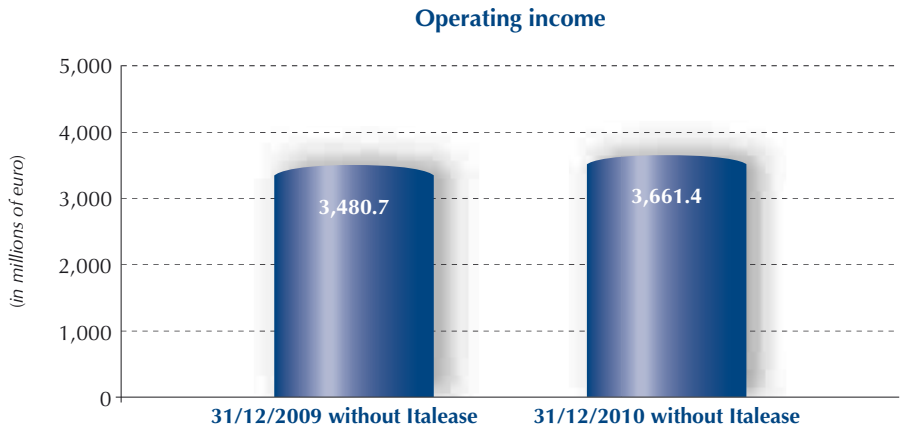
The financial result includes the effect resulting from the valuation at fair value of liabilities issued consequent to the deterioration of the creditworthiness of Banco Popolare compared to 2009. The positive impact on the income statement for the year was euro 395.5 million gross (euro +376.2 million as of the end of the first quarter resulting from market tension originated by the risk of default of Greece, which led to wider spreads of all Italian issuers) compared to the negative impact of euro -350.5 million gross recorded in the previous year. Net of this impact and of commercial transactions essentially on index-linked policies with underlying Icelandic securities, the net financial result for the period was euro +164 million, compared with the euro 620.7 million recorded in the previous year, which had benefited from the recovery in stock market prices after the crisis and from gains resulting from the undertaking of a bearish position with respect to the interest rate trend worth around euro 120 million. The limited financial result generated in 2010 was also justified by the negative impacts on government securities consequent to the afore-mentioned tension on European markets. The losses booked to the income statement in relation to government securities in the portfolio amounted to euro 155.9 million. Excluding the latter impact, the net financial result for the year was euro 319.9 million.

The components of the financial result are presented below:

(in thousands of euro)	31/12/2010	31/12/2010 (Stand-alone) A	31/12/2009	31/12/2009 (Stand-alone) B	% change A / B
Financial liabilities designated at fair value through profit and loss and the result of the repurchase of other financial liabilities	449,186	451,921	(248,587)	(248,587)	
of which: creditworthiness	*395,497*	*395,497*	*(350,513)*	*(350,513)*	
Net result on trading and own portfolio	64,951	58,863	425,162	499,598	(88.2%)
Dividends and income (loss) on non-core shareholdings	14,107	14,104	19,526	19,524	(27.8%)
Fair value adjustments in hedge accounting	11,293	8,642	(8,264)	(303)	
Total	**539,537**	**533,530**	**187,837**	**270,232**	**97.4%**

Other operating income (operating income other than from the financial margin) therefore amounted to euro 1,868.5 million, euro 1,823.2 million excluding the Italease Group, compared with euro 1,462.2 million recorded in 2009.

Total **operating income** (financial margin plus other operating income) thus amounted to euro 3,719.5 million, euro 3,661.4 net of the contribution of to the Italease Group, marking an increase of 5.2% with respect to the figure of euro 3,480.7 million recorded as at 31 December 2009.



Personnel expenses totalled euro 1,544.3 million, euro 1,511.2 excluding the contribution of the Italease Group, up with respect to the euro 1,463.9 million as at 31 December 2009 (+3.2%). Personnel expenses in 2010 include the entire deduction of the costs amounting to euro 58 million that the Group envisages incurring in relation to the plan to reduce the number of employees. The income statement for the previous year was impacted by the costs of leaving incentives amounting to euro 13 million. Excluding the extraordinary charges illustrated, personnel expenses show a limited rise of 0.2%.

Other administrative expenses amounted to euro 759.4 million, euro 715.5 million if the Italease Group is excluded, down 2.5% with respect to the euro 733.5 million recorded in 2009.

Net value adjustments on property and equipment and intangible assets were euro 148.3 million, euro 120.9 million net of the contribution of the Italease Group, compared to the figure of euro 155.5 million recorded in the previous year. The reduction of euro 34.6 million with respect to the previous year was the result of euro 16.5 million for the upward review of

the useful life of certain categories of intangible assets, more specifically, IT applications procedures whose ordinary maintenance costs were already booked to the income statement.

Total **operating expenses** therefore amounted to euro 2,451.9 million, euro 2,347.6 million if the contribution of the Italease Group is excluded, and recorded a decrease of 0.2% (-3.4% if the extraordinary cost of the employee reduction plan is excluded) compared to the figure for 2009.

Income (loss) from operations amounted to euro 1,267.6 million, euro 1,313.8 million net of the contribution of the Italease Group, compared with the figure of euro 1,127.8 million as at 31 December 2009.

Net adjustments on loans to customers were euro 771.1 million, euro 41.5 million of which refer to the Italease Group. Net of the contribution of Italease, this item amounts to euro 729.6 million, compared to euro 665.1 million recorded in the previous year. The cost of credit measured by the ratio of net value adjustments on loans to gross loans, was 81 basis points, compared with 76 basis points in the previous year.

Net adjustments on receivables due from banks and other assets amounted to euro 96.2 million, euro 97.1 million net of the contribution of Italease (euro 31.7 million as at 31 December 2009) and were mainly represented by the additional adjustments booked to the income statement to cover the loss recorded in the first half of 2010 by Risanamento (euro 22.6 million) and by receivables due to the group from banks (euro 12.7 million), as well as by the impairments recorded relating to securities recognised in the portfolio of financial assets available for sale.

Net provisions for risks and charges amounted to euro 236.3 million, euro 16.5 million if the contribution of the Italease Group is excluded, compared to the figure of euro 49.6 million in 2009. In 2010, a number of surplus provisions were released to the income statement relating to disputes with employees and customers, while the provisions recorded by Banca Italease include the entire deduction of the costs to be incurred to settle almost all outstanding legal disputes (euro 208.8 million).

Value adjustments on goodwill and investments in associates amounted to euro 1.1 million and refer to adjustments made to investments in associates valued under equity, including GI Holding (euro 0.3 million) and Centrosim (0.8 million), for which the consolidated book value was aligned to the disposal price. As at 31 December 2009, the adjustments in question, totalling euro 9.1 million, referred mostly to the Comital Group and to Efibanca Palladio Finanziaria.

Gains (losses) on the disposal of investment in associates and other investments presented a positive balance of euro 12.7 million; net of the contribution from Banca Italease companies, gains of 6 million were recorded compared with the positive figure of euro 114.5 million recorded in 2009, mainly as a result of the capital gain generated by the contribution to the Eracle fund of significant artistic properties, as part of the project to enhance and rationalise the Group's real estate assets. With regard to 2010, the item in question mostly refers to the property disposals carried out during the year, essentially by Banca Italease and its subsidiaries, and to transfers of shareholdings including Polo Finanziario (euro 1.7 million), Parchi del Garda (euro 1.5 million) and part of the stake held in Istituto Centrale delle Banche Popolari Italiane (3 million).

Income (loss) before tax from continuing operations amounted to euro 175.5 million, euro 475.5 million net of the contribution of the Banca Italease group, compared with 486.8 million last year.

The **income (loss) after tax from discontinued operations** presented a positive balance of euro 41.5 million (euro 40.1 million excluding the contribution of the Italease Group) and is almost entirely attributable to the disposals being finalised of investments relating to merchant banking activities (Bormioli Group and other minor ones), as well as the contribution of Banca Caripe, sold at the end of December for 23.6 million and of the investee company Banco Popolare Ceská Republika, whose disposal is underway.

Taxes on income from continuing operations presented a positive balance of euro 114.5 million, euro -247.4 million net of the effects of consolidating the Italease Group. The item benefited from the recording in the income statement of net prepaid taxes for euro 285.8 million relating to the deductible timing differences arising in previous years. This was made possible following the participation of Banca Italease and its subsidiaries in the "tax consolidation" scheme of the Banco Popolare Group as from the current accounting period. As at 31 December 2009, the item, which amounted to euro -262 million, also included the costs associated with the settlement of the majority of the tax disputes regarding a series of companies belonging to the former Banca Popolare Italiana Group, amounting to euro 52.1 million.

Considering the portion of the result pertaining to non controlling interests shareholders, totalling euro 23.5 million, **the net income for the period** was euro 308 million (euro 255.5 million if the contribution of the Banca Italease group is excluded) with respect to the figure of euro 202.4 million reported in the previous year. The contribution of Italease was euro +52.5 million and includes, in addition to the afore-mentioned benefit of euro 285.8 million relating to net prepaid taxes, net charges of euro 165.2 million consequent to the out-of-court settlement of its tax disputes and euro 96.5 million resulting from the reversal effects of the PPA.

Ratings and share performance

Group ratings

The table below compares the Group's ratings as at 31 December 2010 with those as at 31 December 2009.
As regards the changes that occurred during the year, note that in March 2010, rating agency S&P removed the Credit Watch from the long-term rating, confirming "A-" with a Negative outlook and also confirming the short-term rating of "A2". In May 2010, Fitch Ratings also removed the Watch from the long-term rating, confirming "A-" with a Negative outlook. Lastly, in September 2010, namely before the announcement of the share capital increase (24 October 2010), Moody's revised the Outlook on the deposit rating from stable to negative and the Bank Financial Strength Rating (BFSR) was lowered from "C-" to "D+".

Rating company	Type of rating	Rating as at 31/12/2010	Rating as at 31/12/2009
Fitch Ratings	Long term (IDR)	A- (Negative outlook)	A- : Negative watch (*)
	Short term (IDR)	F2	F2
Moody's	Long term	A2 (Negative outlook)	A2 (Stable outlook)
	Short term	P-1	P-1
S&P	Long term	A- (Negative outlook)	A- : Negative watch (**)
	Short term	A-2	A-2

Long term ratings refer to senior debt.
(*) put under observation on 19 March 2009 ('Negative Watch Rating').
(**) put under observation on 17 December 2009 ('Negative Credit Watch').

The following table summarises the ratings of the Banco Popolare Group and those required for its main subsidiaries, including ratings other than those for short and long-term debt.

		Banco Popolare	Credito Bergamasco	Banca Aletti	Banca Italease
Fitch Ratings	Long term (IDR)	A- (Negative outlook)			BBB+ (Negative outlook)
	Short term (IDR)	F2			F2
	Individual	C			/ (*)
	Support	2			2
Moody's	Long term	A2 (Negative outlook)			Baa3 (Stable outlook)
	Short term	P-1			P-3
	Financial Strength	D+			E+
S&P	Long term	A- (Negative outlook)	A- (Negative outlook)	A- (Negative outlook)	
	Short term	A-2	A-2	A-2	

The ratings of Group companies that have debt issues are indicated.
Long term ratings refer to senior debt.
The individual rating of Banca Italease was confirmed as "E". On 7 May 2010, the same was withdrawn by Fitch Ratings following the completion of the integration of Banca Italease into the Banco Popolare Group.

In 2010, the Group maintained continuous dialogue with all three rating agencies, organising three due diligence meetings with the same, during which the financial profile, risk profile and strategy of the Banco Popolare Group were examined in depth.

Banco Popolare stock

Banco Popolare's stock is listed on Borsa Italiana; trading started on 2 July 2007 following the merger of the BPVN Group and the BPI Group.

The table below summarises the weight of Banco Popolare in several of the main Italian and European indices, where the stock was listed in March 2011.

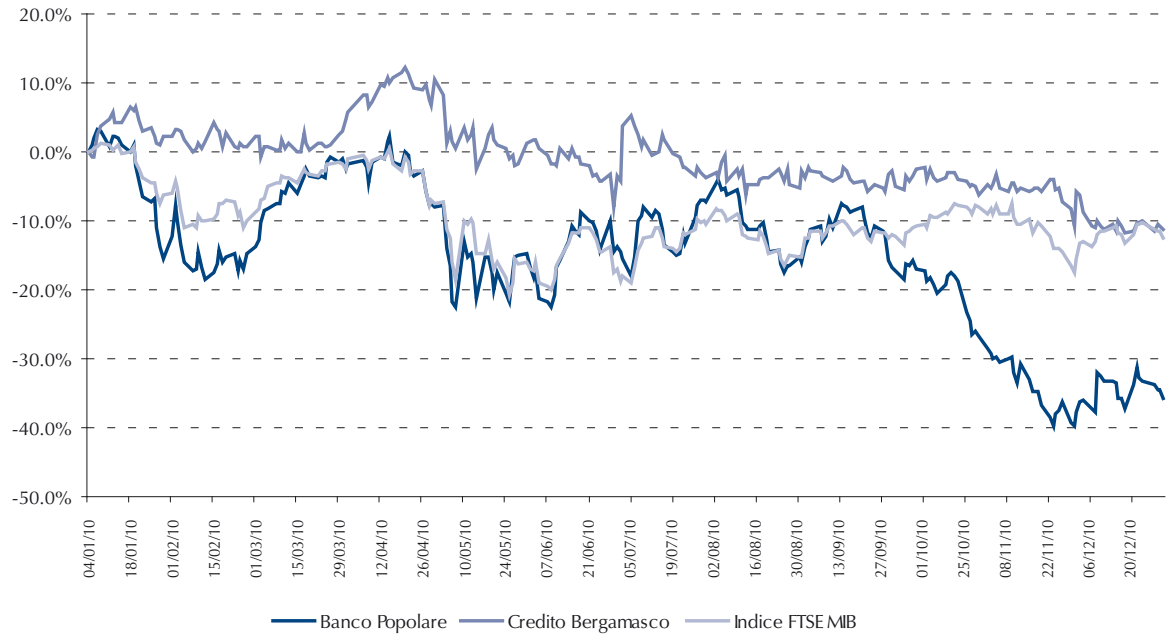
Index	% weight
FTSE Italy All-Share	1.171
FTSE Italy All-Share Banks	5.275
DJ Euro Stoxx	0.140
DJ Euro Stoxx	0.986

NB: Weighted values are updated to 8 March 2011 (source: Bloomberg).

The FTSE Italy all-shares index (an index representing all of the stock listed on the Italian stock market) closed 2010 at -13%. Performance was highly influenced by the particularly negative performance of stock in the banking segment (-31%), which more than other sectors felt the negative effects of the deterioration of the Greek crisis initially and then uncertainties as to the strength of the economic recovery in progress.
Banco Popolare's stock closed 2010 at -33% against the figure recorded at the end of 2009, in line with that of the Italian banking industry.
The stock reached a peak of euro 4.10 on 07/01/2010, and was highly volatile, with prices fluctuating continually between January and September, a period during a fair part of which the Banco Popolare stock outperformed both the Italian share market index and that of the banking industry.
Towards October, following the announcement of the launch of the share capital increase, the stock started on a downward trend, culminating in a low for the year of euro 2.30 on 23/11/2010. The stock then started a gradual recovery, closing the year at euro 2.45.

The following graph shows the performance of Banco Popolare shares and of those of Credito Bergamasco (also listed on the stock exchange) compared with the performance of the FTSE MIB index (which represents the 40 major Italian shares).

Share performance of Banco Popolare and Credito Bergamasco and comparison with the FTSE MIB index on a 100 basis (04/01/2010 - 30/12/2010)



It should also be noted that on 17 January 2011, an adjustment factor of 0.72498606 was applied to Banco Popolare stock, following the detachment of rights to subscribe the share capital increase of euro 2 billion announced on 24 October 2010. The last day of trading of rights was 04 February 2011.

Shares issued as at 8 March 2011 numbered 1,763,464,410 (of which 1,122,980,404 issued under the share capital increase). The capitalisation of the stock corresponded to around euro 4.2 billion (closing prices on 7 March 2011).

RISK MANAGEMENT

Generic risks

Main risks and uncertainties facing the Group

The following paragraphs illustrate the main types of risk the Group is exposed to when conducting its traditional business activities.

Credit risk: is the risk that a Group borrower (including therein counterparties to financial transactions in OTC derivatives – in this case, it is more correct to speak of counterparty risk) does not fulfil his obligations or that the creditworthiness of the same deteriorates. Concentration risk is very closely connected to credit risk, even to the extent of being considered a component of the same. Concentration risk derives from exposure to counterparties, to a group of related counterparties insofar as they operate in the same economic sector or conduct the same business activity or belong to the same geographic area. The assessment of the amount of possible losses that could be incurred with regard to a single credit exposure or to the total loan portfolio depends upon many factors including the general economic scenario, or the economic situation of specific production sectors, a change in the rating of individual counterparties, structural and technological changes within borrowing companies, a deterioration of the competitive position of counterparties, the possible mismanagement of businesses or of the borrowing counterparties, the growing indebtedness of retail customersretail customers and other external factors, such as legal and regulatory requirements.
The lending policy adopted by the Group concentrates, in particular, on containing risk through careful credit analysis during the approval stage, geographical and sector diversification of loans, obtaining guarantees, where necessary, to secure the approved loan and close monitoring of the evolution of the credit relationship. In general, the Group's lending transactions mostly take place in areas characterized by a diversified business structure, therefore loan portfolio risk is spread across various business sectors. The Group also continuously monitors its loan portfolio, analysing the trends of risk profiles, lines of credit, and utilization by economic sector, region, customer segment and type of loan.
To better manage credit risk, the Group uses ratings, developed internally, in credit processes (granting/renewal of a loan, approval powers, credit monitoring and management), in commercial policies (pricing, incentive system and loan catalogue) and in risk governance (measurement and management control of risks and risk management reporting).
One of the Group's key priorities is to have internal rules and regulations that clearly define the corporate functions/units in charge of managing risk determinants and the procedures to be adopted to monitor and contain risk within preset levels in line with assigned objectives.
As regards guarantees, the Group manages the residual risk associated with the possibility that generally accepted techniques to mitigate credit risk used by banks may be less effective than expected. Internal regulations have been developed to handle this risk, which govern the processes of acquisition, finalization and management of guarantees in a standardised way throughout the entire Group.
The Banco Popolare Group concentrates in particular on assessing the creditworthiness of banks and institutional counterparties (investment banks and financial companies), especially with regard to financial transactions (trading of derivatives and money market instruments, lending, investments in bonds).
The key principles underlying the management of risk originated by these counterparties are as follows:

- centralisation of the lending process in the Parent Company;
- internal system for the assignment and periodic review of ratings (in addition to those issued by international agencies);
- systems that measure and control credit exposure and compliance with ceilings on a daily basis;
- minimisation of the risk generated by OTC derivative contracts by making extensive use of mechanisms for the issue of collateral (Credit Support Annex agreements with all main counterparties).

Market risk: regards the possibility that the Group may generate less revenues than expected, or suffer from the impairment of balance sheet items or capital losses from financial positions held, due to sharp and adverse changes in market conditions, in particular interest rates, share prices, exchange rates, and the associated volatilities (generic risk), or due to events that may impair the issuer's redemption capability (specific risk). Market risks can materialize both with regard to the trading book, which includes trading instruments and the associated derivative instruments, and with regard to the banking book, which includes all financial assets and liabilities other than those included in the trading book. In the latter case, the same can also be referred to as the interest rate risk of the banking book, meaning the possibility of losses caused by potential changes in interest rates, in the presence of an unbalanced structure of assets and liabilities in terms of the maturities of the same, duration and the level of coverage of risks, and the equity instrument risk of the banking book, meaning the possibility of a fall in the fair value of equity instruments in the banking book in relation to market volatility or to the situation of single issuers.
As regards the trading books, the market risk stemming from the commercial activities performed by Group banks are systematically transferred to the subsidiary Banca Aletti. The risk exposures of the Parent Company are associated to investment portfolios (the residual exposures of commercial banks are marginal). The two main risk factors are the interest rate, associated with bond portfolios, the majority of which have a floating interest rate or are hedged by asset swap structures and have a very limited duration, plus the credit spread risk associated mainly with positions in Italian government bonds. The main market risks of Banca Aletti are associated with exposure to changes in interest rates and share prices, as part of trading in the cash and derivatives market. The exposure to exchange rate risk is marginal.

Market risk is measured by specific estimation models, and by a control process that entails the use of specific risk limits - established for each Group bank and assigned to the function involved in the management of the same - and the use of adequate verification procedures.
Consistent with the level of financial innovation in the market, particularly in the area of derivative instruments, the Group seeks to continuously develop methods and systems to assess financial instruments and to estimate the relative risks, especially as regards the more complex instruments and their relative market parameters.
The Group has also adopted a system of prudential limits for the interest rate risk associated with banking books, differentiated for individual banking companies, as well as for the group's aggregate, approved by the competent management bodies, with the aim of containing the impact of sudden rises or falls in market interest rates on the interest margin and on the value of equity within certain limits.

Liquidity risk: is represented by a possible situation of instability caused by a negative mismatch between incoming and outgoing cash flows, which can occur in particular in the short term, if not adequately covered by liquidity reserves represented particularly by available for sale securities and eligible for refinancing with the European Central Bank. Special attention is paid to the management of this risk, which is most likely to materialize in the presence of exceptional events, such as market liquidity crunches, and may result in the banks being unable to fulfil payment obligations. This risk is managed and mitigated by diversifying sources of funding and increasing the reserves of securities eligible for refinancing to counter unexpected cash outflows. Right from its incorporation, the Group has adopted a set of limits, both for the so-called operating or treasury liquidity, and for the structural liquidity generated within the banking book, which is constantly monitored and fine-tuned. Furthermore a Liquidity Policy is in place, accompanied by a specific Liquidity Contingency Plan, the aim of which is to guarantee timely and efficient management in the event or a liquidity crisis or stress. In particular, the Plan envisage specific early warning indicators that can forewarn of liquidity stress conditions associated with market crises or Group-specific crises; these indicators are monitored and controlled on a daily basis.

Operational risk: is the risk of incurring losses as a result of the inadequacy or the malfunctioning of company procedures, of mistakes or shortcomings of human resources and internal systems, or external events. It also includes legal risk, but not strategic or reputational risks. The main sources of operational risk include: the instability of operational processes, insecure information systems, a growing use of automation, the outsourcing of corporate functions, the use of a small number of suppliers, changes in strategy, fraud, mistakes, personnel recruitment, training and retention, and lastly social and environmental impacts. It is not possible to identify a prevailing source of operational risk as said risk is inherent in all business processes and activities. This has led the Group to implement widespread risk mitigation and management measures, in particular by transferring the risk by way of insurance instruments and/or outsourcing, by constantly improving process efficiency (control enhancement and re-engineering) and by checking that the latter are compliant with regulations.

Business risk: is the risk of incurring losses, in terms of a decrease in expected net interest and other banking income (net of the impact of credit and market risks), due to changes in the macro- or micro-economic environments, leading to a fall in volumes and/or margin squeeze, that may reduce the bank's ability to make profit.
In particular, the Group is exposed to the risk of fluctuations of commission income from investment services. This risk is managed and minimized through commercial policies and measures aimed at building customer loyalty, so as to render the provision of services stable and profitable, and at maintaining a high value added and innovative offer of products and services, in line with our customers' present and future needs.

Strategic risk: is the risk of a fall in income or capital as a result of changes in the competitive scenario or of wrong strategic business decisions, of an inappropriate implementation of strategic decisions, of a poor reaction or failure to react to changes in the competitive scenario. For example, the risk may come from unexpected changes in the key indices used as reference for the strategic plan (for example projected levels of GDP or inflation, retail customers' savings, expected corporate investments in different economic sectors or geographical areas, etc.), different to market expectations, leading to a positive effect on the Group's expected results, which then may not actually be fully achieved.
The constant monitoring of operating performance, of the company's key financials and of all the other important variables, whether the same are internal or external to the Group, allows the management bodies in charge of making strategic decisions to minimize this risk, making it possible to take timely corrective action and/or make adjustment should competitive or market circumstances change.

Reputational risk: is the risk of a fall in income or capital as a result of a negative perception of the bank's image in the eyes of customers, counterparties, bank shareholders, investors or supervisory authorities, as a result of specific critical events impacting, for example, specific operational areas, products or processes. The Banco Popolare Group makes a special effort to constantly improving its image and consolidating its reputation, and it implements a preventive policy on various fronts, in particular:

- customer protection, by guaranteeing an adequate information flow that enables them to make informed financial decisions;
- attentive and incisive verification, not only formal, of the coherence of operational procedures and company conduct with external and internal regulations and policies.

Strategic risk and reputational risk are characterized by the fact that they are risk classes that are mainly monitored by group structures, through the application of experimental assessment methodologies, also regarding their quantitative assessment.

Real estate risk: is the risk of a fall in the market value of proprietary real estate assets, as a result of price changes on the Italian real estate market. This risk is monitored by specific technical structures set up within the Group.

Securitisation risk: is the risk that the economic substance of a securitisation transaction is not fully reflected in risk assessment and management decisions. To manage this risk, Banco has set up a specialised structure in charge of defining securitisation transactions relating to its own assets. Among other things, this structure is in charge of selecting the portfolio to be disposed, of defining the structure to be adopted and of reviewing the documents prepared by the assigned lawyer.

Compliance risk: is the risk of incurring administrative and legal sanctions as a result of the non-conformity of internal regulations (and corporate procedures) with external regulations, and of corporate governance codes and internal codes of conduct. Compliance risk also arises in situations of non-conformity that may cause material financial losses and reputational damage. For further information on the management and control of compliance risk, please refer to the specific paragraph in this report.

Risk-taking, management and hedging objectives and policies

The Banco Popolare Group and the companies that belong to the same seek to respect criteria of prudence and reduced exposure to risk in their business activities, as regards:

- the need for stability in the exercise of banking activities;
- the profiles of its investors;
- its cooperative origins and the values of cooperative lending *(credito popolare)*.

The Group's overall propensity to risk is measured summarily by identifying, within the Group's capital assets (regulatory capital), a capital component that is not exposed to risk-taking (unexpected losses), but that is used to pursue medium-long term business continuity, the gradual strengthening of capital and the maintenance of business flexibility (so-called strategic capital reserve), as well as the capital coverage of impacts caused by the occurrence of very severe situations of stress (so-called stress capital).

In line with its propensity to risk, the Group and its subsidiaries pursue the following objectives:

- stable growth that is sustainable over time, namely characterised by a limited variability of results and of company value;
- creation of added value for shareholders as regards financial investments with comparable risk-return profiles;
- high credit risk distribution, in line with the objective of mainly lending to small and medium enterprises and retail customers;
- exposure to structural interest rate risk at a level roughly in line with industry best practice;
- market risk-taking strictly in relation to commercial requirements;
- exclusion of risks that are unrelated to core activities and an accurate assessment of initiatives that entail new types of risk;
- development of increasingly accurate and complete risk monitoring methods, also with a view to the validation of internal models for supervisory purposes;
- an active approach to the management of corporate risk, by using the most advanced hedging and mitigation techniques;
- growing transparency of risk exposure as regards the market.

The Group boasts an organizational structure, corporate processes, human resources and skills that are well suited to guarantee the identification, monitoring, control and management of the various risks that characterise its business activity, with the objective of protecting the Group's financial solidity and reputation against undesired events.

The entire risk management and control process is coordinated by Banco Popolare, in its dual capacity as Parent Company and entity in which all the functions of mutual interest to the Group are located.

The risk management, control and hedging process operates at different levels of the organisational structure.

The Supervisory Board has a fundamental role in the management and control of risk, as it decides the strategic direction, approves risk management policies and assesses the level of efficiency and adequacy of internal controls, in particular with regard to risk control.

As regards the internal control and monitoring of corporate risks, the Supervisory Board has the support of the Audit Committee, set up within the same.

The Parent Company's Management Board and the Board of Directors of the subsidiaries define the risk-taking operational and business approaches and guidelines, governed by Regulations on risk limits, establishing guidelines, risk limits and control procedures in conformity with those set by the Supervisory Board.

Risk Management policy is developed through the Group Risk Committee and the Finance and ALM Committee, which are both organizational units of the Parent Company. An important role is played by the Risk Management Service and by the

Group Audit Service, that are part of the Parent Company's Governance structure.

The Group Risk Committee, which is made up of the Chief Executive Officer and representatives of the Parent Company's main departments, assists the Parent Company's Management Board and the individual Boards of Directors in formulating risk policies and takes action to correct situations that do not comply with said policies.

The Finance and ALM Committee meets periodically and oversees market and liquidity risk management measures, defining the Group's funding policies.

Assessment of capital adequacy

Each quarter, the Group systematically assesses its own capital adequacy with relation to a set of wider risks that those envisaged by First Pillar regulations, in ordinary conditions and conditions of stress.

This assessment is carried out using, for the most part, management-type risk measurement tools, primarily based on statistical-quantitative methodologies relating more specifically to the VaR (Value at Risk) technique.

The results of these tests are illustrated in a specific report submitted to the management bodies and to the competent corporate functions of the Parent Company, in a specific structured document *(Tableau de Board)*.

The same techniques are used, both for current analyses and for forecasts, to produce the ICAAP (Internal Capital Assessment Process) Report, sent annually to the Bank of Italy.

This document, submitted to the approval of the Corporate bodies (Management Board and Supervisory Board), contains an assessment of capital adequacy at consolidated level and for the main companies of the Group, as a well as an analysis and assessment of the organisational systems in place, namely the assessment, for each risk, of the organisational structures set in place, the supporting IT systems, internal regulations, controls, reporting etc. aimed to control and mitigate said risks.

The report also contains a formal map of important risks, a description of the measurement models used to integrate quantifiable risk, as well as the techniques underlying the stress tests conducted to assess vulnerability to exceptional, but plausible, events.

The governance of risks via the system of limits

The undertaking of corporate risks is specifically disciplined by the system of risk limits or ceilings.

With the exception of liquidity risk, the limits are defined in terms of VaR (Value at Risk) and represent the maximum level of potential losses which it is believed can be sustained on a consistent basis with the risk-return profile chosen by the Group.

Responsibility for observance of each limit is assigned to specific corporate divisions/bodies which govern the operational leverages and determine the dynamics of the risks.

Two categories of limits are envisaged:

- an overall Group risk limit, defined with reference to the overall exposure to corporate risks;
- specific limits, envisaged for the main Group risks (credit, market, operating, interest rate on the banking portfolio).

The specific limits are structured into detailed sub-limits which refer, according to the case in question, to the individual Group banks, to portfolios (retail and corporate) and to the areas of operations (human resources, systems and procedures). This categorisation complies with the need to allow improved monitoring and to a more efficient handling of risks by the parties responsible. Accordingly, the limits undertake operational leverage validity as well.

With regard to liquidity risk, the exposure limits are defined by means of the maturity ladder tool, where the future cash flows generated by the expiry of financial and loan brokerage transactions are placed within the corresponding time brackets, measuring the liquidity imbalances and ensuring sustainability, via adequate liquidity reserves (*in primis* securities available and eligible for refinancing with the European Central Bank), even in possible situations of tension.

Market disclosures

Since April 2009, the public disclosure document has been published annually on the Parent Company's website, in compliance with the Third Pillar of Basel 2, containing qualitative and quantitative information relating to the Group's capital adequacy, its exposure to risk, as well as the general characteristics of the systems set in place to identify, measure, manage and control risk.

For further information on the risk management and control system, please refer to part E of the Explanatory Notes.

Other risk factors

This paragraph describes the risk factors and/or critical situations, both general and specific, relating to Banco Popolare and the Group it controls.

Risks associated with shareholding caps and with the exercise of voting rights

Art. 30 of the Consolidated Banking Law states that in a cooperative bank (*banca popolare*) no-one may possess an interest exceeding 0.50% of the share capital, except for UCITS, that are subject to the limits set by their own specific regulations. Should Banco Popolare determine that said threshold has been exceeded, and in any case within the terms envisaged by provisions in force, it must immediately notify the shareholder and the intermediary of said infringement. The shares exceeding the threshold must be transferred within one year of the notice, after which time the relevant capital rights accrued are acquired by Banco Popolare.
Art. 30 of the Consolidated Banking Law states that the shareholders of cooperative banks are entitled to only one vote, irrespective of the number of shares they hold. Furthermore, art. 23 of the Articles of Association states that each Shareholder - on condition that the same are not a member of the Supervisory Board or Management Board, or employee of Banco Popolare, or a member of the administrative or control bodies or an employee of companies directly or indirectly controlled by Banco Popolare, or of the independent auditors who have been assigned to audit the accounts, or the person legally responsible for auditing the accounts of Banco Popolare and that do not satisfy one of the other conditions of incompatibility provided for by law - may represent one other Shareholder only at a Shareholders' Meeting, by means of a proxy.

Risks associated with pending legal proceedings

The Banco Popolare Group is involved in numerous legal proceedings associated with the natural unfolding of the business activities. The main risk positions are detailed below.

Revocatory action launched by the bankrupt company Italgest vis-à-vis former Banca Popolare di Novara S.c. a r.l.
In November 2004, the court condemned the then Banco Popolare di Verona e Novara to pay euro 129.2 million plus any interest and legal expenses to the bankrupt Italgest. An appeal was filed against this sentence, which is currently pending. Without considering the effects of the arrangement with creditors proposed in the meantime, the effective potential liability would not have been able, in any event, to exceed the net amount of the bankruptcy liabilities, already quantified as around 55 million.
The Bankrupt Italgest also brought action against the former Banco Popolare di Verona e Novara aimed at declaring the same responsible, pursuant to Article 2049 of the Italian Civil Code, for contributing to its insolvency as it had maintained the credit facilities relating to Italgest and for delaying the bankruptcy. The damages requested are equal to the entire bankruptcy liabilities, as existing at the time of the proposal of the claim (formerly 107 billion Italian lire, corresponding to euro 55,260,888.21). The proceedings have been postponed, without pre-trial activities, to 21 June 2011. On the assumption that the case is groundless, Banco Popolare has not deemed it necessary to make any provision for the same, in line with the opinions of the legal advisors appointed to defend the case.
Banco Popolare, an unsecured creditor of around euro 4.5 million, in turn, filed revocatory action against the Municipalities who hold the cash management relationship, pursuant to art. 102 of the Bankruptcy Law (now art. 98).
In this judicial context, on 22 May 2007 a third party submitted a proposed arrangement with creditors. Said proposed arrangement was initially not approved by the Court of Naples, but then approved by the Court of Appeal, whose decision was then confirmed by the Court of Cassation with a ruling dated 10 February 2011.
Following the approval of the arrangement with creditors and of the settlement made between the third party that submitted the proposed arrangement with creditors and Banco, a final ruling on the cited revocatory action and the damages to be paid by Banco was made; the excess of the relative funds has been booked to the income statement.

Area S.p.A. dispute
In July and September 2009, Banco Popolare and Banca Popolare di Lodi S.p.A., along with a further three parties, were summoned, by means of separate action brought by two separate groups of former non controlling interests shareholders of Area S.p.A..
In the first proceedings, the 42 plaintiffs requested the sentencing of the defendants to compensate the alleged damages suffered quantified as euro 13.15 million. The hypothesised liability is said to derive from an alleged agreement between Banca Popolare di Lodi S.p.A. and Banca Intesa S.p.A., which would have led among other things to the exclusion of Area S.p.A.'s non controlling interests shareholders, without acknowledging them the payment which would have been due on exercise of the right to withdraw as a consequence of the merger of Area S.p.A. in Bipielle Investimenti S.p.A..
During the second proceedings, the 76 plaintiffs requested the sentencing of Banco Popolare, Banca Popolare di Lodi S.p.A. and Mr. Fiorani – subject to ascertaining the alleged criminal liability of the latter and liability pursuant to Article 5 of Italian Legislative Decree No. 231/2001 of the two Banks - to compensate the claimed damages of euro 25.2 million, inferring the same profiles illustrated in the previous legal proceedings.
On 20 January 2010 Banca Intesa S.Paolo summoned BPL and Mr. Fiorani in the proceedings filed by Bolis Aurelio plus others regarding the same subject as those cited above to extend the sentence to BPL.
Banco Popolare and Banca Popolare di Lodi, at the current state of knowledge, believe that the claims of the plaintiffs are groundless and consequently they have not envisaged provisions in this connection.

Antonio Aiello and CGI – Compagnia di Gestione e Iniziative S.r.l. dispute

On 31 October 2008, Banca Popolare di Lodi S.p.A. was served a summons to appear before the Court of Rome, upon the initiative of Mr. Antonio Aiello and the company CGI – Compagnia di Gestione e Iniziative S.r.l..

The counterpart claim seeks to obtain ascertainment of the alleged serious liability and compensation of the consequent damages which were supposed to have been suffered by the plaintiffs due to the conduct of Banca Popolare di Lodi S.p.A. in the period 2005 – 2007, in relation to unfounded accusations - also widely covered by the press – against Mr. Aiello.

The sum requested for the compensation of the damages is 10 million.

In a ruling dated 25 August 2010, the provisions of which do not yet appear to have been communicated to the plaintiffs, the Court of Rome stated territorial lack of jurisdiction, referring the case to the Court of Lodi, setting a term of three months for the resumption of proceedings. Furthermore, the counterparty was ordered to pay legal expenses.

As the claims in question are considered groundless, no allocation to provisions has been made.

Cirio position

On 25 January 2011, the settlement of the disputes that arose following the financial turmoil of the Cirio Group was signed, without any admission of liability, envisaging, among other things:

- the abandonment by the Cirio Group , in extraordinary receivership, of the civil action appeal made against the ruling dated 18 June 2007, in which the Court of Rome, Civil section III, rejected any claim vis-à-vis Banca Popolare Italiana Soc. Coop.;
- the revocation by the Extraordinary Receiver of the Cirio Group to bring a civil action against the company representatives involved, with regard to all of the counts of indictment relating to the same and illustrated in the decree stating the judgement;
- the revocation, by the Extraordinary Receiver of the Cirio Group, of the summons relating to the civil liability of Banco Popolare Soc. Coop. and of Banca Popolare di Lodi Spa within the criminal proceedings.

The settlement only regards the claims of the Extraordinary Receiver, as it does not entail the revocation of the bondholders' civil action relating to the offence of fraud, or the revocation of the shareholders and bondholders civil action regarding bankruptcy offences, in which any claims relating to the subsidiary bank are considered groundless.

Dispute with Parmalat, in Extraordinary Receivership, against Gian Paolo Zini – BPL summoned as third party

By means of summons dated 21 July 2004, Parmalat Finanziaria S.p.A. ("Parmalat Finanziaria") and Parmalat S.p.A. ("Parmalat") brought legal proceedings against the lawyer Gian Paolo Zini and Messrs. Calisto Tanzi, Stefano Tanzi, Luciano Del Soldato, Giovanni Tanzi, Giovanni Bonici, Gianfranco Bocchi, Claudio Pessina, Franco Gorreri and Fausto Tonna.

With regard to all the defendants, Parmalat Finanziaria and Parmalat brought action for the compensation of damages (pursuant to Articles 2392, 2393, 2394, 2447, 2448, 2449 of the Italian Civil Code, as well as for contractual liability, or tortious liability pursuant to Article 2043 of the Italian Civil Code), maintaining that the same were, for various reasons, responsible for the difficulties which the two companies of the Group headed up by Calisto Tanzi found themselves in. This led to the request for damages for euro 2.63 billion in favour of Parmalat and euro 9.273 billion in favour of Parmalat Finanziaria. During the legal proceedings, the undertaker of the creditor agreements reached, in other words the new Parmalat S.p.A., also brought legal action, associating itself with the claims of the plaintiffs, and re-proposing the same.

By means of third party summons, the lawyer Mr. Zini called forth a series of parties before the court, including the then BPI, requesting that the alleged joint and several liability of the same with respect to the plaintiffs' claims be ascertained.

Accordingly, on 4 January 2005, the then BPI therefore appeared before the court requesting that inadmissibility of the third party summons made by the lawyer Mr. Zini vis-à-vis BPI, due to the lack of the legal requirements and/or due to lack of standing to be sued with regard to the same. BPI, in this connection, then requested the rejection of all the adversary claims in that they are entirely unfounded with regard to fact and law.

At the hearing on 20 September 2006, the Bench, having noted that Parmalat S.p.A. in extraordinary receivership had brought civil action in criminal proceedings for the same matters disputed by the same in the proceedings *de quo* (thus transferring the civil action to criminal proceedings), declared:

1. the dismissal of the civil action brought by the same Parmalat S.p.A. in extraordinary receivership;
2. the suspension of the civil proceedings in question, establishing that they may continue between the undertaker (the new Parmalat S.p.A. which intervened, as mentioned, in the civil action but which had not brought civil action in the criminal proceedings), the defendants and the third parties arraigned (including BPI), only on conclusion of the criminal proceedings. Thus because, in consideration of the prejudicial relationship existing between the two sets of proceedings, the sentence which will decide the criminal proceedings could have relevance and will be opposable in the civil proceedings.

Following the "plea bargain" rulings on 19 and 25 April 2007 relating to the criminal trial of Parmalat against several defendants (not including the lawyer, Mr. Zini), Parmalat Spa in Extraordinary Receivership and Parmalat Finanziaria in Extraordinary Receivership revoked the civil action brought against the defendants who obtained the application of the sentence on request and, with separate appeals, Parmalat Spa in Extraordinary Receivership and Parmalat Finanziaria in Extraordinary Receivership requested the prosecution of the civil proceedings against the same defendants, as well as third parties summoned by the same.

On 4 June 2008, the Civil Court of Parma ruled as follows:

i) it declared the inadmissibility of the motions to continue civil proceedings made by Parmalat Spa in Extraordinary Receivership and Parmalat Finanziaria SPA in Extraordinary Receivership;

ii) it ruled for the separation of the actions exercised against the defendants which, with regard to the "Parmalat"

criminal proceedings, had reached a plea bargain arrangement, as well as against the third parties summoned by the latter;

Substantially, the Court of Parma authorised the above-mentioned positions to be cancelled from the file, providing from the prosecution of the proceedings limited to the same, while it confirmed the suspension of proceedings against - among others - the lawyer, Mr. Zini and the parties summoned by the same, including the Bank, as the pending criminal proceedings against the same had not been concluded.
The lawyer, Mr. Zini, was sentenced to imprisonment of seven years and 10 months, and the ruling has been challenged before the Court of Appeal in Bologna.
Without prejudice to the above regarding the defence of BP, it is not possible to assess the possible outcome of the trial proceedings: therefore, the Bank's Board of Directors has decided not to make any allocation to the provisions.

Immobiliare Valadier dispute
On 29 July 2008, the subsidiary company Banca Popolare di Lodi S.p.A received communication of the exclusion of the senior receivable of euro 76.6 million due from the company Immobiliare Valadier S.r.l of Rome (a company declared bankrupt by the Rome Court in January 2008), in relation to a real estate mortgage loan granted in 2006, from the bankruptcy liabilities.
This decision was challenged in light of the due completion of the real estate mortgage loan and the regular acquisition of consolidated and opposable mortgage collateral, on extensive assets, what is more a mortgage loan assisted by the transfer of lease instalments on the assets as collateral. It should be noted that as at 14 October 2009, the Rome Court had issued a justified ruling by means of which, upholding the reasons of Banca Popolare di Lodi, it regularly admitted the Bank's receivable to the bankruptcy proceedings and ordered the bankrupt to reimburse the legal costs.
Furthermore, on 12 November 2009 the Receivership of Immobiliare Valadier appealed to the Supreme Court against said ruling, therefore via its legal advisors Banca Popolare di Lodi promptly prepared and filed a counter-appeal.
As things stand however, the subsidiary Banca Popolare di Lodi believed that it was not necessary to make any specific value adjustments in relation to the legal proceedings pending before the Supreme Court, with the exception of those relating to the realisation timescales, also taking into account the positive outcome of the act of appeal and the proposed settlement thereof.

As regards the other pending dispute with the Receivership of the bankrupt Valadier, with a ruling dated 2 November last, the Court of Rome declared the proceedings relating to the simulation, the ordinary revocation and the nullity pursuant to art. 38 of the Consolidated Banking Law, of the contested mortgage agreement, barred to prosecution, due to the violation of the principle of "*ne bis in idem*" (namely for the same topic already decided in BPL's favour in the legal action opposing the bankruptcy claim, now pending in the Court of Cassation).
Furthermore, the Court rejected the claim, pursuant to art. 44 of the Finance Law, of ineffectiveness of the payment of 1.3 million as reimbursement of the mortgage loan instalment, ordering the bankrupt party to pay legal expenses as well.
Note, in any event, that a proposed arrangement with creditors submitted by Mib Prima S.p.A. with a single shareholder, has been received.
On the basis of said proposal, BPL's mortgage receivable will be fully repaid and the proceedings underway will be extinguished under the law, as the matter being disputed will have been resolved by the arrangement with creditors, currently being approved.

Fingruppo Holding
On 21 August 2008, the Court of Brescia rejected the Fingruppo Holding's bankruptcy petition following the finalisation on 20 August of an agreement for restructuring the debts of said Fingruppo pursuant to and for the purposes of Article 182 bis of the Italian bankruptcy law. During the hearing held on 24 September 2008, no opposition emerged, therefore the act approving the restructuring agreement became final. Within the sphere of its problem loans, the Banco Popolare Group presented an original credit exposure vis-à-vis Fingruppo Holding via the subsidiary Banca Popolare di Lodi amounting to 158 million. Banca Popolare di Lodi complied with the agreement. This agreement envisages that the amounts receivable claimed by those complying with the agreed vis-à-vis Fingruppo shall not accrue interest as from 1 July 2008. With regard to the principal, the agreement also envisages that the receivable due to Banca Popolare di Lodi be reimbursed in the first instance by means of the proceeds of the sale on the market of Hopa S.p.A. shares and Banca Popolare di Lodi 2002-2012 bonds belonging to Fingruppo, afforded under deposit and/or as collateral in favour of said Banca Popolare di Lodi. The amounts relating to the sale of Hopa shares and Banca Popolare di Lodi bonds have been credited to Banca Popolare di Lodi with a value date of 30 December 2008 and 10 June 2009, for the respective balances of 10.3 million and 25.4 million. Furthermore, on 26 February 2009, Banca Popolare di Lodi was credited the sum of 23 million, as the first advance and by way of repayment of the receivable. Also considering the coupons collected by Banca Popolare di Lodi, subsequent to approval of the restructuring agreement, relating to the afore-mentioned bonds, the gross receivables of the Banco Popolare Group dropped to 98 million. Following compliance with the agreement, the Group companies reconsidered their appraisals of the receivables due from Fingruppo and Hopa.
Finalisation of the agreement for restructuring Fingruppo's debts represented one of the main conditions for the achievement of the letter of intent signed on 23 July 2008 between Mittel and Equinox Two, on the one part, and Banco Popolare and Banca Monte dei Paschi di Siena, on the other, which envisaged the establishment of a new company in which Mittel and Equinox hold 66.6% of the capital while Banco Popolare and MPS hold the remaining 33.3% divided up into equal holdings.

The acquisition of the shareholding in the new company, Tethys S.p.A., led to an investment for Banco Popolare of 5 million. Tethys acquired all the investments in associates held by Fingruppo and the Hopa shares acquired by the afore-mentioned banks. Tethys has the right to acquire the additional Hopa shares held by Banco Popolare and MPS within five years at a price of euro 0.10 per share (call option). The shareholding held by Banco Popolare in Hopa is represented by 101,019,756 shares (equal to 7.3% of the share capital) forming part of the available-for-sale financial asset portfolio. The agreement envisages that the management and turning to account of the investments in associates acquired is the responsibility of the business shareholders of Mittel and Equinox who have the right to purchase the Tethys holding held by Banco Popolare and MPS within five years at a total price of 10 million. Following the stipulation of the agreement in question, Banco Popolare reconsidered the appraisal of the Hopa shares, aligning it to the exercise price of the call option due to Tethys. The described agreement, together with the supplementary ones entered into in August 2009, envisage the granting by Banco Popolare and MPS of a number of guarantees in favour of Tethys against any out-of-period expenses and amounts not receivable not recorded in the balance sheet of Hopa taken as reference for the purpose of entering into the afore-mentioned agreements.

Exposure vis-à-vis the Delta Group
In May 2009, Delta S.p.A., parent holding company of the Delta Group, involved in consumer credit, and Sedici Banca S.p.A. (bank belonging to the Delta Group) were subject by the Bank of Italy to temporary management in relation to the serious irregularities which emerged from operations.
The two banks were subsequently placed under extraordinary receivership; the Bank of Italy appointed three administrators (Prof. Bruno Inzitari, Mr. Enzo Ortolan and Mr. Antonio Taverna), while Cassa di Risparmio di San Marino (CRSM), Delta's Parent Company, in turn appointed Messrs. Lusignani and Lamandini and KPMG as its advisors.

The plan drawn up by the advisors of CRSM envisaged the sale of Sedici Banca and part of the Group assets (sales network, insurance network, etc.) to Intesa SanPaolo (ISP). The assets of the operating companies (Carifin, Plusvalore and Detto Factor) were to have served the payment of the debts due to the creditors, mainly represented by the banking system. Further to the due diligence activities, ISP manifested its unwillingness to finalise the purchase; this waiver led to the failure to close the restructuring agreement drawn up by the CRSM advisors.

Following the failure to close the agreement, the administrators (with the collaboration of Price WaterhouseCoopers as advisor) proposed a new plan to the banks which envisaged recourse to Article 182 bis of the Italian Bankruptcy Law, presented to the Bank of Italy on 23 March 2010.

At present, following lengthy negotiations, a revised version of the Plan submitted is being prepared for proposal to the banking system, along with a restructuring agreement pursuant to art. 182 bis of the Italian Bankruptcy Law, which essentially envisages: (i) the full payment of all non-participating creditors; (ii) payment of participating creditors (the banking system) by means of the net collections of the receivables of the financial companies (Carifin, Plusvalore and Detto Factor); (iii) the transfer to ISP of part of the accounts held by Sedici Banca (following the spin-off of Sedici Banca and the cancellation of the same's debt exposure to CRSM) and Bentos Assicurazioni; (iv) the settlement of the receivables of the banks stemming from loans under art. 2447-decies of the Italian Civil Code (including those of the subsidiary Efibanca), by means of the collection of the receivables representing the separate capital, which, according to the plan would enable full payment to be made, and subsequently to use the collections to settle the loan, and pay the other creditors; (v) the establishment of a Newco, for which the participation of the main banks, including Banco Popolare, is required, in order to oversee the receivables collection process, that Newco would perform on the assignment of Carifin, Plusvalore and Detto Factor, assigning, in turn, the task of collecting non-performing receivables to Tarida S.p.A. (a dedicated Delta Group company) and that of managing the collection of performing receivables to River Holding (another wholly-owned subsidiary of Delta).

As ISP's offer regarding the purchase by the same of the above-indicated assets was finalised at the end of 2010, it is retained that the final restructuring plan can be submitted to the banking system along with the agreement under art. 182 bis of the Bankruptcy Law by March 2011, which can then be signed.

As at 31 December 2010, the banks in the Banco Popolare Group were exposed to the Delta Group for a total of euro 211 million. Within the sphere of these uses, the following are of note:

- two loans under art. 2447-decies of the Italian Civil Code of 105 million (Efibanca);
- a credit facility in favour of the group parent Delta of 40 million.

The position is classified under loans being restructured.

Raffaele Viscardi S.r.l.
The law suit, which presents a *petitum* of around euro 46 million, concerns the operations of the Salerno branch of Banca Popolare di Novara with regard to transactions entered into by the bank as part of the granting of agricultural loans to the plaintiff company. In detail, the plaintiff alleges that it was led to subscribe Bank bonds to guarantee the sums disbursed under loan and, therefore, the Bank abused its dominant position violating the norms on the mandate also in conflict with CONSOB regulations. Furthermore, the plaintiffs claim damage due to reporting in the Italian Central Credit Register, an event which caused a false representation of the company's real conditions.
The law suit is at the pre-trial stage.

With regard to this dispute, it was not deemed necessary to make any provision for the time being.

Conca Massimo
Mr. Conca has filed civil action contesting claims made by BPL against him.
In a ruling dated 7 January 2011, the Court of Lodi approved the counter claim made by BPL, ordering Mr. Conca to pay the sum of euro 25,813,049.54 plus interest and expenses.

Potenza Giovanni
This dispute stems from relations between the former ICCRI and a company called CRIA and regards the renovation of a large building complex in Milan. In 1984, ICCRI granted various credit facilities, all secured with mortgages. The shareholder of CRIA at the time was Giovanni Potenza, who, due to economic difficulties being experienced by the company, agreed with ICCRI to transfer 87% of the company's shareholding to IMMOCRI (ICCRI's real estate company) by means of a shareholder's agreement.
In 1998, following the sale of the real estate assets of CRIA to the Norman Group, Mr. Giovanni Potenza filed a series of lawsuits to demonstrate the damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI at a price he retained as inadequate, as well as to obtain the annulment of the settlement agreements between the Norman Group and ICCRI and of the relative contract of sale of the assets.
Whilst awaiting the first instance of the civil proceedings, the plaintiff has initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion, attempting, in this case to demonstrate that:

- the sales of the properties was agreed by ICCRI and Norman in his absence;
- the plaintiff had been threatened with bankruptcy if he hadn't have accepted the conditions set by the Bank.

The proceedings were dismissed by the Public Prosecutor.
The Bank won the civil proceedings in the first instance in 2009 and the plaintiff was ordered to pay legal expenses; Mr. Potenza has filed an appeal. The next hearing in which a conclusion will be drawn is set for 12 June 2013. No allocation to provisions is considered necessary.

Criminal proceedings relating Banca Italease
On 3 November 2010, Banca Italease was ordered to pay a fine of euro 1.9 million and a sum of 64.2 million plus interest was confiscated for administrative liability under Italian legislative decree no. 231/2001.
The Bank appealed against the ruling; both the fine and the confiscation will not be applied until the judgement has become final.
As it is believed that there are valid and well-grounded reasons on the basis of which the outcome of the appeal will overturn the ruling of the court of first instance, supported by the opinions of external consultants, the potential liability has been classified as possible, with the need to make any allocations to provisions.

Egerton Capital Limited
By means of a summons dated 14 March 2008, Banca Italease was ordered to appear before the Court of Milan by Egerton Capital Limited (on its own account and behalf of the funds: Egerton Capital European Fund plc, Egerton Capital Partners L.P., Egerton Investment Partners L.P., the Egerton European equity Fund Ltd, The Egerton European Dollar Fund Ltd., CF Egerton Sterling Investment Fund), on a claim of damages of 105 million relating to investments made in Banca Italease shares in the period between January and May 2007. More specifically, the plaintiff based its claim for damages on the alleged illicit conduct of the Bank, namely that it had concealed the fact that a considerable amount of Banca Italease's business activities regarded high-risk complex derivatives from the market, by circulating financial statements, interim reports and the prospectus dated January 2007 regarding the share capital increase, as well as accusing the same of acting illegally in various ways.
In a ruling dated 22 July 2010, the Court of Milan, upholding a fair part of Egerton's claims, ordered Banca Italease to pay the sum of euro 79.9 million as damages, also ordering the same to pay legal expenses of euro 0.5 million.
Banca Italease filed an appeal and obtained a suspension of the enforcement of the first instance ruling: a petition submitted by the counterparty to overturn the suspension was rejected.
Banca Italease has made the due allocations to its provisions for legal risks based on the applicable accounting principles, the sum of which was considered adequate also by external legal advisors, who believe that the first instance ruling could be fully overturned.

Kevios
By means of summons served on 18 December 2009, Kevios S.p.A. summoned Banca Italease before the Milan Court, so as to obtain the upholding of the request for compensation of damages of around euro 65 million, founded essentially on the alleged existence of numerous cases represented therein: abuse of economic dependence, abuse of the law and contractual breach, primarily attributable to the Bank. The Judge, dissolving the reservation made at the hearing on 8 February 2011, upholding the motions filed by Banca Italease, retained the means of evidence requested by the counterparty inadmissible, and that a final decision could be made on the case, setting 19 February 2013 as the hearing at which a final judgement will be passed.
Banca Italease believes that the claims of the plaintiff are entirely groundless and has not made any allocations to provisions in the financial statements.

Lombardi Stronati Group
In December 2008, upon the requests of the Public Prosecutor, the Rome Preliminary Investigations Judge carried out an extensive precautionary attachment on the assets belonging and/or referable to the businessman Giovanni Lombardi Stronati. As far as Banca Italease and its subsidiaries are concerned, this attachment concerned the assets underlying two real estate property lease agreements (gross receivable of around 92 million) and a nautical lease agreement (gross receivable of around euro 4.5 million). The total exposure of Italease and its subsidiaries vis-à-vis the Lombardi Stronati group was classified under non-performing positions as of 31 December 2008.
In July 2009, following contact with the Rome Public Prosecutor, the attached assets were replaced by a liquid amount, restricted for the purposes of justice, totalling euro 17.25 million (or rather equal to the initial balloon payments relating to the real estate agreements initially affected by the attachment and the amount relating to the advance paid to the supplier of the boat with regard to the nautical lease agreement). Further to the termination of the lease agreements underway, in 2009 the Lombardi Stronati group made claims against Banca Italease and its subsidiaries for euro 62.8 million, plus interest, monetary revaluations and additional damages. Banca Italease authorized its legal advisors to reject the claims which, on the basis of the checks carried out, continue to appear unfounded and unsupported by reason. In June 2009, the Lombardi Stronati group took steps to appoint a legal advisor and a financial advisor, via whom it launched a series of contact with the main creditors, including Banca Italease and its subsidiaries. The objective pursued was to reach a conciliatory settlement of the situation, to be included within a more overall recovery plan declared as per Article 67, 3rd paragraph, letter d) of the Italian Bankruptcy Law. The negotiations aimed at reaching any agreement are still underway.

Rarem Group
By means of a summons dated 19 February 2008, the plaintiff company summoned Banca Italease before the court, requesting the invalidity, ineffectiveness and annulment for a number of reasons of derivative contracts (IRS) drawn up between March 2004 and August 2005. Furthermore, the plaintiff company also requested that the reporting of the name of the company in the Central Italian Credit Register to be declared illegitimate and claimed compensation for all damages incurred, quantified as over euro 29 million.
The plaintiff claims a lack of correct information on the financial instrument proposed to the same by the Bank which, instead of a hedging instrument, turned out to be highly speculative, with the related risks, and above all the lack of authorisation from the Bank of Italy to trade in derivative contracts.
Banca Italease appeared as requested before the court.
Banca Italease has closed the derivative contract and the receivable due to the plaintiff has been written down.
A better assessment of the risks of this case can be made following the outcome of the admission of pre-trial evidence.

Risks associated with current disputes with the Inland Revenue Service

In 2010 and in previous years, Banco Popolare and Group Companies have been subject to various assessments by the Tax Authorities. These activities have concerned the calculation of the taxable income declared and the application of tax legislation in force as and when with regard to both ordinary transactions and to specific extraordinary transactions. Following these activities, Banco Popolare and the subsidiary companies were involved in numerous disputes.
A detailed description of the disputes unresolved as at 31 December 2010 is contained in the Explanatory Notes.

The claims made by the Government Tax Authorities by means of notices of assessment as at 31 December 2010, amounted in total to euro 730 million (additional taxes assessed and related fines). The tax authority claims in terms of additional taxes due which can be inferred from the formal report on assessment findings were estimated at around euro 833 million.

The largest share of the disputes in question refers to the claims made in a series of formal reports on assessment findings and assessment notices sent to Banca Italease and its subsidiaries Mercantile Leasing and Italease Gestione Beni relating to tax years 2001 to 2009. The tax authority claims resulting from the notices of assessment regarding Banca Italease and its subsidiaries actually amount to 603 million (additional taxes assessed and relative fines), while those resulting from formal reports on assessment findings amount to 810 million (additional taxes and fines, the latter only where shown in the report).

As regards the disputes relating to Banca Italease and its subsidiaries, after the date of the financial statements, on 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Inland Revenue Service for the full settlement of almost all of the disputes.
In formalising this agreement, the parties undertook to settle the individual pending disputes, the individual assessments which have not yet been disputed, and the findings of each of the formal reports through payment by Banca Italease and its direct subsidiaries Mercantile Leasing and Italease Gestione Beni of the total amount of euro 210.1 million in additional taxes (primarily VAT), fines and interest.
The decision to reach an out-of-court settlement of said disputes made by the Board of Management of Banco Popolare at a meeting held on 22 February 2011 follows a careful evaluation of the advantages and disadvantages associated with the option of an out-of-court settlement versus that of managing a long and complex litigation process. Given the existence of valid and well-grounded reasons, as regards both the law and the facts, on which an attempt to deny the claims of the tax authority could be based, the advantages associated with eliminating a situation of uncertainty relating to the possible negative impact of a negative outcome of the dispute on the Group's equity standing, were considered pre-eminent. This decision was also based on the conviction that said uncertainty could generate considerable prejudice in terms of the assessment of the Banco Popolare Group.
In this regard, it should be noted that coming to an out-of-court settlement does not, by its nature, imply acknowledgement

of any of the claims made by the tax authority as regards the findings in question. The latter was also reiterated in the agreement signed on 15 March 2011.

In relation to this commitment to pay, a specific allocation of euro 210.1 million was made to the item "provisions for risks and charges" (item 120 b) of balance sheet liabilities in the consolidated financial statements as at 31 December 2010. The overall negative impact on the Group's economic result in 2010 following the out-of-court settlement illustrated above was euro 165.2 million.

Excluding the disputes which will be closed as a result of the out-of-court settlement illustrated, the potential liabilities relating to notices of assessment received as at 31 December 2010 have been reduced by about euro 217 million, while those relating to formal reports on findings amount to about euro 15 million.

The tax disputes regarding the companies of the former Banca Italease Group excluded from the out-of-court settlement show residual claims of the Tax Authorities for about euro 85 million (notices of assessment for euro 79 million and formal reports on assessment findings for euro 6 million). The potential liabilities resulting from said disputes have been assessed as possible but not likely given also the rulings in favour of the Group in the court of first instance.

Also with reference to the disputes relating to Group companies other than Banca Italease and its direct subsidiaries, it is believed that in almost all cases, there are valid and well-founded grounds to challenge the claims advanced by the Tax Authorities as regards legal proceedings already underway. The potential liabilities classified as probable in relation to the notices of assessment received to date amount in total to approximately euro 24 million and are fully covered by the provisions set aside in the item tax liabilities.

Exposure towards Greece, Portugal, Spain and Ireland

During the year, the government securities markets of European nations suffered, on more than one occasion, from the difficulties encountered by the banking systems of several countries in the Euro Zone, specifically Ireland, and by the particularly delicate situation of the public finances of Greece, Ireland and Portugal (more generally in so-called PIGS countries). At the beginning of the year, the outburst of the public debt crisis in Greece had forced the European authorities (European Commission and ECB) to take several extraordinary measures to support the Greek government and the financial markets (described in detail in the section regarding the economic scenario in this Report on Operations). In the second half of the year, market tension relating to the situation of the PIGS resumed following difficulties experienced by the Irish banking system at the beginning of August. The markets of Greek, Irish and Portuguese government securities were marked by said tension. The costs of saving Greek and Irish sovereign debt from default, in particular, started to rise again. Towards the end of the year, tensions peaked again following fresh fears on the financial status of Ireland, following by the launch of financial aid packages by the European authorities, and on the possibility that Portugal would be contaminated by the same. At the end of November, the Ministers of the Economy and Finance of Euro Zone countries established the main characteristics of a permanent mechanism to handle crises, aimed to safeguard the financial stability of the Euro Zone as a whole (European Stability Mechanism): this mechanism will be fully operational as of July 2013. The tensions that arose during this period were reflected, particularly at the most severe points, by a general reorganisation of portfolios, favouring assets considered less risky (flight to quality), also generating a widening of the spread between the returns of Italian government securities, under moderate tension, and German ones. In the third quarter, said spread came close to 200 b.p. and then fell rapidly to 150 b.p., closing the year at just above 180 b.p..

In relation to the crisis situations which affected these countries, as at 31 December 2010, the Banco Popolare Group held government securities in the portfolio issued by Greece of euro 79.1 million and by Spain of euro 198.2 million. There are no exposures in government securities vis-à-vis Portugal and Ireland.

Future evolution of Group risks/objectives

The Group implements processes for the selection, undertaking, governance and mitigation of the risks originated by banking and financial activities to pursue stable and sustainable growth objectives over time, in line with the general policies established by the Supervisory Board upon the proposal of the Management Board and disciplined among other things in the "Group regulations on risk limits".
As regards said policies, the following are of particular note: significant distribution of credit risk, in line with the objective of mainly lending to small and medium enterprises and retail customers, market risk-taking strictly in relation to commercial requirements, close monitoring of liquidity for the purpose of ensuring the ability to promptly deal with expected and unexpected financial requirements as well as the exclusion of risks unrelated to core business activities.
The implementation of the illustrated policies represents an element of guarantee for the Group, which is therefore able deal more effectively with possible adverse developments in the economic-financial scenario, even if unforeseeable.

There is still considerable uncertainty as to the intensity and progress of the economic recovery, as regards, above all, the Italian system. This situation makes it difficult to predict the evolution of corporate risks, particularly credit risks: as regards the latter, therefore, the trends that could characterise probabilities of default (to 12 months) are still unclear, although a downward trend of the same was recorded in 2010.

Any, albeit unexpected according to the major analysts, deterioration of the economic scenario, or, alternatively continuing stagnation, could lead to a deterioration of the solvency situations of enterprises, at system level, with possible negative repercussions on the banking system.
The lending policy objectives pursued by the Group seek, among other aspects, to diversify the loan portfolio, by limiting the concentration of exposures, and to support business development in its area of operations, exploiting the fact that it is in close contact with its customers; said objectives, therefore seek to minimise the risks associated with an adverse economic climate. It is also worth drawing attention to the Group's commitment, within the impact studies established by the supervisory authorities, to stress testing exercises applied to credit risk, as a tool able to verify resilience over time to the potential significant deterioration of the economic scenario.

In terms of liquidity risk, the integration of the former Banca Italease Group, net of non-performing loans, has obviously led to a increase in liabilities falling due. The Group has reacted to this situation by seeking to continuously improve the control tools available to the same, as well as seeking a better balance of financial maturities, by increasing liquidity reserves and activating new instruments (e.g. covered and soft mandatory bonds), which will enable it to tackle any situations of unexpected and significant falls in liquidity of the system.
The end of 2010 saw the issue of both the new prudential supervisory regulations on liquidity and international regulations (so-called Basel III) , which will come into force in stages. In 2011, therefore, we will see the group focused on implementing the changes being introduced.
The severity of these regulations could generate, in the future, phenomena of excessive medium and long term bank liabilities by the national and international banking systems, with potential repercussions on the liquidity situation of individual institutions and on the profitability of the banking system as a whole, with the potential risk of competing with Sovereign states and companies in the renewal of medium-long term funding.

Even with the integration of the former Banca Italease Group, as regards interest rate risk, it should be noted that possible increases in interest rates resulting from restrictive measures set in place by the supervisory authorities would have a positive impact on the Group's interest margin. Even though a scenario such as that described would have a positive impact on income, by contrast, it could result in the increased volatility of interest rates and, therefore, of the relative risk (in terms of potential reduction in market value), both as regards the trading book for supervisory purposes and the banking book. The management and continuous control of these risks, even though a system of ceilings, ensure the capital sustainability of the scenario envisaged.

With regard to the process of integration of the former Banca Italease group, the constant commitment, in terms of managing the portfolio of loans in default, reducing risk, focusing particularly on those of a high amount (so-called large risks).

SUPERVISORY, CONTROL AND SUPPORT ACTIVITIES

Human resources

Breakdown and evolution of the Group's Workforce

The breakdown of personnel by category and gender as at 31 December 2010 as regards the Banco Popolare Group is as follows:

Categories	2010							2009 Total
	Men			Women			Total	
	Full time	Part time	Total	Full time	Part time	Total		
Executives	305	-	305	22	-	22	327	325
Middle Managers	5,730	9	5,739	1,744	175	1,919	7,658	7,638
White collar workers	5,509	82	5,591	4,234	1,526	5,760	11,351	11,560
Other personnel	83	2	85	9	3	12	97	99
Companies abroad	160	-	160	377	2	379	539	572
Total no. of employees	**11,787**	**93**	**11,880**	**6,386**	**1,706**	**8,092**	**19,972**	**20,194**
Supply contracts	42	-	42	63	1	64	106	264
Total workforce	**11,829**	**93**	**11,922**	**6,449**	**1,707**	**8,156**	**20,078**	**20,458**
of which:								
Apprentices	133	-	133	156	1	157	290	429
job training or new recruit contracts	88	-	88	81	-	81	169	165
permanent contracts	11,542	93	11,635	6,111	1,704	7,815	19,450	19,527
temporary contracts	24	-	24	38	1	39	63	73
supply contracts	42	-	42	63	1	64	106	264

The above breakdown excludes the human resources of Banca Caripe (sold at the end of the year) and is net of the 107 resources that left the company during the year ended 31 December 2010.
The fall in the workforce of 380 employees compared to the figure for 2009 (reconstructed on a like-for-like basis) is substantially due to the redundancy plan (addressed to those that had obtained the right to the pension fund) and to the significant slowdown in turnover.
A total reduction of 800 resources is planned for 2010-2011, in order to contain structural personnel expenses. This will be achieved, as established in the specific agreement with the trade unions signed on 11 December 2010, through the identification of personnel to be made redundant, and will be managed primarily through the voluntary early retirement of those that have already satisfied their pension requirements or who will satisfy them in the years for which they will be paid by the Solidarity Fund, and by only partially replacing the vacant positions.

Recruitment policies and management of professional mobility

In 2010, Banco Popolare's employment policy was mainly characterised by internal professional development, through a slowdown in turnover, enhancing career paths and refining the tools used to appraise performance and potential.
A drive to offer permanent positions to those working on temporary contracts and on hiring resources on supply contracts, together with incentives to encourage the voluntary early retirement of those eligible for such, therefore facilitated generation renewal, enabling the Group to develop existing resources and offer them professional opportunities.
In 2010, efforts to render organisational models and work processes within the Group more efficient and streamlined continued. In particular, important projects were concluded in the Retail, Corporate and Loans areas, entailing the reorganisation of the respective Parent Company Departments and centralising several activities, as well as the rationalisation of Network Banks (implemented by closing 84 branches).
The Human Resource services of the various companies then worked together to meet the various requirements, facilitating intra-group transfers of resources and developing professional opportunities both within central departments of the Parent Company and within Network Banks.

Apprenticeships and Placements

In 2010, the Group confirmed its intention of strengthening its ties with Local Entities and the academic world by entering into new agreements with Universities and local Institutions and by confirming existing ones. Work placements once again proved to be a useful way for young graduates and pre-graduates to obtain on-the-job training and experience in various Group companies.

These, together with other schemes implemented during the year, permitted a useful exchange of knowledge for our Bank and for the academics involved in following the training paths of the students.

Human Resource Development

The primary objective of the development projects carried out during the year was to enhance human capital through the professional growth of resources.
Programmes were designed and implemented to develop what are retained key managerial skills, using innovative methods in order to encourage the diffusion of corporate culture and identity and to maximise efficiency from a business perspective.
The most important projects in 2010 regarded:

- "Dialogue – working together towards improvement", a Climate survey conducted by Banco Popolare;
- the application of the performance appraisal process, adopting a 360° method, to all Executives and Business Area/Private Area Directors of Banco Popolare;
- the "management development project for Branch managers";
- the continuation of "Talent" schemes;
- the "Value project" which involved participants in a number of sessions: some of which were more theoretical, entailing the presence of guest speakers, others were more practical, entailing individual and group assignments;
- the programme addressed to Functional and Office, non-executive, Heads of central services;
- development seminars for the Executives in charge of Banco Popolare's organisational units.

At the end of May, the "Dialogue – working together towards improvement" ended, the first Climate Survey since the establishment of Banco Popolare, the objective of which was to provide a direct communication channel to all Group employees.
Over 14,000 people joined the initiative, and of these over 8,000 offered comments and suggestions.
The results showed a company structure as a whole in line and often superior to the industry benchmarks for Italy. Numerous strengths were identified which demonstrates a comforting overall level of involvement and motivation; a strong sense of belonging and the willingness to work towards the success of their bank also emerged from the survey.
There was no lack of suggestions on areas for improvement, therefore a working group was established, including representatives of Network Banks, to work on corrective actions.

Training

In 2010, the activities of the Training School intensified further compared to last year in which a high rate of growth had been recorded.
The mission was to focus on enhancing the professionalism of employees, by generating awareness and raising the level of technical and behavioural skills for all network and head office positions.
The training programmes regarding network positions created last year and focused on courses to introduce employees to their positions, courses for specialist skills and compulsory training courses, was further enhanced by several far-reaching training projects:

- The "Customer Service at the Branch" project, aimed to improve the professionalism of all of the Group's branch operators, by developing relational skills and technical/legislative knowledge;
- The Credit Training Project, split into a series of courses to perfect the technical skills of all of the professional figures involved in the credit process, with particular attention to the role of Branch Manager.

In the second half of 2010, the Training School then launched a project for training courses aimed at improving the technical skills and the professionalism of those working in Banco Popolare's central services.
In 2010, 994,190 hours of training were imparted, corresponding to 132,560 person-days. This figures represents a 15.25% increase over those of last year and breaks down as shown in the table below:

Category	Attendees	Development	Position-specific courses	Specialist skills enhancement	Compulsory training	Project training	Training on request	Total hours delivered
Executives	344	9,528	758	187	925	1,597	46	13,041
Managers	7,287	65,071	83,932	88,893	97,359	70,824	26,674	432,753
White collar workers	10,811	1,070	96,055	39,478	114,524	189,857	31,219	472,203
Other	1,028	-	7,916	104	50,929	16,596	646	76,191
Total	**19,470**	**75,669**	**188,661**	**128,662**	**263,737**	**278,874**	**58,585**	**994,188**

Selection and Assessment

With the introduction of a standardised recruiting process for all Group Banks, over the course of the year, selection activities were fully integrated with the other activities of the Assessment Center.
The new "unique Banco Popolare selection form" promptly meets the various requirements, facilitating the management of candidates, saving time and standardising the procedures of the various Group entities.
In this way it is now possible to establish a process to manage the various selection stages, the timing and organisation of which satisfy the Bank's needs. The process concludes with a Recruitment Assessment, which in 2010 involved 165 new university/high school graduates.
Employer branding initiatives continued through various channels including, in addition to constant contact with the Placement Offices of Universities to organise placements, participation in the BIP Forum (Study Grant for Innovation and Placement) at Cernobbio.
Traditional assessment activities were consolidated in 2010, entailing mapping managerial skills and assessing potential, and extending the same to an increasing number of Group Resources, which during the year numbered 985.
In 2010, the Assessment Center also carried out a survey of Technical Skills involving 1728 resources that work at Network Banks.
Mapping was conducted by means of a test with questions on credit, finance and legislation.
The latter, combined with the mapping of managerial skills, enabled us to have a full and exhaustive picture of the "level of role coverage" for the network resources involved, from both a managerial and technical perspective.

Trade Union Relations

In 2010, negotiations continued with Trade Union organisations as part of a system of Industrial Relations that seeks to achieve the best competitive advantage while respecting the company's social cohesion. The above negotiations were therefore conducted with a view to achieving a balance between safeguarding standards to protect resources, careful cost management and work enhancement.

Agreement to manage employment tensions and the repercussions on Personnel related to the 2011 plan of action of the Banco Popolare Group

After having taken measures to strengthen its capital structure, the Banco Popolare Group drew up a plan of action for 2010 and 2011, which will enable it to contain structural costs and adopt organisational and operational measures throughout the Group.
The agreement with the trade unions establishes - following a reduction in the number of employyes in 2010 - the identification of personnel to be made redundant in 2011, which will be managed primarily through the voluntary early retirement of those that have already satisfied their pension requirements or who will satisfy them in the years for which they will be paid by the Solidarity Fund; this objective will also be achieved by only partially filling the vacant positions.
Therefore, the measures will involve volunteers or those that are protected by pension fund rights they have already acquired and, in this way, will enable the Group to confirm those that are currently on temporary employment contracts and thus not to lose fundamental high quality human capital.

Bilateral commissions

Efforts to establish equal Corporate/Trade Union commissions continued, based on "bilateral" principles, relating to areas of sustainable development and commercial policy, training, equal opportunities and the environment, and occupational health and safety. The objective is to avoid a "static" relational model and to encourage the integrated evolution of company affairs, at the same time aware of its growth requirements.

Bilateral funds for Professional Training

The understanding reached with the Trade Union Organisations has led to the signature of agreements to obtain financing for the training envisaged by bilateral Funds in the credit sector (FBA and Solidarity Fund). This has enabled numerous training courses to be imparted, particularly as regards retraining and reorganisation, enhancing roles and professional families, and occupational safety. This has led to the promotion of innovation and the continuous improvement of the individual's skills and of his/her ability to independently analyse the processes in which he/she is involved.

Labour disputes and disciplinary measures

In 2010, the total number of labour disputes at Group level fell compared to last year by over 5%, insofar as the number of new disputes (49) was far lower than those settled in the meantime (68): the "level of labour unrest" appears to be below the industry average. Labour disputes have been managed by the relative Banco Service in the same way for all Group companies; over the year, the rulings of the various proceedings have been mostly in the company's favour.
Disciplinary procedures are based on criteria of fairness and consistency and are standardised throughout the Group, respecting the prerogatives and rights of employees.

Personal assistance

In 2010, the "Person Project" was developed further. This scheme is addressed to employees and seeks to maintain and promote health and well-being and to provide the managers of resources with the tools to effectively manage any situations of discomfort in the work environment.
The Project, undertaken with the collaboration of the *Centro Polifunzionale Don Calabria,* which has already been implemented in Verona, Lodi and Modena, was extended to Novara and Bergamo in 2010.

Health and safety

With regard to occupational health and safety as provided for by Italian Legislative Decree 81/2008, in addition to implementing that envisaged by specific laws, the competent services have set in place a series of schemes aimed to promote awareness and to make participants more responsible. The objective is to focus on prevention, by assessing the risks associated with work activities in order to identify adequate preventive measures able to eliminate or reduce the dangers and any potential consequences. The logic pursued is therefore to create work environments that encourage personal well-being, seeking a dynamic balance between the impact of technological innovation and job satisfaction, as an overall improvement of the quality of life.
In terms of accidents, the banking sector has low risk indices compared to other industries, confirmed by the figures of the National Institute of Statistics. The most frequent type of accident is represented by those that happen when "commuting/business trips", and therefore out of the office.
As far as the number of accidents that occurred in 2010 is concerned, there were 256 accidents in total (70 of which in the workplace and 186 while commuting or on business trips), resulting in 5,528 days of absence, as shown in the table below.

accidents*	2010	2009	changes 2009-2010
accidents in the office	70	94	-25.53 %
commuting/travel accidents	186	196	-5.1 %
days lost due to office accidents	2,074	2,664	-22.15 %
days lost due to commuting/travel accidents	3,653	5,674	-35.62 %
general total	256 accidents	290 accidents	-11.72 %
accidents: comparison 2010-2009	5,528 days of absence	8,338 days of absence	-33.7 %

** Excluding companies of the former Italease Group and the subsidiaries of Banca Aletti. The 2010-2009 comparison has been made on a like-for-like basis.*

This figure is lower than that of the same period of 2009, when 290 accidents were recorded.
As regards accidents that occurred in the workplace, the majority were due to falls/slips.
Of the various projects that are in progress, the following are worth noting: the assessment of "related stress in the workplace", the launch of a process relating to the traumatic events after a robbery, which entailed the company protocol of collective de-briefing and individual assistance schemes, also through the "Person Project".

Report on Group remuneration and incentive policies

Introduction

In compliance with the provisions and the instructions received from the Bank of Italy as well as with the Implementation standards of the Financial Stability Board, the Parent Company and the banks are bound to provide the Shareholders' Meeting with a specific disclosure on remuneration policies adopted.

Furthermore, the new wording of article 7 of the Italian Code of Self-Regulation of Borsa Italiana (Italian Stock Exchange), approved by the Corporate Governance Committee on 3 March 2010, envisages, amongst other things, that the board directors submit an annual report to the shareholders' meeting illustrating the general policy adopted for the remuneration of executive directors, of other directors with specific roles and for executives with strategic responsibility (7.P.4).

As regards the internal regulations of the Banco Popolare Group, the following are of particular note:

a) the Articles of Association of Banco Popolare (articles 20, 30, 31, 39.12, 41.2, 41.3, 41.4.2);
b) the resolution adopted on 25 April 2009 by an ordinary session of the Shareholders' Meeting regarding, among other things, remuneration policies adopted for Management Board Directors pursuant to supervisory regulations and art. 20 of the Articles of Association;
c) the resolution adopted on 16 March 2010 by the Supervisory Board, pursuant to Supervisory regulations and art. 41.3, letter e) of the Articles of Association, with which the remuneration policies for FY 2010 regarding employees or co-workers without subordinate employment contracts were approved.
d) the resolutions adopted by the Supervisory Board on 26 April and 14 May 2010, regarding, respectively, the remuneration of members of the Management Board pursuant to art. 30 of the Articles of Association and of the Chairman of the Management Board pursuant to art. 31 of the Articles of Association;

e) the resolutions adopted by the Supervisory Board on 25 March and 12 April 2011, with which the proposals to be submitted to the Shareholders' Meeting of 29/30 April 2011 were approved, regarding remuneration policies for members of the Management Board as well as remuneration policies for employees and co-workers not linked to the Group by subordinate employment contracts, already in force in FY 2011.

Furthermore, the following are fundamental references:

a) guidelines and recommendations issued in 2009 by the Financial Stability Board;
b) guidelines and recommendations issued in 2010 by CEBS (Committee of European Banking Supervisors);
c) the provisions of the Bank of Italy issued on 30 March 2011;
d) the CCNL (National Collective Labour Agreement) for Credit Companies and the CCA (Corporate Contract) of the Banco Popolare Group.

More specifically, the following will be illustrated in more detail below:

- Pay policies and incentive systems specifically regarding: payments made under incentive systems in 2010, on the basis of rules in force in 2009; changes adopted in 2010 regarding pay policies with particular attention to variable pay systems; pay policies for 2011;
- disclosure on the implementation of remuneration policies for Management Board Members resolved by the ordinary Shareholders' Meeting of Banco Popolare on 25 April 2009.

For information on the composition and mandate of the Appointments and Emoluments Committee, please refer to the detailed description of the same contained in the Report on Corporate Governance.

Pay policies and incentive systems

The financial crisis focused the attention of all management and supervisory bodies, at national and international level, on remuneration policies, in particular on the incentive systems set in place for the directors and the management of credit institutions.
It is sufficient to recall, at international level, the documents containing guidelines and recommendations issued in 2009 by the Financial Stability Board and in 2010 by the CEBS (Committee of European Banking Supervisors) and by the European Parliament, with regard to Directive 2010/76 (CRD III). The Bank of Italy then encompassed said principles in its own "provisions regarding remuneration and incentive policies and practices in banks and banking groups".
The common objective of these bodies is to avoid that any irregular application of remuneration or incentive systems may be the source, by top management, of excessive risk-taking, to the extent of compromising the financial equilibrium. The objective pursued is instead that of rewarding results that are sustainable over time.
The guidelines proposed by the cited bodies, which have progressively led to an increasingly more detailed framework on the topic, have been encompassed by our Group and declared in the document on Pay Policies issued for 2010, while further updates have been approved for 2011.

As mentioned in the introduction, the following paragraphs illustrate:

- the latest payments made under incentive systems in 2010, on the basis of rules in force in 2009;
- changes adopted in 2010 regarding pay policies with particular attention to variable pay systems;
- pay policies for 2011, which require a specific resolution of the shareholders' meeting, regarding the use of shares held.

Payments made in 2010

With regard to acknowledgements of merit based on results achieved, bonuses accrued with relation to incentive systems regulated and in force in 2009 were paid in 2010. These systems referred to four different types of specific incentives:

- managerial (Parent Company, Network Banks and Product companies);
- for commercial networks (restricted to offices in direct contact with customers);
- for central services (Parent Company, Network Banks and Product companies);
- for companies in the financial segment.

The rules used for each type are characterised by common guidelines and by features specific to the different professional categories. The common guidelines meant that the bonuses were only triggered if pre-set minimum company results were surpassed (valid therefore for individual companies and not at overall Group level), to guarantee economic sustainability. The minimum results needed to trigger the bonuses were (and are) higher, the higher up the company hierarchy the position is, a direct consequence of growing levels of responsibility. In the event of results that are lower than the envisaged levels, the first to be excluded from bonuses are therefore top managers.

The application of these guidelines to the results achieved in 2009, which were highly satisfactory at Group level (the Income from continuing operations reached 135% of the budgeted figure), resulted in payments which, in terms of cost to the company, are summarised in the table below.

Network (offices in contact with customers)	Incentive systems	No. of bonuses	6,746	% Awarded bonuses	47%
	Campaigns	No. of bonuses	896	% Awarded bonuses	6%
Head office (Parent Company, Network Banks and Product companies)	Incentive systems	No. of bonuses	1,908	% Awarded bonuses	41%
Management figures (Parent Company, Network Banks and Product companies)	Top and senior managers	No. of bonuses	44	% Awarded bonuses	71%
	Middle managers	No. of bonuses	150	% Awarded bonuses	81%
Finance	Incentive systems	No. of bonuses	583	% Awarded bonuses	83%
Total		**No. of bonuses**	**10,327**	**% Awarded bonuses**	**52%**
		Cost	**54,138,644**	**Cost per head**	**5,242**

In brief, the overall cost incurred for 2009 incentive systems corresponds to around 3.6% of the total personnel costs for FY 2010 (euro 1,486 million), while the cost of the company bonus scheme (including shares) paid out in 2010 referring to 2009, amounts to euro 74.9 million (5% of total personnel costs for 2010).

In addition to the above information, the standard quantitative information regarding board directors and executives with strategic responsibility is available in Part H of the Explanatory Notes, provided in more detail as of this year.

2010 Pay Policy Guidelines

The Group's pay policies for 2010 have been designed with the aim of standardising the approach for all Group companies. In fact, without ignoring the specific nature of certain companies and the need to contain personnel expenses, these policies pursue a series of common objectives such as the stability of the working relationship with employees, attracting "talents", internal and external fairness, recognising the merit of those who, in compliance with the rules, values and risk levels, produce the expected results that are sustainable over time.
Starting from the rules of the 2010 incentive systems, the employees to whom bonus payment criteria are to be applied are identified, also on the basis of three-year results: they have been identified on the basis of the high potential share of variable pay as opposed to fixed pay, therefore including higher level managers and mutual investment fund managers. More specifically, for managers, a new policy has been set in place that takes into account the continuity of results over time, through the payment of an incentive system three-year bonus, which they will receive only if the overall result for the three-year period is positive.
For those that are responsible for trading on their own account, performance objectives have been introduced that take the level of risk into consideration. A risk limit has also been used as a "gateway" in the incentive systems of fund management companies.
Considerable attention has been paid to establishing a balanced pay-mix, namely the combination of fixed and variable pay elements, of top managers, control function managers, traders, commercial network managers and the heads of all professional categories: in this way, expectations of security, attractiveness and stability of the work relationship are balanced with the need to reward merit or special commitment to a company goal, with positive effects in the medium term. The group has continued to pursue a pay policy along these lines, which valorises fixed pay elements and considers the variable part as a complementary component, aimed at achieving specific objectives, while consistent in terms of risk.
To be able to implement the above-indicated pay policies with objective criteria, a revised assessment of the managerial position in the organisation has been made, which will enable the same standards to be applied to positions of equal value within the Group and to make correct comparisons with similar positions external to the Group.
In addition to the above-illustrated approach, the Group has always placed considerable attention to analysing the pay practices of its companies: these analyses permit a comparison between companies, a continual search for integration within the Group, enabling it to verify the correctness of the policies adopted and define new ones. In 2010, a study was carried out which enabled the Group to equip itself with more sophisticated analysis tools.
Also in 2010, the value attributed to the qualitative aspects of jobs expressed by our staff was confirmed, in addition to the quantitative results. The incentive systems concentrated, among other things, on achieving customer satisfaction objectives, on the quality of the credit granted, on compliance with provisions of the MiFID Directive, and on proven managerial and behavioural skills. The qualitative elements have impacted the award of the incentive system bonuses of all Group companies.
Also in 2010, in accordance with the specific resolution of approval of the Ordinary Shareholders' Meeting, for the first time. The Bank implemented a share allocation plan, addressed to Group employees in general, as part of the company bonus envisaged in their contracts.
The purpose of the Plan, in line with the information sheet published at the time, is to reinforce the sense of belonging to the Group and of commitment to company objectives, alongside the consideration that, from a financial perspective, this Plan represents an advantageous opportunity for both the company that adopts it and the beneficiaries. In fact, the value of the shares assigned (up to a limit of euro 2,065.83 per year) and maintained for a three-year period, does not form part of the

income subject to taxation and social security contributions.
3,519 Group employees decided to participate in the Plan, asking to receive the whole 2009 company bonus or part of the same, in shares, for an equivalent value of euro 5,423,415.25. The shares in question were procured by purchasing treasury shares on the regulated market.
The Plan will terminate in 2011, and therefore, also for the 2010 company bonus (to be paid in 2011), Group employees will be offered the opportunity to be allocated shares.

2011 Pay Policies

Objectives pursued - Means of adoption and implementation
The general objectives adopted to draw up the Pay Policies for employees of the Banco Popolare Group, to be applied in compliance with the various laws, to all group companies, are:

- to acknowledge the merit of those who, in compliance with the rules, values and risk levels, produce the expected results, laying the foundations for medium/long-term sustainability;
- to guarantee stability in working relationships;
- internal and external fairness (the latter is assured through a comparison with the labour market).

Scope of application
The reference framework to draw up pay policies comprises the contents of the national collective labour agreements for the industry and the outcome of company bargaining. In additional to the legislative part, the set of contractual provisions establishes

- the categories (and with them fixed pay) corresponding to the organisation positions covered;
- the company bonus (linked to annual company results);
- the benefits, representing as a whole, company welfare (social security, health insurance, insurance cover).

The pay component fits into this context, and is calculated on the basis of the pay policies of the company in the strict sense, which may impact the fixed pay or variable pay component.

The *measures on fixed pay* entail:

- promotion to a higher category, where there is an actual increase of responsibility, or
- a monthly "*ad personam*" allowance, paid to reward a consolidation of a position, in the light of excellent performance and with a view to the future development of the employee.

The *measures on variable pay*, on the other hand entail:

- discretionary "one-off" bonuses, which may be paid in the light of excellent performance (assessing the achievement of qualitative/quantitative objectives assigned, or regarding the role played), as well as, above all,
- regulated incentive systems, characterised by different rules depending on the type of company population in question, further details of which are provided below.

Fixed pay and variable pay linked to results are appropriately balanced, and in any event, the variable part is designed so that it does not exceed the average fixed pay of the members of each of the professional categories illustrated below (with a potential exception relating to the three-year incentive system applied to specialist roles such as mutual investment fund managers). More details on this are provided below.

Pursuing fairness
As regards internal fairness, mentioned in the above "objectives pursued", with the support of a leading consultancy company, an international method is used to assess the most important operational and managerial roles, which permits a comparison of pay across the board, in relation to the weight of organisational positions: this comparison enables individual jobs or professional categories to be monitored.
External fairness, on the other hand, is verified by means of "*ad hoc*" pay surveys, carried out/commissioned at least once a year, which enable the salaries that competitors are paying for similar jobs.
An analysis of internal and external fairness enables correct pay brackets to be identified, defined by a minimum and maximum level, thus guiding management decisions in terms of pay.

Incentive systems
The incentive systems are addressed to four different categories:

- managerial (Parent Company, Network Banks and Product companies);
- for commercial networks (restricted to offices in direct contact with customers);
- for central services (Parent Company, Network Banks and Product companies);
- specialist companies.

The rules used for each type are characterised by common guidelines and by features specific to the different professional categories.

"Gateway" value

- Accounting "gateway" value

The common guidelines mean that the bonuses are only triggered if pre-set minimum company results are surpassed (valid therefore for individual companies and not at overall Group level), to guarantee economic sustainability. This is the so-called "gateway" value, usually calculated on the basis of the income (loss) from continuing operations. For employees of individual companies, said minimum results are those relating to the companies for which they work, while for Parent Company employees and members of the Management Boar, the "gateway" value is obtained from the weighted average of the results of the Parent Company, Network Banks and Banca Aletti, so that bonuses relate to the overall results of the main companies with which the Parent Company works. The minimum results needed to trigger the bonuses are higher, the higher up the company hierarchy the position is, a direct consequence of growing levels of responsibility. In the event of results that are lower than the envisaged levels, the first to be excluded from bonuses are therefore managers at the highest levels. Furthermore, it is worth noting that Group income from continuing operations represents an important aspect of "solidarity" as it is included in the incentive plans of the highest level managers even if they work for Group companies.

- "Gateway" value adjusted for risk

The regulations require that incentive bonuses are allocated in relation to company results adjusted for risk. The accounting "gateway", used up until now in our incentive systems, must therefore be associated with another gateway that takes risks into account. The analysis conducted by Risk management and the Corporate Center has led to the identification of Capital at Risk (CaR) as the most suitable parameter[1]. Therefore, meeting the CaR result, combined with reaching the minimum level of economic result establishes whether the incentive systems can be triggered for Group company and Parent Company personnel of all levels and category, in accordance with the criteria illustrated previously.

"Most important personnel"

As per the requirements of the Bank of Italy, banks have to indicate, within the categories of parties whose work has or may have a significant impact on the risk profile, so-called "most important personnel". Said identification takes place through a criteria or proportionality that must be formalised. Detailed rules on variable pay must be applied to these figures.
The "most important personnel" category encompasses those who have the most impact on risk profiles, as they are able to take on greater responsibility. To be able to compare roles with different assignments, in different production environments, an assessment of the positions is made. Said assessment, as indicated above, is carried out by an independent external firm, which classifies the most important personnel into assessment grades. Significant importance starts from grade 24, relating to both responsibilities undertaken and to the consequent pay level. The heads of the Parent Company's control functions are considered "most important personnel" regardless of their grade. In line with the above, at present 22 managers are considered the "most important personnel" (5 of which from control functions), holding the following positions:

- Managing Director;
- Parent Company Department Heads (see below specific responsibilities pertaining to the Human Resources and Legal & Compliance Departments, considered control functions);
- Heads of Parent Company Control Functions (the heads of the Human Resources and Legal & Compliance Departments, as well as the Risk Management, Group Auditing and Administration and Budget services), to which further specific rules apply;
- Managing Directors, General Managers and Joint General Managers of the 5 major Network Banks;
- General Managers of Banca Aletti and Banca Italease.

Specific rules for the variable remuneration of the "most important personnel"

As regards those considered the "most important personnel", a substantial share of the variable component, corresponding to at least 40%, must be subject to deferred payment systems for a period of not less than 3 years from the publication of results. The deferred portion is subject to the appropriate ex-post (malus) correction mechanisms, which reflect performance levels net of the risks actually undertaken or run. Furthermore, a substantial portion, corresponding to at least 50%, must be balanced between shares or instruments related to the same. The same percentage is applied both to the portion of the deferred bonus and to the portion paid up front. The financial instruments used must be subject to an adequate retention policy, which restricts the release of said instruments until the end of said retention period. This period may not be less than two years for up-front payments, while an annual retention may be applied to deferred payments.

Heads of control functions

For the highest level heads of control functions, the rules recommend the allocation of bonuses that are not dependent on the results of the functions subject to their control; therefore bonuses related to economic results are to be avoided. Remuneration must match their level of responsibility and the variable component must be smaller than the fixed one.
Therefore, bonuses are envisaged that are

- lower than those envisaged for managers in corresponding positions
- related to specific objectives relating to their position and not to the business area they oversee
- paid only in cash, as the value of shares is related to company results
- paid annually as a one-off payment, as it does not regard results that need to be maintained over time
- subject to a "gateway" relating to company results, but less stringent that that usually applied to managers.

[1] Capital at Risk (CaR): a risk indicator that estimates the maximum potential loss that a given portfolio of financial/credit positions or other bank assets can incur with a certain level of probability in a given reference time horizon. The maximum potential loss is measured by using statistical-quantitative methods (related to the VaR - Value at Risk technique) or, failing that, through the minimum capital requirements envisaged by prudential supervisory regulations.

The above criteria also apply to all employees eligible for the incentive system that work within control functions.

Senior managers
In 2010, the senior managers that represent the managerial level below the "most important personnel" were included in the three-year managerial incentive system. For senior managers, the three-year incentive system will be replaced by the same mechanism illustrated for the "most important personnel", namely the establishment of a deferred share corresponding to 40% of the bonus accrued, without, however, the use of treasury shares.

Establishing the share of variable pay in the managerial incentive system
It is made on the basis of the weights of the positions cited above. The amount envisaged for incentive scheme participants is calculated as a percentage with respect to the average fixed pays of all of those belonging to the various "grades". This means that the potential bonus envisaged for a specific incentive scheme is not calculated with reference to the individual receiver of the bonus, but on the basis of the position held, and the assessment level associated with the latter. The percentages that determine the various bonuses are variable as a function of the managerial category in question, as well as of the type of position (business, staff or control). Each year, the median of the grade's fixed pay is recalculated and, if the difference with respect to the "grade" median of the first year of application of the system (2010), or the latest difference, does not exceed + or - 15%, the resulting potential bonuses of the incentive system are not changed.

Pay-mix
Pay-mix means the percentage breakdown of total pay into the fixed and variable components envisaged for budget results; the latter, where specifically indicated, can be divided into short-term payments (STI) and deferred payments (LTI). The pay-mix changes according to the different professional categories, in line with that envisaged by practices in the reference market. In general, however, our Group is allocated a higher weight for fixed pay with respect to that of variable pay than that encountered on the market. The percentages indicated below should be considered average reference values for each professional category.

Pay-mix for "most important personnel" and senior managers
The average pay-mix is 70% fixed pay, 18% short-term variable pay (STI) and 12% deferred variable pay; as regards "most important personnel" only, short-term and deferred variable pay, when due, will be paid in Banco Popolare shares. As regards bonuses, the maximum potential bonus is twice the average bonus (that envisaged for results in line with budget) for the "most important personnel" and 1.8 times for senior managers (2 times for senior managers in the finance department), with the exception of prior individual arrangements.

Pay-mix for middle management
Middle management is represented by service managers, where the weight of the position id lower than or equal to grade 21, usually senior manager reports. Their average pay-mix is around 80% fixed pay and 20% variable pay. The maximum potential bonus envisaged is 1.6 times the average bonus, with the exception of prior individual arrangements and with the exception of the middle managers in the finance area (currently Banca Aletti, Aletti Gestielle and Group Finance), for which the maximum may correspond to twice the average one, due to the specific nature of the reference pay market.

Pay-mix for commercial network employees
The pay-mix for the commercial network is on average 90% fixed pay and 10% variable pay. The maximum potential bonus envisaged id 1.6 times the average one, with the exception of prior individual arrangements.

Pay-mix for finance specialists (front office)
The average pay-mix for personnel working in the finance area at front-office level in Banca Aletti and the Finance offices of the Parent Company is around 80% fixed pay and 20% variable pay; these become 75% and 25% in the case of traders only. For Aletti Gestielle Sgr, the average pay-mix for managers of around 50% fixed pay, 25% short-term variable pay and 25% long-term variable pay.
On average, the maximum potential bonus corresponds to around 70% of average fixed pay, with top peaks of 200% for managers of Aletti Gestielle mutual funds, although subject to recording positive performance for three years (see the section below entitled "Stability of results and quality").

Head office employees
No grids of amounts have been calculated, rather the availability of a collective bonus figure, to be shared between those that have made the largest contribution to achieving objectives.

Limiting risk
The incentive systems include several elements aimed specifically at limiting risk. In fact:

- no payments are made unless the risk-adjusted "gateway" value is reached (see above);
- in the incentive schemes of individual employees that have a fair amount of responsibility for various types of company risks, specific objectives regarding risk limits and relating to different business areas will be introduced (e.g. through calculations made with VaR or RWA methods);
- bonuses will accrue only when a set of results envisaged in the various "objective-schemes" is reached as a whole: therefore bonuses are not awarded for the achievement of individual results;

- in any event, each objective has a ceiling just over the budget, beyond which contribution to the bonus is blocked;
- a maximum level of bonus is envisaged that cannot be surpassed in any event;
- the increase of a bonus, from the average to the maximum level is particularly limited for all types of incentive schemes;
- the objectives to which the bonuses refer include, for numerous types of position, elements such as credit quality;
- payments are triggered when a minimum level of company profitability is reached, which rises the further up the hierarchy the position is.

Stability of results and Quality
Reaching the minimum level of economic company results triggers bonuses, as no other guaranteed bonuses are envisaged, with the exception of entry bonuses as per regulations. Only recurrent results are considered, therefore excluding extraordinary transactions that have an impact (in positive and negative terms) on the financial statements.
The Group seeks to achieve sustainable results in the medium-long term. To this end, by way of example,

- to permit the payment of the deferred part of incentive systems, a prior check is made to ensure that the positive risk-adjusted results that triggered the payment of the short-term bonus have been maintained. Otherwise the deferred part of the bonus is not paid;
- a deferred portion of bonuses is envisaged not only for the "most important personnel" (as illustrated above), but also for senior managers;
- the three-year system, alongside the annual one has been envisaged for Aletti Gestielle fund managers;
- the results of "customer satisfaction" surveys made by external firms, regarding opinions expressed by significant samples of customers on the service they receive impact the bonus paid to a significant number of incentive system participants (over two-thirds in the Commercial networks);
- objectives linked to the "number of customers" or to "customer retention" (which assists the sustainability of results over time) must represent a significant part of objective-schemes;
- performance appraisals and an assessment of managerial skills are both considered;
- each year, qualitative objectives are introduced to enhance customer protection or compliance with legal provisions, such as for example, bringing contracts in line with MiFID legislation or performing transactions that are sufficiently adequate.

Figures used to calculate incentive pay
The parameters measured regard objectives in terms of income, volumes and quality, and differ on the basis of the specific company position.
The figures used to calculate the bonuses due to individuals are processed by the Management Control Office; where this is not possible, for example for "customer satisfaction", the results are, in any event, processed and validated by the competent Parent Company services.

"Ad hoc" policies for specific circumstances

- Financial instruments for management. Beyond that envisaged for the incentive system, benefits may be allocated based on financial instruments, and then must be submitted to the approval of the Shareholders' Meeting. In these cases, the retention and/or loyalty systems that may be approved in the future by the Shareholders' Meeting, may only be based on the allocation of financial instruments issued by the Bank. Recipients are able to enjoy the benefits of the same only as of 5 years from their allocation.
- Termination of employment for management figures. In all cases of termination of employment contracts with management, the cost to be incurred by the Group must not exceed that envisaged by the applicable legislation and by individual and collective labour agreements. In any event, the Bank does not use employment contracts with "parachute" clauses that envisage, even in the event of the early termination of the employment contract, even on the initiative of the Bank, the payment of amounts exceeding 24 months of ordinary pay.
- Remuneration policies for co-workers that are not bound to the company by subordinate employment contracts. A pre-established fixed amount is envisaged for the latter, proportional to the importance and the duration of their position. In some cases, regarding positions of high standing (management board members, directors of investee companies), variable incentive plans may be envisaged with the characteristics illustrated above.

Process to draw up Banco Popolare Group pay policies

Human Resource Department prepares the proposals for remuneration policies relating to employees of the Banco Popolare Group, as well as any changes and/or updates to the same, which are then submitted to the Management Board for approval; the Managing Director then sends the approval to the Appointments and Emoluments Committee, which, after having made any changes or additions, submits it, pursuant to art. 41.3., letter e) of Banco Popolare's Articles of Association, to the Supervisory Board for approval.
Each year, the Management Board approves the guidelines of the incentive systems, on the basis of which, the Supervisory Board, pursuant to art. 41.2, 4th paragraph, letter b) of Banco Popolare's Articles of Association, following consultation with the Appointments and Emoluments Committee and bearing in mind the remuneration policies adopted, issues an opinion on the same. If, during the course of the year, any changes need to be made in this regard, the management bodies are required to examine the same in advance with a view to making the necessary adjustments.

By means of specific resolutions of their Boards of Directors, Group companies adopt the same guidelines approved by the Parent Company.
With the assistance of a specific specialist team, the Human Resources Department analyses and compares all Group companies and the external reference market and sets the spending budget with a view to applying pay policies, establishes the rules of incentive systems, circulates operating instructions, ensuring that the same guidelines are adopted Group-wide. Commercial departments and Risk Management are informed of the objectives contained in the incentive systems, with a view to setting risk parameters and establishing "risk takers". Furthermore, an international consulting firm is used specifically to certify assessments of positions and for the necessary comparisons with the external labour market.
All regulations regarding pay policies and incentive schemes must be submitted to the Legal and Compliance Department, which verifies the compliance of the same with the law, before the relative proposals are submitted to the management bodies.
The Appointments and Emoluments Committee performs the tasks envisaged within its specific scope, in terms of consulting and proposals, in accordance with Supervisory regulations.
Each year, the internal audit service checks that the procedures relating to remuneration practices comply with the law. The findings of the same and any irregularities are brought to the attention of the management bodies and competent services.

Disclosure on the implementation of remuneration policies for Management Board Members

Firstly, note that under the Articles of Association:

- the Management Board is comprised of 12 board directors appointed by the Supervisory Board (art. 29);
- the majority of Management Board members is selected from high-ranking directors of the Bank or from the companies controlled directly or indirectly by the same or from parties who, although not related to the Bank or to its subsidiaries by employment arrangements, work in a professional capacity on a permanent and prevalent basis for the Bank or the companies or for the companies directly or indirectly controlled by the same (hereinafter "executive board directors") (art. 29); at present the Bank has 8 "executive board directors";
- the number of other board directors (hereinafter non-executive board directors") may not be lower than a third of the total number of Management Board members, may not receive delegates and may not independently conduct activities relating to company management (art. 29.1, 2nd paragraph);
- In addition to the reimbursement of expenses relating to their office, Management Board members receive a consideration established by the Supervisory Board and the assignment of an attendance fee for attending meetings, to the extent established by the Supervisory Board (art. 30);
- On the proposal of the Appointments and Emoluments Committee, the Supervisory Board establishes the remuneration of the Management Board members that hold specific positions or have specific duties or mandates or who have been assigned to committees or commissions in accordance with the Articles of Association (art. 31).

Given the above, note that, in accordance with the remuneration policies resolved by the Shareholders' Meeting on 25 April 2009, the Supervisory Board resolved to award management board members for 2010:

- the following considerations, to be paid on the basis of the actual term of office of the same:
  - euro 50,000 per year for each executive board director, with the exception of those whose consideration is regulated by a contractual agreement that envisages an all-inclusive amount, or a different amount, or the obligation to transfer the amount due to the Parent Company;
  - euro 100,000 per year for each non-executive board director;
  - euro 400,000 per year for the Chairman of the Management Board, in addition to a consideration for the position of board member of euro 100,000;
- in addition to attendance fees per meeting of euro 600, with the exception of cases in which attendance fees are not to be paid under contractual arrangements or due to the obligation to transfer the amount due to the Parent Company.

Moreover, note that the total considerations paid to Management Board members are illustrated analytically and by name, pursuant to art. 78 of the Issuer Regulations, in the specific note to the financial statements (Part H of the Explanatory Notes), drawn up pursuant to Attachment 3C of the Issuer Regulations and to which readers should refer.

The remuneration policies resolved by the Shareholders' Meeting are therefore as follows:

1) the consideration paid to non-executive Management Board members is divided into fixed pay and attendance fees; as regards executive directors, in accordance with agreements with the same, their consideration is substantially a fixed amount, excluding therefore other forms of remuneration, deferred to the end of the term of office and/or a variable amount linked to results;
2) the principle according to which the real value of fixed considerations may not increase until the Bank has repaid the government facility (so-called "Tremonti Bonds"), issued on 31 July 2009 and to be entirely repaid on 14 March 2011, has been observed; more specifically, the considerations and the attendance fees for management board members have not changed in 2010 with respect to 2009;
3) when executive members of the Management Board leave their offices before the end of the same (a circumstance that occurred in the period in question only for Mr. Franco Baronio, on 14 September 2010), the cost incurred by the Bank was not higher than that envisaged by applicable legislation and by collective and individual labour agreements; in no event did the "parachute clauses" envisaged in the employment or

collaboration contracts of executive Management Board members entail the payment of amounts exceeding 30 months of ordinary pay;
4) all management board members were paid on the basis of their actual term of office;
5) the extent of the consideration was determined by the Supervisory Board taking into account the commitment required of the Board Director, the inherent responsibilities, the need to safeguard the principle of equalisation between the various emoluments paid within the Group and the comparison with remunerations paid by competitor institutions with similar characteristics;
6) as briefly illustrated in point 1), the consideration of "executive board directors" was usually included in the amount established in the employment or collaboration contract of the same; in any event, the Supervisory Board, with the above-cited resolution on 26 April 2010, established the consideration of euro 50,000 per year for each executive board director, with the exception of those whose consideration is regulated by a contractual agreement that envisages an all-inclusive amount, or a different amount, or the obligation to transfer the amount due to the Parent Company;
7) variable components of the remuneration were paid to "executive board directors" only on the basis of their positions as Group top managers, in line with the contents of their respective contracts, and in no event did the variable portion exceed the fixed one;
8) in 2010, no retention or loyalty systems based on financial instruments issued by the Bank were approved for "executive board directors";
9) the amount of the consideration currently paid to "non-executive board directors" was substantially the same as that established for Supervisory Board members by the Shareholders' Meeting on 24 April 2010 and set by the Supervisory Board itself, with the cited resolution of 26 April 2010, as euro 100,000 per year;
10) the assignment of an attendance fee for attending meetings was envisaged, the current amount of which was established by the Supervisory Board, at the same meeting, as euro 600 per session, with the exception of cases, relating to executive board directors, in which attendance fees are not paid under contractual arrangements or due to the obligation to transfer the amount due to the Parent Company; the above-cited amount coincides with that established by the Shareholders' Meeting of 24 April 2010 for Supervisory Board members for attendance of meetings of the same;
11) for Management Board members that hold specific positions, in compliance with the articles of association, on 14 May 2010 the Supervisory Board, on the basis of proposals submitted by the Appointments and Emoluments Committee and in accordance with the principles of prudence and rigour that characterised the remuneration system of Banco Popolare, established the sum of emoluments to be paid to the Chairman of the Management Board, pursuant to art. 2389, 3rd paragraph, of the Italian civil code, as Euro 400,000, while, as regards the consideration for the position of Managing Director and Deputy Chairman of the Management Board, please refer to the content of the Report on Corporate Governance regarding the remuneration of the Management Board;
12) without prejudice the above, no specific positions or assignments were awarded to non-executive members of the Management Board and, therefore, no further considerations were paid.

Lastly, note that the review of pay policies for 2011 for employees and co-workers not bound to the company under subordinate employment contracts propitiated the adoption of a proposal for a Shareholders' Meeting resolution, pursuant to art. 20, paragraph 3, no. 6 of the Articles of Association, to partially adapt the remuneration policies in force for the Management Board to the above-mentioned pay policies as well as to the legislation mentioned in the introduction.

In this regard, please refer to the specific Report on the proposal to the agenda of this Shareholders' Meeting.

Internal audit

In 2010, the Internal Audit service of the Parent Company worked in accordance with its objectives, which envisage assessing the adequacy of the internal control system of the Parent Company and of the Group as a whole. The audits conducted, which regarded verifying compliance with internal supervisory, operating and management requirements, generated information, assessments and recommendations as regards the correctness of the modus operandi and the effectiveness of the overall system of controls, highlighting any areas for improvements.

The Parent Company's Group Audit Service is assigned control activities relating to the institution, coordination and service. In particular, audits were conducted on Parent Company departments - with a specific focus on processes considered critical - , on Group departments in Italy and abroad with Parent Company status, as well as the central and peripheral services of Group banks and companies, where audits were conducted (as a whole or in part) as regards specific outsourcing contracts. The remaining activities that do not fall within the scope of the Parent Company's Audit Service were carried out by the internal audit services of individual subsidiary companies or banks, where such exist, always in coordination with the former.
More specifically, delegated activities essentially regarded the area of controls on central services, specialised activities such as ICT auditing and operational support to the Supervisory Bodies established in individual Group companies pursuant to the provisions set forth in Legislative Decree 231/01, as well as the remote monitoring of the commercial network banks, in terms of credit, accounting-operational and financial risk profiles.
Over the year, audits were mostly focused on credit (trend management, loan monitoring, management of substandard loans, compliance with prudential regulations for collateral property guarantees), on compliance with provisions on money

laundering, on the process of managing the conditions applied to customers and on the performance of investment services.

During the course of the year, the Group Audit service performed the activities within its scope (internal audit) based on the instructions contained in Prudential Supervisory regulations. In particular, specific audits were made as regards Pillar I risks (credit, operational and market), and as regards the transparency of disclosures made to the public (Pillar III), the review of the internal credit rating system, the review of the operational risk management system and the review of the ICAAP process.

As required by supervisory provisions, an audit is conducted on the procedures through which the compliance of remuneration with the law is ensured. The main objective was to verify the organisational compliance of compensation and incentive systems with Bank of Italy regulations, and the outcome demonstrated the overall compliance of the remuneration and incentive systems with the relevant regulations. The results of the same were brought to the attention of the management bodies and competent services.

Audits conducted on the sales networks of individual banks did not identify any particularly critical situations and confirmed the substantial compliance of transactions, in line with prior years.

The application used for remote auditing, which seeks to improve on site audits and to intervene promptly to resolve any problems identified, was further developed with regards to audits on the Commercial Bank network. Through this system, it is therefore possible to identify which branches and business areas of the sales networks of the Italian banks show the most critical situations. The implementation of the application to be used for remote auditing as regards the development of indicators on head office processes was launched.

The service also provided continuous support to the other business functions also through participation in working and project teams. A considerable amount of assistance was given to the Supervisory Board, Audit Committees, the Management Board and the Managing Directors, as well as to the Boards of Statutory Auditors and the Independent Auditors of Group entities, bringing possible improvements to risk management policies, measurement tools and procedures to the attention of the same.

As of 1 July 2010, the revised organisational structure of the Group Audit Service became effective, designed on current guidelines:

- new organisation of the service “by process”, meaning that all services that carry out business activities within the same process may be involved in a single audit. A coherent vision of a process is essential to assess the management and control of the risks generated by the areas audited as a whole;
- reinforcement of the Service Head’s governance over local Audit Services - which, depending on the case, will continue to audit Network and foreign bank services -, maintaining the task of coordinating and guiding the same.

In 2010, the Group Audit Service also created new management reports called “Audit Tableau de Bord” (“TdB”), which illustrate the main critical areas identified by the audits conducted by the Group Audit Service on Banco Popolare and its Subsidiaries. The TdB has become a regular report produced by the Group Audit Service for the Group’s Top Management Bodies.

In addition to the specific activities assigned to the Service, in 2011 the same will continue in its efforts to keep up-to-date with operational and legislative changes, and to implement and develop internal audit tools and methodologies.

Compliance

The Banco Popolare Group attaches specific importance to the management of compliance risk, based on the tenet that the observance of rules and business integrity are key to the banking business, which by its own nature is founded on trust.

The first line of defence against compliance risk is the identification of the Compliance Manager from one of the Group’s top managers and the creation of the Compliance Service (hereinafter the “Service”). Having achieved the original target to increase the number of employees working for the Service - which may be further increased in the face of new requirements dictated by legislative changes - from an organisational perspective, 2010 saw the consolidation of the Service. More specifically, a support function, reporting directly to the Compliance Manager was added to the organisational model of the Legal and Compliance Department, to which the Service directly reports; the primary task of this new function is to verify compliance of matters requested by the Secretariat of the Management Board. In parallel, the Compliance Service will gradually extend its scope to the supervision of different business process and activities, also by way of ex-post controls especially (but not only) in the field of investment services, utilising increasing technological support to achieve this.

The activities carried out during the year focused on the areas considered most important in terms of compliance risk, in particular on the following areas:

- Intermediation activities - Provision of investment services - Distribution of insurance products
- Transparency towards the customer - Credit intermediation
- Insider Lists and Prevention of market abuse
- Management of conflicts of interest
- Prevention of usury

- Money laundering and the fight against terrorism
- Coherence of the bonus system

With regard to the above, the Service's efforts in the following area were particularly significant:

- participation in the "Level III MiFID Project", (so-called "Illiquid Products Project"), which seeks to define and implement procedures to transpose Consob's guidelines on the correct and transparent distribution of financial illiquid products, and in the project to reinforce the supervision of investment service provision, also following the findings of inspections conducted by the competent Authority on a Group bank;
- participation in the Project to better assimilate the provisions of Italian Legislative Decree 231/2007 and subsequent amendments and supplements in company regulations;
- continuous support to the process to monitor and manage conflicts of interest;
- participation in the "Counter-Usury Project", focused on the implementation of new regulations issued by the Bank of Italy on the subject and achieved by drawing up the relative internal regulations in the form of a "Single Regulation";
- participation in the "Transparency Project", aimed to assimilate new provisions issued by the Bank of Italy on the subject and achieved by drawing up the internal regulations regarding the TMS (Transparency Management System);
- response to reports of the Audit structures highlighting compliance risks, within its scope of competence;
- provision of training to the Group operational services on specific issues (e.g., preventing market abuse, managing conflicts of interest);
- participation in the definition of the Incentive system and the assessment system for the commercial network, in accordance with the principles of correctness defined by the Supervisory Authorities; validation (within its area of competence) of incentive campaigns for employees;
- launch of the systematic monitoring of behavioural indices of potential irregularities relating to the provision of investment services;
- specific assessments conducted on the specific request of Supervisory Authorities;
- monitoring of complaints relating to investment services, the response process for which is handled by the Parent Company's Quality Service;
- supervision of the Related Parties Project;

Lastly, with a view to monitoring and limiting compliance risk, the Compliance Manager's systematic attendance of meetings of the Management Committee, the Finance and ALM Committee, the Risks Committee, the Basel II Committee and the Financial product Innovation Committee (in the latter case with the constant support of the Service Head) is considered particularly important.

Technological and administrative services

All of the Banco Popolare Group's technological and applications development services, the management of IT and physical security and administrative services have been centralized in Società Gestione Servizi BP S.C.p.A. (hereinafter SGS). Said centralisation has led to undisputed advantages: the maximisation of effectiveness, the improvement of the efficiency and the quality of the services provided by Group companies and the rationalisation of costs and resources.
This is the scope within which SGS works, encompassing the various business areas in 2010. During the year, key areas of focus were:

- the improvement and the efficiency of procedures and processes with an impact on IT, in collaboration with the Group Organisation service, with the aim of developing new products and services, of evolving existing ones and providing support to the businesses of Group Companies;
- the updating of procedures in response to legislative or system changes.

The main areas in which assistance was provided were:

- Technological services, which focused above all on enhancing the network to improve the response times of procedures and to safeguard against IT emergencies;
- Group Security, which assured the protection and resilience of IT and physical security, even in a scenario of continuous updating;
- Administrative Services, which concentrated on centralising functions and fine-tuning the organisational model to achieve a higher level of efficiency in the service provided to branches;
- Back Office Special Credit Facilities, which provided support to Network Bank sales activities, and succeeded in managing a significant number of mortgage loans, with high levels of efficiency;
- Applications Development, which provided assistance to sales activities through new products and procedures, pursuing the objective of grasping potential opportunities from internal and external constraints in their respective spheres of competence.

A number of highly innovative projects were carried out, particularly in the Credit and Finance area, improving the applications used by operators both in terms of functionality and as regards quality and security. More specifically, highly-sophisticated solutions were implemented to monitor and control risk and to maintain the adequacy of tools in the face of the continuous evolution of the financial world and of the products offered to customers.

Technological services

In 2010, the network was strengthened to increase its transmission capacity and to offer operators an improvement in the response times of applications.
At the same time, the usual data processing and transmission services continued to be provided, ensuring the business continuity of the Group Branches and Offices. Furthermore, breakdowns and malfunctions were resolved, and requests for new equipment were satisfied (around 124,000 instances of technical and IT assistance).
The main projects undertaken in 2010 were focused on:

- Procedure to Manage IT Emergencies: this is an application that is always operational, which checks that procedures are working correctly; it identifies and immediately reports any malfunctions to the competent services, thus ensuring that the problem will be resolved quickly;
- Operational migration of ITACA Services: the operational migration of ITACA (provider of technological services, part of the former Italease Group) has enabled the processing services previously assigned to an external Group supplier to be incorporated in SGS;
- Operational Consulting: the service provided to branches was improved by means of organisational and technological assistance to supervisors;
- Microchip Compliance: as required by the SEPA directive, in 2010, all of the Group's ATMs were updated to be able to read microchip cards. All of the Group's ATMs, beyond Maestro Cashpoint cards, have been updated to support new microchip technology, increasing the security of payment systems, both for customers and Group banks.
- Rationalisation of Network Banks: the optimisation of Network Banks decided by the Group (spin-in in April: closure of 84 branches) required a significant contribution from SGS, which handled technological and applications-related aspects to ensure that customers did not suffer any inconvenience (migration of accounts to other branches) and that colleagues could continue to do their jobs without any interruption (transfer of work stations);
- Management of application projects: project-work is fundamental to avoid overlaps of releases that not only would thwart the validity of tools but would even be counter-productive to Network productivity. Therefore an application to be used by SGS has been released that enables application projects to be monitored and the timing of releases to be verified.

Group Safety and Security

2010 was characterised by the rationalisation and innovation of various spheres of IT Security and physical Safety. The improvements made had a common objective to cut costs and reduce the risks resulting from the use of technology, to protect company records, to safeguard the health and safety of human resources in the workplace.

IT Security

Efforts focused on protecting system confidentiality and security, with the aim of guaranteeing an adequate level of data accessibility and protection, in a context where developments are fairly fast and require monitoring and prevention tools that must be continuously updated. As regards the services provided to customers through innovative channels, the solutions adopted by the Group have always proven to be particularly reliable from a security perspective and the Group has been exposed to damage resulting from IT attacks on its systems or from the improper use of products by customers to a lesser extent than others.
In parallel, we have worked to strengthen our defences against card cloning, identity theft and related problems. We have focused particularly on new trends in criminal logic as regards fraud and misappropriation through IT tools based on verifying the identity of new customers.

Physical safety

As regards physical safety, our primary objective is to guarantee the safety of branch employees and customers as far as possible. We pursue this objective by making considerable use of specific cutting-edge devices (interlocking door control systems equipped with counter-disguise systems, video-surveillance systems connected to the Groups operations centre). This has resulted in a significant fall in the number of robberies (-35% in the group) and of the quantity of cash stolen.

Health and Safety

With regard to occupational health and safety, in addition to complying with the provisions envisaged by specific legislation (eye tests for VDU operators, for night workers, etc.), the emergency plans for all of the Group's sites are continuously updated: 720 evacuation exercises were carried out in low-risk organisational units and 7 trials in medium-risk Group head offices. To enhance the culture of prevention within the Group, these exercises were combined with specialised training courses which involved over 5,600 people.

Business Continuity and Disaster Recovery

In 2010, 14 business continuity tests were conducted, which involved the organisational units of Banco Popolare, Banca Aletti, SGS and one Network Bank. To make the simulations more effective, the tests were conducted by actually shutting down the various operating units and making the back-up structure work in its place.

Administrative services

In 2010, Administrative Services focused on three different areas:

- the further centralisation of Middle and Back Office activities;
- the development of service models and of the related IT systems;
- the implementation of an industrial working model.

As far as the company's primary objectives are concerned (service efficiency and quality, cost cutting, creating new work tools), the Administrative Services launched the AMICO programme (*Accelerare il MIglioramento COntinuo* - Accelerating Continuous Improvement), the aim of which is to reach a high level of service to customers, guaranteeing efficiency and the governance of operational risks. The action taken enabled significant cost synergies to be achieved, to strengthen the organisational structure and enabled Group Banks to offer distinctive and high quality products and services.

Of the various project activities carried out by other Company services, the following bore some relation to the work performed by the Administrative Services:

- the launch of E-Finance for Public Entities within the Single Treasury;
- the dematerialisation of the cheques drawn on Group Banks;
- the adoption of the role of "Calculation Agent" for CSA (Credit Support Annex) contracts and the adoption of the Trioptima platform;
- the review of position-keeping processes and applications for Group Finance and Group Treasury;
- the definition of new pricing policies for securities held by customers;
- the launch of Custodian Bank activities on Arca Formula Funds for OTC Derivatives and for Triparty Repo;
- the transfer of the collateral accounts of Aletti Gestielle SGR Funds from Banca Aletti to Banco Popolare;
- the Securities Portfolio Transferability (SPT) project, undertaken as part of the ABI PattiChiari scheme;
- the extension of regulations through CLS (Continuous Linked Settlement) also to Banca Aletti;
- the administrative management of capital repatriation and/or settlement transactions known as "scudo-quater" (fourth tax shield).

Back Office special credit facilities

In 2010, the efforts of the Back Office Special Credit Facilities area were characterised by a number of extraordinary interventions in addition to very intense day-to-day business.
As regards the ordinary business relating to "Private" and "Corporate" customers, a significant increase in the number of applications approved was recorded (+30% for Private customers and +38% for Corporate ones): in the Private sector in particular, the rise was mostly concentrated in the last quarter of 2010 relating to the commercial success of the "Last Minute" product.
In parallel, work relating to the numerous schemes set in place by the Government and ABI (Italian Banking Association) to sustain Retail customerss and SMEs continued throughout the year, and led to 3,792 mortgage payment suspensions associated with the "SOS Retail customers" and "Retail customers Plan (Tremonti Bonds)" schemes and 7,493 applications to join the Common Announcement scheme for SMEs. In this regard, the "Solidarity Fund" scheme continued, entailing the suspension of mortgage payments for retail customerss in difficulty due to the economic crisis.

Technological projects and investments

Italease

2010 saw the first steps to integrate the former Italease Group following the establishment of Alba Leasing and Release.
From a technical perspective, priority was given to permitting the reciprocal use of the various information systems of SGS-BP and Itaca Service, in order to facilitate the exchange of information to the advantage of the support and control functions. At the same time, a whole series of activities were centralised in the Bank and in SGS-BP, focusing in particular on services associated with managing and controlling risk (finance, audit, risk management, revenue and expense cycles, legal and compliance, human resources, substandard and doubtful loans). Towards the end of the year, the process to centralise administrative, financial statement and institutional reporting activities began, which will continue on into 2011, until the integration of administrative processes according to Group standards is complete.

Disposal of Banca Caripe

The preparatory stage of the sale of Banca Caripe to the Tercas Group entailed a considerable commitment, particularly as

regards the transitory period between the legal transfer which took place on 31 December 2010 and the migration of the information system which took place in March 2011. More specifically, an agreement was made with the buyer for the management of the operating activities envisaged in existing outsourcing contracts with the Parent Company and other Group operating companies and the placement of the commercial products under special arrangements for the transitory period in order to guarantee the utmost continuity in the provision of services to customers; at the same time, all of the technical-organisational activities in preparation for the IT migration started.

Rationalisation of trust companies

The business development plan for the Banco Popolare Group's trust companies, associated with the need to render operating processes increasingly efficient, led to the decision to merger the Group's two Trust Companies, Aletti Fiduciaria and Nazionale Fiduciaria, into a single company, both from a legal and organisational-operating perspective, effective from 31 December 2010.
The Plan to Merger the two Companies provided the opportunity to upgrade the operating software of the same, with a view to rendering operating processes efficient also from an IT perspective. Migration activities started in November, entailing the preparation of records interfaces, and at the end of the year data migration was complete.

Italian Legislative Decree No. 11/2010 – Implementation of the PSD (Payment Services Directive)

Italian Legislative Decree no. 11 of 27 January 2010 implemented the European Directive that applies to all payment services into the Italian legal system. The objective of the latter is to increase transparency and protection towards customers and to improve service efficiency.
The new legislation took effect on 1 March 2010 with regard to all services relating to bank transfers in the EU, Payment Cards and cash deposits; from 5 July 2010, it was extended to commercial collections such as Ri.Ba. (collection order), R.I.D (authorised debit instruction) and M.Av. (payment against notice) etc.
Following the introduction of these legislative changes, a number of initiatives were undertaken within the Project, to study and carry out compliance measures, including the full review of contracts that regulate collection and payment services and updates relating to economic terms and conditions, transparency and order execution times.

Related parties

In March 2010, Consob published a Regulation to discipline the procedures and the transparency rules applied to related party transactions.
The new regulation establishes the principles that Italian companies with shares listed on Italian regulated markets must comply with in order to ensure the transparency and substantial and procedural correctness of related party transactions conducted directly or through subsidiaries.
In order to enable Companies to adapt their internal procedures, two deadlines were set: 1 December 2010 for the adoption of the "procedures" and the application of the so-called "transparency regime" and 1 January 2011 for the entry into force of new decision-making mechanisms.
Both the Parent Company and Credit Bergamasco were directly affected by said regulatory changes (insofar as they have shares listed on regulated markets), while Subsidiary Companies were effected indirectly under article 2359 of Banco Popolare's Civil Code.
On 29 November 2010, the Management Body of Credito Bergamasco, and on 30 November 2010 that of Banco Popolare, after receiving the opinion of their respective Control Bodies, resolved to adopt the "Procedure to regulate related party transactions" and provided for the correct application of the same in compliance with the terms and procedures envisaged in the afore-cited Consob Regulation.

Italian Legislative Decree 231/2001 – Corporate administrative liability

During the year, to finalise the "mapping of risk areas/activities" projects started in 2009, together with those that ended in 2010, the Organisation, management and control models under Italian Legislative Decree 231/01 of Banco Popolare and of the Group's main Banks/Companies were updated, in addition to a review of the "Protocols" set in place to protect the areas most exposed to the risks analysed.
The projects in question, which regarded 15 Group Banks/Companies, enabled the "maps" and "models" to be aligned with all of the offences included in the decree.
Following the outcome of these mapping exercises, the following were also undertaken:

- Info-training projects on "decree 231" addressed to "top" figures and to the Heads of around 600 of the Group's organisation units.
- reviews of the final organisational structures, to permit, amongst other things, the correct definition of the tasks and responsibilities of employees.

Money laundering

Work continued on the money laundering project, which was launched in 2009.
Efforts in 2010 focused on the adoption of an IT platform called Gianos 3D, which seeks to protect against money

laundering risk;
in particular:

- all of the main procedures for the sale of banking products and services available at Group Banks were integrated with functions for the completion of questionnaires to "adequately assess" customers;
- based on the transaction, it is now possible to associate a customer a specific risk profile from a money laundering perspective;
- specific checks have been developed that permit transactions to be continuously monitored.

Furthermore, an IT application called Siron PEP has been implemented, the aim of which is to make an accurate assessment of contractual "counterparties" to check:

- whether the same belong to entities associated with international terrorism;
- their inclusion on "lists" (World Check) produced by international organisations such as, by way of example, Community Lists (parties to be subjected to measures of freezing capital and business activities), OFAC List (organisations, shell companies, individuals that act on behalf of groups or countries identified by US authorities as terrorists or drugs traffickers), UN List (individuals belonging to or associated with the Talebans, Osama Bin Laden and Al-Qaida);
- the status of Politically Exposed Persons (PEP).

PattiChiari

2010 saw the launch of an important scheme of ABI, as part of the commitments of the banking self-regulation system "PattiChiari": a specific circular regarding the standardisation of activities relating to the Transferability of Securities Portfolios from one intermediary to another ("TSP Service").
The afore-mentioned service, operational from the end of November, permits a customer to directly contact a new bank in order that the same may make the necessary arrangements to automatically transfer the financial instruments held in a portfolio at another bank (Original Bank").
The aim of the new TSP service offered to customers is to give the same certainty as to the maximum amount of time required for the transfer in question, and envisages penalties for defaulting banks, as well as higher transparency as informative letters are automatically sent to customers informing them of the progress of the transfer (activation, any interruption, conclusion) and the definition of clear rules on transferable and non-transferable instruments through the new TSP Service. The same Branch of the new Bank is facilitated in the performance of the tasks assigned to it and may enter, revoke or know the state of progress of the transfer at any time, also in order to provide any information requested by the customer.
As part of the thirty PattiChiari initiatives regarding the "Commitments to Quality" related to bank customer mobility, the new Bank Transfer Transferability service became operational at all Group Banks. This service enables a customer to contact any Group Bank and request that the same arrange the automatic transfer of all payment orders in which the customer is the transferor or beneficiary in current accounts held with other banks to the customer's current account.

MiFID

Each year, the MiFID Directive is subject to updates/supplements. In 2010, the focus was on aspects of information transparency towards customers through the completion of changes relating to the pre-order form and the advisory service procedure, for which operating blocks were set in place for inadequate transactions, and trading and placement contracts were reviewed.
In particular, several changes were made to the manner in which advisory services are provided by network banks, which entail:

- the obligation to sign consulting contracts for transactions regarding "branded" financial instruments (issued by the Group or for which the Group has a conflict of interest);
- suppression of a transaction in the event that the advice provided led to an assessment of "inadequacy".

In order to increasingly safeguard investment services provided within each Group bank, a position called "Head of Investment Services" was created. This figure acts as a coordinator between the Management Bodies and the commercial/operating decisions for which each bank is responsible as provider of investment services towards customers.
The Group also adopted a specific "Group Regulation to Manage Conflicts of Interest" which establishes the procedures to identify, prevent, limit and manage conflicts of interest in the provisions of services and investment activities on behalf of customers.
As regards the changes imposed by the introduction of the directive on so-called "Personal Transactions", the Bank has drawn up a specific Group Regulation (Regulation for Personal Transactions), which has also been extended to other Group companies, with the purpose of preventing intermediaries from performing transactions that may constitute market abuse, abuse of confidential information or that may be in conflict with the obligations of the intermediary in the provision of investment services.

Law 262/05

Law 262/05, "Provisions for the Protection of savings and the discipline of financial markets", has introduced new standards for the preparation of company accounting documents, placing considerable emphasis on internal control systems and establishing precise liabilities for the company, the management and the audit bodies on the adequacy of the internal control system.
Again in 2010, SGS contributed to the implementation of the Group's control model, which entails an assessment of both general controls, relating to the IT infrastructure and services, and application controls. Therefore, the applications and the application controls that directly contribute to mitigating financial statement risk, namely the risks that could compromise the truthfulness of financial information. The analysis was then extended to those applications that equally support the administrative processes involved in generating financial information, namely:

- Settlements of current accounts in Italy;
- Correspondence Banks/Checks;
- Property Management and Purchasing;
- Records of Assets;
- Basel II DB Pro;
- Estero Premia;
- Square Bilancio;
- Certificates of Deposit.

The project concluded with the issue of an updated of Group regulations that assimilated the new directives.

Transparency of banking services

Foreign operations

As part of the drive to improve the transparency of banking services, significant efforts were made to simplify and rationalise the conditions applied to Foreign accounts and services. This has simplified the management of pricing for the Bank's branches and departments and has led to the automatic production, through Ve.Ra, of contracts for Foreign services.

Customer correspondence

In 2010, work was conducted on applications procedures which changed the layout of the annual "Summary Document" sent to customers and the annual disclosure on the costs of banking services. A new platform called "Easy Statement" was created, which enables customers to receive a detailed statement once a year of the costs incurred during the calendar year.

Improving the efficiency of credit processes

Approval and disbursement processes

In order to standardise the preliminary process related to the approval of loans at Group level to major individual or related customers, a new application was implemented that enables the Parent Company to authorise "reliability ceilings" which establish the maximum amount of credit that the Banco Popolare Group is willing to grant. This is consulted when the customers in question request loans equal to or over euro 50 million. The application also envisages the issue of "prior opinions", namely a compulsory, but not binding assessment, which can be requested of the Parent Company if the credit threshold for individual or related customers exceeds euro 15 million.
As regards corporate finance transactions, "agent bank" activities have been centralised in the Corporate Department of the Parent Company, as well as support to the origination, structuring, closing and post-closing of all types of transactions requested by network Bank customers, concluded as both direct loans and pool loans. A specific process regulation has been adopted for Corporate Finance activities to support these transactions.
The operating model for mortgage loans to private customers placed through external participating parties has been redesigned. At the preliminary stage, this activity is handled by the External Acquisition Channels service of the Retail Department, and at the approval stage by the CAE service of Group Loans Department. In addition to the adoption of a standard IT procedure for all Network Banks, the changes also entailed assigning loan management directly to Network Bank Branches to guarantee better monitoring for the duration of the same.
The IT integration of the new Elise mortgage loans procedure for the Corporate segment also began, guaranteeing the more effective management of the process to grant medium-long term loans.
In 2010, efforts continued to manage/suspend loans/mortgage loans to assist Retail customerss and SMEs that adhered to bank industry schemes.
Concluding the activities started in 2009, the centralisation of the guarantees from the respective Network Banks in a single central service in Rome called "Guarantees Secretariat" was finalised.
In order to better monitor soft financing business and loans granted at advantageous rates, the governance role of the Parent Company was strengthened through the reorganisation of the Soft Financing and Guarantee Entities office within the Retail Department, with the task of establishing Group strategies in the above-mentioned business areas. A pilot of the new application to manage loan applications from and to "Confidi" offices was rolled out.
Furthermore, with the aim of standardising the credit processes of the various Network Banks, a project was launched to

review and rationalise powers relating to the granting of credit, which will be completed during 2011. Lastly, in the last quarter of the year a project to implement a new web-based procedure (Electronic Loan Application) was launched, the purpose of which is to support, thanks to a specific parametric workflow, the entire credit granting process (from contact with the customer to the finalisation of the loans and guarantees) for all customer segments. This procedure will also be supported by a specific "document management" feature, which can acquire, file and recover, if necessary, all of the documentation associated to the loan application (paperless). The ultimate objective of the project is to make the process efficient, by means of the higher standardisation of the practices and the assessments of managers, lesser use of paper documents exchanged between the various offices involved in the approval process (Branches, Areas and Departments), as well as a reduction of "manual" operations (e.g. the recovery of information, the management of "paper records", management of print-outs etc.) throughout the process.

Monitoring processes

As regards loan monitoring, the controls set in place by the Parent Company on major customers have been reinforced, extending the same to foreign customers (London Branch) and Efibanca.
In addition to the rules and the processes that already regulate monitoring and the measures envisaged for the speedy recovery of temporary excesses granted to customers, in order to render the resolution of overdrafts and positions "close to becoming past due" more efficient, a credit warning procedure has been integrated, and a new process of authorisation for overdrafts on current accounts of Retail and Corporate customers has been introduced. More specifically, this new process reinforces and rationalises the rules and the tools checking the formation of overdrafts and enables the same to be better managed.
Furthermore, towards the end of the year, a project was launched to rationalise and simplify the credit monitoring and management process; the objective of the project, the next steps of which will be implemented in 2011, starting from the first few months of the year, is a complete review of the current rules and procedures related to irregular credit. The project will entail the introduction of new parameters to "intercept" positions that are showing signs of potential risk deterioration (through the use of automatic assessment tools), as well as new rules as regards the timing and the parties involved in the various stages of the process, all of this will be conducted with a view to faster decision-making and, as a consequence, an improvement in credit quality and a reduction in the percentage represented by impaired credit.

Regulations and processes

In 2010, an important project to review credit processes was launched.
The objective of the project is to rationalise the body of rules and the existing operating procedures by describing all of the activities and checks to be carried out in relation to specific processes in a structured and analytic way, and associating the same to existing legislation. The project also aims to establish a single document base for the purpose of standardising behaviour at Group bank level, which will also be used for the technical training of the resources involved in the various processes, as well as to identify possible measures to improve the efficiency and efficacy of the same processes.

Network in the Centre

In 2010, around 3 years on from the last direct analysis on branch processes ("+20" project) and in the light of the important legislative, procedural and behavioural changes of recent years, particularly as regards credit management and the corporate segment, a project was designed to assess the efficacy and the efficiency of the main operating processes as well as the degree of harmonisation/diversity in the application of operating models between the various Network Banks.
The project, which entailed surveys and interviews with a sample of colleagues from Branches and Business Areas, also enabled the work environment to be assessed in terms of functioning and the focus of resources on "value-added" activities, as well as assessing the services and assistance provided to the network by other Group services that play a part in said processes.

The most important steps taken in 2010 were:

- records census: a new version of the web records database was released to replace procedures 3270 relating to general records (ANAG) and the management of signatory powers (FIRM), facilitating the census of new customers and the updating of records;
- a new application for "CLIC" Branches: which enables all of those that work in the branch in various positions to organise and simplify browsing the various procedures, facilitating the acquisition of information needed for commercial reporting;
- dematerialisation of cheques drawn: cheques collected by clearing houses or handled by sister companies no longer have to be physically sent to Branches. The service files the same, and formal checks are made directly on the screen;
- the rationalisation of printouts and statements: printouts are now directly available in the "Check Point Branches" section of the "Control Panel", and can be displayed on the screen without having to print or file the paper version;
- a new procedure for the placement of non-life insurance policies: a single web-based procedural interface has been implemented that works directly on the systems of AVIPOP, simplifying the use of the same;

- subsidised loan procedure for private customers - ELISE: the management of the first unpaid loan instalment has been automated and the product sale form available in the procedure has been rationalised. Furthermore, the following are in progress:
  - the introduction of "push" monitoring by means of the automatic sending of e-mail to the Branch mailbox when ELISE changes status;
  - the enhancement of checklists in the procedure for certain transactions;
- subsidised loans for corporate customers: the extension of the ELISE procedure to ordinary business loans Group-wide is underway, the new procedure includes a form to manage requests for departures from conditions, making the process more efficient and faster;
- guarantees: a specific 1st level "help desk" service has been launched within the Operations Consulting Service, and detailed instructions have been published, available to each Bank, on correspondence and requests relating to checks on clauses and specialist transactions. Furthermore, a checklist has been created for the documentation to be transmitted for guarantees issued by legal entities, in order to facilitate the correct management of the paperwork and reduce the number of operating repetitions;
- Local Authority Treasuries: a plan has been drawn up for the migration of the Local Authorities whose Treasuries are managed by Network Banks to the use of an IT Order System, an on-line tool which enables the complete elimination of paper transactions, cutting the costs of services. At the end of 2010, 70 Local Authorities has already adopted the new tool. In addition, with the collaboration of TecMarket Servizi SpA, the IT and operating procedures that will enable mandates on behalf of Local Authorities to be optically archived have been completed;
- Auto documents: in 2010, a new function to manage Auto Documents was implemented, which permits the collections made by all group Network Banks and 2nd level banks to whom the service is provided, to credit the current accounts of the vehicle manufacturer/financial company in real time. As a result of this, Banca Popolare di Verona – S.Geminiano e S.Prospero, already market leader in the sector, was able to acquire the business of other important vehicle manufacturers.

At the same time, a series of further measures were launched, which will be completed over the course of 2011. Also in this case, the most important were:

- the extension of the range of services available to customers on direct channels, including the possibility for customers to open accounts directly on the internet;
- closure of ATM accounts: simplification of ATM account balancing and of the process to manage captured cards;
- elimination of the use of Post Offices: the project breaks down into three parts:
  - the acquisition of the certain date by means of an electronic time stamp instead of the paper stamp applied at Post Offices;
  - the use of external Services to send registered mail;
  - the payment of local authority post office pay-slips directly in the Branch by means of an internal procedure;
- improvements to the assistance provided to the Network, which will include:
  - a new Back Office operating model which includes direct Network assistance;
  - a simplified assistance model, with standardised access;
  - an infrastructure that guarantees simplicity of use and monitoring of service levels.

In October 2010, an applications project was launched for the portability of Internet Banking services to latest generation "mobile" platforms (smart phones) as well, which will lead to the creation of the new internet banking service called "ByMobile".

Complaints Management

Efforts to continuously optimise the complaints management process combined with the now full and consolidated use of the support application, which is also the subject of continuous development, has enabled significant benefits to be obtained in terms of both customer response times and procedures and assistance to the Network Bank and Parent Company services involved in the preliminary stages, in analysis and in processing complaints.
As regards the development of the support application, it is worth noting the integration of complaints records with the categories relating to "PattiChiari" protocols and the creation of a specific function to assess the intervention of external bodies and claims made through the ABF (Banking and Finance Arbitration).

Pricing delegations

Banco Popolare's commercial services have drawn up a new model to regulate the process of managing independent price and condition setting for the Group's network banks based on risk-adjusted criteria.
The objective of the new model is to give network commercial managers (Branch Managers, Managers) more independence in granting price derogations based on corrective factors (*in primis* rating) which allow commercial decisions on derogations to be more objective.
To create the model, changes were made to the procedures that manage the authorisation processes relating to derogations on Conditions, by integrating new elements (ratings etc.) which contribute to establishing the decision-making powers of the various network positions.

Bancassurance

In 2010, collaboration agreements between Banco Popolare and the Fondiaria SAI Group (life insurance investment, savings and supplementary pension products) and with the AVIVA group (non-life and protection products) progressed through Popolare Vita and Avipop Assicurazioni.
More specifically, in the second half of the year, the new placement procedure WBA (Web Bancassurance) by Avipop was made available to all Banks; this procedure operates directly on the insurance company's systems integrated with Banco Popolare's IT System. The innovation introduced improves the "time to market" of products (development of parameterisations, contracts etc.) and enables operators to work on-line, limiting the exchange of flows and the need to duplicate the whole insurance checking process on Bank systems.
To avoid customers running the risk of lapses, a new function has been released in the life policy placement procedure (Fondiweb) which enables branches to consult so-called "dormant" policies, so that they can take the appropriate action.
The insurance product business sector is an area in continuous growth, therefore, in 2011, also as a result of modern placement platforms, customers can expect the issue of a series of new products.

New Evolved Prepaid Card

In 2010, Banco Popolare became a direct issuer for the first time, through the Mastercard Circuit, of an innovative prepaid credit card marketed under the name K2. This new product boasts a wealth of functions and services, also thanks to the presence of the IBAN Code on the card, such as: salary crediting, receipt and transmission of bank transfers, bill payment. The card also features new Mastercard contact-less technology called "Pay-Pass", for the management of payments of small amounts on terminals that do not envisage the insertion of the Card, and all of the functions needed to consult transactions and to manage your profile on the Web.

Investment Management Area

2010 saw the completion of several important projects to support the operations of managers and advisors.
In particular, as regards the portfolio management business, all portfolio management mandates were centralised into a single application, which is more efficient and better meets the need for continuous development in this business.
Furthermore, a feasibility study was completed to enable derivative instruments to be included in the products available to managers, which lays the foundation to develop a major project in this area in the new year which will regard managing the opportunities provided by these new products.
As regards the advisory business (evolved consulting to leading customers whose volumes grew significantly during the year), efforts were focused on obtaining the best performance of the system and on enhancing functions, in particular, the application's architecture was refined to improve its efficiency and integration.
The continual growth of this business had led to proposals on the possibility of introducing new automatisms that would enable the advisor to rationalise his work, as well as new monitoring indicators.
These will be the guidelines for the business area in 2011, with special focus on the turnover index of the portfolio, on performance results, on the reports available to Customers and advisors, on the management of commission and relative derogations, on "alerting" and monitoring systems and on the logic on which the applications are based.

"Private" Customers Area

The main project undertaken in 2010 was the development of the new service model addressed to consulting the portfolio.
After an in-depth test phase, a new "wealth management" application was released on several pilot Units of Banca Aletti in October. The extension to the whole Private Customer Network is envisaged by mid-February 2011, following integration with the order procedure, which will enable advice on the purchase/sale of financial instruments to be immediately and automatically executed.
Banca Aletti has gradually assigned the role of Financial Promoter to its private bankers, who, according to current legislation, are natural persons that carry out Door-to-Door Sales, in a professional capacity, in the interests of a single intermediary; the same must be registered with a specific association and meet specific standards of honesty and professionalism.
To date, Banca Aletti's financial promoters may enter orders on a remote basis regarding:

- financial instruments traded on regulated markets
- financial instruments placed as part of a basket.

In the first quarter of 2011, Funds and SICAVs will be able to be placed remotely, as well as Banca Aletti's managed portfolios.

Front Office and Position Keeping Area

2010 was a year of intense activity, aimed to extend and fine-tune the tools available to front office desks of both Banca Aletti and the Parent Company, with particular focus on Risk Management topics for the measurement and control of market risk. During the year, "position keeping" applications underwent a complete overhaul in order to guarantee the best professional performance to desks.

In addition, over the course of the year a wide number of activities were conducted to make new risk position forecasting and analysis tools available, to improve the pricing of contracts and checks on inflation indices, to manage the correlation between positions in derivatives and related securitisation transactions, to reinforce the automatisms supporting middle and back office activities and to optimise the processes to acquire, manage and control market parameters.
At the end of 2010, the Group also launched a feasibility study to operate indirectly with a clearing house for transactions in OTC derivatives with market counterparties, in line with potential future legislative changes at Community level, the objective of which is to minimise systemic risk, to increase transparency in the OTC derivative market and to reduce settlement risk.
Also in the Securities Lending business area, priority was given to consolidating operating processes with a view to extending the Securities Lending service to the Group's administrative customers in 2011, who, following the signature of a specific contract, will be able to lend securities held in custody and safekeeping of Group Banks and therefore to gain additional returns on their portfolios.

"Financial Markets" Area

This is an area in continuous evolution both due to business needs (new products, new customers and even new markets) and due to the need to comply with legislative or structural changes (technological developments of market platforms or rationalisation of applications architecture), and therefore numerous measures were undertaken in 2010.
As far as business needs relating to the service provided by Banca Aletti to Institutional Customers are concerned, the applications and the services that manage and transmit orders were enhanced, with the aim of improving performance and market access times, distinctive features that permit what is known as "scalping" by customers; in addition, a direct connection to the Eurex market was activated, one of the most important European derivative markets, to permit automatic order dispatch.
Indeed, turmoil that characterises this area led to the creation of several applications solutions that seek to facilitate communication towards branches regarding several types of security of particular interest to Customers (Equity and Forex structured Bonds and Certificates), and regarding special circumstances relating to settlement currencies due to various international bank holidays at euro treasury rates.
In the near future, efforts will be focused on implementations relating to the need to offer Customers, similarly to that already in place for bond securities, a "dynamic best execution" service for share securities as well.

This will be achieved through adhesion to the regulated "Equiduct" market, which guarantees obtaining the best price present at that time on the "market" (meaning the set of execution venues where the security is traded).

Asset management area

As regards asset management, work on the procedural front mainly regarded the placement of new products (Funds SICAVs), merger/rationalisation transactions and compliance with legislative requirements.
In terms of new products, during the first half of the year, the marketing of the new Aletti Gestielle Mutual Funds "Total Return Obiettivo Più", Aletti Gestielle "Brasile" and Arca "Cedola Bond 2015 Alto Potenziale" commenced.
Furthermore, a single organisational model was established at group level for the placement of funds and SICAVs, which led to the standardisation and the increased automation of processes, the drawing up of more complete internal regulations, the assignment of activities to central services, enabling positive results to be achieved in terms of increased efficiency and the mitigation of operating risk.
From a legislative perspective, new legislation on Money Laundering had a significant impact, as it required implementations on placement applications in order to encompass the requirements introduced by the new organisational models and to comply with new procedures to manage exposure to money laundering risk implemented by the SGRs.

"Development of an integrated repository of processes and review of the regulatory framework"

In July, a project was launched to create an integrated repository of business processes and to conduct a complete review of the regulatory framework.
The main objectives of the project are:

- the creation of an integrated repository of processes, risks and controls, based on a single, shared taxonomy at Group level, as a tool available to a number of company services to gradually permit effective support of analysis, verification and reporting processes, in particular with respect to the requirements inherent to the verification and assessment of the System of controls and the production and management of internal regulations;
- a review of the entire regulatory framework to improve its integration with business processes, to render it organic, simple and easy to use (particularly by the Network) through:
- a review of the general principles of the system, of the processes of production, publication and use of regulations, and of the support tools (creation of search engines);
- the gradual reorganisation, starting with the more complex regulatory areas, of the current set of regulations.

This project, which is an important element in the process to innovate, consolidate and, at the same time, simplify the mechanisms of the Group's organisational functioning, will extend beyond 2010 and will envisage a significant commitment of internal resources.

Trust Company

In 2010, with the assistance of a leading consulting firm, a Project was launched to consolidate the Service Model of the Group's Trust Company.
Firstly, the Project identified the main risks of legal and operational compliance, and then went on to establish adequate defences during the stage to establish the Company's Organisational Structure and to set out the Organisational Processes.
The Project was completed at the beginning of the summer, and entailed the issue of the necessary Regulations and Operating Manuals.

Basel 2

In 2010, Banco Popolare continued in its efforts to obtain authorisation for the use of internal methods to determine minimum capital requirements from the Supervisory Authority, as part of the Basel 2 programme. The following paragraphs illustrate the state of progress of the same and of other projects as at 31 December 2010.

Credit risk

In 2010, the Banco Popolare group continued to work on the pre-approval stage with the Supervisory Authority, with a view to obtaining authorisation to use internal rating systems to calculate capital requirements. Efforts regarded both estimation models (see paragraph below) and the organisational processes related to internal rating systems: as regards the latter, note - in addition to the recurrent analysis conducted under the cited Basel 2 programme - in particular projects regarding (i) operational uses of ratings and LGD (Loss Given Default), (ii) the monitoring of loan portfolios (Large Corporate in particular) and of customers (Economic Groups), (iii) data quality and (iv) the control structure.

Credit risk estimation models

Activities entailed:

- developing and implementing the PD (probability of default) model for approvals in the Mid Corporate and Small Business segments;
- re-estimating and implementing the EAD (Exposure At Default) model for the Large Corporate, Mid Corporate, Small Business and Private Customers segments;
- re-calibrating the "PD-Private Customers" model in order to introduce separate metrics for approval/renewal and monitoring;
- the reparameterisation of the LGD (Loss Given Default) model for all corporate segments and for Private customers.

Risk measurement

In this area, the parameters of the applications relating to:

- the calculation of capital requirements on credit risk according to the "Standard" Basel 2 method;
- the "Parallel Calculation" of capital requirements at consolidated Group level on the basis of different methods (Standard-IRB)

were refined. Top Management and Corporate Bodies were continuously involved in the definition of guidelines and the results of the project.
Furthermore, final risk ceilings established on the basis of statistical metrics (VaR) were introduced and applied to the Group's main companies, in addition to the current ceiling that refers to the Group as a whole.

Liquidity Risk

In 2010, the Banco Popolare Group's liquidity risk management and control system became fully operational. The Bank was also involved in the QIS 2010 questionnaire regarding liquidity risk. The survey conducted by the Bank of Italy led, at the end of the year, to the issue of a new supervisory regulation on the same, which will come into force in stages. 2011 will see the Group involved in projects to ensure the full implementation of the changes introduced by new Community regulations.

Market Risk

During 2010, the Group continued in its efforts to constantly improve market risk management, both from a technological and methodological perspective.
Given the increase in the issuer risk of the sovereign countries during 2010, the credit spread component implicit in positions relating to government or non-government bonds was introduced in VaR risk measurement. The monitoring of the same, initially applied to the positions in the trading portfolio, was extended later also to the banking portfolio.
Furthermore, the historical simulation VaR method was refined by taking all of last year's scenarios into account as well as the latest historical measurements, in this case, in the event that the volatility of the risk parameters increases.
During the year, analyses to verify the economic impacts resulting from extreme changes in market risk factors, both historical and potential, (stress tests) continued.

Lastly, in-depth and impact analyses were conducted regarding the new rules to calculate capital requirements that will become effective as of 31 December 2011.

Project to validate the internal model for market risk

Analyses to use the internal model instead of the standard approach are still in progress, following the results of revisions of the supervisory regulations made by the Basel Committee (July 2009); these revisions tend to significantly reduce the convenience of using the internal model from an equity perspective.

Operating Risks

In 2010, work continued to implement the operating risk model.
As regards the identification stage, the fourth level of classification of event type has been completed, while in terms of assessment and monitoring activities, the methodology and the structure of the system of indicators for irregularities and exposure have been developed, in line with activities performed to prepare the quantitative data required for the QIS 2010 questionnaire. The AMA calculation mode, used for internal management purposes and with particular reference to capital adequacy assessments (ICAAP), entailed working groups during the year, focused on the development of risk classes, the analysis and management of extreme events and scenario assessments. In 2011, further developments to the model are envisaged, also in compliance with the new guidelines for AMA models issued - in consultation in December 2010 - by the Basel Committee.

Technologies to monitor Group interest rate/liquidity risk

With a view to improving the support applications used by the Finance and Risk Management departments, the procedure released in 2009 (Eagle) became fully operational. The latter procedure monitors liquidity trends from an aggregate and individual perspective. This new application meets the needs of the Treasury service, by providing a valid tool for liquidity risk hedging strategies, as well as those of control functions (ALM and Risk Management), by means of specific reports designed to check the stock and availability of assets that can be financed within the Group (Counter Balancing Capacity) and the relating operating limits.

Counterparty Risk

In 2010, several methodological innovations were introduced to the estimation of counterparty risk (more accurate management of ISDA multibranch agreements, analytical calculations for interest rate derivatives). Impact studies (Quantitative Impact Study or QIS) were also conducted as regards new provisions relating to counterparty risk (scope of OTC derivatives) and to the relative capital requirements, which will should come into effect in 2013.
In 2011, efforts will continue to be focused on methodology and the development of applications, specifically to implement monitoring and control processes for high-frequency risk, using operating metrics that are coherent with new legislative provisions.

Communication

In 2010, in accordance with established communications guidelines, the Banco Popolare Group continued its work in this field, with the primary objective of consolidating the brand, strengthening the bond between the Banks and its historic areas, and to encourage the involvement of partners, shareholders and employees in values and objectives, by means of a strategy able to convey the Group's cooperative bank origins and nature.

Communication and External Relations

Relations with the press in 2010 were intense, with an increased number of initiatives compared to the previous year. 235 press releases were made relating to price sensitive, commercial, institutional aspects and also dedicated to the cultural and social initiatives undertaken by Group Companies. 20 press conferences were organised to present the numerous activities of Group Banks, with a special focus on initiatives linked to local areas. The Bank also featured significantly in local TV and radio broadcasts, as a means to convey market and product information. Over the year, Banco strengthened its collaboration with specialist columns in numerous periodicals on economic, financial and credit topics of interest to the public.
In terms of institutional communication, efforts were made to reinforce the Group's brand, values and image through a new positioning campaign, which, using targeted national advertising and a higher concentration of the same in local areas, promoted the new image. In this regard, we should also mention the launch of the new institutional website in the days prior to the Ordinary Shareholders' Meeting held in Novara: www.bancopopolare.it has been graphically redesigned in line with the Group's new corporate image, and its contents have been enhanced.
The Banco Popolare brand has also been naturally reinforced through its presence in numerous local initiatives in the area it operates in, rendering the association between the Group brand and those of Network banks more effective.
Several nationwide cultural, social and sporting events and schemes set in place by the Group in 2010 facilitated the dissemination of the Banco Popolare brand. Of these, the following are worth mentioning: the consolidation of the "Banco Popolare Magazine", a six-monthly publication that has reached its third year, which features a wealth of high-level features

on a wide number of interesting topics such as the economy, culture and innovation, addressed to a large national audience including the Group's main stakeholders; the success of the Idem meetings with citizens from Verona, which featured VIPs from the world of entertainment, culture and art, held at Palazzo della Gran Guardia in Verona; the support of the thirty-first edition of the Meeting for friendship between populations, entitled "That something which drives us to desire greater things is our heart", which took place in Rimini at the end of August. On the sports front, the association with Juventus F.C. in 2009/2010 ended.
It is also worth mentioning that, as part of the initiative promoted by the ABI "Invitation to the Palace", eleven Banco Popolare branches participated in the extraordinary opening to the public of its buildings of historic-artistic-architectural interest, attracting a total of over four thousand visitors: these included Palazzo Altieri in Rome, Palazzo Scarpa in Verona, Palazzo Tacoli and Palazzo Carandini in Modena, Palazzo "Ex Albergo pei Poveri" in Bergamo, Palazzo Fossa in Reggio Emilia, Palazzo Ferrari Schizzi in Cremona, Historic seat and Head Office of Banca Popolare di Lodi in Lodi and Palazzo Spinola Gambaro in Genoa. Last but not least, the traditional edition of the Group's Christmas book deserves a mention, focused in 2010 on the wealth of artistic heritage owned by Banco Popolare.
Furthermore, in 2010, Banco Popolare was involved in activities linked to the promotion of the 17th 2011 AIAF Assiom Forex congress, for which the Bank is the main sponsor.
In the Group's historic areas, in 2010, its Banks sought to consolidate their ties with local communities by supporting and organising numerous initiatives. In the world of entertainment, the Group sponsored a concert featuring Elisa, who has historic ties to the same, and Fiorella Mannoia, as part of the Volunteers' Festival held in Verona. As regards music, the seventh edition of "Summer in Concert" was staged, a series of light music events that take place over the summer organised by Banco Popolare di Verona - S.Geminiano e S.Prospero in several traditional squares in Veneto, Emilia Romagna, Trentino and Friuli Venezia Giulia. In the historic areas of Banco S.Geminiano e S.Prospero, the traditional concert of the Rossini Choir took place in Modena and that of the Virtuosi Italiani in Reggio Emilia.
Banca Popolare di Verona – S.Geminiano e S.Prospero sponsored the series of shows called "Estate Teatrale Veronese" (Summer Theatre in Verona) and those of the Philharmonic Theatre, while in Lodi, the Bipielle Art Center continued to receive the Bank's support; this is a permanent exhibition area open to the public located in the Bank's office building. In this regard, the exhibition dedicated to Vailetti, a twentieth century family of painters from Lodi, that featuring Angelo Monico and the anthological paintings of Franco Battiato were also much appreciated. The exhibition organised in Genoa by the Banco di Chiavari e della Riviera Ligure on the life of Fabrizio De André was particularly successful, not to mention the public meeting organised by Banca Popolare di Cremona at the Ponchielli theatre, as part of the celebrations of 140 and 145 years, respectively, of the two Institutions.
In 2010, Cassa di Risparmio di Lucca Pisa Livorno continued with the "Bank of the Squares" initiative, and event that seeks to strengthen ties with citizens, and along similar lines, the support of the "Summer festival" and the sponsorship of the second edition of the Lucca Marathon.
On the sports front, Banca Popolare di Verona – S.Geminiano e S.Prospero continued to be the main sponsor of AC Chievo Verona and Amatori Hockey (division A1), in addition to the sponsorship of Assigeco Basket (division A2) by Banca Popolare di Lodi and Banca Popolare di Cremona as second sponsor of Triboldi Basket (division A1). Also in the field of support to the local area and its institutions, we should also mention the consolidated relationship between Banca Popolare di Verona – S.Geminiano e S.Prospero with Veronafiere (Organisation of Trade Fairs), in successful events such as "Vinitaly", "Fiera Cavalli", as well as with the Association of Industrialists of Verona. Banca Popolare di Novara and Credito Bergamasco are also involved in initiatives to promote and sustain excellence in the local area. For example, on the sports front, Credito Bergamasco's sponsorship of Atalanta Bergamasca Calcio and of Volley Bergamo Foppapedretti, who excel in the field of women's volleyball at national and international level. Banca Popolare di Novara continued to sponsor Novara Calcio, which enjoyed a successful football season ending in the promotion to division B, and Asystel Volley.
From a cultural and artistic perspective, in addition to organising traditional conferences on current topics, Credito Bergamasco also organised an exhibition situated in the Bank's historic building, dedicated to the restoration of three altar-pieces of the renowned Lorenzo Lotto, sixteenth century Venetian painter, also active in Bergamo. A retrospective anthological exhibition dedicated to Domencio Rossi, a contemporary painter from Bergamo who died prematurely last century was also held in the same building.
Furthermore, it is also worth mentioning the support provided by Banca Popolare di Novara in the Verbano, Cusio and Ossola areas, and the enhancement and spreading of awareness of Palazzo Bellini, one of the city's most important buildings from an architectural and historic perspective, and the unique and valuable collection preserved there of over fifty Sicilian corals from the XVII-XVIII century, originating from Trapani and Western Sicily, not to mention the extensive collection of period paintings from between the XVII and XX centuries, featuring artists such as Antonie Van Dyck, Luca Giordano, Gaspar Van Wittel and Gaetano Previati.
Banca Popolare di Novara and Banco Popolare jointly sponsor the Aquarium in Genoa.
In 2010, as regards internal communication, the intranet portals of Group Companies were improved in terms of distribution of content, to reinforce their role as a timely way to channel information to Group employees. BANCO&NOI, the two-monthly company publications for Group employees maintained a circulation of 30 thousand copies per edition, and gave visibility to the Group strategies and initiatives actively implemented by Banks in historical areas, to inform readers of the same.
Lastly, a large number of events were created and organised for the group's employees, with the prime objective of improving the quality of decision-making processes through the exchange of reciprocal knowledge/experience.

Investor relations

The following paragraphs illustrate Investor Relations' activities in 2010. In addition, information is provided on partners and shareholders, while information on ratings and on share performance is illustrated in specific sections. For further information, please refer to the section dedicated to Investor Relations, available on the company website (www.bancopopolare.it).

Investor Relations' activities

In 2010, Banco Popolare managed a total of 71 events, usually with the involvement of Group top management, attended by 347 investors and financial analysts (from both the stock market and the fixed-income market), as better detailed in the table below.

	No. of events	%	No. of attendees	%
Presentation of Banco Popolare's results (telephone conferences with webcast)*	4	6%	4	1%
Industry conferences **	11	15%	168	48%
Roadshows (fixed income)	6	8%	80	23%
- of which: Italy	*1*	*1%*	*21*	*6%*
- of which: United Kingdom	*1*	*1%*	*5*	*1%*
- of which: other European countries	*4*	*6%*	*54*	*16%*
Other meetings (individual and/or with groups of investors and analysts) ***	28	39%	63	18%
Telephone conferences and video conferences (individual and/or with groups of investors and analysts)	19	27%	29	8%
Events with rating companies *	3	4%	3	1%
Total	**71**		**347**	

** The attendees at the presentations of the results and at the rating meetings organised by Banco Popolare count as one only.*
*** Excluding investors that attended the "Floor presentations" of the industry conferences.*
**** The other meetings also include any due diligences associated with fixed-income issues.*

During the year, Banco Popolare staged four telephone conference with webcast to update the market on the group's financial performance and strategies. 11 industry conferences attracted a significant number of attendees, organised mostly in London by leading stock research and brokerage companies, which entailed encounters with around 48% of the total number of investors and analysts, both in individual meetings and group meetings. Furthermore, given the increasing importance of the fixed-income market, during the year, the Investor Relations service organised a total of 6 roadshows addressed to this type of investor - which took place in Italy and Europe - covering around 23% of those involved in total. Lastly, investors and analysts were able to communicate with Banco Popolare management on 47 other occasions (other direct encounters, teleconferences and videoconferences).
Note that the Banco Popolare stock is "covered" more or less actively by around 31 stock research companies (the coverage of 6 of which was suspended at the end of December 2010, down on the 7 at the end of December 2009) and the Investor Relations service continuously dialogues with the "sell-side" analysts of these companies.

Partners and shareholders

Banco Popolare's share capital is held by private investors, with a high level of fragmentation that reflects the retail nature of the Group, and institutional investors in Italy and abroad.
In January 2011, according to information published on the Consob website, 3 institutional investors held an investment of over 2% of Banco Popolare's share capital, as shown in Table 2.

Important Banco Popolare shareholders; situation as at 31 December 2010)

Declarant	% held
Blackrock Inc.	3.533%
UBS AG	3.328%
Norges Bank	2.082%

Note that, based on Consob records as at 16 March 2011, also following the conclusion of the share capital increase, the shareholdings of UBS and Norges Bank are now below the 2% threshold, while TT International Partnership has a shareholding of 2.23%.

PERFORMANCE OF THE MAIN GROUP COMPANIES

In order to provide a greater level of detail, a brief description of the performance of the Group's main companies in 2010 is provided in the following paragraphs.
As regards the Parent Company, Banco Popolare, please refer to the separate financial statements contained in this report.

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

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	Change
Income Statement figures			
Financial margin	460.1	463	(0.6%)
Net fee and commission income	386.7	407.3	(5.1%)
Operating income	844.3	824.6	2.4%
Operating expenses	(553.6)	(559.9)	(1.1%)
Income (loss) from operations	290.6	264.6	9.8%
Income (loss) before tax from continuing operations	120.6	63.1	91.2%
Result for the year	59.9	16.3	-

(in millions of euro)	31/12/2010	31/12/2009	Change
Balance sheet figures			
Total assets	29,689.4	32,304.8	(8.1%)
Loans to customers (gross)	25,984.5	25,603.4	1.5%
Financial assets and hedging derivatives	326.7	419.9	(22.2%)
Shareholders' equity	2,386.3	2,364.8	0.9%
Customers' financial assets			
Direct deposits	23,638.8	26,978.1	(12.4%)
Indirect deposits	20,970	20,513.5	2.2%
- Asset management	7,691.2	7,674	0.2%
- Mutual funds and Sicavs	2,744.4	3,021.7	(9.2%)
- Securities and fund management	1,473.5	1,724	(14.5%)
- Insurance policies	3,473.3	2,928.3	18.6%
- Administered assets	13,278.8	12,839.5	3.4%
Information on the organisation			
Average number of employees (*)	3,993	4,031	
Number of bank branches	517	547	

(*) arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate

Loan brokering activities

Direct funding

As at 31 December 2010, direct funding presented a balance of euro 23,639 million, compared to euro 26,978.1 million as at 31 December 2009.
The decrease is substantially due to bond issues, which, over the course of the year recorded a contraction of over euro 2.3 billion, due in particular to the redemption of issues falling due and not replaced, relating to subscriptions made both entirely by the Parent Company, amounting to over euro 1,605 million and by customers, amounting to over euro 728 million.

Indirect funding

Indirect funding presented a balance of euro 20,969.9 million at market values, recording a rise compared with the corresponding figure for the previous year of euro 20,513.5 million.
The rise in indirect funding is mainly due to the increase in Parent Company bonds placed. Total indirect funding succeeded in achieving an increase of around euro 456.4 million (+2.23%) compared with last year.

Loans to customers

Total loans, net of value adjustments amounted to euro 25,984.5 million at year end, up 1.49% against euro 25,603.3 million recorded as at 31 December 2009.
It should be noted that the end-of-year figure for 2009 included euro 406 million of receivables due from Banca Italease up until 30 December and that on the financial statements date, the same had been transferred to Release S.p.A., which is not a banking institution and therefore the relative exposures had been included in loans to customers. Without said exposures, the gross figure at the end of 2009 would have been euro 25,197.3 million, and therefore the end-of-year figure for 2010 would have recorded an increase of 2.69%.
Total non-performing loans to customers recorded an increase in 2010.
Before value adjustments and also including the relative portion of non-performing securitised loans (euro 125.3 million), they amounted to euro 2,534.8 million, compared to euro 2,417.4 million as at 31 December 2009 (+4.85%).

(in thousands of euro)	31/12/2010	31/12/2009	Changes	
Gross non-performing loans	**2,534,809**	**2,417,431**	**117,378**	**4.9%**
Doubtful loans	1,186,854	935,516	251,338	26.9%
Substandard loans	897,052	946,749	(49,697)	(5.2%)
Restructured loans	368,699	284,061	84,638	29.8%
Past due loans	82,204	251,105	(168,901)	(67.3%)
Gross performing loans	**23,449,705**	**23,185,921**	**263,784**	**1.1%**
Total gross exposure	**25,984,514**	**25,603,352**	**381,162**	**1.5%**
Adjustments on non-performing loans	(649,157)	(618,317)	(30,840)	5.0%
Adjustments on performing loans	(92,300)	(107,497)	15,197	(14.1%)
Total net exposure	**25,243,057**	**24,877,538**	**365,519**	**1.5%**

The increase of this item is due to the rise in doubtful loans and to that of restructured loans, only partially offset by the fall in substandard and past due loans.
More specifically, doubtful loans rose from euro 935.5 million to euro 1,186.8 million, with a net increase of over euro 251.3 million (+ 26.8%). Around euro 560.4 million of this figure represents newly classified doubtful loans, of which around euro 313.7 million originate from substandard loans at the end of the previous year, net of collection of euro 91.6 million and reclassifications to losses of around euro 213.7 million.
Substandard loans were slightly down, falling from euro 946.7 million last year to euro 897.1 million as at 31 December 2010, with a decrease in absolute terms of euro 49.6 million (-5.23%).
Like doubtful loans, the percentage coverage fell from 15.99% last year to 14.96% this year, however said decrease is linked to the fact that the positions established in 2010 have a more limited average reduction percentage, insofar as the positions are represented by retail mortgage loans amply covered by collateral guarantees.
Restructured loans saw the addition of new positions amounting to a total of around euro 344.4 million, of which euro 269.4 million originating from performing loans and around euro 71 million from substandard loans; in this regard, overall adjustments of around euro 42.4 million were made.
Past due loans fell considerably, from euro 251.1 million last year to euro 82.2 million as at 31 December 2010, corresponding to 67.3%. The average percentage coverage rose from 4.33% last year to 4.92% at the end of December 2010. On the basis of the above, the following graph shows the weight of past due positions, before and after value adjustments, as a total of gross and net loans.
By virtue of the trends of the various categories illustrated above, value adjustments on non-performing loans at the end of the year represented 25.61% of their total gross amount compared to 25.58% as at 31 December 2009.
The upwards trend of the gross values of the weight of non-performing loans is also confirmed by the trend of the ratio calculated net of value adjustments. In fact, the latter rose from 7.24% as at 31 December 2009 to 7.47% at year end. This trend is linked to the progressive deterioration of the economic situation which started in the fourth quarter of 2008, progressively deteriorated in 2009 and has shown the worst impact during the course of 2010.
Adjustments on performing loans corresponded overall to 0.4% of gross loans as at 31 December 2010 against a corresponding figure as at 31 December 2009 of 0.46%, and include only portfolio adjustments.
The fall in the average percentage coverage of performing loans is linked to the new method adopted by the Banco Popolare Group, which is more specific in the calculation of the write-down to apply to performing loans, which considers a portfolio segmentation that is more consistent with the procedure to monitor positions and applies more adequate parameters to the effective level of risk. This new method has led to the permanent application of PD and LGD parameters to four sectors ("large corporate", "mid corporate", "small corporate" and "private customers") instead of the previous general "corporate" and "private" customer ones.

Income statement results

The interest margin was around euro 460 million, resulting from interest income of euro 809 million (euro 1,027.3 million in 2009) and interest expense of euro 349 million (euro 564.3 million in 2009).
The main component of the interest margin is represented by net interest from customers, corresponding to euro 409 million, resulting from interest income on loans of euro 735 million (euro 878.5 million in 2009) and interest expense on

current accounts and savings accounts of euro 137 million (euro 188.3 million in 2009) and on securities and certificates of deposit outstanding of euro 190 million (euro 370.4 million in 2009).

Net fee and commission income amounted to euro 386.7 million (euro 407.3 million in 2009), resulting from fee and commission income of euro 408.7 million (euro 492.2 million in 2009) and fee and commission expense of euro 23 million (euro 24.9 million in 2009). Commission from management, brokerage and advisory services represents 54.20% of total net fee and commission income (58.76% in 2009). The fall in commission is actually due to a considerable lower volume of placements of Parent Company bond issues, which resulting in over euro 50 million less in terms of upfront commission, partially offset by the increase in revenues from both indirect funding of around euro 16.1 million (equally distributed between administered assets +8.3 and managed assets +7.8) and from other components of around euro 16.9 million (particularly on the transnational component linked to recoveries of expenses and other services).

Other net operating income recorded a loss of euro 1.8 million (against euro 0.2 million last year) resulting from the sum of other income of euro 7.9 million (euro 5.5 million in 2009) and charges of euro 4 million (euro 5.8 million in 2009), of which euro 1.8 million in operating losses and euro 1.4 million in charges on settlements and rulings on legal disputes exceeding the funds originally allocated.
The net financial result amounted to euro -0.8 million (euro 45.5 million in 2009), and breaks down as follows:
Other operating income amounted to euro 384.2 million against euro 361.6 million in 2009.

Total operating income amounted instead to euro 844.3 million, against a total figure for 2009 of euro 824.6 million.

Operating expenses totalled euro 553.6 million (euro 559.9 million in 2009), positioning the Bank's cost-income ratio at 65.57% (67.91% as at 31 December 2009).

Personnel expenses for the year as a whole amounted to euro 291.5 million (euro 284.5 million in 2009) net of recoveries linked to personnel seconded to other Group companies. This item includes non-recurrent costs associated to the redundancy fund and to leaving incentives totalling euro 10.5 million (euro 2.1 million in 2009).

Other administrative expenses for the year as a whole amounted to euro 251.1 million (euro 259.3 million in 2009), of which euro 86.7 million relating to direct costs (euro 86.6 million in 2009), while the remainder was charges from Group companies.

Amortisation and depreciation amounted to euro 11.1 million (euro 16.1 million in 2009), euro 4.9 million of which regarded owned furniture and plant (euro 5.7 million in 2009), euro 6.2 million (euro 7.6 million in 2009) of which regarded improvements to third party assets mainly relating to the renovation of properties where branches are located.

Therefore, the income (loss) from operations for 2010 as a whole was euro 290.6 million (euro 264.6 million in 2009),

After having made value adjustments on loans of euro 180.3 million and on other assets of euro 1.7 million, and net of recoveries relating to provisions for risks and charges of euro 10.7 million, income (loss) before tax from continuing operations for 2010 amounted to euro 120.6 million (euro 63.1 million in 2009).
The total net income for 2010 amounted to euro 59.9 million (euro 16.3 million in 2009), after having recorded taxes for the year of euro 60.7 million (euro 46.8 million in 2009).
Net of non-recurrent items, net income was euro 66.2 million (euro 48.8 million in 2009), after having deducted taxes of euro 63.6 million (euro 61.5 million in 2009), with an increase in absolute terms of euro 17.4 million (+35.65%).
The total net income for 2010 of euro 59.9 million is higher than the corresponding figure for 2009, which was euro 16.3 million, an increase in absolute terms of euro 43.6 million (+267.48%).

Banca Popolare di Lodi

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	% Change
Income statement figures			
Financial margin	414.1	417.4	(0.8%)
Net fee and commission income	270.0	264.9	1.9%
Operating income	719.6	661.5	8.8%
Operating expenses	(484.4)	(481.1)	0.7%
Income (loss) from operations	235.3	180.4	30.4%
Income (loss) before tax from continuing operations	55.2	64.9	(14.8%)
Result for the year	6.3	30.8	(79.6%)

(in millions of euro)	31/12/2010	31/12/2009	% Change
Balance sheet figures			
Total assets	19,556.4	19,114.2	2.3%
Loans to customers (gross) (*)	15,371.7	14,060.7	9.3%
Financial assets and hedging derivatives	284.5	300.7	(5.4%)
Shareholders' equity	1,439.4	1,432.3	0.5%
Customers' financial assets			
Direct deposits (**)	14,084.4	14,294.6	(1.5%)
Indirect deposits	16,724.3	14,868.7	12.5%
- Asset management	3,723.6	3,511.9	6.0%
- Mutual funds and Sicavs	1,241.3	1,398.8	(11.3%)
- Securities and fund management	444.3	515.1	(13.7%)
- Insurance policies	2,038.1	1,598.0	27.5%
- Administered assets (***)	13,000.6	11,356.8	14.5%
Information on the organisation			
Average number of employees	3,380	3,405	
Exact number of employees	3,361	3,397	
Number of bank branches	471	505	

(*) the item includes transactions with Ducato S.p.A. amounting to 57.6 million (137 million in 2009)
(**) if the bonds of the Holding are included, this item amounts to 18.4 billion (17.3 billion in 2009), with an increase of 6.4%.
(***) this item includes Bonds of the Holding amounting to 4.3 billion (2.9 billion in 2009)

Loan brokering activities

Total administered assets (direct funding + indirect funding) amounted to euro 30,809 million, recording an increase of 5.6% compared to the euro 29,163 million recorded as at 31 December 2009.
As at 31 December 2010, funding from ordinary customers amounted to euro 14,084 million (euro 210 million, -1.5% against 31 December 2009). Direct funding, down euro 210 million, was characterised by a significant rise in outstanding securities of euro 1,667 million, a fall in bonds under the fair value option that had reached their natural expiry of euro 474 million and by a substantial decrease of current accounts and deposits of euro 1,073 million and repurchase agreements of euro 332 million.
Direct funding includes customer accounts amounting to euro 9,330.2 million, euro 7,005.4 of which are current accounts and demand deposits, euro 3,515.3 million are outstanding securities and euro 1,238.9 million are financial liabilities measured at fair value.
As at 31 December 2010, gross loans to ordinary customers totalled euro 15,372 million, marking an increase of euro 1,311 million (+9.3% compared to 31 December 2009. The gross figure includes the item assets sold and not derecognised, corresponding to euro 1,541.0 million, euro 2,074 million as at 31 December 2009).

Performing loans totalled euro 13,696 million, before collective write-downs and euro 13,575 million net of the same (these items recorded rises of +9.1% and +9.2% respectively compared to the figure as at 31 December 2009); Non-performing loans, represented by doubtful loans, substandard loans, restructured loans, loans under restructuring and past due loans, amounted to euro 1,675.4 million gross (+10.8% against 31 December 2009) and to euro 1,163.3 million net of write-downs (+19.6% against 31 December 2009).

(in thousands of euro)	31/12/2010	31/12/2009	Changes	
Gross non-performing loans	**1,675,356**	**1,512,287**	**163,069**	**10.8%**
- Doubtful loans	614,536	486,398	128,138	26.3%
- Substandard loans	954,013	900,415	53,598	6.0%
- Restructured loans	59,079	31,919	27,160	85.1%
- Past due loans	47,728	93,555	(45,827)	(49.0%)
Gross non-performing loans	**13,696,357**	**12,548,446**	**1,147,911**	**9.1%**
Total gross exposure	**15,371,713**	**14,060,733**	**1,310,980**	**9.3%**
Adjustments on non-performing loans	(512,008)	(539,449)	27,441	(5.1%)
Adjustments on performing loans	(120,879)	(111,002)	(9,877)	8.9%
Total net exposure	**14,738,826**	**13,410,282**	**1,328,544**	**9.9%**

Income statement results

The interest margin as at 31 December 2010 was euro 408.9 million, resulting from interest income of euro 626.7 million and interest expense of euro 217.8 million.
Interest on financial assets available for sale refer to interest on the subordinated securities in the Tiepolo Finance Srl and Tiepolo Finance 2 Srl portfolio resulting from securitisation transactions.
Interest on receivables due from banks mainly comprises: euro 1.3 million relating to current accounts, euro 37.7 million relating to deposits and euro 8.4 million relating to repurchase agreements.
Interest on receivables due from customers mainly comprises: euro 259.4 million relating to current accounts, euro 132.5 million on mortgage loans and personal loans, euro 0.7 million relating to repurchase agreements, euro 32.2 million from pool loans, Euro 79.7 million relating to assets sold and not derecognised relating to residential mortgage loans transferred as part of the various securitisation transactions and euro 4.5 million relating to the imbalance of statement of income components to be recognised to the special purpose entity under the covered bond transaction.

Interest on amounts due to banks comprises: euro 3.9 million relating to current accounts, euro 16.2 million relating to deposits and euro 6.3 million relating to the covered bond subordinated loan.
Interest on amounts due to customers comprises: euro 20.8 million relating to current accounts, euro 1.2 million relating to deposits and around euro 8.6 million relating to repurchase agreements. This category also includes interest on financial liabilities associated with assets sold and not derecognised totalling euro 28.7 million.

Fee and commission income totalled euro 287.1 million and is mainly represented by income from management, brokerage and advisory services (euro 158.2 million), which represents 55.1% of the total. Fee and commission expense, equal to euro 17.1 million breaks down as follows: 53.0% in commission on collection and payment services, 20% relating to charges for management and brokerage services, which mostly refer to retrocession fees paid to other Group companies for activities delegated to the same, 25.6% in charges for other services mainly relating to commission paid to intermediaries for mortgage loan transactions and the remainder in commission on guarantees received (0.2 million). Net fee and commission income therefore amounted to around euro 270.0 million.

The net financial result includes net income (loss) on trading activities and assets and liabilities designated at fair value, and the income/loss resulting from the sale of other financial assets or from the repurchase of financial liabilities. As at 31 December, the same amounted to euro 4.7 million.

Other net operating income totalled euro 30.8 million. In the reclassified schedule considered here, this item is shown net of indirect tax recoveries and of miscellaneous expenses and with the reclassification of amortisation charges on improvements to third party assets totalling euro 6.5 million, summed to net value adjustments on tangible and intangible assets (in total euro 35.8 million, 29.5 million of which refers to tax recoveries, the recovery of rent and expenses on properties of euro 0.6 million, recoveries from group companies for services provided by the Bank of euro 0.9 million and euro 4.7 million in recoveries of other expenses), at the same time deducted from other administrative expenses.

Other operating income (operating income other than from the financial margin) therefore amounted to euro 305.5 million.

By virtue of the above trends, total operating income amounted to euro 719.6 million.

Operating expenses totalled euro 484.3 million, and break down into personnel expenses of euro 238.4 million, other administrative expenses of euro 233.9 million and net value adjustments on tangible and intangible assets of euro 12 million.
Other administrative expenses include costs relating to Group companies of euro 163.5 million.
Therefore, the income (loss) from operations was euro 235.2 million.

Total net losses on impairment of loans and of guarantees and commitments amounted to euro 106.7 million, due to:

- value adjustments and provisions of euro 172.0 million; this figure includes euro 56.3 million of adjustments on substandard loans, euro 60.3 million on doubtful loans, euro 2.9 million on restructured loans, euro 2.3 million

on past due loans, euro 27.8 million on losses on receivables and euro 22.4 million from an increase of the collective write-down on performing loans;
- recoveries of euro 65.0 million, of which euro 24.2 million on substandard loans, euro 35.8 million on doubtful loans, euro 2.0 million on past due loans, euro 1.4 million on restructured loans and euro 1.6 million from the reduction of the collective write-down;
- profits on the disposal of doubtful loans of euro 0.03 million;
- adjustments on other guarantees given on substandard loans of euro 0.02 million and value adjustments on guarantees given on doubtful loans of euro 0.06 million;
- recoveries on other guarantees given on substandard loans of euro 0.3 million and on doubtful loans of euro 0.03 million.

Net losses on impairment of other financial transactions totalled euro 17.3 million, and mainly refer to write-downs of the subordinate security resulting from the Tiepolo Finance II securitisation transaction of euro 5.3 million, to the amount of the impairment on the Bipielle Aphrodite policy of euro 2.6 million and to the write-down of coupons for unpaid interest relating to the Tiepolo Finance II security of euro 6.7 million.

Net allocations to Provisions for risks and charges amounted to euro 16.4 million, including provisions net of recoveries of euro 2.9 million for legal disputes and euro 14.3 million in recoveries on other provisions.

Gross income from continuing operations, after the above-cited adjustments, amounted to euro 55.2 million.

Income taxes of euro 48.9 million include current taxes of euro 38.3 million, euro 19.6 million of which is IRES, euro 18.7 million of which is IRAP, changes in prepaid taxes of euro 4.0 million and changes in deferred taxes of euro 6.6 million.

After deducting income taxes, the net income for the year as at 31 December 2010 was euro 6.3 million.

Banca Popolare di Novara

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	% Change
Income statement figures			
Financial margin	390.9	430.8	(9.3%)
Net fee and commission income	301.8	322.5	(6.4%)
Operating income	697.8	706.7	(1.3%)
Operating expenses	(446.1)	(435.2)	2.5%
Income (loss) from operations	251.8	271.5	(7.3%)
Income (loss) before tax from continuing operations	96.9	142.2	(31.9%)
Result for the year	47.8	83.1	(42.5%)

(in millions of euro)	31/12/2010	31/12/2009	% Change
Balance sheet figures			
Total assets	17,074.5	16,402.2	4.1%
Loans to customers (gross)	14,870.0	13,915.0	6.9%
Financial assets and hedging derivatives	771.4	802.6	(4.0%)
Shareholders' equity	1,013.1	1,066.1	(5.0%)
Customers' financial assets			
Direct deposits	13,100.6	13,436.0	(2.5%)
Indirect deposits (*)	19,653.3	19,077.3	3.0%
- Asset management	5,942.9	5,909.3	0.6%
- Mutual funds and Sicavs	1,127.3	1,183.3	(4.7%)
- Securities and fund management	721.4	797.0	(9.5%)
- Insurance policies	4,094.2	3,929.0	4.2%
- Administered assets	13,710.4	13,168.0	4.1%
Information on the organisation			
Average number of employees (**)	3,182	3,229	
Number of bank branches	416	428	

(*) The balances of Portfolio management and of Administered assets as at 31 December 2009 have been adjusted to bring the same in line with the methodological criteria adopted at Group level.
(**) Arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate.

Loan brokering activities

Direct funding

As at 31 December 2010, Direct funding amounted to euro 13,101 million (-335 million, -2.5% against 31 December 2009); this aggregate includes Balance Sheet items no. 20 (due to customers, including third-party funds in administration), no. 30 (securities issued) and no. 50 (financial liabilities designated at fair value through profit and loss). Funding from customers also includes Liabilities resulting from assets sold and not derecognised, recorded as a balancing entry to receivables subject to securitisation transactions.

The funding components that have shown the largest fall are represented, in absolute terms, by current account and demand deposits (-843 million), and in percentage terms by repurchase agreements and other payables (-21.8%). In contrast, without considering time deposits (practically zero for some time), funding represented by securities recorded very sustained growth: given the sum of securities issued and financial liabilities designated at fair value through profit and loss as euro 3,090 million, the increase is euro 1,237 million, +66.7%.

The above requires further clarification. The aggregate in question includes around euro 2.4 billion in bonds issued under the "Single Issuer" programmes and around euro 217 million in bonds issued under the "Covered Bond" programme, both underwritten by the Parent Company. The global liquidity management policy imposed at Group level has led:

- since 2008, to assign the Holding company as "Single Issuer" for all Group funding made through bonds, the placement of which with retail customers is made by the Network Banks (including, obviously, BPN);
- since 2010, to the diversification of funding, seeking to cut the relative costs of the same and lengthen the maturities of the liability even though the use of covered bonds.

The funding collected in this way by Banco Popolare is transferred to the afore-mentioned banks by way of loans (bonds underwritten by the Parent Company or deposits of the same, at market rates), structured dependent on the effective need to offset any imbalances in funding and loans from an ALM perspective. This explains the different trend of the aggregate that is the sum of securities issued by BPN: significantly down on an annual basis in 2009, compared to a situation of abundant liquidity at the beginning of the year; significantly up in 2010, due to the reversal of the liquidity situation, also related to the increase of loans and also seen in the corresponding inversion of the interbank balance (still just positive as at 31 December 2009, euro +151 million, euro -976 million as at 31 December 2010).

Indirect funding

As at 31 December 2010, total Assets managed (Funds, Portfolios, SICAVS and Insurance products) amounted to euro 5,942 million, recording a slight increase on an annual basis (euro +33 million, +0.6%). The latter is due to the performance of insurance policies, the total stock of which recorded an increase of euro 165 million in 2010, reaching euro 4,094 million. On the contrary, Portfolio management recorded a downturn of euro -76 million in the year (negative net deposits of -86 million and positive market effect of 10 million). Mutual investment funds and SICAVs also recorded a decrease over the year of -54 million, due to negative net deposits of euro -102 million, offset by a positive market effect of euro 48 million.

In 2010, the premiums collected in the Bank insurance sector amounted to euro 200 million; the placement of traditional Life Insurance Policies and of Unit-Linked Policies (for a total of euro 803 million) was downsized by negative net deposits of Index Policies (-608 million). As at 31 December 2010, the total stock of Insurance policies amounted to euro 4,094 million.

On the same date, Assets managed on behalf of customers totalled euro 13,711 million, recording a rise of 543 million on an annual basis (+4.1%), due in particular to the placement of Bond Issues of the Parent Company, whose stock at the end of 2010 amounted to euro 5,313 million (+1,260 million on an annual basis, +31.1%); these Bond issues are included in the total Asset Management figure.

Total administered assets (direct funding + indirect funding) amounted to euro 32,754 million, recording a substantially stable situation (+0.7%) compared to the euro 32,513 million recorded as at 31 December 2009.

Loans to customers

As at 31 December 2010, gross loans to ordinary customers totalled euro 14,870 million, marking an increase of euro 955 million (+6.9%) against 31 December 2009. This aggregate includes: Assets sold and not derecognised of euro 1,948 million (euro 2,589 million as at 31 December 2009), represented by receivables that were the subject of securitisation transactions (and that have to be maintained in the Financial Statements, as the requirements to make the relative derecognition have not been met), euro 897 million in receivables sold to the special purpose entity BP Covered Bond to guarantee the issue, by Banco Popolare, of Guaranteed Bank Bonds (launched in 2010), and around euro 78 million in receivables represented by the (positive) surplus between receivable and payable items held by BPN vis-à-vis the afore-mentioned special purpose entity (this surplus is recorded under item 70, Due from Customers, on the basis of provisions of the Supervisory Authority regarding the accounting treatment of these items). Existing write-downs (including the effect of discounting) totalled euro 467 million (+84 million, +22.0% against 31 December 2009), of which around 22 million

related to securitised receivables or those related to the issue of covered bonds: consequently, the net receivables shown in the financial statements amount to euro 14,403 million, up euro 871 million (+6.4%) against 31 December 2009. Excluding assets sold and not derecognised or relating to the issue of Guaranteed Bank Bonds (euro 2,904 million), net receivables amount to euro 11,499 million (+540 million, +4.7% on an annual basis).

Performing loans totalled euro 13,178 million, before write-downs and euro 13,097 million net of the same (these items recorded rises of +6.1% and +6.2% respectively compared to the figure as at 31 December 2009); non-performing loans, represented by doubtful loans, substandard loans, restructured loans, loans under restructuring and past due loans, amounted to euro 1,692 million gross (+12.9% on an annual basis) and to euro 1,306 million net of write-downs (+8.9% against 31 December 2009). These figures reflect the continuing economic-financial crisis, also the reason for the sharp increase in value adjustments (+22%) and in particular those relating to doubtful loans (+37.0%).

Before value adjustments, the ratio of performing loans to total loans to customers was 88.62% (89.23% at the end of 2009); the corresponding ratio relating to non-performing loans was 11.38% (10.77% as at 31 December 2009). The percentage of total net loans represented by performing loans was 90.93% (91.13% as at 31 December 2009); consequently, the weight of non-performing loans was 9.07% (8.87% at the end of 2009).

(in thousands of euro)	31/12/2010	31/12/2009	Changes	
Non-performing assets	1,691,586	1,498,777	192,809	12.9%
Doubtful loans	730,673	491,329	239,344	48.7%
Substandard loans	785,554	704,061	81,493	11.6%
Restructured loans	92,786	131,971	(39,185)	(29.7%)
Past due loans	82,573	171,416	(88,843)	(51.8%)
Gross performing loans	**13,178,367**	**12,416,184**	**762,183**	**6.1%**
Total gross exposure	**14,869,953**	**13,914,961**	**954,992**	**6.9%**
Adjustments on non-performing loans	(385,387)	(299,117)	(86,270)	28.8%
Adjustments on performing loans	(81,675)	(83,988)	2,313	(2.8%)
Total net exposure	**14,402,891**	**13,531,856**	**871,035**	**6.4%**

Income statement results

The financial margin was euro 390.9 million (-39.9 million, -9.3% on an annual basis), resulting from the difference between interest income of euro 554.8 million and interest expense of euro 163.9 million.

The main component of the interest margin is represented by net interest from customers, corresponding to euro 346.1 million, resulting from interest income on loans of euro 488.6 million and interest expense on current accounts, savings accounts and bond issues of euro 142.5 million. Interest on financial assets held in the portfolio of euro 17.0 million is also added to this figure. The difference between interest on interbank transactions became negative, -6.4 million (it had been positive, at 45.4 million as at 31 December 2009).

The balance of differences on derivatives associated to liabilities under the fair value option was positive, recording euro 36.9 million compared to euro 25.4 million in 2009. The interest margin component represented by net differences on other hedging transactions, which in 2009 recorded a positive balance of euro 13.3 million, recorded a negative balance overall of -2.7 million, above all due to the less favourable trend of market interest rates relating to the financial derivatives used to hedge demand items of balance sheet liabilities (current accounts and deposits): the relative differences were actually still positive, but by an amount, euro 11.3 million, that was considerably lower than that of last year (euro 24.2 million). Also the differences on hedging transactions on other items (AFS securities, mortgage loans, cash flow hedges) overall recorded a negative balance (euro -14.0 million) up compared to 2009 levels (-10.9 million).

Fee and commission income totalled euro 318.4 million (down euro -20.1 million on an annual basis) and is mainly represented by income from management, brokerage and advisory services (euro 168.2 million), which represents around 53% of the total. A large share of this item is represented by commission from placements by the Single Issuer (the fall in which, of around euro -36 million, is substantially due to the fall in the item as a whole), as well as that resulting from the placement of Index Policies and of other insurance products or products of companies operating in the personal loans and credit cards segment. Fee and commission expense (euro 16.5 million, euro +0.6 million compared to 31 December 2009) breaks down in 32% in charges for management and brokerage services (corresponding to 5.3 million) which almost entirely refer to retrocession fees paid to other Group companies for activities delegated to the same. The remainder regards fees and commission for other services (9.1 million, 5.6 million of which resulting from ATM services and credit cards), commission on collection and payment services (2.0 million) and guarantees received (0.1 million). Net fee and commission income therefore amounted to euro 301.8 million (euro 322.5 million as at 31 December 2009).

The net financial result as at 31 December 2010 was euro 6.3 million, an improvement of euro 50.3 million on the previous year. Note that the latter trend is almost entirely due to the result of financial assets and liabilities designated at fair value through profit and loss (+4.1 million, against -43.3 million as at 31 December 2009, when a non-recurrent charge, resulting

from the return to the income statement, with a minus sign, of all of the gains relating to credit spread changes recorded in previous years of -49.0 million was recognised; said return was due to s change introduced to the method used to measure changes in its own creditworthiness, effective as of 31 March 2009).

Other net operating income totalled euro -1.2 million; as at 31 December 2009, the same was -2.6 million. This aggregate is structurally negative due to the reallocation, made in 2009, of income resulting from the application of periodic expense on current accounts of creditors from Other net operating income/loss to Net fee and commission income.
Other operating income (operating income other than from the financial margin) therefore amounted to euro 307.0 million, up euro 31.3 million (+11.3%) compared to the previous year. A comparison between recurrent items shows a fall of -5.5%.

By virtue of the above trends, total operating income amounted to euro 697.8 million (-8.8 million, -1.3% against 31 December 2009). The recurrent aggregate shows a decrease of 7.7%.

Operating expenses totalled euro 446.1 million, and show an increase on an annual basis of +10.8 million (+2.5%); the same break down into Personnel expenses of euro 241.0 million (+10.1 million, +4.4%), other administrative expenses of euro 198.2 million (+1.6 million, +0.8%) and net value adjustments on tangible and intangible assets of euro 6.9 million (-0.8 million, -10.9%). Net of non-recurrent components (11.5 million in 2010 - all relating to costs for leaving incentives or adhesions to the Solidarity fund - compared with 2.9 million in 2009, which in addition to 2.3 million of incentive costs included 0.6 million of higher amortisation charges relating to the closure of branches, recognised under value adjustments on tangible and intangible assets), operating expenses totalled euro 434.6 million (euro 432.3 million in 2009, +0.5%).

The income (loss) from operations was euro 251.8 million, down euro 19.7 million compared to the previous year (-7.3%). The corresponding recurrent margin amounted to euro 263.3 million (euro -60.1 million, euro -18.6% on an annual basis).

Total net losses on impairment of loans and of guarantees and commitments amounted to euro -152.7 million, due to value adjustments and provisions of euro 212.3 million (of which, in particular, euro 126.4 million from the valuation of substandard and doubtful loans, euro 33.0 million from the discounting of the afore-mentioned receivables subject to analytical valuation, euro 29.3 million from losses on receivables, euro 23.2 million from an increase of the write-down on performing loans and euro 0.4 million from adjustments on unsecured loans) and to recoveries of euro 59.6 million (of which, in particular, euro 33.1 million from the valuation of substandard and doubtful loans, euro 21.6 million from the discounting of the same, euro 4.1 million from the valuation of performing loans and euro 0.8 million from recoveries on unsecured loans). Net value adjustments as at 31 December 2009 amounted to euro -128.9 million. The reasons for the sharp upturn are due, like in 2009, to the entity of provisions made to adequately cover the effects of the general crisis that continues to characterise the industry on the credit market.

Net losses on impairment of other assets totalled around euro 346,000, euro 115,000 of which regarded the write-down made to index policies with underlying securities issued by Icelandic banks (acquired following the Public Offer for Voluntary Exchange promoted by the Parent Company), and around 231,000 of which related to allocations made prudentially with regard to sums recognised to Various Debtors (relating to erroneous credits to customers), the recovery of which proved difficult.

Net allocations to Provisions for risks and charges amounted to euro 1.8 million, compared to euro 0.4 million in 2009. In calculating the allocations to said provisions, in particular, a valuation was also made of any potential liabilities relating to the two payment orders received from the Inland Revenue (the first in 2009, following a tax inspection relating to tax year 2004, regarding transactions relating to a contract carrying over securities; the second in 2010, relating to VAT for 2005 on commission received in that year for the Custodian Bank service): based on opinions received from leading Tax Law firms and the assessments made internally, it is reasonable to assume that, as regards both payment orders, losing the case before the courts is not “probable” but only “possible” and therefore, as regards the same, no allocation to provisions has been made in the income statement.

Gross income from continuing operations, therefore amounted to euro 96.9 million (142.2 million the previous year).

After deducting income taxes of euro 49.1 million, net income as at 31 December 2010 was euro 47.8 million, recording a decrease of -42.5% compared to twelve months earlier (euro 83.1 million).

The gross income components considered “non-recurrent” as at 31 December 2010 amounted to a negative figure of around 11.5 million, much lower than the same components in 2009, which amounted to -51.9 million. Considering just “recurrent” components, the gross income for 2010 is euro 108.4 million, down 85.7 million (-44.2%) compared to the corresponding value as at 31 December 2009 (194.1 million).

As regards the net result (euro 47.8 million, compared to 83.1 million in 2009), the “non-recurrent” share amounted to -8.4 million (against -32.7 million in 2009) and the “recurrent” share to 56.2 million (115.8 million in 2009).

Significant events during the year

BPN’s Report on Operations includes numerous important events, the majority of which relating to activities performed

under the guidance and coordination of the Parent Company, retained significant from a corporate perspective and in consideration of the immediate or future impact of the same on the bank's business activities in economic, commercial, administrative/regulatory etc. terms.
Some of the above-mentioned significant events are summarised below:

- the launch, at Group level, of a guaranteed bank bond issue Programme;
- the "Development Project" , the objective of which is to build on relations with customers to achieve better returns and to improve the cost/income ration;
- the adoption of a Voluntary leaving incentive plan and the implementation of a Solidarity Fund;
- the change of the interest rate curve used to measure derivative instruments;
- the Share allocation plan for Banco Popolare shares addressed to employees of Group companies as part of the Company Bonus;
- the adhesion to the Public Offer for the voluntary exchange of index-linked policies with underlying securities issued by Icelandic banks, promoted by the Parent Company;
- the winding-up of Novara Promuove srl, a company in which BPN had a 49% stake (51% was held by the Novara Chamber of Commerce), an operation that is part of a wider plan of measures that will be taken in the area of Novara with a view to Expo 2015, and which envisage, amongst other things, the establishment of another company with institutional and private partners;
- the refinement of the method used to estimate expected loss in the collective valuation of performing loans;
- the implementation of a plan to optimise branches set in place in the previous year, in accordance with which 13 branches were closed in 2010, and 8 agencies were transformed into separate branches and 47 Branches into "Light" Branches.

Credito Bergamasco

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	Change
Income statement figures			
Financial margin (*)	350.0	339.5	3.1%
Net fee and commission income	190.9	182.8	4.4%
Operating income (*)	549.6	496.1	10.8%
Operating expenses	273.6	267.1	2.4%
Income (loss) from operations (*)	276.0	228.9	20.6%
Income (loss) before tax from continuing operations	150.7	130.2	15.8%
Result for the year	97.8	85.2	14.7%

(*) Adjusted figures for 2009, to enable a like-for-like comparison, based on classification criteria used as at 31 December 2010.

(in millions of euro)	31/12/2010	31/12/2009	Change
Balance sheet figures			
Total assets	15,488.8	14,534.7	6.6%
Loans to customers (gross)	13,173.8	11,885.1	10.8%
Financial assets and hedging derivatives	135.2	241.6	(44.0%)
Shareholders' equity	1,360.1	1,323.0	2.8%
Customers' financial assets			
Direct deposits	10,883.0	11,328.3	(3.9%)
Indirect deposits	10,745.1	10,251.3	4.8%
- Asset management	3,227.2	3,032.9	6.4%
- Mutual funds and Sicavs	857.1	844.4	1.5%
- Securities and fund management	711.1	801.4	(11.3%)
- Insurance policies	1,659.0	1,387.1	19.6%
- Administered assets	7,517.8	7,218.4	4.1%
Information on the organisation			
Average number of employees (*)	1,984	1,979	
Number of bank branches	251	251	

(*) arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate.

Loan brokering activities

The close ties forged with the local area served and with the retail customerss and enterprises belonging to the same have enabled the bank to sustain the satisfactory levels of business it has always enjoyed, despite the continuing unfavourable economic scenario.
As at 31 December 2010, Credito Bergamasco's direct funding totalled euro 10,883 million, compared to euro 11,328.3 million at the end of the previous year (-3.9%).

The bank's indirect funding amounted to euro 10,745.1 million, marking an increase of 4.8% compared to the euro 10,251.3 million recorded at the end of 2009.
Of the components of indirect funding, asset management, amounting to euro 3,227.2 million, recorded an increase of 6.4% against the euro 3,032.9 million as at 31 December 2009.
More specifically, the portfolios managed by the investee company Banca Aletti placed by Credito Bergamasco's sales network amounted to euro 711.1 million, compared to euro 801.4 million as at 31 December 2009; mutual investment funds recorded a total of euro 857.1 million, showing an increase of 1.5% compared to euro 844.4 million as at 31 December 2009 and the total of insurance policies – which reached euro 1,659 million – marked a rise of 19.6% against euro 1,387.1 million at the end of 2009.
Indirect administered assets reached euro 7,517.8 million, recording an increase for the year of 4.1% and total funding from customers amounted to euro 21,628.1 million, against euro 21,579.7 million at the end of 2009 (+0.2%).
As at 31 December 2010, gross loans totalled euro 13,173.8 million, up 10.8% against the euro 11,885.1 million recorded at the end of 2009.
Net loans to customers were euro 12,877.4 million, with a significant rise of 10.6% compared to euro 11,648.3 million as at 31 December 2009. These developments - fully in line with the objectives pursued by the commercial policy set in place for 2010 - are the end result of different changes in different customer segments, with a reduction of exposure towards "large corporate" customers that do not belong to the historical areas and a rise in loans granted to retail customerss and small businesses, the real "connective tissue" of the local economy. The operating figures show that in 2010, an annual increase in the average balances of total loans of 9.4% was recorded; in particular, loans to private customers rose - on average terms - by 11.5%, those to the corporate world and small enterprise by 10.1%, while loans to the "national large corporate" recorded an average fall of 4.4%.
Financial statement figures broken down into the different loan types show that total mortgage loans to retail and corporate customers amounted to euro 6,425.6 million, recording a significant rise of 19.1% against euro 5,395.3 million as at 31 December 2009.

The following table provides a "status" analysis of the situation of cash loans to customers as at 31 December 2010 compared with the same balances as at 31 December 2009.

(in thousands of euro)	31/12/2010	31/12/2009	Changes	
Gross non-performing loans	**921,737**	**837,223**	**84,514**	**10.1%**
Doubtful loans	454,965	280,538	174,427	62.2%
Substandard loans	291,002	396,474	(105,472)	(26.6%)
Restructured loans	129,701	55,758	73,943	132.6%
Past due loans	46,069	104,453	(58,384)	(55.9%)
Gross performing loans	**12,252,044**	**11,047,908**	**1,204,136**	**10.9%**
Total gross exposure	**13,173,781**	**11,885,131**	**1,288,650**	**10.8%**
Adjustments on non-performing loans	(227,605)	(175,111)	(52,494)	30.0%
Adjustments on performing loans	(68,823)	(61,763)	(7,060)	11.4%
Total net exposure	**12,877,353**	**11,648,257**	**1,229,096**	**10.6%**

Despite significant efforts to control credit risk made by the competent services of the bank, the difficulties being experienced by the national and local economy have impacted the figures for non-performing loans.
The ratio of non-performing loans to total loans to customers – before adjustments – as at 31 December 2010 was 7%, against 7.04% at the end of 2009. Net of value adjustments, the ratio of the same items was 5.39%, an improvement on the 5.68% recorded at the end of 2009.
Looking at doubtful loans only, the ratio of these to total loans as at 31 December 2010 - before value adjustments - was 3.45%, compared to 2.36% as at 31 December 2009. Net of value adjustments, the ratio in question was 2.16% compared to 1.34% at the end of 2009.
Value adjustments on non-performing loans as at 31 December 2010, represented 24.69% of their total gross amount, compared to 20.92% as at 31 December 2009. More specifically, value adjustments on doubtful loans as at the end of December 2010, represented 38.92% of their total gross amount, against 44.27% as at 31 December 2009. Value adjustments on performing loans as at 31 December 2010 represented 0.56% of their amount, in line with the figure at the end of 2009.

Income statement results

As at 31 December 2010, the bank's interest margin - by virtue of both the significant growth in loans, and the positive effects resulting from hedges of liability items made previously and coming towards expiry - was euro 320.2 million, recording a rise of 1.2% compared to the euro 316.4 million recorded as at 31 December 2009.
Net income from investments in associates carried at equity - including the negative amount of 0.6 million, 0.4 million of which relating to write-downs of investments in associates made by the investee company Efibanca and 0.2 million of which relates to non-recurrent personnel expenses of S.G.S. investee companies BP and Banca Aletti – amounted to euro 29.8 million, against euro 23.1 million the previous year which, however, included negative non-recurrent amounts of euro 8.9 million. The financial margin therefore amounted to euro 350 million, up 3.1% against the euro 339.5 million recorded

the previous year (the annual change in the recurrent financial margin was +0.6%).
Net fee and commission income from services amounting to euro 190.9 million showed an increase of 4.4% compared to euro 182.8 million as at 31 December 2009.
Other net operating income amounted to euro 3.6 million, against euro 2.6 million the previous year, while the net financial result - including a non-recurrent positive amount of 0.6 million, and non-recurrent negative components of euro 35.1 million recognised in 2009 - was Euro 5.1 million, against a negative amount of 28.8 million as at 31 December 2009.
In fact, while the 2010 income statement recorded euro 0.1 million as income from the sale of assets available for sale and income of 0.5 million resulting from the valuation of the financial liabilities issued by the bank and placed with institutional customers, the financial statements as at 31 December 2009, in addition to recording income from the sale of financial assets available for sale of 0.1 million and a cost of euro 0.3 million resulting from the valuation of the financial liabilities issued by the bank and placed with institutional customers, also recognised a negative figure of euro 34.9 million due to the change in the fair calculation of bonds issued by the bank and placed with retail customers or "similar".
Net of non-recurrent components, the net financial result was euro 4.5 million, compared to euro 6.3 million the previous year.
Other operating income was therefore euro 199.6 million; not considering non-recurrent components, the same was euro 199 million, marking a rise of 3.8% compared to the corresponding figure of euro 191.7 million as at 31 December 2009.
Operating income reached euro 549.6 million, against euro 496.1 million the previous year. Not considering non-recurrent items, operating income was euro 549.5 million, recording a rise of 1.7% on the corresponding figure of euro 540.1 million recorded as at 31 December 2009.
As at 31 December 2010, personnel expenses - including euro 8.3 million in non-recurrent leaving incentive costs and allocations to the Solidarity fund - amounted to euro 162.3 million, against euro 154.1 million the previous year (the recurrent part of the above item was euro 154 million, in line with the previous year); other administrative expenses, net of recoveries, amounted to euro 105.1 million, with a yoy fall of 1.8%, while net value adjustments on tangible and intangible assets amounted to euro 6.2 million, in line with the previous year.
As at 31 December 2010, total operating expenses amounted to euro 273.6 million, against euro 267.1 million as at 31 December 2009; on a recurrent basis, the same amounted to euro 265.3 million, with a yoy fall of 0.7%.
The cost/income ratio was 49.8%, against 53.9% the previous year; on a recurrent basis, the ratio was 48.3%, against 49.5% as at 31 December 2009.
Income (loss) from operations totalled euro 276 million, against euro 228.9 million the previous year; on a recurrent basis, it recorded an annual increase of 4.1%, rising from euro 272.9 million as at 31 December 2009 to euro 284.2 million as at 31 December 2010.
The intention to adequately manage the risks implicit in the loans granted by the bank, which inevitably felt the effects of the economic crisis suffered by the country over the past two years, led to higher net losses on impairment of loans, recording a figure of euro 125.8 million as at 31 December 2010, against 98.9 million the previous year (+27.2%); net value adjustments due to the impairment of other assets were euro 0.7 million (0.2 million the previous year), net provisions for risks and charges resulted in a recovery of euro 1.4 million, while the sale of equity and other investments had a negative impact of euro 0.1 million.
Gross income from continuing operations was therefore euro 150.7 million, against euro 130.2 million as at 31 December 2009 (+15.8%); not considering non-recurrent items, gross income from continuing operations was euro 159 million, against a corresponding figure of euro 172.5 million as at 31 December 2009 (-7.8%).
Income taxes amounted to euro 53 million and net income was euro 97.8 million, against euro 85.2 million as at 31 December 2009 (+14.7%); on a recurrent basis, net income was instead euro 104 million, with a fall of 8.9% compared to the figure of euro 114.2 million recorded a year earlier.
As at 31 December 2010, regulatory capital ratios were once again more than satisfactory: the Tier 1 Capital ratio was 13.75%, while the Total Capital ratio was 13.79%.

Significant events during the year

Credito Bergamasco's Report on Operations includes numerous important events, the majority of which relating to activities performed under the guidance and coordination of the Parent company, retained significant from a corporate perspective and in consideration of the immediate or future impact of the same on the bank's business activities in economic, commercial, administrative/regulatory etc. terms.
Some of the above-mentioned significant events are summarised below:

- the implementation of a new organisational structure, based on the change in competitive scenarios and the changing needs of customers, with the launch in 2010 of an in-depth study to identity, in particular as regards corporate customers, any areas for improvement and to plan organisational and operational measures that can further improve the effectiveness of commercial activities. More specifically, at the beginning of 2011, this led to the adoption, on an experimental basis, for specialised branches (where there are different Managers for the various customer segments) of a Business Area with two different approaches. The first envisages assigning the corporate portfolio entrusted to the Branch Manager to an employee, in order to allow the former to more efficiently manage, coordinate and develop the branch, while the latter handles the administrative tasks. In this way the Branch Manager can focus on business planning and development; the second approach envisages that MID corporate accounts are handled by branches able to guarantee better coverage in terms of managing relations between the bank and the customer. At the same time, essential credit monitoring activities have been further strengthened in the various Business Areas;

- the promotion of a series of initiatives that seek to provide solid support - given the difficult development of the economic situation - to retail customerss and to SMEs, the key figures of the local economies served. Of the various initiatives, we would like to mention the extension of loans granted to Small Enterprises at very advantageous economic conditions, the bank's support, together with the entire Banco Popolare Group, of the "Retail customers Plan" developed by ABI, the signature of three important memoranda of understanding with the Provincial Authority of Brescia regarding, specifically, the assignment of the credit of contractors and suppliers of local authorities, support to workers and businesses in difficulty, a tender to support SMEs;
- the transfer to the Parent Company Banco Popolare of the shareholding in Aletti Gestielle SGR S.p.A. (corresponding to 12.99% of share capital) and in Aletti Gestielle Alternative SGR S.p.A. (corresponding to 21.20% of share capital). This transaction, which is part of the Group's plan to reorganise the asset management division, was completed on 28 July and will enable the company to better focus on core business and maximise the economic return of the capital invested.

Cassa di Risparmio di Lucca Pisa Livorno

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	% Change
income statement figures			
Financial margin	212.6	227.2	(6.4%)
Net fee and commission income	133.6	141.8	(5.8%)
Operating income	351.7	349.8	0.5%
Operating expenses	(233.3)	(228.8)	1.9%
Income (loss) from operations	118.4	121.0	(2.2%)
Income (loss) before tax from continuing operations	44.3	50.4	(12.0%)
Result for the year	20.0	25.2	(20.4%)

(in millions of euro)	31/12/2010	31/12/2009	% Change
Balance sheet figures			
Total assets	10,726.7	10,981.4	(2.3%)
Loans to customers (gross)	8,723.8	8,193.6	6.5%
Financial assets and hedging derivatives	114.1	192.9	(40.9%)
Shareholders' equity	1,197.1	1,242.7	(3.7%)
Customers' financial assets			
Direct deposits	7,610.2	7,737.8	(1.6%)
Indirect deposits	6,681.3	6,026.3	10.9%
- Asset management	2,047.4	1,987.2	3.0%
- Mutual funds and Sicavs	633.2	800.8	(20.9%)
- Securities and fund management	374.4	416.8	(10.2%)
- Insurance policies	1,039.8	769.6	35.1%
- Administered assets	4,633.9	4,039.1	14.7%
Information on the organisation			
Average number of employees (*)	1,675	1,679	
Number of bank branches	231	237	

(*) arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate.

Loan brokering activities

Direct funding

As at 31 December 2010, direct funding totalled euro 7,610.2 million (-127.6 million, -1.6% compared to the figure as at 31 December 2009. Within this, "Securities issued" recorded an increase of euro 1.8 billion (+369.1%) due to two floating-rate bond issues, and to issues relating to the covered bond transaction of euro 198.4 million. The above-mentioned issues were underwritten by Banco Popolare. At the same time, a fall in fixed-rate bond issues was recorded of euro 1.1 billion (no issue during the year) recognised under "Liabilities designated at fair value through profit and loss" (-87.7%) and "Due to Customers", euro 739.0 million (-12.4%).

Indirect funding

As at 31 December 2010, Managed assets totalled euro 2,047.4 million and recorded an increase against the end of the previous year of euro 60.2 million (+3.0%). On the same date, Assets administered on behalf of customers amounted to euro 4,633.9 million, recording an increase of euro 594.8 million against December 2009 (+14.7%). Indirect funding on

behalf of Banks and Institutional Investors amounted to euro 43.8 million, down euro 31.3 million against 31 December 2009 (-41.7%).
Total administered assets (direct funding + indirect funding, including institutional funding) amounted to euro 14,335.3 million, up compared to the figure recorded at the end of 2009 (euro 496 million, +3.6%).

Loans to customers

As at 31 December 2010, loans to ordinary customers totalled euro 8,723.8 million, marking an increase of euro 530.2 million (+6.5%) compared to 31 December 2009. This aggregate includes the item "Assets sold and not derecognised" of euro 1,342.7 million in net terms; this item represents loans that have been securitised of euro 672.0 million and transfers relating to the covered bond transaction of euro 670.7 million. These assets have to be maintained in the Financial Statements as the requirements established by IAS 39 to make the derecognition of the same have not been met.
Performing loans totalled euro 7,949.0 million, before collective write-downs and euro 7,899.5 million net of the same (these items recorded rises of +6.6% and +6.5% respectively); non-performing loans amounted to euro 774.8 million gross (+5.3% against 31 December 2009) and to euro 588.9 million net of write-downs (+4.9% against 31 December 2009).
The percentage of total loans represented by net performing loans was 93.1%, the weight of non-performing loans was 6.9%. The ratio of non-performing loans to total loans to customers – before adjustments – as at 31 December 2010 was 8.9%, against 9.0% at the end of 2009.
Existing write-downs (including the effect of discounting) totalled euro 235.3 million (+18.2% +8.4% as at 31 December 2009), consequently, the net receivables shown in the financial statements amounted to euro 8,488.5 million, up euro 512.0 million (+6.4%) against 31 December 2009.

(in thousands of euro)	31/12/2010	31/12/2009	Changes	
Gross non-performing loans	**774,750**	**735,760**	**38,990**	**5.3%**
Doubtful loans	301,799	262,403	39,396	15.0%
Substandard loans	404,766	396,223	8,543	2.2%
Restructured loans	46,585	8,989	37,596	418.2%
Past due loans	21,600	68,145	(46,545)	(68.3%)
Gross performing loans	**7,949,035**	**7,457,839**	**491,196**	**6.6%**
Total gross exposure	**8,723,785**	**8,193,599**	**530,186**	**6.5%**
Adjustments on non-performing loans	(185,792)	(174,417)	(11,375)	6.5%
Adjustments on performing loans	(49,492)	(42,646)	(6,846)	16.1%
Total net exposure	**8,488,501**	**7,976,536**	**511,965**	**6.4%**

Income statement results

The trend in average volumes recorded in 2010 and the very low interest rates recorded by the financial markets led to a fall in the interest margin, therefore the balance of the financial margin was 212.6 million, down 6.4% compared with the figure at the end of 2009.
More specifically, interest income recorded a fall of 21.8% against December 2009, amounting to euro 329.3 million, while interest expense, given the change in the funding mix, amounted to euro 116.7 million, down 39.8% compared to the end of 2009.
Net fee and commission income totalled euro 133.6 million, down compared with the same period of the previous year (-8.2 million, -5.8%). This aggregate is mainly represented by commission on management, brokerage and advisory services (51.9%), the management and keeping of current accounts (22.9%), commission on collections and payments (6.3%) and commission on guarantees given and on other services (18.9%). Compared to the figure at the end of 2009, commission on management, brokerage and advisory services recorded a decrease (-15.5%), mainly due to the fall of euro 13.7 million of retrocession fees from the Parent Company on the placement of bond issues and of commission on current accounts and other receivables from ordinary customers (-8.8%). Commission on collection and payment services was almost unchanged and commission received for other services rose by 53.5%.
Other net operating income of euro 0.2 million recorded an increase of euro 1.6 million compared to 31 December 2009.
The net financial result includes net income (loss) on trading and assets and liabilities designated at fair value, and the income/loss resulting from the sale of other financial assets or from the repurchase of financial liabilities and dividends on financial assets. As at 31 December 2010, it amounted to euro 5.2 million, up euro 22.9 million compared to the figure recorded at the end of 2009. The net income (loss) from assets and liabilities designated at fair value through profit and loss of the previous year reflected the change in the method to assess creditworthiness relating to securities (fixed-rate bonds issued by the bank) placed with retail customers (including Bank foundations), recording a loss of euro 23.8 million on the income statement.
Other operating income (operating income other than from the financial margin) therefore amounted to euro 139.0 million, up 16.3 million, corresponding to 13.3% compared to the figure recorded for the same period of 2009 (122.7 million).
By virtue of the above trends, total operating income amounted to euro 351.6 million (+1.8 million, +0.5% against 31 December 2009).
Operating expenses totalled euro 233.3 million, recording a fall of euro 4.4 million compared to the previous year, and break down into personnel expenses of euro 125.9 million (+7.4 million), other administrative expenses of euro 103.4

million (-3.0 million) and net value adjustments on tangible and intangible assets of euro 3.9 million, substantially unchanged from the previous year.
Personnel expenses included non-recurrent charges of euro 6 million relating to allocations for the "2011 workforce reduction plan": to the "Solidarity Fund" of around euro 4.5 million and "Leaving incentives" of around euro 1.5 million.
The income (loss) from operations was therefore euro 118.4 million, down euro 2.6 million compared to the figure recorded as at 31 December 2009 (121.0 million).
Total net losses on impairment of loans and of guarantees and commitments amounted to euro 74.9 million, up euro 9.3 million compared to the figure for 2009 (+14.2%). This aggregate includes the income from the assignment of doubtful loans of euro 0.2 million.
Net value adjustments on other financial transactions of euro 1.8 million were made in the "Financial assets available for sale" segment and relate to write-downs on debt securities relating to the Offer for Voluntary Exchange (euro 2.0 million), to the non-recurrent component resulting from impairment on non controlling interests investments in associates of Euro 0.2 million and a recovery on a security included in the Tiepolo Finance s.r.l securitisation transaction of euro 0.4 million.
Net allocations to Provisions for risks and charges totalled euro 2.5 million, benefiting from recoveries of euro 4.8 million relating to personnel disputes, particularly due to the full release of an allocation of euro 4.7 million relating to an INPS dispute.
Gross income from continuing operations, after the above-cited adjustments, amounted to euro 44.3 million, down euro 6.0 million compared to 31 December 2009 (-12.0%).
Income taxes totalled euro 24.3 million. They are formed by current taxes of euro 15.7 million, of which 7.2 million for IRES and 8.5 million for IRAP.
After the deduction of income taxes, net income as at 31 December 2010 amounted to euro 20.0 million, which adjusted for non-recurrent components, net of the relative tax effect, totalled euro 23.7 million.

Significant events during the year

Cassa di Risparmio di Lucca Pisa Livorno's Report on Operations illustrates various events, the majority of which relating to activities performed under the guidance and coordination of the Parent Company, retained significant from a corporate perspective and in consideration of the immediate or future impact of the same on the bank's business activities in economic, commercial, administrative/regulatory etc. terms.
Some of the above-mentioned significant events are summarised below:

- *Adhesion to the Public Offer of Voluntary Exchange of index-linked policies with underlying securities issued by Icelandic banks promoted by the Parent Company.*
- *Sale of the equity investment Centrosim SpA.*
  The latter was sold in July to the Istituto Centrale Banche Popolari Italiane (ICBPI).
- *Sales of the equity investment Castimm Srl*
  In October, the latter was sold to the Società Porto Industriale di Livorno S.p.A..
- *Acquisition of the equity investment TT Toscana Tissue Srl*
  As part of a credit collection operation, in October 2010, the acquisition of 100% of TT Toscana Tissue Srl was completed.
- *2011 Workforce reduction plan*
  On 11 December 2010, the Banco Popolare Group and the Trade Union Organisations signed an agreement for the 2011 Workforce reduction plan of the Banco Popolare Group. A reduction of 48 employees is envisaged for Cassa di Risparmio di Lucca Pisa Livorno in 2011.

Events and meeting with the local community

- *Conference on the Tuscany Nautical District*
  On 29 July 2010, a conference on the Tuscany Nautical District was organised by the Corporate Laboratory of the Parent Company, attended by top management of Cassa di Risparmio di Lucca Pisa Livorno, which attracted a large number of business people, including all of most important and prestigious operators in this sector.
- *Action to help flood victims*
  In 2010, Cassa di Risparmio di Lucca Pisa Livorno provided support to those who, on the morning of 26 December 2009 suffered damage from the flooding of the river Serchio, through a series of initiatives to meet the needs of the retail customerss and business that fell victim to this disaster.
- *Mutual insurance system and schemes in the public interest*
  In 2010, Cassa di Risparmio di Lucca Pisa Livorno was involved in numerous schemes in the public interest, in addition to action to enhance the Bank's ties to the its historic area of origin. The Bank organised several events, the most important of which were:
  - sponsorship of the golf tournament called "1st Cassa di Risparmio di Lucca Pisa Livorno S.p.A Trophy";
  - sponsorship of the operatic-symphonic concert held in Lucca on 14 October at the Teatro del Giglio;
  - meetings with citizens held in Pisa on the occasion of the Festa di San Ranieri, in Lucca at an event called "Banks of the Square" and the 100th year celebrations of the Bank's branches in Camaiore and Altopascio.

Banca Aletti & C.

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	% Change
Income statementfigures			
Operating income	290.29	337.6	(14.0%)
Operating expenses	(99.55)	(104.9)	(5.1%)
Income (loss) from operations	190.74	232.7	(18.0%)
Income for the year	136.50	162.6	(16.0%)
Balance sheet figures			
Total assets	9,939.99	10,691.9	(7.0%)
Shareholders' equity	576.47	596.3	(3.3%)
Indirect deposits	17,022.51	15,306.9	11.2%
Other figures			
Average number of employees (*)	433	467	
Number of bank branches	36	36	

(*) arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate.

Banca Aletti is organised into three divisions that work closely with the Group's distribution networks:

- the Private Banking division;
- the Investment Management division;
- the Investment Banking division.

Private Banking

At the end of 2010, in terms of Private Banking, Banca Aletti recorded a global amount of "assets under management" (administered and managed) of euro 26.8 billion, of which euro 14.9 billion regarded Private customers and euro 11.9 billion institutional customers. Even in the presence of a continuing difficult market scenario in which many customers assumed defensive positions, 2010 was characterised by a significant recovery of net interest and other banking income compared to the previous year. The increase in the total number of assets under management, following the re-launch made in 2009 with a view to rebuilding the medium-term portfolio, which continued in 2010, led to the recovery of net interest and other banking income. Furthermore, in a climate in which financial liquidity contracted due to the deterioration of the real economy, the year was also characterised by a constant focus on objectives to increase assets and to extend the customer base.

Investment Management

In 2010, the global macroeconomic scenario was characterised by the consolidation of the economic recovery in all areas. Of the most industrialised economies, the United States, Japan and Germany recorded economic growth rates close to or above 3%, while for the majority of countries in the Euro Zone, the modest growth rates recorded are due to both institutional rigidity and to the significant impact of the public debt crisis of peripheral countries. The returns offered on managed products were substantially in line with those of the reference indices, although weighed down in the bond component by the recurring phases of widening of the spreads between "core" and "peripheral" countries and, as regards the share component, by the structural increase of risk aversion and the volatility that characterised 2010. As at 31 December 2010, assets under management totalled around euro 13,750 million, recording an increase of 15.5% on the figure as at 31 December 2009: the clearly positive trend of deposits in the first three quarters of the year was contrasted by a slowdown in the last few months of the year. As regards the breakdown of assets under management, funding for portfolio management lines for Private and VIP customers and for institutional lines performed well; funding relating to retail lines and guaranteed capital products, on the other hand, confirmed the negative results recorded in 2009.

Investment Banking

Derivative Instruments and Structured Products - Financial Engineering

The climate of instability in the financial markets which characterised the whole of 2009 continued throughout 2010. The measures taken by the main governments and by central banks worldwide to tackle the crises of the major financial institutions, triggers new fears as to the solidity and sustainability of government finances, particularly in Europe, where Greece, Portugal, Ireland, Spain and Hungary were identified as the countries at most risk. In terms of cash flows, in 2010 the record low reached by interest rates encourage the sale of protection products such as Cap Warrants, and also issues linked to interest rates rose compared to 2009, from euro 7.1 billion to euro 7.9 billion. Sales of hedge products to Corporate customers, on the other hand, fell with volumes falling from around euro 5 billion to euro 3.5 billion. In this situation, trading activities were characterised by the search, on one hand, for spot hedge positions on maturities and less liquid underlying instruments, in order to reduce the more complex risk positions in the portfolio, and on the other, for opportunities linked to the assumption of risk positions on the spot, volatility and correlation markets, although limited to more liquid underlying instruments. The structuring of equity-linked products fell significantly due to the lower volumes linked to said products placed both group networks and by non-captive customers. Requests for products have exclusively

regarded certificate instruments.

Trading & Brokerage

Stock markets
Despite the trends of indices and fears of the continuing economic crisis, dominated in 2009 by a reduction of stocks in the portfolios of institutional operators, cash flows from investors, even retail ones, returned to the stock market, leading to higher levels of activity and a return to normal conditions; in fact, Borsa Italiana recorded an increase in volumes of over 10%. For its part, Banca Aletti recorded positive results in terms of brokerage, with an increase in volumes compared to 2009, bringing its market share on behalf of third parties to 1.71%. Despite the downturn of the reference share index, good results were also achieved in the management of its own portfolio as a result of the adoption of neutral market strategies, cash/futures arbitrage activities and a careful selection of M&A transactions that came up during the year. As a Primary Market Maker on Idem Stock Futures, Banca Aletti has listed a total of 46 underlyings, to which a further seven have been added (so-called "Short Term SSF"), confirming its role as one of the main operators in this specific market segment.

Bonds market
2010 was characterised by the crisis of European sovereign issuers. The downturn in economic activity and the consequent deterioration of the labour market combined with the rescue operations of banks in difficulty had a huge impact on the public accounts of peripheral countries, resulting in a substantial rise in the risk premiums of these issuers. On the government front, our operators tackled market uncertainty by adopting a tactical trading approach, which enabled them to record excellent returns. In the non-government segment, considerable attention was placed on the selection of issuers and a limited duration was maintained; in this way, a very positive margin was obtained for the portfolio despite the widening of credit spreads.

Capital Market

Debt Capital Market
In 2010, Banca Aletti actively participated, holding senior roles, in the placement of all of Banco Popolare's bond issues addressed to institutional investors. As regards the placement of bonds issued by third party issuers, in February, Banca Aletti participated in the Initial Public Offering of ENEL 2010-2016 bonds; in November and December, together with other Group banks, it participated in the Public Exchange Offer of the bond issue of the Royal Bank of Scotland.

Equity Capital Market
Given the continuing market uncertainty, also in 2010, the primary share market in Italy was characterised mainly by share capital increases and Public Purchase Offers, with a total of 26 transactions, against only 8 listings, of which 6 on AIM Italia. Banca Aletti took part in the guarantee and placement consortium for the listing of Tesmec shares, the guarantee consortium for the share capital increase of Banca Ifis and the guarantee and placement consortium for the listing of Enel Green Power shares. During the year, Banca Aletti collection subscriptions for 6 Public Purchase Offers. In 2010, two new specialist operator mandates were acquired relating to Editoriale Olimpia and Gruppo Effegi shares, both companies listed on the Alternative Capital Market (MAC), while that relating to Banca Finnat shares was terminated. As at 31 December 2010, 14 specialist operator mandates are in progress.

Corporate & Institutional Sales
In 2010, the distribution strategies and the structuring and placement of investment products were influenced by the continuation of several macroeconomic dynamics and trends. Customers continued to prefer simple products with guaranteed capital, indexed to interest rates and Banco Popolare rather than third party issuers.
Despite the still high aversion to risk of customers, Banca Aletti maintained a leading position in the Italian certificates market. The volumes placed by Group networks doubled compared to 2009, the first signs of a return to products indexed to stock markets.
As regards products to hedge interest rate, the offer of Euribor Cap Covered Warrants to customers with floating rate mortgage loans, through Group networks, had a significant impact. The above led to a 48% rise in the volumes hedged compared to 2009, surpassing euro 1.1 billion, due to the record low short-term interest rates and to expectations of future rises of the same.
As regards the performance of the asset management segment relating to network banks, in 2010, the upward trend continued with regard to bancassurance products, contrasted by disposals of portfolios.

Income statement results for the period

Banca Aletti closed 2010 with a 16.03% fall in net income, which dropped from euro 162.56 million as at 31 December 2009 to euro 136.5 million as at 31 December 2010.
Recurrent components fell from euro 165.28 million as at 31 December 2009 to euro 136.62 million as at 31 December 2010, marking a 17.34% decrease, corresponding to euro 28.66 million.
This aggregate showed a fall in recurrent operating income of 14%, amounting to euro 290.29 million (euro 337.53 million as at 31 December 2009). The recurrent interest margin figure of euro 30.1 million as at 31 December 2010, was down on the figure for 2009 of euro 53.07 million, mainly due to the impact resulting from the transfer of liquidity, interest rate and exchange rate risk management assets from Banca Aletti to Banco Popolare. Other recurrent Operating Income recorded an

overall fall of 8.53% following a substantial drop in net fee and commission income, which dropped from euro 66.15 million as at 31 December 2009 to euro 35.81 million as at 31 December 2010, while the net financial result rose 2.79% from euro 218.11 million as at 31 December 2009 to euro 224.20 million as at 31 December 2010.
Recurrent Operating Expenses fell 5.30% from euro 104.94 million as at 31 December 2009 to euro 99.38 million as at 31 December 2010.

Efibanca

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	% Change
Income statement figures			
Interest margin	51.5	42.6	21.0%
Net fee and commission income	6.1	5.0	23.2%
Net interest and other banking income	69.2	34.2	102.3%
Net value adjustments on non-performing loans and investments in associates	(77.1)	(122.3)	(36.9%)
Net income from banking activities	(7.9)	(88.1)	(91.0%)
Operating expenses	(27.9)	(32.9)	(15.2%)
Value adjustments on goodwill	-	(70.0)	(100.0%)
Income (loss) before tax from continuing operations	(35.8)	(191.0)	(81.3%)
Income (Loss) for the year	(30.1)	(139.9)	(78.5%)

(in millions of euro)	31/12/2010	31/12/2009	% Change
Balance sheet figures			
Loans to customers	2,528.5	2,973.9	(15.0%)
Financial assets/investments in associates	282.3	276.7	2.0%
Securities issued and financial liabilities at fair value	527.2	1,417.3	(62.8%)
Shareholders' equity	405.3	419.2	(3.3%)
Other figures			
Net income from services/ Net interest and other banking income	92.2%	147.8%	
Cost / Income ratio	40.3%	96.2%	
ROE	(7.1%)	(25.0%)	

2010 closed with a loss of euro 30.1 million, a net improvement on the loss recorded in 2009 of euro 139.9 million.
2010 continued to be conditioned by the economic and financial crisis underway in many economic sectors, which caused a progressive deterioration of the economic-financial situation of several corporate customers. In this regard, Efibanca carried out a monitoring exercise, in collaboration with the Parent Company's Loans Service, to identify problematic credit positions, in some cases in common with other Group banks, in order to take action to provide support to these companies through numerous debt restructuring operations; nevertheless, adjustments on loans amounting to euro 63.7 million were still necessary.
As far as the equity portfolio is concerned, the valuation of balance sheet and income statement figures, both actual and forecast, of the investments in associates and Funds that comprise it identified several negative situations, with the consequent need to make value adjustments of euro 13.4 million in the financial statements.
The adjustments that impacted the result for the year totalled euro 77.1 million.

In contrast to the negative impact of the above-mentioned write-downs, other factors had a positive impact on the result for the year, specifically:

- a rise in the interest margin;
- income from merchant banking activities;
- the resilience of fee and commission income despite lower volumes of credit-related activities;
- a 15% reduction in operating expenses.

As a whole, the above factors led to net interest and other banking income of euro 69.2 million against euro 34.2 million in 2009 (+102%).
After value adjustments of euro 77.1 million compared to euro 122.3 million in 2009, and the write-down of goodwill (euro 70 million) which had a substantial impact on last year's results, a net loss before tax from continuing operations of euro 35.8 million was recorded against a net loss of euro 190.9 million in 2009.

With regard to the key income statement items:

- the interest margin rose 21%, from euro 42.6 million to euro 51.5 million, despite lower loans (-446 million) compared to 2009, mainly due to the positive effect of IAS changes;
- net interest and other banking income rose from euro 34.2 million to euro 69.2 million (+102%) due to the following factors:

  - net fee and commission income, which rise from 5.0 to 6.1 million, despite the lower number of disbursements in the year (euro 213.6 million against euro 315.0 million in 2009);
  - dividends and similar income also recorded an increase (from euro 3.0 to 6.2 million);
  - income from the sale of financial assets available for sale and of investments in associates recorded a net improvement (from euro 2.1 to 10.6 million);
  - net income from trading activities recorded a loss of euro 1.0 million, against positive result of euro 1.2 million in 2009;
  - net income from financial assets and liabilities designated at fair value through profit and loss recorded a loss of euro 4.2 million, against a loss in 2009 of euro 19.5 million;
- value adjustments on loans, totalling euro 63.7 million, recorded a net decrease (-38%) on the figure of euro 103.4 million recorded in 2009;
- adjustments on securities available for sale and investments in associates totalled euro 13.4 million, down 29% compared to 2009;
- operating expenses fell 15% (from euro 32.9 to 27.9 million) due both to the fall in personnel expenses (-14%) and of other administrative expenses (-9%);

As regards balance sheet figures, note that:

- loans to customers fell 15% (from euro 2,973.9 to 2,528.5 million) mainly due to contractual expiries that were not offset due to a lower volume of new loans;
- the merchant banking portfolio rose 2% (from euro 276.7 to 282.3 million) both due to transactions during the year and to value adjustments made, as well as to positive changes in IAS reserves;
- administered assets fell 14% (from euro 3,259.1 to 2,798.1 million) following the fall in loans and the equity portfolio;
- shareholders' equity fell 3% (from euro 419.2 to 405.3 million) due to the result for the year, partly offset by the fall (-16.3 million) in negative reserves of securities available for sale;
- capital ratios rose compared to the previous year, mainly due to changes in the calculation method adopted for risk-weighted assets (RWA): the Tier 1 and Total capital ratio were both 16.06% against a Tier 1 and Total capital ratio of 15.04% recorded as at 31 December 2009.

2010 was characterised by important initiatives and projects regarding the bank's organisation - relating to the operating structure and the alignment to Banco Popolare Group procedures - regulation and technology.

Aletti Gestielle SGR

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	Changes
Income statement figures			
Operating income	29.4	21.8	34.9%
Income (loss) from operations	7.7	0.04	not significant
Result for the year	4.4	(0.7)	705.5%
Balance sheet figures			
Total assets	130.4	103.5	25.9%
Shareholders' equity	90.1	70.6	27.6%
Asset volumes			
Net managed assets	7,036.2	7,340.6	(4.2%)
Subscriptions	2,808.3	2,266.6	23.9%
Redemptions	4,126.6	3,700.2	11.5%
Other figures			
Average number of employees (*)	99	95	

(*) arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate.

The most important event in 2010 regarded the merger by incorporation of Aletti Gestielle Alternative into Aletti Gestielle SGR, with the consequent extension of the scope of Aletti Gestielle SGR S.p.A. to the management of funds of hedge funds; the transaction, resolved upon by the respective Board of Directors on 23 June 2010, was authorised by the Bank of Italy through a provision issued on 23 September 2010. The merger deed was signed on 3 December 2010; the transactions of the incorporated company were recorded in the accounts of the incorporating company, with accounting and fiscal effect, pursuant to article 2504 bis, third paragraph of the Italian civil code, as of 1 January 2010. The merger became legally effective on 31 December 2010.

For a more detailed description of the main events that characterised Aletti Gestielle, please refer to the section of this Report on Operations that regards the Group's commercial activities, particularly the paragraph entitled Investment & Private Banking, Asset Management.

Banca Italease and subsidiaries

(in millions of euro)	For the year ended 31 December 2010	For the year ended 31 December 2009	Change
Income statement figures			
Financial margin	99.7	164.7	(65.0)
Net fee and commission income	11.0	28.6	(17.6)
Operating income	143.4	199.9	(56.5)
Operating expenses	(106.8)	(133.5)	26.6
Income (loss) from operations	36.6	66.5	(29.9)
Income (loss) before tax from continuing operations	(189.4)	(305.0)	115.6
Result for the year	142.1	(277.5)	419.6

(in millions of euro)	31/12/2010	31/12/2009	Change
Balance sheet figures			
Total assets	12,481.5	17,056.2	(4,574.7)
Loans to customers (gross)	10,673.8	13,856.9	(3,183.1)
Financial assets and hedging derivatives	267.9	340.8	(72.9)
Shareholders' equity	1,496.3	1,293.8	202.5
Information on the organisation			
Average number of employees (*)	399	830	-431

(*) arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate

Note that, following the conclusion as at 31 December 2009, of the reorganisation of Banca Italease and subsidiaries, which resulting, amongst other things, in the transfer to Alba Leasing (a company beyond the scope of consolidation of Banca Italease) of euro 4.8 billion of net receivables for lease contracts and mortgage loans, the comparison between 2010 income statement results and those of 2009 are not very representative as they refer to portfolios with very different scopes.

Consolidated balance sheet

(in thousands of euro)	31/12/2010	31/12/2009	Changes	
Gross non-performing loans	**3,875,404**	**4,851,253**	**(975,849)**	**(20.1%)**
Doubtful loans	1,278,085	1,800,497	(522,412)	(29.0%)
Substandard loans	1,457,445	2,682,824	(1,225,379)	(45.7%)
Restructured loans	1,010,913	185,638	825,275	444.6%
Past due loans	128,961	182,294	(53,333)	(29.3%)
Gross performing loans	**6,798,415**	**9,005,651**	**(2,207,236)**	(24.5%)
Total gross exposure	**10,673,819**	**13,856,904**	**(3,183,085)**	**(23.0%)**
Adjustments on non-performing loans	(975,616)	(1,138,938)	163,322	(14.3%)
Adjustments on performing loans	(73,516)	(77,006)	3,490	(4.5%)
Total net exposure	**9,624,687**	**12,640,960**	**(3,016,273)**	**(23.9%)**

Net loans to customers as at 31 December 2010 amounted to euro 9,624.7 million, down 23.9% with respect to euro 12,641.0 million at the end of December 2009.
The fall in net receivables for lease contracts and mortgage loans compared to December 2009, not only linked to the consensual terminations of doubtful or substandard agreements further to transactions carried out with major customers and to the assignment of doubtful loans, was also affected by the scant volume of new disbursements. More specifically, as at 31 December 2010: (i) euro 6,584.8 million refers to receivables for lease contracts; (ii) euro 1,498.8 million refers to mortgage loans and (iii) euro 1,541.1 million of other receivables includes, amongst other things, assets under construction and those awaiting finance leases (corresponding to euro 305.1 million).

Total consolidated gross non-performing loans (comprised of doubtful, substandard, restructured and past due) fell by around euro 1 billion in 2010, dropping from 4.9 billion at the end of 2009 to 3.9 billion at the end of 2010, even though the exchange of receivables with Alba Leasing, which took place on 30 September 2010 and already envisaged in the agreements between the former Pattiste Banks in 2009, generated a one-time increase of around euro 200 million in problem loans.
Within this aggregate, against an even larger decrease of substandard and doubtful loans (around euro 1.7 billion), loans classified as restructured increased, rising from euro 0.2 billion to euro 1 billion.
Following numerous reorganisations in 2010 made with the main creditors of Banca Italease and subsidiaries, the level of concentration of substandard and doubtful loans changed with respect to 31 December 2009. More specifically, at the end of December 2010: (i) around 50% of gross doubtful loans was represented by 30 economic groups (compared to 72% the

previous year), (ii) around 62% of gross substandard loans was represented by 30 economic groups (compared to 80% the previous year), (iii) restructured loans were comprised by receivables from around 10 economic groups and (iv) around 72% of past due positions was represented by 30 economic groups.
As at 31 December 2010, the ratio of gross doubtful loans to total gross loans to customers was 12.0%, down compared to the 13.0% recorded as at 31 December 2009.
The percentage represented by gross substandard loans was 13.6% as at 31 December 2010, substantially down with respect to 19.4% as at 31 December 2009.
Lastly, restructured and past due exposures amounted respectively to 9.5%, against 1.3% in December 2009 and 1.2% of total gross exposures compared to 1.3% in December 2009.
These trends are mainly due to the fact that during the year a number of transactions were concluded with large customers, which led to the cancellation/reclassification of several lease contracts previously classified as doubtful or substandard and, in some cases to the repossession of the underlying real estate.
The rate of coverage of doubtful receivables improved, rising from 34.8% at the end of 2009 to 42.9% in December 2010. The level of coverage of substandard receivables was 19.8%, also an improvement on the 18% recorded in 2009. The coverage of restructured loans was almost unchanged, falling from 12.5% to 12.4%, while that on past due loans rose from 4.3% to 10.5%.
Net of provisions, doubtful receivables totalled euro 730.0 million, substandard euro 1,168.6 million, restructured exposures euro 885.8 million and past due to euro 115.5 million.

Property and equipment, corresponding to euro 893.7 million (up euro 711.1 million against the end of 2009), recorded the addition to the category of assets held for investment purposes, of 12 properties with a total value, net of depreciation, of euro 762.9 million, one of which was a property repossessed from Banca Italease and 11 of which became the property of Release following the consensual termination, as full and final settlement, of various lease contracts.
Two properties were repossessed following contract settlements, one of which relating to Release and one to Banca Italease, which met requirements to be recorded as discontinued operations, for a total value of euro 110.6 million. This item also includes euro 28.7 million related to a property of the subsidiary Italease Gestione Beni, which was sold in 2011.
Assets that as at 31 December 2009 were recorded as discontinued operations were all disposed of in the year.

Tax assets as at 31 December 2010 amounted to euro 433.7 million and include prepaid tax assets of euro 419.4 million.
Prepaid tax assets, net of deferred liabilities, amounted to euro 407.4 million, up euro 311.3 million on the figure as at 31 December 2009.
In June 2010, Banca Italease and its subsidiaries joined the "tax consolidation" system of Banco Popolare and received indications from the Parent company as to the likelihood of recovering all prepaid taxes other than those relating to prior tax losses and from those relating to the subsidiary being disposed of (Factorit).
The overall effect of prepaid/deferred taxes on the income statement was euro 306.1 million, and euro 5.2 million on shareholders' equity. Prepaid taxes relating to tax losses prior to joining the tax consolidation system (amounting to around euro 91.4 million) continue not to be recognised. Said tax losses relate to a request for a ruling made to the Inland Revenue in order to obtain confirmation of their recognition following the merger by incorporation of Italease Network and will eventually be recovered only independently through Banca Italease's taxable income.

Securities issued fell 38.4%, and amounted to euro 5,080.7 million, insofar as, during the course of 2010, Banca Italease did not perform any new securitisation transactions and didn't make any new bond issues, while it organised the early redemption of three bond issues.
Within said aggregate, liabilities relating to securitisations valid as at 31 December 2010 amounted to euro 712.3 million, while bonds amounted to euro 4,219.4 million. Furthermore, it includes a Preferred Securities transaction with a value of euro 149.1 million (par value of euro 150 million).

Provisions for risks and charges, in addition to company retirement provisions (euro 32.3 million), as at 31 December 2010, included provisions for risks relating to legal disputes of euro 47.0 million, provisions for risks and charges relating to personnel of euro 8.2 million and other provisions totalling euro 216.0 million.
Compared to 31 December 2009, provisions for risks and charges were mainly the result of:

- a reduction of euro 100 million due to the use of provisions in the last quarter of 2009 to take into account the estimated extraordinary and non-recurrent effects of the execution of an agreement to transfer securitised receivables to Alba Leasing;
- a reduction of euro 6.5 million due to the use of provisions represented by a guarantee given to Alba Leasing;
- an increase due to net changes resulting from legal disputes of euro 13.8 million;
- an increase due to an allocation of euro 208.8 million for legal disputes.

Consolidated income statement results

In 2010, the financial margin was euro 99.7 million and was the result of euro 296.4 million of interest income, euro 192.2 million of interest expense, which reflected the physical decrease of the loans portfolio per the period, marginally fuelled by new disbursements, as well as the increase of non-performing loans, and losses from investments in associates relating to the stake in Alba Leasing, carried at equity, corresponding to euro 4.4 million.
Other net operating income of euro 30.5 million included, amongst other things, the collection of euro 11.5 million of interim awards and indemnities paid by some defendants in the criminal proceedings against several former managers and

certain credit brokers and a commitment deposit of euro 3.1 million paid on the property in Via Cino del Duca 12, acquired due to the default of the counterparty.

Operating expenses for the year amounted to euro 106.8 million, comprised of euro 33.2 million in personnel expenses, euro 46.3 million in other administrative expenses (including euro 19 million in professional services mainly relating to legal and notary costs, already net of euro 4.3 million of relative recoveries) and euro 27.3 million in net value adjustments on tangible and intangible assets.
Net value adjustments on tangible and intangible assets mainly include write-downs net of recoveries of euro 13.7 million and amortisation and depreciation totalling euro 6.3 million relating to properties repossessed by Release.

In addition to the above, income (loss) before tax from continuing operations, corresponding to euro 189.4 million was mainly influenced by the following:

- Net value adjustments on loans, guarantees and commitments
  Net value adjustments on loans, guarantees and commitments presented a negative balance of euro 40.7 million, comprised of: (i) euro -50.5 million of net adjustments relating to the estimated recovery value of loans resulting from overall assessments and closures of non-performing loans, (ii) euro +14.0 million, relating to net discounted interest accrued during the period, (iii) euro -6.3 million due to losses from the cancellation of loans, (iv) euro -5.8 million due to losses resulting from the assignment of doubtful loans not exceeding euro 250 thousand, (v) euro +1.8 million resulting from collections and other recoveries, (vi) euro +6.1 million resulting from net collective recoveries.
- Net provisions for risks and charges
  Net allocations to provisions for risks and charges include euro 17.5 million of provisions for legal disputes, net of recoveries of euro 7.3 million, euro 208.8 million of provisions for tax disputes and value recoveries of euro 6.5 million resulting from the release of the full provisions made last year against the guarantee given by Alba Leasing relating to the ownership, channel of origin and status of the receivables transferred;
- Gains (losses) on the disposal of equity and other investments
  As at 31 December 2010, the item gains (losses) on the disposal of equity and other investments, totalling euro 34.7 million included, (i) euro 4.6 million of gross gains resulting from the sale of an instrumental asset located in Milan in Piazza Cadorna and held under a finance lease, (ii) euro 26.1 million of gains resulting from the sale of an instrumental asset situated in Milan in via Cino del Duca 12 and (iii) euro 4.0 million mainly related to the re-marketing of assets originating from financial leases.

Taxes totalled euro 323.1 million and benefit from the recognition of the prepaid tax asset as described in the comment “tax assets”.
Income from discontinued operations net of tax, corresponding to euro 18.8 million, included net income from the subsidiary company Factorit recorded in the first six months of the year of euro 5.9 million, and the positive effect of euro 12.9 million resulting from the sale of 90.5% of the company in July 2010.
The result of the above-illustrated components was a net income of euro 142.1 million as at 31 December 2010.

Relations with subsidiaries and associates

Please refer to the Consolidated Explanatory Notes, part H, for a full description of related party transactions.

Treasury shares of the Parent company and of subsidiaries

Please refer to section 15 - Group Equity in Part B of the Consolidated Explanatory Notes.

MUTUAL INSURANCE SYSTEM AND SCHEMES IN THE PUBLIC INTEREST

As a cooperative company, Banco Popolare's institutional objectives also include mutual aid, through the joint management of the Parent Company and Network Banks.
The criteria adopted to achieve its mutual aid objectives as well as the main schemes undertaken are described in the corresponding paragraph of the report on operation of the Parent Company, to which the reader is referred.

DISCLOSURES SET FORTH IN BANK OF ITALY/CONSOB/ISVAP DOCUMENTS NO. 2 OF 6 FEBRUARY 2009 AND NO. 4 OF 3 MARCH 2010

On 6 February 2009, the Bank of Italy/Consob/Isvap issued document no. 2 relating to the application of IAS/IFRS, in order to recommend the inclusion in financial reports of information on business continuity, the financial risks to which the business is exposed, the tests conducted to identify the existence of impairments of assets and uncertainties in the use of estimates.

The importance of making substantial commitment to assessments relating to the applicability of the assumption of "business continuity" and relative financial statement disclosures was also mentioned in document no. 4 of 3 March 2010 issued by the same authorities, which reiterates the need to guarantee a high level of transparency to disclosures on the assessment of goodwill and of other intangible assets with an indefinite useful life and of investments in associates, on the valuation of capital instruments classified as "financial assets available for sale", on the classification of financial liabilities subject to specific contractual clauses.

With regard to business continuity, the directors have not identified any circumstances relating to operations or to the evolution of the equity and financial situation that could cast doubts as to the business and the Group's ability to be able to continue to operate as usual. The directors therefore retain that the equity and financial structure are able to guarantee the business continuity of the enterprise and of the Group in the future. On the basis of this reasonable expectation, the financial statements as at 31 December 2010 have therefore been drawn up with a view to business continuity.

With reference to disclosures on financial risks, we underline that the same have been analysed both in the Group's report on operations, and in Part E of the Explanatory Notes: "Information on risks and on relative hedging policies".

In the preparation of the year end financial statements, the Group conducted in-depth assessments of the possible existence of impairment of its assets and mainly of goodwill and other intangible assets, of investments in associates recognised under equity and of share-based investments available for sale. A description of the way in which said tests were conducted and the consequent results is included in the explanatory notes, in which individual assets are illustrated.

With regard to uncertainties relating to the use of estimates when preparing the financial statements, the explanatory notes part A - "Accounting policies, A.1 - General Part", include a specific paragraph entitled "Uncertainties with regard to the use of estimates in drawing up the financial statements".

Lastly, as regards the classification of its financial debts, note that there is no medium-long term liability that should be classified as current due to forfeiture, due to failure to fulfil the contractual clauses relating to said liabilities.

OUTLOOK FOR BUSINESS OPERATIONS

The world economic cycle is showing signs of more stable and widespread growth, no longer limited to emerging countries, but also in advanced economies, in particular Germany and the United States. However, the scenario continues to be characterised by a high level of uncertainty as to future prospects, given new worrying fluctuations of commodities prices - fuelled by recent events in North Africa; continuing tensions in the sovereign debt markets of several peripheral countries in the Euro Zone and the widespread weakness of the labour market.
In the Euro Zone, the economic climate is characterised by a moderate and not very harmonious recovery, mainly driven by exports, while domestic demand and consumption continue to remain weak.
In Italy, once again, the recovery appears to be less sustained that elsewhere, even though there are signs of improvement, also in this case mainly on the export front.

Future prospects continue to point to modest growth, of around one percent, both in 2011 and the following year, as production activities, retail customers consumption and employment will continue to be weak.

The financial markets have suffered from the renewed tensions on sovereign debt in the Euro Zone (the most recent cases regarded Portugal and Ireland), resulting in a general upwards trend in the cost of funding for banks and enterprise.
The authorities are continuing in their efforts to coordinate and reinforce financial regulation and supervision. The environment that intermediaries will be faced with in the future will be substantially influenced, in particular, by new prudential regulations for banks established by the Basel Committee, which reinforces the capital and liquidity requirements of credit institutes.

This economic and regulatory framework outlines a structurally complex and uncertain operating scenario for Italian banks. The low growth of aggregates resulting from the weakness of the economic cycle, the reduction of sources of income caused by the higher cost of funding, low interest rates and continuing high levels of customer risk lead to the need for more solid capital structures and liquidity profiles: these are very demanding challenges, which will force intermediaries to make significant efforts to regain operating effectiveness and efficiency.

Fully aware of the fact that these difficult external market conditions can only be tackled through quality strategic choices, the Banco Popolare Group has implemented and has planned numerous important initiatives for the coming months.

First and foremost, the real basis for future development was a share capital increase of two billion, completed successfully and without the need for a placement consortium. This was the most important step in the strategy to reinforce the capital base, to be achieved over time through a number of different initiatives (issue of so-called Tremonti and Soft Mandatory Bonds, disposal of non-strategic assets), which put the Bank in a secure position (and in advance with respect to many of its competitors), already in line with the standards that investors and markets tend to require compliance with, anticipating the timing for compliance with new regulatory criteria. This transactions will enable the Group to exploit the opportunities provided by the future economic recovery, putting it in a position in which it is able to better manage any risks resulting from a less favourable economic scenario.
Furthermore, the reinforcement of the capital structure will enable the Group to proceed with the disposal of assets with a different perspective, the simple rationalisation of assets not retained strategic; these disposals will be carried out gradually and rationally, given the Group's greater contractual strength on the market, and may involve peripheral shareholdings or entire businesses.
The share capital increase will enable the financial instruments subscribed by the Ministry of the Economy and Finance (so-called Tremonti Bonds, corresponding to euro 1.45 billion) to be repaid, and will allow more flexibility as to any decisions on the conversion or otherwise of the 1 billion soft mandatory bond issue, which can be considered, from a Basel 3 perspective, as a sort of contingent capital, to be values on the basis of future profitability and capitalisation levels.

Funding policies may also benefit from the recapitalisation with possible benefits on ratings and on the cost of borrowing. Moreover, funding strategies continue to be based on a balanced use of the retail and wholesale markets, which have showed great interest in the Bank's new corporate issues. In any event, thanks to its widespread presence on domestic retail markets, the Group makes limited use of wholesale funding sources, meaning that it is less exposed to liquidity tensions and to cost increases that have characterised institutional debt.

In the current scenario, together with the strengthening of the capital structure and contained funding costs, the lever that will enable the Group to regain competitiveness and profitability, is necessarily dependent on the control of expenses and risks and on the improvement of operating efficiency.

In this regard, the effectiveness of the process to recover, integrate and de-risk Banca Italease is of prime importance. The company integration stage has been completed successfully, the new organisational and operating structure has been mostly implemented, and has entailed the alignment of organisational and risk management mechanisms, leading to savings in terms of administrative costs. The de-risking process, namely the series of measures undertaken to reduce the risks relating to the former Banca Italease, is still underway, although it has already led to a substantial reduction in the stock of non-performing loans.

With regard to these aspects and to future plans in general, several preliminary guidelines have been identified for the Business Plan which is currently under development.
The plan seeks to significantly and structurally improve the Group's profitability through a number of diverse measures, the aim of which is to fully relaunch commercial activities, to gain market share, to increase the customer base, to improve operating efficiency and to release synergies.
More specifically, the guidelines establish a series of priority areas for improvement:

- *Group structure* - to improve operating efficiency and to obtain synergies through the merger of several minor banks that are currently part of the Group.
- *Central functions* - to reinforce the Parent Company role of guidance and control and to rebalance commercial and staff services between the Parent Company and Network banks.
- *Distribution network* - to improve the efficiency of the local presence and to improve its ability to acquire customers by: optimising under-performing branches; eliminating overlaps on common bases between network

banks, entailing branch closures; identifying branches with a specific mission to specialise or to be developed; to redesign network incentive systems.

- *Small businesses* - to improve management skills and the ability to acquire customers by: significantly increasing the number of branches distinguished by the presence of "small business" managers; to optimise the average size of the customer portfolio per manager; to raise the revenue threshold that, within the Group's commercial segmentation, distinguishes "medium" businesses from "small businesses" from euro 2.5 to euro 5 million.
- *Medium and large businesses* - to improve management skills and the ability to acquire customers by: raising, as mentioned above, the threshold that distinguishes between small and medium businesses; managing large corporate customers centrally; centralising the management of individual customers at a single network bank.
- *Retail customers* - to improve the ability to acquire customers by; reducing the loss rate of customers and lowering the cost-to-serve (related in particular to low added-value transactions) by targeted investment in innovative commercial formats.
- *Private banking customers* - to transfer the management of customers with equity exceeding euro 2 million to Banca Aletti; to reinforce commercial synergies between Banca Aletti, corporate managers and retail managers.

Overall, initiatives that will enable the Group to improve its competitive positioning, allowing it to better serve its customers and to grow in its local areas.

Significant events occurring after the end of the financial year

In compliance with special instructions issued by the Bank of Italy, significant events occurring after the end of the financial year are illustrated in the Explanatory Notes, part A, Section 3.

Verona, 25 March 2011

The Management Board

Giacomo Guardi, *The Rialto Bridge*, 1800-1830, watercoloured tempera on light blue paper

Declaration of the Managing Director and the Manager responsible for preparing the Company's Financial Reports

Certification of the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned, Pierfrancesco Saviotti, as Managing Director of Banco Popolare Soc. Coop. and Gianpietro Val, as Manager responsible for preparing the Company's financial reports of Banco Popolare Soc. Coop. hereby certify, also in consideration of the provisions of art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the formation of the consolidated financial statements in 2010.

2. The assessment of the adequacy and the effective application of the administrative and accounting procedures for the formation of the consolidated financial statements as at 31 December 2010 was carried out in a context characterised by the organisational changes in business processes and IT systems consequent to recent non recurring transactions performed. The assessment of the adequacy and the effective application of the administrative and accounting procedures for the formation of the consolidated financial statements as at 31 December 2010 was based on an internal model set in place by Banco Popolare Soc. Coop., developed on the basis of that drawn up by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Report") which represents the standard for the internal audit system generally accepted at international level.

3. We also hereby certify that:

3.1 the consolidated financial statements:

a) were drawn up in compliance with the applicable international accounting standards recognised in the European Community as per EC Regulation no. 1606/2002 of the European Parliament and Commission, dated 19 July 2002;

b) comply with the results of the accounting records and journal entries;

c) are suitable to provide a true and fair view of the balance sheet, income statement and financial situation of the issuer and of all the companies included within the scope of consolidation.

3.2 The report on operations includes a reliable analysis of operating performance and results, as well as the situation of the issuer and of all of the companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which the same are exposed.

Verona, 25 March 2011

Pierfrancesco Saviotti
Managing Director

Signed on the original

Gianpietro Val
Manager responsible for preparing
the Company's financial reports
Signed on the original

Pietro Ronzoni, *View of Verona with Sant' Anastasia towards Castel San Pietro*, about 1818, oil on canvas

Independent Auditors' Report on the Consolidated Financial Statement

Reconta Ernst & Young S.p.A.
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37126 Verona

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Independent auditors' report pursuant to Articles 14 and 16 of Legislative Decree n. 39 of January 27, 2010 (Translation from the original Italian text)

To the Shareholders of
Banco Popolare Società Cooperativa

1. We have audited the consolidated financial statements of Banco Popolare Società Cooperativa and its subsidiaries (the "Banco Popolare Group") as of and for the year ended December 31, 2010, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n. 38/2005 is the responsibility of the Banco Popolare Società Cooperativa's Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As reported in the explanatory notes, the Management Board restated the comparative data related to the consolidated financial statements of the prior year, on which we issued our auditors' report dated April 6, 2010. We have examined the methods used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of and for the year ended December 31, 2010.

3. In our opinion, the consolidated financial statements of the Banco Popolare Group at December 31, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Banco Popolare Group for the year then ended.

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4. The Management Board of Banco Popolare Società Cooperativa is responsible for the preparation of the Report on Operations and the Report on Corporate Governance and Ownership Structures in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structures, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structures, are consistent with the consolidated financial statements of the Banco Popolare Group as of December 31, 2010.

Verona, April 12, 2011

Reconta Ernst & Young S.p.A.
Signed by: Marco Bozzola, Partner

Giovanni Boldini, *Carriage at Versailles*, about 1873, oil on board

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Asset items *(in thousands of euro)*		31/12/2010	31/12/2009
10	Cash and cash equivalents	639,932	580,798
20	Financial assets held for trading	11,613,306	11,930,649
30	Financial assets designated at fair value through profit and loss	178,931	183,526
40	Financial assets available for sale	5,591,176	2,056,466
50	Investments held to maturity	140,926	306,240
60	Due from banks	7,565,103	9,566,348
70	Loans to customers	94,461,905	95,350,225
80	Hedging derivatives	201,969	130,758
90	Change in fair value of financial assets in macro fair value hedge portfolios	12,337	7,267
100	Investments in associates and companies subject to joint control	1,641,429	1,637,221
120	Property and equipment	2,444,749	1,442,462
130	Intangible assets	5,171,742	5,294,942
	of which: goodwill	*4,408,665*	*4,474,030*
140	Tax assets	2,513,363	2,358,414
	a) current	99,481	249,737
	b) deferred	2,413,882	2,108,677
150	Non-current assets held for sale and discontinued operations	371,890	1,915,762
160	Other assets	2,606,914	2,948,013
	Total	**135,155,672**	**135,709,091**

Liability and shareholders' equity items *(in thousands of euro)*		31/12/2010	31/12/2009
10	Due to banks	9,492,950	8,420,417
20	Due to customers	54,574,209	53,191,863
30	Debt securities issued	23,435,479	25,227,520
40	Financial liabilities held for trading	3,734,134	3,878,649
50	Financial liabilities designated at fair value through profit and loss	26,514,061	26,763,737
60	Hedging derivatives	235,364	168,456
70	Change in fair value of financial liabilities in macro fair value hedge portfolios	7,701	41,518
80	Tax liabilities	609,730	731,499
	a) current	36,559	41,353
	b) deferred	573,171	690,146
90	Liabilities associated with non-current assets held for sale and discontinued operations	159,407	960,065
100	Other liabilities	3,004,120	2,738,251
110	Employee termination indemnities	394,985	415,688
120	Provisions for risks and charges	1,053,137	1,059,216
	a) retirement benefits and similar commitments	254,656	244,280
	b) other provisions	798,481	814,936
140	Valuation reserves	(17,385)	35,720
160	Equity instruments	1,483,103	1,452,534
170	Reserves	2,598,882	2,622,787
180	Share premium reserve	4,880,069	4,880,038
190	Share capital	2,305,742	2,305,736
200	Treasury shares (-)	(30,944)	(31,014)
210	Minority interests	412,913	579,373
220	Net income (loss)	308,015	267,038
	Total	**135,155,672**	**135,709,091**

CONSOLIDATED INCOME STATEMENT

	Income statement items *(in thousands of euro)*	31/12/2010	31/12/2009 (*)
10	Interest and similar income	3,762,889	4,051,479
20	Interest and similar expense	(1,957,861)	(2,120,605)
30	**Interest margin**	**1,805,028**	**1,930,874**
40	Fee and commission income	1,419,847	1,344,467
50	Fee and commission expense	(154,123)	(133,675)
60	**Net fee and commission income**	**1,265,724**	**1,210,792**
70	Dividend and similar income	374,222	560,685
80	Profits (losses) on trading	(296,897)	(70,088)
90	Fair value adjustments in hedge accounting	11,293	(8,264)
100	Profits (losses) on disposal or repurchase of:	31,935	32,363
	a) loans	328	1,921
	b) financial assets available for sale	5,628	8,589
	c) investments held to maturity	(8)	6
	d) financial liabilities	25,987	21,847
110	Profits (losses) on financial assets and liabilities designated at fair value through profit and loss	425,690	(305,691)
120	**Net interest and other banking income**	**3,616,995**	**3,350,671**
130	Net losses / recoveries on impairment of:	(873,206)	(863,796)
	a) loans	(782,377)	(814,673)
	b) financial assets available for sale	(53,418)	(29,251)
	c) investments held to maturity	-	-
	d) other financial activities	(37,411)	(19,872)
140	**Net income from banking activities**	**2,743,789**	**2,486,875**
180	Administrative expenses:	(2,625,341)	(2,568,430)
	a) personnel expenses	(1,679,375)	(1,627,105)
	b) other administrative expenses	(945,966)	(941,325)
190	Net provisions for risks and charges	(236,319)	34,873
200	Net adjustments to / recoveries on property and equipment	(128,661)	(109,569)
210	Net adjustments to / recoveries on intangible assets	(78,312)	(107,054)
220	Other operating income (expenses)	492,618	571,699
230	**Operating expenses**	**(2,576,015)**	**(2,178,481)**
240	Profits (losses) on investments in associates and companies subject to joint control	42,190	76,236
270	Profits (losses) on disposal of investments	7,973	112,487
280	**Income (loss) before tax from continuing operations**	**217,937**	**497,117**
290	Taxes on income from continuing operations	99,922	(228,976)
300	**Income (loss) after tax from continuing operations**	**317,859**	**268,141**
310	Income (loss) after tax from discontinued operations	13,668	(10,202)
320	**Net income (loss)**	**331,527**	**257,939**
330	Minority interests	(23,512)	9,099
340	**Parent Company's net income (loss)**	**308,015**	**267,038**

(*) The figures have been adjusted in compliance with IFRS 5 and the classification rules announced by the Supervisory Body in February 2011. The attachments contain a statement of reconciliation between the income statement schedule published in the annual financial report as at 31 December 2009 and that restated in this schedule.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Items *(in thousands of euro)*		31/12/2010	31/12/2009
10	**Net income (loss)**	**331,527**	**257,939**
	Other comprehensive income after tax		
20	Financial assets available for sale	(51,417)	59,066
30	Property and equipment		1,036
50	Foreign investment hedges	50	(50)
60	Cash flow hedges	3,352	2,789
100	Share of valuation reserves related to investments carried at equity	(5,076)	(14,519)
110	**Total other comprehensive income after tax**	**(53,091)**	**48,322**
120	**Comprehensive Income (Items 10+110)**	**278,436**	**306,261**
130	Consolidated comprehensive income attributable to minority interests	(23,526)	7,862
140	**Consolidated comprehensive income attributable to the Parent Company**	**254,910**	**314,123**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

31 December 2010 *(in thousands of euro)*	Balances as at 31/12/2009	Changes in opening balance	Balances as at 1/1/2010	Allocation of net income from previous year		Changes in the year								Shareholders' equity as at 31/12/2010	Group shareholders ' equity as at 31/12/2010	Minority interests as at 31/12/2010
							Operations on shareholders' equity						Comprehensive income for 2010			
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options				
Share Capital:	**2,448,912**	**-**	**2,448,912**	**-**		**(142,285)**	**52,453**	**-**						**2,359,080**	**2,305,742**	**53,338**
a) ordinary shares	2,448,783	-	2,448,783	-		(142,283)	52,453	-						2,358,953	2,305,742	53,211
b) other shares	129	-	129	-		(2)	-	-						127	-	127
Share premium reserve	**4,919,723**	**-**	**4,919,723**	**-**		**(59,885)**	**36,673**	**-**						**4,896,511**	**4,880,069**	**16,442**
Reserves:	**3,026,569**	**-**	**3,026,569**	**172,285**		**(192,994)**	**(88,995)**	**-**	**-**		**-**	**-**		**2,916,865**	**2,598,882**	**317,983**
a) retained earnings	2,458,909	-	2,458,909	172,285		37,931	-	-	-					2,669,125	2,357,583	311,542
b) other	567,660	-	567,660			(230,925)	(88,995)	-			-	-		247,740	241,299	6,441
Valuation reserves	**37,749**	**-**	**37,749**	**-**		**-**							**(53,091)**	**(15,342)**	**(17,385)**	**2,043**
Equity instruments	**1,452,534**	**-**	**1,452,534**							**30,569**				**1,483,103**	**1,483,103**	**-**
Treasury shares	**(31,214)**	**-**	**(31,214)**			**-**	**26**	**(161)**						**(31,349)**	**(30,944)**	**(405)**
Net income (loss) for the period	**257,939**	**-**	**257,939**	**(172,285)**	**(85,654)**								**331,527**	**331,527**	**308,015**	**23,512**
Shareholders' equity	**12,112,212**	**-**	**12,112,212**	**-**	**(85,654)**	**(395,164)**	**157**	**(161)**	**-**	**30,569**	**-**	**-**	**278,436**	**11,940,395**	**11,527,482**	**412,913**
- Group	**11,532,839**		**11,532,839**	**-**	**(64,047)**	**(226,689)**	**61**	**(161)**	**-**	**30,569**	**-**	**-**	**254,910**	**11,527,482**		
- minority interests	**579,373**	**-**	**579,373**	**-**	**(21,607)**	**(168,475)**	**96**	**-**					**23,526**	**412,913**		

31 December 2009 *(in thousands of euro)*	Balances as at 31/12/2008	Changes in opening balance	Balances as at 1/1/2009	Allocation of net income from previous year		Changes in the year								Shareholders' equity as at 31/12/2009	Group shareholders' equity as at 31/12/2009	Minority interests as at 31/12/2009
							Operations on shareholders' equity						Comprehensive income 2009			
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options				
Share Capital:	**2,452,085**	**-**	**2,452,085**	**-**		**(3,174)**	**1**	**-**						**2,448,912**	**2,305,736**	**143,176**
a) ordinary shares	2,451,874	-	2,451,874	-		(3,092)	1	-						2,448,783	2,305,736	143,047
b) other shares	211	-	211	-		(82)	-	-						129	-	129
Share premium reserve	**4,921,510**	**-**	**4,921,510**	**-**		**(1,790)**	**3**	**-**						**4,919,723**	**4,880,038**	**39,685**
Reserves:	**3,152,910**	**2,539**	**3,155,449**	**(302,158)**		**173,278**	**-**	**-**	**-**		**-**	**-**		**3,026,569**	**2,622,787**	**403,782**
a) retained earnings	2,803,587	-	2,803,587	(302,158)		(42,520)	-	-	-					2,458,909	2,263,494	195,415
b) other	349,323	2,539	351,862			215,798	-	-			-	-		567,660	359,293	208,367
Valuation reserves	**(8,034)**	**(2,539)**	**(10,573)**	**-**		**-**							**48,322**	**37,749**	**35,720**	**2,029**
Equity instruments	**2,534**	**-**	**2,534**							**1,450,000**				**1,452,534**	**1,452,534**	**-**
Treasury shares	**(31,188)**	**-**	**(31,188)**				**(26)**	**-**						**(31,214)**	**(31,014)**	**(200)**
Income (Loss) for the year	**(302,158)**	**-**	**(302,158)**	**302,158**	**-**								**257,939**	**257,939**	**267,038**	**(9,099)**
Shareholders' equity	**10,187,659**	**-**	**10,187,659**	**-**	**-**	**168,314**	**(22)**	**-**	**-**	**1,450,000**	**-**	**-**	**306,261**	**12,112,212**	**11,532,839**	**579,373**
- Group	**9,784,015**	**-**	**9,784,015**	**-**	**-**	**(15,277)**	**(22)**	**-**	**-**	**1,450,000**	**-**	**-**	**314,123**	**11,532,839**		
- minority interests	**403,644**	**-**	**403,644**	**-**		**183,591**	**-**	**-**					**(7,862)**	**579,373**		

(*) The figures published in the previous year were restated in order to represent - in the lines from "Capital" to "Net income/loss for the year" - the figures relating to the entire company, meaning those of both the Group and Minority Interests, based on the regulations for compilation set forth by the Supervisory Body in February 2011. In the previous year, said lines exclusively referred to Group figures. The figures relating to Minority Interests were shown in total in the row and column "Minority interests", in order to represent total shareholders' equity

CONSOLIDATED STATEMENT OF CASH FLOWS

Direct method (*thousands of euro*)

A. Operating activities	31/12/2010	31/12/2009
1. Cash flow from operations	**1,183,357**	**1,332,528**
- Interest received (+)	3,762,889	4,098,864
- Interest paid (-)	(1,957,861)	(2,130,069)
- dividend and similar income (+)	374,222	560,693
- net fee and commission income (+/-)	1,265,724	1,227,575
- personnel expenses (-)	(1,651,871)	(1,588,416)
- other costs (-)	(1,405,715)	(1,061,119)
- other revenues (+)	682,379	459,944
- Taxes (+/-)	99,922	(229,099)
- cost/revenues after tax from discontinued operations (+/-)	13,668	(5,845)
2. Cash flow from / used in financial assets	**852,728**	**(15,498,320)**
- financial assets held for trading	491,488	(1,025,908)
- financial assets designated at fair value through profit and loss	305,057	(770,511)
- financial assets available for sale	(3,588,128)	(460,563)
- loans to customers	127,764	(15,079,174)
- due from banks: repayable on demand	183,684	(92,239)
- due from banks: other loans	1,795,740	3,010,531
- other assets	1,537,123	(1,080,456)
3. Cash flow from / used in financial liabilities	**(1,115,191)**	**12,639,610**
- due to banks: repayable on demand	(195,905)	557,846
- due to banks: other payables	1,268,438	(495,081)
- due to customers	1,382,346	1,839,446
- debt securities issued	(1,792,041)	974,864
- financial liabilities held for trading	(144,515)	503,831
- financial liabilities designated at fair value through profit and loss	(249,676)	9,237,836
- other liabilities	(1,383,838)	20,868
Net cash flow from / used in operating activities	**920,894**	**(1,526,182)**

B. Investing activities		
1. Cash flow from:	**310,876**	**292,790**
- sales of investments in associates and companies subject to joint control	28,078	39,063
- sales of investments held to maturity	198,716	225,233
- sales of property and equipment	17,620	28,295
- sales of intangible assets	66,462	199
2. Cash flow used in:	**(1,139,058)**	**(377,600)**
- purchase of investments in associates and companies subject to joint control	(26,213)	(233,762)
- purchase of investments held to maturity	(37,765)	(685)
- purchase of property and equipment	(1,012,103)	(78,286)
- purchase of intangible assets	(62,977)	(64,867)
Net cash flow from / used in investing activities	**(828,182)**	**(84,810)**

C. Financing activities		
- issue/purchase of treasury shares	(100)	31,786
- issue/purchase of equity instruments	30,569	1,450,000
- dividend distribution and other allocations	(64,047)	-
Net cash flow from / used in financing activities	**(33,578)**	**1,481,786**
Net cash flow from / used in activities during the year	**59,134**	**(129,206)**

Reconciliation	31/12/2010	31/12/2009
- Cash and cash equivalents at the beginning of the year	580,798	710,004
- Net cash flow from / used in activities during the year	59,134	(129,206)
Cash and cash equivalents at the end of the year	**639,932**	**580,798**

Vigèe Le Brun Elisabeth-Louise, *Female portrait,* about 1790/1805, oil on canvas

Notes to the Consolidated Financial Statements

PART A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Introductory note

From 1 July 2009, following the end of the subscription period of the Initial Public Offering launched on all ordinary shares of Banca Italease issued, Banco Popolare acquired the majority of shares issued and, as a result, control of the company. Therefore, from the start of the second half of the year Banca Italease was included in the scope of line-by-line consolidation of Banco Popolare, along with its subsidiaries.
The consolidated balance sheet of the Banco Popolare Group as at 31 December 2009 therefore includes the balance sheet assets and liabilities of the Banca Italease Group at that date. The consolidated income statement of the Banco Popolare Group as at 31 December 2009 incorporates the contribution of the Banca Italease Group limited to the income generated following 1 July 2009.
As a result of the above business combination, the consolidated income statement of the Banco Popolare Group for 2010 is not readily comparable with the same statement for 2009.
However, to guarantee adequate disclosure on the operating performance of the Group, the report on operations provides a separate evidence of the Banco Popolare Group's income statement without the contribution of the former Italease Group for 2010 and 2009, for the purpose of a like-for-like comparison.
In addition, in the report on operations, the balance sheet data as at 31 December 2010 and as at 31 December 2009 is shown in a version that excludes the contribution of the companies in the former Banca Italease Group. The performance of the balance sheet of companies in the Banca Italease Group is shown separately. This representation is provided in order to provide understanding of the performance of Banca Italease, also following the reorganisation undertaken following the acquisition date.

Section 1 - Statement of compliance with the international accounting standards

These consolidated financial statements, in compliance with Italian Legislative Decree no. 38 of 28 February 2005, have been drawn up according to the IAS/IFRS, issued by the International Accounting Standard Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), validated by the European Commission, as defined in EC Regulation no. 1606 of 19 July 2002.

The following documents have been used to interpret and apply the international accounting standards, although they have not been validated by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements ("Framework");
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or IFRIC as a supplement to issued accounting standards.

The accounting standards applied in preparing these financial statements are those in effect as at 31 December 2010 (including the SIC and IFRIC interpretation documents).

For an overview of the standards validated during 2010 or those validated in prior years, whose application is expected for 2010 (or for future years), reference is made to "Section 5 – Other Aspects", below, which also illustrates the main impacts for the Group.

Section 2 - General preparation principles

The consolidated financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the explanatory notes, and are accompanied by the Directors' report on operations and on the general situation of the consolidated companies.

The financial statements and the contents of the explanatory notes have been prepared in keeping with the provisions of the Bank of Italy in Circular no. 262 of 22 December 2005 "Bank Financial Statements: Layouts and Rules for Preparation" and the subsequent update of 18 November 2009. The information requests and clarifications transmitted by the aforementioned Supervisory Authority were also considered, specifically, those set forth in the technical notes of 16 February 2011 and 28 February 2011 (the "leaflets").

These financial statements are drawn up using the Euro as functional currency.

The amounts shown in the financial statements and the data illustrated in the tables in the explanatory notes are expressed in thousands of euro, unless specified otherwise.

The consolidated financial statements are drawn up clearly and provide a true and fair view of the balance sheet, financial situation and economic result of Banco Popolare and its subsidiaries for the year. The financial statements used to prepare

the consolidated financial statements are those prepared by the subsidiaries as at 31 December 2010, adjusted, if necessary, to comply with IAS/IFRS.

Should the information required by the international accounting standards and the provisions of the above-mentioned Circular be deemed insufficient to provide a true and fair view, the explanatory notes provide supplementary information necessary for this purpose.
If, in exceptional cases, the application of provisions envisaged by the international accounting standards is incompatible with the true and fair view of the balance sheet, financial situation and economic result, it is not carried out. The explanatory notes will set forth an explanation of the reasons for any departure and its influence on the representation of the balance sheet, financial situation and economic result.

The financial statements have been drawn up in observance of the following general principles:

- *Going concern:* the financial statements have been drawn up with a view to the Group's business activities as a going-concern;
- *Accrual accounting*: the financial statements have been drawn on an accruals basis with the exception of cash flows information;
- *Presentation consistency:* the presentation and classification of the items in the financial statements are consistent from one year to another unless the standard or interpretation requires a change in presentation or another presentation or classification is no longer appropriate taking into account that matters envisaged by IAS 8. In this latter case, disclosure is provided in the report with regard to the changes made with respect to the previous year.
- *Materiality and aggregation:* the balance sheet and income statement schedules are made up of items (identified by Arabic numerals), sub-items (identified by letters) and by additional detailed disclosure (the "of which" captions of the items and sub-items). The items, sub-items and related detailed disclosure represent the financial statement accounts. The schedules are compliant with those established by the Bank of Italy in Circular No. 262 dated 22 December 2005 and the subsequent amendment. Additional items can be added to the afore-mentioned schedules if their content is not attributable to any of the items already envisaged by the schedules and only if the amounts involved are significant. The sub-items envisaged by the schedules can be grouped together when one of the following two conditions applies:
  a) the amount of the sub-items is immaterial;
  b) the aggregation favours a clear financial statement presentation; in this case, the explanatory notes separately describe the sub-items that have been aggregated.

  Accounts which to do present amounts either for the year to which the financial statements refer or the previous year are not indicated in the balance sheet or income statement.
- *Predominance of substance over form:* the transactions and other events are recognised and stated in compliance with their substance and economic entity and not just their legal form;
- *Offsetting:* assets and liabilities, income and expenses are not offset, unless this is permitted or required by an international accounting standard or by an interpretation of the same or the provisions set forth by the aforementioned Bank of Italy Circular;
- *Comparative information:* comparative information is provided for each balance sheet and income statement item relating to the previous year, unless an accounting standard or interpretation does not permit this or requires different presentation. The balances relating to the previous year can be appropriately adjusted, where necessary, for the purpose of ensuring the comparability of the information relating to the year underway. Any non-compatibility, adaptation or impossibility of the latter are reported and commented on in the explanatory notes.

The explanatory notes are divided into sections: A-Accounting policies, B-Information on the consolidated balance sheet, C-Information on the consolidated income statement, D-Statement of consolidated comprehensive income, E-Information on risks and relative hedging policies, F-Information on consolidated capital, G-Business combinations, H-Transactions with related parties, I-Share-based payment agreements, and L-Segment reporting.
Each part of the notes is organised into sections, and each section describes a single element of operations.

Uncertainties with regard to the use of estimates for drawing up the financial statements

The application of certain accounting standards necessarily involves recourse to estimates and assumptions which affect the values of the assets and liabilities recorded in the financial statements and the disclosure provided with regard to the potential assets and liabilities.
The assumptions underlying the estimates made take into account all the information available as of the date of preparation of the financial statements, as well as the hypotheses considered reasonable in light to past experience and the particular moment being experienced by the financial markets. In this connection, note that the situations caused by the current economic and financial crisis has made it necessary to make assumptions concerning the future trend characterised by significant uncertainty.
Precisely in consideration of the uncertain situation, it cannot be excluded that the hypotheses adopted, however reasonable, might not be confirmed by future scenarios in which the Group finds itself operating. The results which will be achieved in the future could therefore differ from the estimates made for the purpose of drawing up the financial statements and could consequently make adjustments necessary which at present cannot be foreseen or estimated with respect to the book value of the assets and liabilities recorded in the financial statements.
The financial statement items affected the most by the situations of uncertainty are represented by amounts receivable,

financial assets, investments in associates, intangible assets, deferred tax assets, financial liabilities designated at fair value through profit and loss and provisions for risks, charges and taxation.
Illustrated below are the measurement processes which call for a greater use of estimates and assumptions to determine the values to be recognised in the financial statements:

Determination of estimated impairment losses on loans disbursed and other financial assets recognised under balance sheet assets
Value adjustments on loans disbursed are estimated based on evidence arising from a careful, constant monitoring of the development of outstanding relations with borrowers and their economic and financial positions. The determination of portfolio adjustments is based on historical data reported in terms of decay rates and the percentage of recovery of doubtful loans with respect to loan classes with homogeneous characteristics as compared to those under measurement at the reporting date.
Value adjustments in relation to financial assets not designated at fair value are estimated based on evidence arising from a careful, constant monitoring of the economic and financial position of issuers.
In this regard, the protraction or worsening of the current economic-financial crisis could result in further deterioration of the financial position of borrowers and issuer counterparties, which may generate losses on loans disbursed or financial assets acquired, greater than that which can be currently estimated and consequently considered in drawing up the financial statements.

Estimated impairment losses in relation to intangible assets and investments in associates
On a yearly basis, upon preparing the financial statements, intangible assets and investments in associates recognised under balance sheet assets are tested for impairment. The impairment test is usually conducted by determining the value in use and the fair value of the assets and verifying that the value at which the intangible asset or equity investment has been recognised in the financial statements is lower than the its value in use or fair value, net of costs to sell, whichever is greater.
The financial and economic crisis that unfolded starting from 2008 has deeply changed the scenarios in which the bank operated and will operate, requiring organisational and structural measures and obliging the bank to operate in a context characterised by random margins. Owing to the uncertainty of future scenarios of operation, at the date of preparation of these financial statements, the Group does not have an updated plan that can be used as a significant basis for estimating the value in use of investments in associates and companies subject to joint control and cash generating units to which intangible assets with an unspecified duration have been allocated. Hence, the impairment test was based exclusively on the determination of fair value as compared with the book value of balance sheet assets under measurement. The fair value of investments in associates and companies subject to joint control and the cash generating units to which intangible assets with an unspecified duration have been allocated has been determined by applying market parameters to income statement and balance sheet balances of investments in associates and companies subject to joint control/cash generating units being tested and the considerations actually paid in recently performed comparable transactions. With regard to income statement balances to which market parameters were applied, it is noted that the parameters derive from the normalisation of the expected income statement performance of companies for 2011 which should conservatively take into account the changed economic and financial context of operations. Naturally, in consideration of the particularly turbulent market situation, it cannot be excluded that the hypotheses adopted, however reasonable and prudent, might not be confirmed by future scenarios in which the Group finds itself operating.
Moreover, due to the continuing significant volatility in the markets it cannot be ruled out that valuations based on market parameters and on the values of recently performed transactions may in the long term fail to fully reflect the fair value of the assets subject to impairment testing.

Business combinations
The recognition of business combinations requires that the difference between the purchase price and the net book value be assigned to the assets and liabilities of the acquired company. For most assets and liabilities, the difference is assigned by recognising the assets and liabilities at fair value. If positive, the portion not assigned is recognised under goodwill. If negative, it is charged to the income statement as revenue. In assigning the cost of business combinations, the Banco Popolare Group uses all the available information. Nonetheless, by definition, this process requires the use of complex, subjective estimates.

Determination of the fair value of financial assets and liabilities
When the fair value is not directly observable on active markets, the choice of valuation models, as well input parameters is more subjective, as the latter also may not be observable on the market. In the event of illiquid markets, it is necessary to use more complex valuation processes, characterised by greater subjectivity.

Estimate of the recoverability of deferred tax assets
The Group has significant deferred tax assets among its balance sheet assets, mainly deriving from temporary differences between the income statement recognition date of given business costs and the date when said costs may be deducted. These deferred tax assets recognised in the balance sheet refer to temporary differences and, to a lesser extent, to losses which may be recovered over a very long time frame. Deferred tax assets are adjusted to the extent they are deemed to be non-recoverable in relation to income prospects and the associated expected taxable income. The valuation process is based on the same income prospects considered for impairment tests on investments in associates and companies subject to joint control and intangible assets.

Estimate of provisions for risks and charges, retirement benefits and tax provisions
The companies belonging to the Group are defendants in a wide range of lawsuits and tax disputes. The complexity of the situations corporate deals that underlie the outstanding disputes, along with the difficulties in the interpretation of applicable law, make it difficult to estimate the liabilities that may result when pending lawsuits are settled. The difficulties lie in assessing if and what may be due and how much time will elapse before liabilities materialise.

The list of valuation processes shown above is provided simply to provide readers of the financial statements with a better understanding of the main areas of uncertainty, and it should in no way be considered as implying that to date alternative assumptions could prove more appropriate. Moreover, financial statement valuations are formulated on the basis of the going concern principle, as no risks have been identified that could impair the company's normal course of business. Disclosure on risks, with specific reference to liquidity risk, is set forth in Part E–Information on risks and relative hedging policies.

Section 3 - Scope of consolidation and consolidation methods

The consolidated financial statements include the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries.
The scope of consolidation is determined in accordance with the provisions contained in international accounting standard IAS 27. All the companies considered as associated and under joint control on the basis of international accounting standards IAS 28 and 31 are also included.
The concept of control is not limited to the percentage of investment in the share capital of the investee company and is defined as the power to determine the financial and operating policies of an entity, so as to obtain benefits from its activities.
The investments in associates intended to be sold are handled in compliance with international accounting standard IFRS 5 which disciplines the handling of the non-current activities intended to be sold.
The reference date of the consolidated financial statements coincides with the closure date of the financial statements of the Parent Company. The companies which end the year as of a date other than that of the Parent Company take steps to draw up a balance sheet and income statement as of the reference date.

Full consolidation consists in the "line-by-line" acquisition of the balance sheet and income statement aggregates of subsidiary companies. After the attribution of minority interests in shareholders' equity and income, under a specific item, the value of the investment is eliminated as an offset to the residual portion of the subsidiary's equity. Any difference resulting from this operation, if positive – after being charged to the subsidiary's assets or liabilities – is recognised as goodwill under intangible assets upon the first consolidation and subsequently, under other reserves. Negative differences are charged to the income statement.
The purchase price allocation of business combinations is determined provisionally, as permitted by the international accounting standards. According to paragraph 62 of IFRS 3, the initial, definitive accounting for business combinations must be performed within twelve months from the date of acquisition.

The assets, liabilities, revenues and expenses between the consolidated companies are eliminated in full.

The income statement results of a subsidiary acquired during the year are included in the consolidated financial statements starting from the date of acquisition. Conversely, the income statement results of a subsidiary sold are included in the consolidated financial statements up to the date of sale. The difference between the sale price and the book value at the date of disposal, including any exchange differences recorded period by period in shareholders' equity on consolidation, is recognised in the income statement. Where necessary, the financial statements of consolidated companies, possibly drawn up on the basis of different accounting criteria, are rendered compliance with the standards of the Group.

Investments in companies in which the Group exercises a significant influence ("associates"), that is, enterprises in which the Group has the power to participate in the financial and operating policy decisions, but does not have control or joint control, are carried at equity. If an associate applies other accounting standards than those used by the Group, adjustments are made to the associate's financial statements used by the Group to apply the equity accounting method.

Under the equity method, the investment is initially recognized at cost and the book value is then adjusted based on the proportionate interest in the investee company. The difference between the value of the investment and the investee company's shareholders' equity is treated similarly to the line-by-line consolidation differences described above. In measuring the pro-rata share of shareholders' equity, potential voting rights are not considered. The pro-rata share of net income for the year of the associate is recognised under a specific item of the consolidated income statement.

Investments in companies subject to joint control are recognised using the equity method. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when a unanimous consensus by all venturers (i.e., the parties to a joint venture, having joint control over it) is required to make strategic financial and operational decisions.

For consolidation purposes, the shares received in pledge have not been considered since they are not aimed at exercising control or influence over the companies' management policies, so as to avail of the economic benefits.

The balance sheet and income statement results of the consolidated companies whose operating currency is different to the

Euro are translated based on the following rules:

- balance sheet assets and liabilities are translated at the exchange rate in effect at year-end;
- revenues and costs on the income statement are translated at the year's average exchange rate;
- all exchange rate differences originated by the translation are recognised in a specific and separate reserve under shareholder's equity. Said reserve is eliminated through a concurrent debit/crediting of the income statement when the investment is disposed of.

Investments in subsidiary companies exclusively and jointly controlled are listed in the following table (consolidated line-by-line or proportionally). For information on investments in companies subject to joint control (carried at equity) and in companies subject to significant influence, refer to that set forth in Part B - Information on the consolidated balance sheet - Section 10 - Investments in associates and companies subject to joint control.

1. Investments in subsidiary companies exclusively and jointly controlled (consolidated proportionally)

Company name	Registered offices	Type of relationship (a)	Investment relationship		% of available votes (b)
			Holder	% held	
A. Company					
A.1 Consolidated line-by-line					
Banco Popolare soc. coop.	**Verona**	**Parent Company**			
Acque Minerali Riunite S.p.A. in liquidation	Rome	(1)	Efibanca	100.000%	
Aletti & C. Banca di Investimento Mobiliare S.p.A.	Milan	(1)	Banco Popolare	60.472%	
			Credito Bergamasco	20.864%	
			Holding di Partecipazioni	16.560%	
			Valori finanziaria	2.104%	
Aletti Fiduciaria S.p.A.	Milan	(1)	Banca Aletti & C.	100.000%	
Aletti Gestielle SGR S.p.A.	Milan	(1)	Banco Popolare	100.000%	
Aletti Trust S.p.A.	Milan	(1)	Banca Aletti & C.	100.000%	
Arena Broker S.r.l.	Verona	(1)	Holding di Partecipazioni	57.300%	
Auto Trading Leasing IFN s.a.	RO - Bucharest	(1)	Banco Popolare	99.967%	
			Holding di Partecipazioni	0.033%	
B.P.I. International (UK) Ltd.	UK - London	(1)	Banco Popolare	82.000%	
Banca Aletti & C. (Suisse) S.A.	CH - Lugano	(1)	BP Luxembourg	100.000%	
Banca Italease S.p.A.	Milan	(1)	Banco Popolare	82.420%	
			Holding di Partecipazioni	14.657%	
			Credito Bergamasco	2.923%	
Banca Italease Funding LLC	Delaware	(1)	Banca Italease	100.000%	
Banca Popolare di Crema S.p.A.	Crema	(1)	Banca Popolare di Lodi	94.468%	
Banca Popolare di Cremona S.p.A.	Cremona	(1)	Banca Popolare di Lodi	99.590%	
Banca Popolare di Lodi S.p.A.	Lodi	(1)	Banco Popolare	100.000%	
Banca Popolare di Lodi Capital Company LLC II	USA - Delaware	(1)	Banco Popolare	100.000%	
Banca Popolare di Lodi Capital Company LLC III	USA - Delaware	(1)	Banco Popolare	100.000%	
Banca Popolare di Novara S.p.A.	Novara	(1)	Banco Popolare	100.000%	
Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A.	Verona	(1)	Banco Popolare	100.000%	
Banco Popolare Česká Republika, a.s. (*)	CZ - Prague	(1)	Banco Popolare	100.000%	
Banco Popolare Croatia d.d.	HR - Zagreb	(1)	Banco Popolare	98.130%	98.950%
Banco Popolare Hungary Zrt.	H - Budapest	(1)	Banco Popolare	100.000%	
Banco Popolare Luxembourg S.A.	L - Luxembourg	(1)	Banco Popolare	100.000%	
Banco Popolare Service Kft.	H - Budapest	(1)	BP Hungary	100.000%	
Bio Energy International S.A.	L - Luxembourg	(1)	Efibanca	99.998%	
Bipielle Bank (Suisse) S.A. in liquidation	CH - Lugano	(1)	Banco Popolare	100.000%	
Bipielle International Holding S.A.	CH - Lugano	(1)	Banco Popolare	100.000%	
Bipielle Real Estate S.p.A.	Lodi	(1)	Banco Popolare	100.000%	
BRF Property S.p.A.	Parma	(1)	Partecipazioni Italiane	51.114%	
			Efibanca	14.314%	
BP Covered Bond S.r.l.	Milan	(1)	Banco Popolare	60.000%	
Bormioli Rocco & Figlio S.p.A.	Fidenza	(1)	Partecipazioni Italiane	81.114%	
			Efibanca	14.314%	
Bormioli Rocco (Spagna) S.A.	E - Guadalajara	(1)	Bormioli Rocco Intern.	74.070%	
			Bormioli Rocco & Figlio	25.930%	
Bormioli Rocco Glass Co. Inc. S.C.	USA - New York	(1)	Bormioli Rocco Intern.	100.000%	
Bormioli Rocco International S.A.	L - Luxembourg	(1)	Bormioli Rocco & Figlio	100.000%	
Bormioli Rocco France S.A.	F - S. Sulpice	(1)	Bormioli Rocco Intern.	56.640%	
			Bormioli Rocco & Figlio	43.360%	
Bormioli Rocco Valorisation S.A.S.	F - Masnieères	(1)	Verreries de Masnières	100.000%	
BP Property Management Soc. Consortile a r.l.	Verona	(1)	Banco Popolare	27.309%	

Company name	Registered offices	Type of relationship (a)	Investment relationship		% of available votes (b)
			Holder	% held	
			Banca Popolare Lodi	10.000%	
			Banca Popolare Novara	20.000%	
			BPV-SGSP	20.000%	
			Credito Bergamasco	10.000%	
			Immobiliare BP	4.615%	
			Banca Aletti & C.	1.000%	
			C.R. Lucca Pisa Livorno	1.000%	
			Banca Popolare Crema	1.000%	
			Banca Popolare Cremona	1.000%	
			Società Gestione Crediti BP	1.000%	
			S.G.S. BP	1.000%	
			Aletti Gestielle SGR	0.538%	
			Holding di Partecipazioni	0.538%	
Braidense Seconda S.r.l.	Milan	(1)	Efibanca	100.000%	
Cassa di Risparmio di Lucca Pisa Livorno S.p.A.	Lucca	(1)	Banco Popolare	99.309%	
Compagnia Finanziaria Ligure Piemontese S.p.A. (in liquidation)	Milan	(1)	Banco Popolare	100.000%	
Credito Bergamasco S.p.A. (***)	Bergamo	(1)	Banco Popolare	77.428%	
Decoro Fidenza S.r.l.	Fidenza	(1)	Bormioli Rocco & Figlio	100.000%	
Efibanca S.p.A. (****)	Lodi	(1)	Banco Popolare	93.695%	90.600%
			Credito Bergamasco	6.305%	6.097%
Essegibi Promozioni Immobiliari S.p.A.	Milan	(1)	Italease Gestione Beni	100.000%	
FIN.E.R.T. S.p.A. (in liquidation)	Marano (NA)	(1)	SE.RI.	100.000%	
HCS S.r.l.	Milan	(1)	Italease Gestione Beni	100.000%	
Holding di Partecipazioni Finanziarie Banco Popolare S.p.A.	Verona	(1)	Banco Popolare	100.000%	
Immobiliare BP S.r.l.	Verona	(1)	Banco Popolare	100.000%	
Istituto Pisano Leasing S.p.A. (in liquidation)	Pisa	(1)	C.R. Lucca Pisa Livorno	100.000%	
Itaca Service S.p.A.	Milan	(1)	Banca Italease	100.000%	
Italfortune International Advisors S.A.	L - Luxembourg	(1)	BP Luxembourg	100.000%	
Italease Finance S.p.A.	Milan	(1)	Banca Italease	70.000%	
Italease Gestione Beni S.p.A.	Milan	(1)	Banca Italease	100.000%	
Liberty S.r.l.	Lodi	(1)	Banca Popolare Lodi	95.000%	
Lido dei Coralli S.r.l.	S.T. di Gallura (SS)	(1)	Bipielle Real Estate	100.000%	
Mariner S.r.l.	Lodi	(1)	Bipielle Real Estate	100.000%	
Mercantile Leasing S.p.A.	Florence	(1)	Banca Italease	100.000%	
Milano Leasing S.p.A. (in liquidation)	Milan	(1)	Efibanca	99.999%	
Nadir Immobiliare S.r.l.	Lodi	(1)	Bipielle Real Estate	100.000%	
Partecipazioni Italiane S.p.A.	Milan	(1)	Glass Italy	92.653%	92.679%
		(1)	Banco Popolare	7.312%	7.321%
Release S.p.A.	Milan	(1)	Banca Italease	80.000%	
RI Investimenti Due S.r.l.	Lodi	(1)	Sviluppo Comparto 8	100.000%	
Royle West Ltd. (in voluntary liquidation)	IRL – Dublin	(1)	Banco Popolare	99.000%	
Seefinanz S.A. (in liquidation)	CH - Lugano	(1)	Banco Popolare	100.000%	
Servizi Riscossione Imposte SE.R.I. S.p.A. (in liquidation)	Naples	(1)	Banco Popolare	80.000%	
S.I.A.L. Società Imm. Agricola Lodigiana S.r.l. in liquidation	Lodi	(1)	Banca Popolare Lodi	90.000%	
Sirio Immobiliare S.r.l.	Lodi	(1)	Bipielle Real Estate	100.000%	
Società Gestione Crediti BP Soc. Cons. p.az.	Lodi	(1)	Banco Popolare	16.000%	
			Banca Popolare Lodi	19.750%	
			Banca Popolare Novara	19.750%	
			BPV-SGSP	19.750%	
			Credito Bergamasco	10.000%	
			C.R. Lucca Pisa Livorno	10.000%	
			Banca Popolare Crema	1.000%	
			Banca Popolare Cremona	1.000%	
			Efibanca	1.000%	
			Banca Italease	0.750%	
Società Gestione Servizi BP Soc. Consortile p. az.	Verona	(1)	Banco Popolare	19.750%	
			Banca Popolare Lodi	15.000%	
			Banca Popolare Novara	15.000%	
			BPV-SGSP	15.000%	
			Banca Aletti & C.	10.000%	
			Credito Bergamasco	10.000%	
			C.R. Lucca Pisa Livorno	10.000%	
			Banca Popolare Crema	0.750%	
			Banca Popolare Cremona	0.750%	
			Efibanca	0.750%	

Company name	Registered offices	Type of relationship (a)	Investment relationship		% of available votes (b)
			Holder	% held	
			Società Gestione Crediti BP	0.750%	
			Aletti Gestielle SGR	0.500%	
			Immobiliare BP	0.500%	
			Holding di Partecipazioni	0.500%	
Sviluppo Comparto 6 S.r.l.	Lodi	(1)	Bipielle Real Estate	100.000%	
Sviluppo Comparto 8 S.r.l.	Lodi	(1)	Bipielle Real Estate	100.000%	
Tecmarket Servizi S.p.A.	Verona	(1)	Banco Popolare	87.132%	
			Credito Bergamasco	12.868%	
Tiepolo Finance S.r.l.	Lodi	(1)	Banco Popolare	60.000%	
Tiepolo Finance II S.r.l.	Lodi	(1)	BP S.G.C.	60.000%	
Tirrena Professional Factor S.p.A. (in liquidation)	Pisa	(1)	C.R. Lucca Pisa Livorno	69.498%	
TT Toscana Tissue S.r.l.	Pisa	(1)	C.R. Lucca Pisa Livorno	100.000%	
Valori Finanziaria S.p.A.	Verona	(1)	Banco Popolare	99.855%	
Verona e Novara (France) S.A. (in liquidation)	F – Paris	(1)	BP Luxembourg	99.686%	
Verreries de Masnières S.A.	F - Masnieères	(1)	Bormioli Rocco France	100.000%	
Banca Italease Capital Trust	Delaware	(4)	Banca Italease Funding LLC	100.000%	
Banca Popolare di Lodi Investor Trust II	USA - Delaware	(4)	B. Pop. di Lodi Cap. Co. LLC II	100.000%	
Banca Popolare di Lodi Investor Trust III	USA - Delaware	(4)	B. Pop. di Lodi Cap. Co. LLC III	100.000%	
Bipitalia Residential S.r.l. (**)	Milan	(4)	Banco Popolare	4.000%	
BP Mortgages S.r.l. (**)	Brescia	(4)	-	0.000%	
BPL Mortgages S.r.l. (**)	Conegliano V. (TV)	(4)	-	0.000%	
BPV Mortgages S.r.l. (**)	Verona	(4)	-	0.000%	
Erice Finance S.r.l.	Conegliano V. (TV)	(4)	-	0.000%	
Gestielle Harmonia Vivace	Milan	(4)	Banco Popolare	51.492%	
Gestielle Hedge Long Short World	Milan	(4)	Banco Popolare	85.721%	
			Banca Aletti & C.	9.121%	
Gestielle Hedge Multi Strategy	Milan	(4)	Banco Popolare	50.470%	
			Banca Aletti & C.	4.865%	
Glass Italy B.V.	NDL - Amsterdam	(4)	Stichting Glass Italy	94.999%	
			Efibanca	5.001%	
Italfinance RMBS S.r.l.	Trento	(4)	-	0.000%	
Italfinance Securitisation VH 1 S.r.l.	Conegliano V. (TV)	(4)	Banca Italease	9.900%	
Italfinance Securitisation VH 2 S.r.l.	Conegliano V. (TV)	(4)	-	0.000%	
Leasimpresa Finance S.r.l.	Conegliano V. (TV)	(4)	-	0.000%	
Pami Finance S.r.l.	Milan	(4)	-	0.000%	
Stichting Glass	NDL - Amsterdam	(4)	-	0.000%	
A.2 Consolidated proportionately					
N/A					

(a) Type of relationship:
(1) Control pursuant to Article 2359 of the Italian Civil Code (majority of voting rights during ordinary shareholders' meetings)
(4) Other forms of control
(b) The availability of effective votes during ordinary shareholders' meeting is only indicated if it differs from the percentage of investment in the share capital.
(*) Company undergoing divestiture as per IFRS 5.
(**) Majority of the benefits and the risks (SIC-12 Consolidation – Special purpose companies)
(***) A call option was acquired from the minority shareholders on 11.56% of ordinary shares.
(****) The calculation of the shareholdings does not take into account the treasury shares held by Efibanca since the equity rights are assigned to the other shareholders (in proportion to the shareholding). When determining the availability of the votes, treasury shares have been considered since these shares are calculated in the capital for the purpose of calculating the formation and decision-making quorums of the shareholders' meetings, even if the right to vote is suspended (Article 2357 ter of the Italian Civil Code.).

2. Other information

Changes in the scope of consolidation

The changes in the scope of consolidation with respect to the situation as at 31 December 2009 are shown in the table below.

Companies consolidated line-by-line

Companies consolidated as a result of acquisitions:

Company name	% acquired
1. Sviluppo Comparto 6 S.r.l.	100%
2. Sviluppo Comparto 8 S.r.l.	100%
3. RI Investimenti Due S.r.l.	100%
4. Mariner S.r.l.	100%
5. TT Toscana Tissue S.r.l.	100%
6. Liberty S.r.l.	95%
7. S.I.A.L. Società Imm. Agricola Lodigiana S.r.l. in liquidation	90%

Companies no longer consolidated due to sale:

Company name
1. Factorit S.p.A.
2. Banca Caripe S.p.A.
3. Monticchio Gaudianello S.p.A.
4. Castimm S.r.l.

Companies no longer consolidated due to mergers:

Name of merged company	Name of merging company
1. Aletti Gestielle Alternative SGR S.p.A.	Aletti Gestielle SGR S.p.A.
2. Italease Network S.p.A.	Banca Italease S.p.A.
3. Aletti Fiduciaria S.p.A.	Nazionale Fiduciaria S.p.A. (1)
4. Novara SIM S.p.A. (in liquidation)	Cofilp S.p.A. (in liquidation)

Companies no longer consolidated due to company liquidation:

Company name
1. Efigestioni SGR S.p.A.
2. Banca Popolare di Lodi Capital Company LLC
3. Parchi del Garda S.p.A.
4. Mercantile Finance S.r.l.

(1) the merging company took the name Aletti Fiduciaria S.p.A.

Companies consolidated at equity

Companies consolidated as a result of acquisitions:

Company name	% acquired
1. Arcene Immobili S.r.l. (in liquidation)	50.000%
2. Arcene Infra S.r.l. (in liquidation)	50.000%
3. Cores Costruzioni Residenziali S.r.l.	32.500%
4. Immobiliare Marinai d'Italia S.r.l.	23.188%
5. P.M.G. S.r.l. in liquidation	50.000%
6. S.E.T.A. Società Edilizia Tavazzano S.r.l.	32.500%

Companies no longer consolidated due to sale:

Company name
1. Efibanca Palladio Finanziaria SGR S.p.A.
2. Co.Im.A. S.r.l.
3. Polo Finanziario S.p.A.
4. Ch&f Bertolini S.r.l.
5. AF Mezzanine SGR S.p.A.
6. Centrosim S.p.A.
7. Gruppo Operazioni Underwriting Banche Popolari S.r.l.

For further details on the transactions described, please refer to the section in this Report on operations that illustrates the significant events that occurred during the year.

Furthermore, it is also noted that during the year the corporate name of Pantex Sud S.r.l. was changed, a company invested in by Efibanca within the sphere of merchant banking activities, which resolved the transformation into a joint-stock company and the change of its name to Pantex International S.p.A.

Section 4 – Subsequent events after the date of the financial statements

Illustrated below are the most significant events occurred between the date of the financial statements and the approval of the draft financial statements by the Management Board.

Share capital increase of Banco Popolare concluded

The offer under option period, which began on 17 January, of newly issued ordinary shares of Banco Popolare concluded on 11 February 2011. Overall, 1,121,091,216 shares were subscribed, equal to 99.832% of total shares offered, for a total equivalent value of euro 1,984,331,452.32. Unexercised rights (equal to 1,349,420 rights, valid for subscribing a total of 1,889,188 shares for an equivalent value of euro 3,343,862.76) were fully sold at auction on 16 February 2011, the first day of offer on the Stock Market.
Following the above transaction, the share capital of Banco Popolare now amounts to euro 4,293,417,736.68 and is comprised of 1,763,464,410 shares.

"Tremonti bonds" fully redeemed

On 14 March 2011 Banco Popolare finalised the full redemption of the financial instruments pursuant to art. 12 of Italian Law Decree 185/08, converted into Italian Law no. 2 of 28 January 2009, the "Tremonti bonds", issued on 31 July 2009 in favour of the Ministry of the Economy and Finance for an amount of euro 1,450 million. Concurrently, the final balance of the interest accrued from 1 July 2010 to 14 March 2011, equal to euro 86.4 million was paid.
The "Tremonti bonds" were redeemed as a result of the contribution of resources deriving from the strengthening of capital carried out by Banco Popolare, described above.
The contribution provided by the "Tremonti bonds" was significant, as it allowed Banco Popolare, at the most critical phase of the international economic crisis, to continue supporting the economy of local areas, contributing to the continuity of access to credit for households and small and medium-sized enterprises.

Merger between Group companies

On 1 January 2011 the merger by incorporation of the subsidiary Italfortune International Advisors SA into Banco Popolare Luxembourg was finalised. At the time of the merger, Banco Popolare Luxembourg fully owned the merged company as a result of its transfer by Banco Popolare in November 2011. The merger was carried out without a share capital increase of the merging company and without adjustment in cash.

Purchase of investments held by Banca Caripe in operating companies of the Banco Popolare Group

In relation to contractual commitments undertaken by Banco Popolare as part of the transfer of the investment held in Banca Caripe to Banca Tercas, the following operations were finalised on 10 February 2011:

- Banco Popolare purchased 0.75% of Società Gestione Servizi BP Soc. Cons. p.a. from Banca Caripe at a price of euro 0.8 million and 1% of Società Gestione Crediti Soc. Cons. p.a. at a price of euro 0.8 million.
- Efibanca purchased 1% of BP Property Management Soc. Cons. r.l. at a price of euro 0.5 million from Banca Caripe.

Sale of Istituto Centrale delle Banche Popolari Italiane shares

As a result of the resolutions of the Management Board of Banco Popolare in January and February 2011, on 15 February 2011 Banco Popolare sold 3.36% of Istituto Centrale delle Banche Popolari Italiane (ICBPI) to Banca Popolare di Cividale, while on 25 February 2011 it sold 1.046% of Istituto Centrale delle Banche Popolari Italiane to Banca Sella Holding.
The first sale was finalised for a total value, including dividends for 2010 which will be distributed in 2011, amounting to euro 28.8 million, while the second sale was finalised for a total value, including dividends for 2010 which will be distributed in 2011, of euro 9.5 million.
Following the above sales, the Group holds 16.526% of the share capital of ICBPI.
As a result of the operation described above, the Group will deconsolidate the investment previously carried at equity and will record the residual interest at fair value under financial assets available for sale.

Covered bond transactions

In the first few months of 2011 Banco Popolare successfully concluded the third and fourth issues of Covered Bonds, as part of the long-term programme in place since February 2010.

The third issue of euro 950 million, with fixed rate of 3.875% and maturity at 31 March 2014, is targeted to institutional investors. The security has been confirmed a rating of "AAA" by Fitch and "Aaa" by Moody's. 62 investors participated in the operation and the most significant allocations regarded Italian and European investors. The collateral portfolio is fully comprised of high quality residential mortgage loans with a residual debt of about euro 4.6 billion.
A registered covered bond was also issued, subscribed by a foreign counterparty, for a notional value of euro 100 million.

It is also noted that in February, in relation to the unwinding of the BPL Mortgages 2009 ("Residential 2009") operation, one-fourth of the portfolio of receivables of the Vehicle Company BP Covered Bond to the Assigning Banks for an amount of about euro 1.8 billion.

The fourth issue, which amounted to euro 1,250 million, had a duration of 5 years and a fixed rate, was also targeted to institutional investors. The main subscribers were fund managers, followed by insurance companies and pension funds.

Overall, the securities issued by Banco Popolare under the Covered Bond issue programme amounted to euro 2,350 million as at 31 December 2010 and euro 4,650 million at March 2011. In February the Management Board approved the expansion of the CB issue Programme, raising the limit of the issue from the current euro 5 billion to euro 10 billion.

Out-of-court settlement of the tax dispute of the former Banca Italease Group

On 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Inland Revenue Service for the full settlement of almost all of the disputes contained in a series of notices of assessment and formal reports on assessment findings served to the above companies with reference to the years 2001 to 2009.
In formalising this agreement, the parties undertook to settle the individual pending disputes, the individual assessments which have not yet been disputed, and the findings of each of the formal reports through payment by Banca Italease and its direct subsidiaries Mercantile Leasing and Italease Gestione Beni of the total amount of euro 210.1 million in additional taxes (primarily VAT), fines and interest. The decision to come to out-of-court settlement of the disputes is part of a larger derisking project launched following the acquisition of control of Banca Italease. Specifically, the sole reason for the decision lies in the objective of eliminating the situation of uncertainty related to possible negative impacts of the outcome of the dispute on the Group's equity position. Coming to an out-of-court settlement does not, by its nature, imply acknowledgement of any of the claims made by the tax authority as regards the findings subject to settlement.
In compliance with the specific accounting standard (IAS 10) in relation to the charge to be incurred, a specific allocation million was made to the item "provisions for risks and charges" (item 120 b) of balance sheet liabilities in the consolidated financial statements as at 31 December 2010. The overall impact on the Group's economic result in 2010 following the out-of-court settlement illustrated above was euro 165.2 million.

Other proceedings

On 24 February 2011, CONSOB served the former Managing Director, Massimo Faenza and Banca Italease – as jointly and severally liable – with a notice of initiation of the penalty procedure for violation of articles 187-ter, 1st paragraph, and 187-quinquies, paragraph 1a) of Italian Legislative Decree 58/1998 (CFL.). As things stand, the company believes that the initiative may reasonably be deemed as non prosecutable.

Section 5 - Other aspects

Financial statements approval and publication terms

Art. 135-sexies of Italian Legislative Decree 58/98 (CFL), prescribes that within one hundred and twenty days from the end of the financial year, the financial statements must be approved and the financial report consisting of the individual and the consolidated financial statements, the report on operations and the declaration pursuant to article 154-bis, paragraph 5, must be published.

The draft financial statements were approved by the Management Board on 25 March 2011 and shall be submitted to the approval of the Shareholders' Meeting on 30 April.

Auditing

The individual and consolidated financial statements have been audited by Reconta Ernst & Young S.p.A. pursuant to Italian Legislative Decree 58/98, in execution of the 2007-2015 engagement assigned to this company with the shareholders' resolution of 1 April 2007. The full auditors' report is published with the annual financial report, pursuant to art. 135-septies of Italian Legislative Decree 58/98.

Amendments to accounting standards validated by the European Commission

In 2010 several accounting standards or interpretations issued by the IASB or validated by the European Commission were mandatorily or optionally applied.

The afore-mentioned amendments include the new versions of IFRS 3 – Business combinations and IAS 27 – Consolidated financial statements validated by means of EC Regulations No. 494 and 495 dated 3 June 2009, which were applied by the Banco Popolare Group on a forward basis as from 1 January 2010. The most recent aspects are as follows:

- in the cost of the combination, the purchaser must consider the potential liabilities, which on the basis of the provisions of IAS 37 must not be stated outside the business combination, since the outlay of economic resources for discharging the obligations is believed improbable;
- for each business combination, there is the possibility to choose whether to record the goodwill of the minority shareholders (full goodwill), as an alternative to the registration which envisaged recording the equity investment of minority shareholders in proportion to the respective portions of the identifiable net assets of the entity acquired;
- the related costs incurred by the purchaser associated with the combination (such as for example the brokerage commission, advisory, legal and accounting costs) must be booked to the statement of consolidated income when incurred;
- a business combination must be recorded using the purchase method only as of the date control is obtained. Consequently, the goodwill must only be recorded with reference to the transaction which makes it possible to achieve control. Therefore, in a business combination achieved in various stages (so-called "step acquisition"), the purchaser must recalculate the interest holding previously held in the company acquired at the respective fair value as of the date of acquisition and record the consequent positive or negative impact in the income statement. Likewise, in the event of disposal of shareholdings with loss of control, any residual holding must be re-measured at fair value and the consequent effects booked to the income statement;
- once control has been achieved and the combination method has been applied, any subsequent transaction which takes place with the minority shareholders (either purchase or sale) and which does not lead to a loss of control, must be recorded as a transaction between shareholders matching the shareholders' equity balance. Therefore, no additional goodwill pertaining to the Group can emerge; there will be no re-calculation of the net assets at fair value and no income or loss will be recorded in the income statement in the event of disposal.

Consistent with the process of revision of IFRS 3 and IAS 27 the standards contained in IAS 28 were amended, for investments in associates and the standards in IAS 31 for investments in companies under joint control. Also in the presence of these participative relationships, in the event of loss of control, the transferor must measure the residual interest at fair value, recording the difference compared to book value in the income statement. For more information, refer to that described in Part A 2 relating to the key financial statement items, in the paragraph "Business combinations, goodwill and changes in interest holdings".

Described below are the most important cases which resulted in the application of new standards:

- increase in the controlling investment in Banca Italease, which had a negative impact of euro 2.7 million on shareholders' equity, equal to the difference between the price paid and the book value of minority interests;
- increase in the interest in the subsidiary Cassa di Risparmio di Lucca Pisa Livorno, whose acquisition was partly settled in cash and partly through the delivery of shares of Credito Bergamasco, which continues to be classified as a controlling investment. This exchange, resulting from the exercise of the put option granted by Banco Popolare to Fondazione Cassa di Risparmio di Lucca, led to a reduction of euro 124.7 million in shareholders' equity;
- disposal of 90.5% of the investment held in Factorit S.p.A. and retention of the residual portion – 9.5% - which was classified under "Financial assets held for sale". Total income recognised in the income statement amounted to euro 1.1 million (of which euro 0.1 million attributable to the interest retained).

For more details on this operation and the related impacts, please refer to that described in the section dedicated to "Significant events during the year".

The table below lists all the standards validated in 2010 or in previous years, which are to be mandatorily applied starting from 2010. With the exception of the amendments commented on above, for the other standards and interpretations, no significant impacts were identified for the purposes of preparing these consolidated financial statements.

Accounting standards and interpretations (*)	Comments	Validating EC Regulation	In force from the years starting:
Amendments to existing standards			
IFRS 3 – Business Combinations IAS 27 – Consolidated and Separate Financial Statements	Allows for recording goodwill of minority interests (full goodwill). The acquisition or loss of control results in recording income and expenses in the income statement. Increases or decreases in the interest held which do not cause loss of control are considered as transactions between shareholders and accounted for under shareholders' equity	EC Reg. no. 494 and 495 of 3 June 2009	1 July 2009
IAS 39 – Eligible hedged items	Establishes the conditions allowing for hedging interest rate risk of a hedged element and specifies that the hedged risk does not include the time value of an acquired option	EC Reg. no. 839 of 15 September 2009	1 July 2009
Improvements to the IFRS	Minor changes	EC Reg. no. 70 of 23 January 2009 EC Reg. no. 243 of 23 March 2010	30 June 2009 (for IFRS 5 amendments) 1 January 2010
IFRS 2 - Share-based Payments	Provides clarification on the registration of transactions with share-based payments settled in cash within a Group (rescinding the interpretations IFRIC 8 and 11)	EC Reg. no. 244 of 23 March 2010	1 January 2010
New interpretations or amendments			
IFRIC 12 – Service Concession Arrangements	Defines the methods for accounting for rights and obligations deriving from service concession arrangements based on the specific characteristics of the arrangements	EC Reg. no. 254 of 25 March 2009	1 January 2010
IFRIC 15 – Agreements for the Construction of Real Estate	Establishes when revenues for the construction of real estate must be considered as sales of assets (IAS 18) or as construction services (IAS 11)	EC Reg. no. 636 of 22 July 2009	1 January 2010
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	Clarifies the method of application of standards IAS 21 and IAS 39 in the event that an entity hedges exchange rate risk deriving from its net investments in foreign operations	EC Reg. no. 460 of 4 June 2009	1 July 2009
IFRIC 17 – Distributions of Non-Cash Assets to Owners	Establishes that non-cash assets distributed to owners are subject to fair value measurement	EC Reg. no. 1142 of 26 November 2009	1 November 2009
IFRIC 18 – Transfers of Assets from Customers	Establishes the accounting treatment for property and equipment received from customers for the purpose of providing said customers with a periodic supply of goods or services	EC Reg. no. 1164 of 27 November 2009	1 November 2009

(*) the amendments to IFRS 1 relating to the first-time adoption of IFRS are not shown

For the purpose of complete disclosure, below are reported the standards which, though validated by the European Commission up to 31 December 2010, were not applied for 2010 and for which the Group did not exercise the option of advance application, in the cases where it was provided.

Accounting standards and interpretations (*)	Comments	Validating EC Regulations	In force from the years starting:
Amendments to existing standards			
IAS 32 – Financial Instruments Presentation	Clarifies how to account for certain rights when instruments issued are denominated in a currency other than the issuer's functional currency	EC Reg. no. 1293 of 23 December 2009	1 February 2010
IAS 24 - Related Party Disclosures IFRS 8 - Operating Segments	Simplifies the definition of "related party", while eliminating certain inconsistencies and relieves public entities from several disclosure responsibilities relating to transactions with related parties	EC Reg. no. 632 of 19 July 2010	1 January 2011
New interpretations or amendments			
IFRIC 14 - Amendments to the Interpretation Payments of a Minimum Funding Requirement	If a defined-benefit plan is subject to a minimum funding requirement, the amendment to IFRIC 14 requires that this advance payment be treated as an asset, just as any other advance payment	EC Reg. no. 633 of 19 July 2010	1 January 2011
IFRIC 19 - Extinguishing financial liabilities with equity instruments	Provides guidelines for the borrower to accounting for equity instruments issued to fully or partially extinguish a financial liability following renegotiation of the related conditions	EC Reg. no. 662 of 23 July 2010	30 June 2010

(*) the amendments to IFRS 1 relating to the first-time adoption of IFRS are not shown

Illustration of changes to the 2009 financial statements for comparative purposes

Income statement 2009

As a result of several clarifications issued by the Bank of Italy in February 2011, relating to the methods for recognising certain employee benefits, the Group, in order to carry out a like-for-like comparison, restated the income statement schedule for 2009, reclassifying several expenses grouped under subitem "150 b) other administrative expenses" to the subitem "150 a) personnel expenses", for a total of euro 26,733 thousand. By way of example, these regard board and lodging expenses for employees away on business and costs for kilometric refund for which the Supervisory Authority expressly required recognition under "Personnel expenses".
The income statement schedule was also amended to retroactively reflect the economic effects relating to the investment held in Banca Caripe S.p.A., classified as "discontinued operations" in 2010, as required by IFRS 5. Specifically, the contribution of those discontinued operations to the consolidated financial statements, a negative euro 4,357 thousand, was shown under income statement item "310. Income (Loss) after tax on non-current assets held for disposal".
In order to aid understanding of the quantitative impacts of said reclassifications, the attachments to the financial statements include the reclassified income statement schedule relating to the previous year reconciliated with the figures originally published in the 2009 financial statements.

Statement of changes in consolidated shareholders' equity for 2009

The details contained in the schedule published as at 31 December 2009 referred to the Group figures. The disclosure of third party figures was fully reported in the row and column headed "Minority interests".
This schedule was restated in 2010 based on the rules for preparation defined by the Supervisory Authority in February 2010. Based on these rules, the details to be provided (in the rows from "Share capital" to "Net income/loss for the year") must refer to both the Group and Minority Interests.

Review of the useful life of software

During 2010, steps were taken to review the useful life of software, which from three years has risen to five. The extension of the useful life originates from the fact that the improvement achieved in the programmes/applications together with the ongoing and focused maintenance and up-dating measures, required in order to satisfy legislative and market requirements, have slowed down the obsolescence of the software, so that it is envisaged it will have economic benefits beyond the period of use originally estimated, equal to three years.
The effects attributable to the review of the estimate have been recorded on a forward basis as required by the reference accounting standard.
Therefore, the residual book value as at 31 December 2009 has not been restated, but since 2010 the portions of amortisation have been determined dividing, on a straight-line basis, the afore-mentioned book value on the basis of the residual duration so as to arrive at five years (instead of three). This led to the recording of minor amortisation for euro 16.5 million.

With regard to the software acquired during the period, the amortisation rate was calculated from the start to the extent of 20%, as from the time the same came into service.

A number of improvements made to the estimation methods

As part of an on-going process for monitoring and measuring the pricing models for financial instruments, during the first half of the year improvements were made to the parameters taken as reference for the construction of the interest rate curve, so as to achieve a measuring of the fair value corroborated as closely as possible by markets factors.

With regard to the valuation of performing loans and receivables, or rather those for which objective evidence of losses has not been identified singularly, the Group's accounting policies envisage that the valuations be carried out by categories of similar loans/receivables in terms of the credit risk and that the related loss percentages be estimated taking into account time series, based on elements observable as of the valuation date. Taking into account this general standard, starting from 30 June 2010 for the Network Banks and from 30 September 2010 for Efibanca, the estimate of the collective impairment was essentially determined by dividing the loans/receivables into a greater number of similar categories with respect to 31 December 2009, with the aim of more clearly expressing the inherent risk of the related portfolio.

All the improvements described above were useful for the purpose of up-dating the estimate, deemed the most accurate and reliable, with respect to that made in the previous period or as at the date of entering into the derivative / disbursing the credit. The effects of the new estimate are reflected on a forward basis in the income statement under the items intended to contain – in the cases in question – the valuations of the financial assets or generic valued adjustments on loans/receivables.

A.2 - KEY FINANCIAL STATEMENT ITEMS

The financial statements as at 31 December 2010 were drawn up applying the same accounting standards used for drawing up the consolidated financial statements for the previous year, supplemented by the amendments validated an in force from 2010, set forth in Section 5 – Other Aspects, A.1 General Part.

The accounting standards applied are illustrated below, broken down by financial statement item.

1- Financial assets held for trading

This category exclusively contains debt securities and equity instruments, UCIT units and the positive value of derivative contracts held for trading, as well as derivatives related to assets liabilities designated at fair value through profit and loss. Derivative contracts include those embedded in structured financial instruments that have been recognised separately from their host contract because:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of derivative;
- the hybrid instruments to which they belong are not designated at fair value with changes in fair value through profit or loss with the related changes recorded in the income statement.

Financial assets are initially recognised on the settlement date in case of debt securities and equity instruments, and on the subscription date for derivative contracts.
Upon their initial recognition, financial assets held for trading are designated at fair value, which generally corresponds to the price paid, excluding transaction costs or revenues that are directly attributable to the financial instruments, that are recognised in the income statement. Any derivatives embedded in complex contracts, which are not closely related to their host contracts and qualify as derivatives, are separated from their host contracts and designated at fair value, while the host contracts are accounted for according to their relevant accounting standard.

Subsequent to initial recognition, financial assets held for trading are designated at fair value, with recognition of changes as a matching balance to the income statement.

For determining the fair value of financial instruments listed on an active market, market listings are used. In the absence of an active market, estimate methods and valuation models are used that take into account all the risk factors associated with the instruments and that are based on market inputs, such as: methods based on the valuation of other listed instruments that are substantially the same, discounted cash flow analysis, option pricing models, and values recognised in recent comparable transactions. For more details, please refer to section "18 - Other information, Methods for determining the fair value of financial instruments".

In the event that no reliable estimate of the fair value is possible in keeping with the above guidelines, equity instruments and related derivatives are valued at cost and are written down in the event of impairment losses. Said impairment losses cannot be reversed.

Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

Trading profits or losses and gains or losses as a result of the valuation of the trading portfolio are recognized in income in the item "80. Profits (losses) on trading", except for income or loss on derivatives connected with the fair value option, which are classified in item "110. Profits (losses) on financial assets and liabilities designated at fair value".

Reclassifications to other categories of financial assets (Loans, Financial assets available for sale, Investments held to maturity) are possible only in rare circumstances or if certain conditions for recognition are met as explained in the following paragraph "18- Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

2 - Financial assets available for sale

This category includes non-derivative financial assets not designated as Loans, Assets held for trading, Assets held to maturity or Assets designated at fair value.
Specifically, this category also includes interests that are not held for trading and do not qualify as interests in subsidiaries, associates and entities under joint control, including private equity investments, as well as the portion of subscribed syndicated loans that had been designated at origin as available for sale and bonds not held for trading.
Financial assets are initially recognised on the settlement date in case of debt securities and equity instruments, and on the disbursement date for other financial assets not classified as loans.

Upon their initial recognition, assets are designated at fair value, which generally corresponds to the price paid, including transaction costs or revenues that are directly attributable to the instruments. If recognition follows a reclassification of Assets held to maturity or of Financial assets held for trading, assets will be recognized at their fair value at the time of transfer, which shall represent the new amortised cost for debt securities. Recognition following a reclassification of "Financial assets held for trading" can take place only in rare circumstances and in any event only if the asset is no longer held for trading in the short term as described in the following paragraph "18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)", to which reference is made.

Subsequent to initial recognition, assets available for sale continue to be designated at fair value with recognition of the portion of interest resulting from the application of amortised cost in the income statement, while income or losses generated by changes in fair value are recognized in a specific shareholders' equity reserve until the financial asset is derecognised or an impairment loss is recognised, and the entire difference between the book value and the sale price or fair value is recognized through profit or loss.
The fair value is determined based on the criteria previously illustrated for financial assets held for trading.
In the event that no reliable estimate of the fair value is possible, equity instruments and related derivatives are valued at cost and are written down in the event of impairment losses.
Impairment tests to assess if there is objective evidence of impairment are conducted at each balance sheet date or interim reporting date. For further details on events reflecting an impairment loss, please see the information set forth in the following paragraph "18 - Other information, Methods for determining impairment losses on financial assets".

For equity instruments, a possible sign of impairment is represented by a significant or prolonged reduction in fair value below the original book value. Specifically, the Group has considered a fair value reduction to be significant when in excess of 30% and prolonged when it progresses without interruption for 24 months. Barring exceptional circumstances, the violation of one of the two thresholds requires the recognition of impairment of the security, with an impact on the income statement.
In the absence of a violation of the above automatic thresholds, qualitative analyses are carried out to check for impairment in case of:

- debt securities that show a decrease in fair value greater than 20% of the original book value, adjusted by the amortised cost;
- equity instruments that show a decrease in fair value greater than 20% of the original book value or lasting for more than 12 months.

In the latter cases, a difference between the fair value and the book value is not by itself sufficient to conclude that an impairment loss has occurred. This evidence is simply an initial sign of possible impairment, which must, nonetheless, be supplemented by a qualitative analysis to identify any negative events which could lead to the belief that the book value of the assets may not be fully recovered.

In the event of objective evidence, the impairment loss recognised following said test is charged to the income statement as a cost for the year. If the reasons for an impairment loss are no longer valid due to an event occurring after the impairment was originally recognised, write-backs are recognised in the income statement if referring to debt securities or loans, or to a specific shareholders' equity reserve in case of equity instruments. For debt securities and loans, the write-backs, in any event, cannot result in a book value higher than the instrument's amortised cost in the absence of previous adjustments.
Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.
Financial assets available for sale can be reclassified under "Investments held to maturity", if:

- a change occurs in the intent or ability to hold the asset to maturity;
- no reliable fair value measurement is available (rare circumstances);
- the tainting rule period has expired and the portfolio of investments held to maturity can be reinstated.

It is also possible to carry out a reclassification in the "Loans" portfolio, when conditions are met as described in the following paragraph "18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

3- Investments held to maturity

This category includes debt securities with fixed or determinable payments and fixed maturity date, which the Group has the intention and ability to hold to maturity. If, as a result of a change in intention or ability it is not longer suitable to recognise an investment as held to maturity, the asset is reclassified as available for sale.

Financial assets are initially recognised on the settlement date. Upon their initial recognition, financial assets classified in this category are designated at fair value, which generally corresponds to the price paid, including any transaction costs or revenues that are directly attributable. If the recognition in this category follows a reclassification from Assets available for sale or Financial assets held for trading, the fair value of the asset at the date of reclassification is recognised as the asset's new amortised cost". For reclassifications of Financial assets held for trading, which is possible in rare circumstances, please refer to the following paragraph "18- Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

Subsequent to initial recognition, investments held to maturity are measured at amortised cost, using the effective interest rate method. Gains or losses from changes in fair value of assets held to maturity are recognised in the income statement at the time the assets are derecognised. Impairment tests to assess if there is objective evidence of impairment are conducted at each balance sheet or interim reporting date. In case of objective evidence, the impairment is measured as the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement. If the reasons for an impairment loss are no longer valid due to an event occurring after the impairment was recognised, write-backs are recognised in the income statement.

Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.
The only possible reclassification out of this portfolio is to the portfolio of "Financial assets available for sale". If a significant amount of investments held to maturity are disposed of or transferred before their maturity, the entire portfolio must be reclassified to the category of financial assets available for sale and it is then prohibited to classify any assets as held to maturity for the current and next two full financial years (tainting rule), unless the sales and the reclassifications:

- are so close to maturity or to the option date of the financial asset that the fluctuations in the interest rate on the market would have no material effect on the fair value of the financial asset;
- occur after having received substantially all the original principal of the financial asset;
- are attributable to an isolated, unrecurring event, out of the company's control that could not reasonably be foreseen, for example a material downgrading of the creditworthiness of the entity who issued the financial asset .

4– Loans

Loans include loans to customers and to banks, either originated or acquired from third parties, with fixed or determinable payments, that are not listed in an active market and that were not originally designated as financial assets available for sale. Loans include trade receivables and acquired as a result of a private placement or subscription, with fixed or determinable payments, not listed on an active market. As to loans acquired without recourse, they are classified as loans, provided there are no contract provisions that significantly alter the risk exposure of the assignee company.
Cash loans include loans originated through financial leases (which, in line with IAS 17, are recognised according to the "financial method"). These also include assets waiting to be granted under financial lease, including real estate under construction. Assets waiting to be leased are recognised on stipulation of the contract, under loans for "Other operations" and are transferred to loans for "financial leases" when the contracts begin to generate income.
This category also includes "repurchase agreements" requiring the security to be sold on expiry and "securities lending" transactions backed by the deposit of a collateral in cash. Said transactions are recognised as loans and do not give rise to any changes in the portfolio of owned securities.

Loans are initially recognised on the disbursement date or, in case of debt securities, on the settlement date, based on the fair value of the financial instrument. The recognition is usually equal to the amount disbursed, or the subscription price, including costs/income directly associated to the individual loan and that can be determined from the start of the transaction, although settled later on. Costs are excluded, that, although carrying the above characteristics, are repaid by the borrowing counterparty or fall under normal internal administrative costs.
If the recognition in this category follows a reclassification from Assets available for sale or Financial assets held for trading, the book value is equal to the fair value of the asset at the date the transfer is decided, which is recognised as the asset's new amortised cost. For more information please refer to the following paragraph "18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

For loans that are not negotiated at arm's length market conditions, the fair value is determined using specific valuation techniques. The difference compared with the amount disbursed or the subscription price is recognised directly in the income statement.

After initial recognition, loans are valued at amortised cost, equal to the initial recognition value decreased/increased by repayments of principal, net losses/recoveries and the amortisation – calculated according to the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, typically comparable to the costs/income directly associated to the individual loan. The effective interest rate is determined by calculating the rate that is equivalent to the loan's present value of future principal and interest cash flows, to the amount disbursed including costs/income associated with the loan. The estimate of cash flows must take into account all the contractual provisions which could influence the amounts and maturities, without considering the expected loss on the loan. This accounting method, based on a financial logic, spreads the economic effect of costs/income throughout the loan's expected residual life. The amortised cost method is not used for short-term loans, whose limited life span makes the application of discounting immaterial. Said loans are measured at historical cost and their costs/income are recognised in the income statement on a straight-line basis throughout the loan contract life. The same measurement criterion is used for loans without a defined maturity or demand loans.

At each balance sheet or interim report date, loans are reviewed in order to identify loans that due to events occurred after their initial recognition, show objective evidence of an impairment loss, as explained in the following paragraph "18 - Other information - Methods for determining impairment losses on financial assets". These include loans classified as doubtful, substandard or restructured under the current rules of the Bank of Italy, in line with IAS requirements.

Said non-performing loans undergo an analytical, or individual valuation, whereby the adjustment to each loan is equal to the difference between the loan's book value in the financial statements or interim report at the time of measurement (amortised cost) and the present value of expected future cash flows, using the original effective interest rate. Expected cash flows take into consideration the expected recovery time, the estimated realisable value of guarantees, and possible costs incurred to recover the credit exposure. The cash flows for loans that are expected to be recovered within a short period of time are not discounted. The original effective interest rate of each loan remains unchanged over time, unless a loan restructuring agreement has been negotiated that changes the contractual interest rate, or unless in practice the transaction bears no contractual interest.

The adjustment is posted to the income statement. The original loan value is reinstated in following financial years to the extent that the reasons for their original adjustment no longer apply, provided said valuation can be objectively correlated to an event occurred after the adjustment. Recoveries are recognised in the income statement and in any case cannot exceed the loan's amortised cost had no adjustments been carried out in the past.

Non-performing loans include also past due loans, that is, loans reporting uninterrupted overdrafts or payment delays, automatically identified by the Group's IT procedures, based on the current rules established by the Bank of Italy. Adjustments to these loans, albeit measured according to a forfeit/statistical method, are reported as "Specific adjustment", in compliance with the provisions set forth in the Bank of Italy Circular no. 262

Individual loans that give no objective evidence of impairment, that is, generally speaking, performing loans, including loans to counterparties residing in countries at risk, are subject to collective valuation. These valuations are carried out by categories of similar loans/receivables in terms of the credit risk and the related loss percentages be estimated taking into account time series, based on elements observable as of the valuation date. Adjustments determined collectively are charged to the income statement. At each balance sheet and interim report date, any additional adjustments or recoveries are recalculated differentially referring to the entire performing loan book on the same date.

Loans sold are derecognised from financial statement assets only if the sale entails the substantial transfer of all risks and rewards associated with the loans. On the contrary, should the risks and rewards associated with the sold loans be retained, the loans will continue to be recognised under assets in the financial statements or interim reports, although from a legal point of view the loan ownership has been effectively transferred. In the event that the substantial transfer of risks and rewards cannot be verified, loans are derecognised from the financial statements or the interim reports if control of the loans has been relinquished. Otherwise, if even partial control has been retained, the loans will continue to be recognised in the financial statements and the interim reports to the extent of the Group's residual involvement, measured based on the exposure to the changes in value of the loans sold and to their changes in cash flows. Lastly, loans sold are derecognised from the financial statements or interim reports if the contractual rights to receive the relevant cash flows are retained, with the concurrent obligation to pay said flows, and nothing more, to third parties.

5- Financial assets designated at fair value through profit and loss

On initial recognition, financial assets are designated at fair value through profit and loss, only if:

1. they are hybrid contracts containing one or more embedded derivatives, and the embedded derivative significantly changes the cash flows that would otherwise be expected from the contract;
2. designation at fair value through profit and loss provides more reliable disclosure, as:
   i. it eliminates or considerably reduces the inconsistency in valuation, that would otherwise be caused by

measuring assets or liabilities or recognising the associated gains and losses on different bases;

ii. a group of financial assets, financial liabilities, or both is managed and its performance designated at fair value according to a documented risk management or investment strategy, and group reporting is provided internally to executives with strategic responsibilities based on this approach.

The financial assets in question are designated at fair value from initial recognition, which is carried out based on the settlement date. Initial income and expenses are immediately charged to the income statement.
The fair value is determined based on the criteria previously illustrated for Financial assets held for trading.

Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

6- Hedging transactions

Asset and liability items include financial hedging derivatives, which at the date of the financial statements or interim report showed a positive and negative fair value, respectively.

Hedges aim at neutralising potential losses recognisable on a given financial instrument or a group of financial instruments, attributable to a specific risk, by offsetting them with the gains recognisable on a different financial instrument or group of financial instruments in the event that said risk should actually materialise.
IAS 39 provides for the following types of hedges:

- fair value hedges, which aim at hedging exposure to changes in the fair value of a balance sheet asset or liability, attributable to a specific risk;
- cash flow hedges, which aim at hedging the exposure to changes in future cash flows attributable to specific particular risks associated with financial statement items;
- hedges of foreign currency transactions, which aim at hedging the risks of investment in a foreign company expressed in foreign currency;
- macro fair value hedging, with the goal of reducing fair value fluctuations attributable to the interest rate risk, of monetary amounts deriving from a portfolio of financial assets and liabilities (including "core deposits"). Net amounts deriving from the mismatch of assets and liabilities cannot be subject to macro hedging.

At the level of the consolidated financial statements, only derivatives entered into with an external counterparty to the Group may be designated as hedging instruments. Any result associated with internal transactions carried out between various Group entities is eliminated.

Derivatives can be designated as hedges provided that the hedging relationship between the hedged instrument and the hedging instruments is formally documented, and it is effective at the time of origination of the hedge and prospectively throughout its entire life. The hedge effectiveness depends on the extent to which the changes in the fair value or in the expected cash flows of the hedged instrument are actually offset by those of the hedging instrument. Therefore, effectiveness is measured by comparing said changes, while considering the aim pursued by the company when the hedge was established.
A hedge is effective (within the limits established as a range of 80% to 125%) when changes in the fair value (or in the cash flows) of the hedging instrument neutralise almost completely the changes in the hedged instrument attributable to the hedged risk. Hedging effectiveness is assessed at each balance sheet date or interim reporting date, using:

- prospective tests, that justify the application of hedging accounting in that they demonstrate its expected effectiveness;
- retrospective tests, demonstrating the hedge's actual effectiveness achieved over the period being examined. In other words, these tests measure how far the actual results deviate from perfect hedging.

Should the above tests fail to confirm the effectiveness of the hedging, both retrospectively and prospectively, hedge accounting, as described above, is discontinued. In this case, the hedging derivative contract is reclassified under instruments held for trading. The hedged instrument is recognised in its specific category at a value equal to its fair value at the time effectiveness ceased, and returns to being measured based on the criteria in use in its original category.

Hedging derivatives are designated at fair value. In detail:

- for fair value hedges, the changes in fair value of the hedged element are offset by the changes in fair value of the hedging instrument. Said offset is recognised by charging the changes in value referring both to the hedged element (referring to the changes generated by the underlying risk factor), as well as to the hedging instrument to the income statement. Any resulting difference, which represents the partial ineffectiveness of the hedge, represents the net effect on the income statement. The recognition of fair value changes through profit or loss referring to the hedged element, attributable to the risk being hedged, is applied even if the hedged element is a financial asset available for sale; in the absence of a hedge, said change would be recognised as a matching entry to shareholders' equity;
- for cash flow hedges, the portion of changes in the fair value of the derivative that are determined to be an effective hedge is recognised directly at equity, while it is recognised through profit and loss only when changes

in cash flows to be offset arise in the hedged item. The portion of gains or losses of the hedging instrument that is considered ineffective is charged to the income statement. Said portion is equal to any difference between the cumulative fair value of the hedging instrument and the cumulative fair value of the hedged instrument. In any event, the fluctuations in fair value of the hedged item and the related hedge must lie within the 80%-125% range;

- hedges of investments in foreign currency are accounted for using the same method as for cash flow hedges.

Hedging financial assets and liabilities are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets/liabilities are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

7- Investments in associates and companies subject to joint control

This item includes interests held in associates or companies subject to joint control, which are carried at equity.
Associates are companies which are not subsidiaries, on which the Group has a significant influence. The company exercises a significant influence in all cases where it holds 20% or more of voting rights in the investee, and, irrespective of the shareholding percentage, whenever it has the power to participate n business and financial decisions of the investees.
Companies subject to joint control are enterprises where the joint control is based on a contract or other agreement whereby it is necessary to obtain the unanimous consensus of all the parties sharing the control to make strategic financial and operating decisions.

Financial assets are initially recognised on the settlement date. Upon their initial recognition, financial assets classified in this category are carried at cost. The book value is subsequently increased or decreased to reflect the share of profit or loss of the investees attributable to the Group generated after the acquisition date, as a matching entry to the consolidated income statement item "240. Income (Losses) on Investments in associates and companies subject to joint control". Dividends received from investees are deducted from the book value of the investees.
Should it be necessary to carry out adjustments due to changes in shareholders' equity of the investee that have not been recognised in the investee's income statement (for ex. as a result of the designation at fair value of financial assets available for sale, revaluation of property, plant and machinery), the share of the above changes attributable to the Group is recognised directly in the shareholders' equity item "140. Valuation reserves".

If there is evidence that the value of an investment may be impaired, the recoverable value of the investment is estimated, which is the higher of the fair value, net of costs to sell, and the value in use. The value in use is calculated by discounting the future cash flows that the investment could generate, including the final disposal value of the investment. Should the resulting recoverable amount be lower than the book value, the difference is charged to the income statement. If the reasons for an impairment loss are no longer valid due to an event occurring after the impairment was recognised, write-backs are recognised in the income statement.
Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

8- Property and equipment

Property and equipment include land, operating property, real estate investments, technical plant, furniture, fittings and equipment of any type. This is property and equipment held to be used for the production or provision of goods and services, to be rented to third parties, or for administrative use, and are expected to be used for more than one period. Property and equipment also include assets related to finance lease contracts which returned to the company's ownership following the termination of the contracts and the concurrent closure of the original credit position.
This item also includes assets used under finance lease contracts, provided that the legal ownership of the assets rests within the leasing company. Said item also includes leasehold improvements and incremental expenses incurred on third party assets, whenever they are identifiable and distinguishable tangible assets.

Property and equipment is initially carried at cost, which includes the purchase price and all accessory charges directly attributable to the acquisition of the asset and bringing it to working conditions. Extraordinary maintenance costs entailing an increase in future economic benefits are included in the asset's book value, while other ordinary maintenance costs are charged to the income statement.
Leasehold improvements for rented buildings are capitalised according to the rationale that throughout the lease contract life the lessee retains control over the assets and may obtain future economic benefits from it. These expenses are amortised over a period not exceeding the life of the lease contract.
Property withdrawn following the closure of the original credit position ("*datio in solutum*" - transfer in lieu of payment) will be recognised at the lower of the gross loan value recognised at the time of withdrawal of the asset, and:

1) the "market value" deriving from a specific appraisal, if the property is not expected to be classified under "non-current assets held for sale and discontinued operations" within a short time;
2) the "immediate sale value" derived from a specific appraisal, which adjusts the "market value" with a view to sale in a quite short-term time frame, when it is known at the termination date that the property will be subsequently allocated under "non-current assets held for sale and discontinued operations";

3) the price during trading, if on initial recognition concrete negotiations for sale are in course, demonstrated by commitments undertaken by the interested parties to the negotiations.

Property and equipment, including "non-operating" property, is measured at cost, less any depreciation and impairment. Property and equipment is systematically depreciated throughout its useful life, using the straight-line method, with the exception of:

- land, whether purchased separately or as part of the value of the buildings standing on it, in that land has an unlimited life. If its value is embedded in the value of the buildings built on it, in virtue of the application of the component approach, land is considered a separate asset from the building. The separation of the value of the land and the value of the building is based on appraisals by independent experts;
- works of art, because the useful life of a masterpiece cannot be estimated and its value normally is destined to increase with time.

At each balance sheet or interim reporting date, if there is any indication that an asset may be impaired, the asset's book value is compared with its recoverable amount, that is, equal to the higher of the asset's fair value, net of costs to sell, and its value in use, understood as the present value of future cash flows originated by the asset. Any adjustments are charged to the income statement. Whenever the reasons for the impairment loss are no longer valid, recoveries are recognised, which must not exceed the asset's value had no impairment taken place in the past, net of accrued depreciation.

Property and equipment is derecognised from the balance sheet at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9- Intangible assets

Intangible assets are non-monetary, identifiable and non-physical assets, owed to be used on a long-term basis. Intangible assets are carried at cost, adjusted to account for accessory charges, only if it is likely that the future economic benefits attributable to the asset will be realised, and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognised in the income statement during the year it was incurred.
Intangible assets include goodwill, which is the difference between the price paid for a business combination and the fair value of the net identifiable assets purchased, as illustrated in greater detail in paragraph "18 – Other information, Business combinations, goodwill and changes in interest holdings."
Goodwill is not amortised, but must be regularly tested for impairment to verify the adequacy of its book value.
Specifically, goodwill must be tested any time there is evidence of impairment, and in any case at least once a year. To this end, the cash-generating unit to which the goodwill is allocated is identified. The amount of any impairment is determined based on the difference between the book value of the goodwill and its recoverable amount, if lower. Said recoverable amount is equal to the higher of the fair value of the cash-generating unit, net of costs to sell, and its value in use. The value in use is the present value of future cash flows expected from cash-generating units to which goodwill was allocated. The resulting adjustments are charged to the income statement. No subsequent recoveries can be recognised.

Other intangible assets are recognised as such if they are identifiable and originate from legal or contract rights.
The cost of intangible assets is amortised on a straight-line basis over their useful life. If the useful life is undefined, no amortisation is carried out, only periodic assessments of the adequacy of the book value. At each balance sheet date or interim reporting date, if there is evidence of impairment, the asset's recoverable amount is estimated. The amount of the loss, recognised in the income statement, is equal to the difference between the asset's book value and recoverable value.

Intangible assets are derecognised from the balance sheet at the time of disposal or when no future economic benefits are expected from it.

10- Non-current assets held for sale and discontinued operations and liabilities associated with non-current assets held for sale and discontinued operations.

Non-current assets and liabilities held for sale and discontinued operations are classified under this item. Classification under this item is possible when the sale is considered to be highly probable. Specifically, these assets/liabilities are designated at the lower of the book value and their fair value, net of costs to sell. If the non-current assets held for sale can be amortised/depreciated, the amortisation/depreciation process ceases from the year the assets are classified under non-current assets held for sale and discontinued operations. The associated income and charges are recognised in the income statement in a separate item net of the tax effect when they refer to discontinued operations. In this case the same income statement information is disclosed in a separate item also for the comparative periods shown in the financial statements.

11- Current and deferred taxation

These items include current and deferred tax assets, and current and deferred tax liabilities.

Income taxes, calculated in compliance with current tax regulations, is charged to the income statement based on the accrual principle, consistent with the recognition of the costs and revenues that generated the taxes in the financial

statements. Taxes on items charged or credited directly to shareholders' equity are an exception, as they as well are consistently recognised directly through shareholders' equity.

Deferred tax assets and liabilities are calculated based on temporary differences arising between the tax values of the individual assets and liabilities and their book values, without any time limits.
Deferred tax assets are recognised in the financial statements or the interim reports when it is probable that they can be recovered, which is assessed based on the ability of the company concerned and of the Group, as a result of the "tax consolidation" scheme, to continue to generate positive taxable income in future financial years. Deferred tax liabilities are recognised in the financial statements or interim reports, with the sole exceptions of assets recognised in the financial statements at an amount higher than the value recognised for tax purposes and of reserves subject to tax on distribution, where it is reasonable to believe that no operations will be performed deliberately that would trigger taxation.
Recognised deferred tax assets and liabilities are systematically measured to account for any changes in regulations or tax rates, as well as for any changes in the subjective positions of the Group companies.
Current tax assets and liabilities are shown as a net balance in the balance sheet, in case the settlement is executed based on the net balance, owing to the existence of a legal right to offsetting.
Tax liabilities include allocations made in compliance with IAS 37, to cover charges that may be generated by tax assessments already notified or in any case outstanding disputes with the tax authorities.

12- Provisions for risks and charges

Provisions for risks and charges consist of liabilities whose amount or expiry are uncertain, and are recognised in the financial statements only if:

- there is a current obligation (legal or implicit) as a result of a past event;
- it is likely that an outflow of resources will be required to produce economic benefits to settle the obligation;
- the amount of the probable future outflow can be reliably estimated.

Provisions for risks and charges include provisions for long-term benefits and post-employment benefits covered by IAS 19 as well as provisions for risks and charges covered by IAS 37.
Provisions for risks and charges do not include write-downs due to impairment of guarantees given, and equivalent credit derivatives under IAS 39, recognised under "Other liabilities".

The sub-item "other provisions for risks and charges" includes allocations for possible losses on lawsuits, including clawback actions, estimated outlays for customer complaints regarding securities brokerage, as well as a reliable estimate of other outlays due to any other legal or implicit obligation outstanding at the balance sheet or interim reporting date.
Whenever the time factor is significant, provisions are discounted using current market rates. The effect of discounting is recognised in the income statement, as is the increase in provisions as a result of the passing of time.
The provisions allocated are re-examined at each date of the financial statements and adjusted to reflect the best current estimate. When the outflow of resources to produce economic benefits to settle the obligation is unlikely, the allocation is reversed.
In addition, each provision must be used to pay for outlays for which the provision itself had been originally set aside.
As explained in the paragraph below "18- Other information, Employee termination indemnities and other employee benefits", Estimate of provisions for risks and charges, retirement benefits and tax provisions the sub-item "company retirement plans and similar obligations" includes defined-benefit plans, namely pension funds backed by a capital repayment and/or return guarantee in favour of beneficiaries. Benefits to be paid in the future are measured by an external actuary, using the "projected unit credit method", as required by IAS 19.

13- Payables and debt securities issued

The items "Due to banks", "Due to customers" and "Debt securities issued" include various forms of interbank and customer loans and funding carried out through certificates of deposit and bonds outstanding, net of any repurchased amount. These also include loans recorded by lessees as part of financial leases, as well as repurchase agreements and securities lent against collateral in cash.

These financial liabilities are initially recognised when the amounts collected are received or the debt securities are issued. Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction and not paid back by the lending counterparty. Internal administrative costs are excluded.
Repurchase agreements with the obligation to repurchase are recognised as funding transactions for the amount paid spot.

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method. Short-term liabilities are an exception, if the time factor is immaterial. They are stated at their received value and any incurred costs are charged to the income statement on a straight-line basis over the contractual life of the liability. Moreover, funding instruments under an effective hedge are measured based on the standards envisaged for hedging transactions.

For structured instruments, provided that the requirements under IAS 39 are met, the embedded derivative is separated out from the host contract and designated at fair value as a trading liability. In this case, the host contract is recognised at amortised cost.

Financial liabilities are derecognised from the financial statements or interim reports when expired or cancelled. Derecognition also takes place in the event of repurchases of securities issued. The difference between the book value of liabilities and the purchase price paid is recorded in the income statement. The subsequent placement of own securities following their repurchase is considered as a new issue, recognised at the new placement price, with no effects on the income statement.

14- Financial liabilities held for trading

This item includes the negative amount of trading derivative contracts designated at fair value and cash financial liabilities held for trading.
It also includes the negative valuations of derivatives associated with the assets and liabilities designated at fair value through profit and loss, embedded derivatives, which were separated from their host financial instruments under IAS 39, as well as liabilities originating from technical overdrafts generated by securities trades.

Initial recognition is based on the fair value of liabilities, that generally corresponds to the collected amount, excluding transaction costs or income directly associated with the instruments, which are directly charged to the income statement.

Gains and losses from changes in fair value and/or from the sale of trading instruments are recognised in the income statement.

Financial liabilities are derecognised from the financial statements or interim reports when expired or cancelled.
Trading profits or losses and gains or losses as a result of the valuation of the trading portfolio are recognized in income in the item “80. Profits (losses) on trading”, except for income or loss on derivatives connected with the fair value option, which are classified in item “110. Profits (losses) on financial assets and liabilities designated at fair value”.

15- Financial liabilities designated at fair value through profit and loss

On initial recognition, financial liabilities are designated at fair value through profit and loss only if:

1. they are hybrid contracts containing one or more embedded derivatives, and the embedded derivative significantly changes the cash flows that would otherwise be expected from the contract;
2. or designation at fair value through profit and loss provides more reliable disclosure, as:
   i. it eliminates or considerably reduces the inconsistency in valuation, that would otherwise be caused by measuring assets or liabilities or recognising the associated gains and losses on different bases;
   ii. a group of financial assets, financial liabilities, or both is managed and its performance designated at fair value according to a documented risk management or investment strategy. Group disclosure is provided internally, on this basis, to executives with strategic responsibilities.

The financial liabilities in question are designated at fair value from initial recognition. Initial income and expenses are immediately charged to the income statement.
Financial liabilities are derecognised from the financial statements or interim reports when expired or cancelled. For financial liabilities represented by securities issued, derecognition is carried out also in case or repurchase: the difference between the book value of liabilities and the purchase price is recorded in the income statement. The subsequent placement of own securities following their repurchase is considered as a new issue, recognised at the new placement price, with no effects on the income statement.
For more details on the scope of Group liabilities under the fair value option and the method used to determine fair value and quantify its creditworthiness, please refer to paragraph “18 – Other information, Methods for determining the fair value of financial instruments”.

16- Foreign currency transactions

Upon initial recognition, foreign currency transactions are recorded in the functional currency, and the exchange rate applied to the amount expressed in foreign currency is the one in effect at the date of the transaction.

At each balance sheet date, items expressed in foreign currencies are measured as follows:

- cash items are translated at the exchange rate in effect at the closing date;
- non-cash items carried at their historical cost are translated at the exchange rate in effect at the transaction date;
- non-cash items designated at fair value are translated at the exchange rate in effect at the closing date.

Exchange rate differences originated by the settlement of cash items, or by the translation of cash items at rates other than the initial ones, or by the conversion of the previous financial statements, are charged to the income statement at the time they arise.

When a gain or loss from a non-cash item is carried at equity, the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is recognised in the income statement, the associated exchange rate difference is also recognised in the income statement.

17- Insurance assets and liabilities

No insurance companies are included in the scope of consolidation.

18- Other information

a) Contents of other financial statement items

Cash and cash equivalents

This item includes legal tender, including foreign banknotes and coins and demand deposits with the Central Bank of the country or countries where the Group operates through its companies or branches.
The item is recognised at face value. The face value of foreign currencies is translated into Euro at the closing exchange rate at the period-end date.

Fair value change of financial assets and financial liabilities in macro fair value hedge portfolios

These items include, respectively, changes in financial assets or liabilities subject to macro hedging of interest rate risk, based on the respective balance, whether positive or negative.

Other assets

This item includes assets not attributable to the other balance sheet asset items. For example, this item may contain:

a) gold, silver and precious metals;
b) accrued income other than that capitalised on the related financial assets;
c) any inventories of assets according to the definition of IAS 2;
d) leasehold improvements and incremental expenses incurred on third party assets other than those attributable to the item "property and equipment". In detail, assets that form an integral part of the goods they belong to and cannot be used separately are classified under this item. These costs are recognised under other assets because, as a result of the lease contract, the lessee retains control over the assets and may obtain future economic benefits from their use;
e) receivables associated with providing non-financial goods or services.

These may also include any remainders (of the "borrower's balance") of items in transit or suspended not attributed to the specific accounts, because they are of immaterial amounts.

Other liabilities

This item records liabilities not attributable to the other balance sheet liability items.
For example, this item contains:

a) payment agreements that under IFRS 2 must be classified as payables;
b) the initial recognition of guarantees given and the equivalent credit derivatives under IAS 39, as well as the subsequent write-downs due to their impairment;
c) payables associated with the payment of non-financial goods or services received;
d) accrued liabilities other than those to be capitalised on the related financial liabilities.

Employee termination indemnities and other employee benefits

Following the supplementary pension reform, under Italian Legislative Decree no. 252 of 5 December 2005, new regulations were introduced for employee termination indemnities accrued beginning from 1 January 2007.
In particular, for companies which had at least 50 employees in 2006, from an accounting perspective, employee termination indemnities accrued from 1 January 2007 are considered a "defined contribution plan" based on IAS 19; the charge is limited to the benefits defined under the Italian Civil Code, without applying any actuarial methodology.
The provisions for employee termination indemnities accrued up to 31 December 2006 continues to be accounted for as a defined benefit plan under the classification indicated by IAS 19. Nonetheless, for companies with an average of at least 50 employees during 2006, the liability associates with employee termination indemnities accrued is subject to actuarial valuation without applying the pro-rata value of the rendered service since the benefit to be measured may be considered fully accrued.
Pension plans and liabilities associated with "personnel seniority bonuses" are divided into two categories: defined benefit plans and defined contribution plans.
In defined contribution plans the cost is represented by contributions accrued during the year, since the company only has the obligation to pay the contributions defined by contract to an external fund, and has therefore no legal or implicit

obligation to pay other amounts in addition to said contributions in the event that the fund does not have sufficient assets to pay all the benefits to employees.
In defined benefit plans, liabilities are measured based on the actuarial methodology envisaged by IAS 19, as actuarial and investment risk, namely the risk that contributions are insufficient or that the assets in which contributions are invested do not generate a sufficient return, is borne by the company. The determination of the actuarial values required by application of the above standard is carried out by an external actuary.
In detail, commitments associated with plans where the company has guaranteed capital repayment and/or returns in favour of beneficiaries, are recognised under "Company retirement plans and similar obligations", while seniority bonuses are recognised under "Provisions for risks and charges – other".
For all defined benefit plans, actuarial gains and losses are recognised immediately in the income statement. Said actuarial gains and losses originate from changes in the previous actuarial assumptions, as a result of the actual experienced obtained or as a result of changes to the assumptions themselves.

Valuation reserves

This item includes valuation reserves for financial assets available for sale, foreign investment hedging, cash flow hedging, and for foreign currency translation differences, as well as for "individual assets", non-current assets held for sale and discontinued operations, and the portion of valuation reserves of investments carried at equity. It also includes the revaluation reserves recognised in compliance with special revaluation regulations, also if subject to "tax exemption".

Share capital and treasury shares

Share capital includes common and preferred stock issued by the bank net of any capital already subscribed but not yet paid up at the balance sheet or interim reporting date. This item includes any treasury shares held by the bank. The latter are shown with a minus sign in the same item under balance sheet liabilities.
The original cost of repurchased treasury shares and the gains or losses originated by their subsequent sale are recognised as changes to shareholders' equity.
Transaction costs relating to operations on share capital, such as share capital increases, are recorded as a decrease in shareholders' equity, net of any related tax benefits.

Minority interests

This item shows the portion of consolidated shareholders' equity attributable to shares owned by minority shareholders, calculated based on "equity ratios". The amount is calculated net of any treasury shares repurchased by consolidated companies.

b) Illustration of other significant accounting treatments

Dividends and revenue recognition

Revenues are recognised when they are received or, on any event, when it is likely that future benefits will be received and these benefits can be reliably quantified. In detail:

- default interest, if provided for by contract, are recorded in the income statement only when actually collected;
- dividends are recognized in the income statement when the legal right to collect them ensues, and, therefore, when their distribution is resolved;
- revenues from the brokerage of trading financial instruments are recognised in the income statement at the time of contractual settlement of the transaction, based on the difference between the price paid or collected and the fair value at which the instrument is recorded, using valuation techniques that are based on the most favourable input parameters observable on the market. The resulting fair value is then adjusted to take account of the recoverability risk of any positive margin, depending on the specific counterparty with which the financial instrument has been contracted (credit risk adjustment);
- gains deriving from financial instruments whose fair value cannot be determined based on observable market parameters are distributed over time taking into account the instrument's nature and life (for example, capital guaranteed or capital protected products);
- revenues on bond issues generated by the difference between the price collected and the instrument's fair value are recognised in the income statement at the issue date if the fair value can be determined based on observable parameters or on recent transactions observable on the same market where the instrument is traded. In the event that said parameters cannot be directly observed on the market, the valuation technique used to determine the fair value takes the commercial spread as the adjusting factor to discount cash flows. The resulting fair value is equivalent to the price collected: hence, no profit is recorded on the issue date. In order to guarantee substantial representation of the cost of the funding transaction based on the correlation between costs and revenues, in case of placement fees paid to companies that do not belong to the Group, which are charged to the income statement at the issue date, revenue is recognised on the same date, represented by the commercial spread, up to the amount of the cost of the placement fee expenses.

Share-Based Payments

Share-based payment are payments made to employees, as a consideration for work performed, based on capital shares, that may, for example, consist of the assignment of:

- stock options;
- stock grants.

Considering how difficult it is to directly estimate the fair value of work received in exchange for the assignment of shares, it is possible to indirectly measure the value of services received, by referring to the fair value of the equity-linked instruments at their assignment date. The fair value of payments settled through the issue of shares is recognised as "Personnel expenses", with a matching entry as an increase in "Reserves", based upon the accrual principle.
In detail, when assigned shares cannot be immediately "used" by employee, but can be used when the employee has completed a given term of service, the company shall pay the cost as a consideration for the service provided throughout the vesting period.

Securitisations

On first-time adoption of the international accounting standards, the Group made use of the option not to recognise in the financial statements assets underlying securitisations performed before 1 January 2004, which had been derecognised based on the previous accounting standards. As a result, only the subscribed securities are shown under balance sheet assets of the transferring bank. Exceptions to this rule are the securitisations originated by the companies in the former Banca Italease Group, which was consolidated line-by-line from the second half of 2009 following the acquisition of control. For these securitisations, the choices made at the time by the acquired companies involved the recording of the assets underlying the securitisations, even if they were finalised prior to 1 January 2004 and derecognised based on the previous accounting standards.
For transactions finalised after the above mentioned date, the loans sold are not derecognised from the financial statements if a substantial amount of risks and benefits is still retained, although formally they have been sold without recourse to a special purpose entity. This may occur, for example, when the bank subscribes tranches of Junior notes or similar exposures, as in this case it shall bear the risk of the initial losses, and likewise it shall benefit from the return on the transaction. As a result, loans are shown in the financial statements as "Assets sold and not derecognised" against the loan received by the special purpose entity, net of the securities issued by the latter, subscribed by the transferring bank. Similar representation criteria, based on the prevalence of substance over form, are applied in recognising accruals.

Reclassifications among financial asset portfolios (amendment to IAS 39)

On 13 October 2008, the IASB approved amendments to IAS 39 and IFRS 7, validated along a fast-track procedure by the European Commission on 15 October 2008 with Regulation no. 1004/2008.
Based on said amendments, under given circumstances it is now possible to reclassify financial instruments recognised as "Financial assets held for trading" or "Financial assets available for sale" when purchased, into another accounting category. Prior to said amendments, the general rule prohibited reclassifications to other categories, with the exception of reclassifications between "Financial assets available for sale" and "Investments held to maturity".
Based on the provisions of paragraphs 50D and 50E of the new version of IAS 39, the following financial instruments may be reclassified:

- financial instruments, other than derivatives, previously classified as financial assets held for trading. As a result of the adoption of the "fair value option", financial instruments in the category "Financial assets designated at fair value through profit and loss" cannot be reclassified. The new accounting category of allocation is "Loans". To qualify for reclassification, at the reclassification date, the financial instrument must meet the prescribed requirements to be classified in the "Loans" portfolio, and the company must no longer intend to trade the financial instruments being reclassified, having decided to hold them for the foreseeable future or to maturity;
- non-derivative financial instruments classified as "Financial assets available for sale" can be reclassified to the accounting category ""Loans" if at the reclassification date the financial instrument met the definition of "Loan" and the company now intends to and can hold the instrument for the foreseeable future or to maturity.

Any other non-derivative debt or equity instrument can be reclassified from the category "Financial assets held for trading" to the category "Financial assets available for sale" or from the category "Financial assets held for trading" to "Investments held to maturity" (debt instruments only), whenever said instruments are no longer held for trading in the short term. However, this is permitted only in rare circumstances, as illustrated in paragraph 50 B.

The reclassified financial asset is recorded in its new category ("Loans", "Investments held to maturity", "Financial assets available for sale") at its fair value on the reclassification date, representing the new cost or amortised cost.
Once reclassified, financial instruments shall comply with the measurement and recognition rules of the category of allocation, without prejudice to that specified below. Therefore, the effective rate of return must be determined calculated to be used as of the reclassification date for assets valued at amortised cost.
For reclassified assets, any future positive change in cash flows contributes to the determination of the effective interest rate at the date the projection is revised, and shall be accounted for throughout the instrument's residual life instead of changing the asset's book value with a matching entry in the income statement, as envisaged for non-reclassified assets.

Vice versa, any subsequent reductions in estimated cash flows as of the reclassification date shall comply with prior regulations, meaning they shall be immediately charged to the income statement in the event of impairment.
Gains and losses that were previously suspended in equity reserves for Financial assets available for sale, if referring to an instrument with a fixed maturity shall be amortised over the entire investment term according to the amortised cost principle. Vice versa, if the instrument has no fixed maturity (for ex. perpetual instruments), it shall remain suspended in the equity reserve until sold or cancelled.
In the event of reclassification of the financial asset, up until its cancellation, it is necessary to report the consequent effects and those that would have arisen in the absence of the reclassification, as explained in the following sub-section "A.3 – Fair value disclosure".

Business combinations, goodwill and changes in interest holdings

A business combination involves the union of businesses or separate business activities in a single entity obliged to draw up financial statements.
A combination may give rise to an investment relationship between the purchasing Parent Company and the subsidiary acquired. In such circumstances, the purchaser applies standard IFRS 3 in the consolidated financial statements while in the separate financial statements the interest holding acquired as an investment in the subsidiary is recorded, applying accounting standard IAS 27 "Consolidated and separate financial statements".
A combination may also envisage the purchase of the net assets of another entity, including any eventual goodwill, or the acquisition of the capital of another entity (mergers, conferrals, business segment acquisitions). A combination of this type does not translate into an investment relationship similar to that between the parent and subsidiary company and therefore in this case accounting standard IFRS 3 applies also in the separate financial statements of the purchaser.

Business combinations are recorded using the purchase method, on the basis of which the identifiable assets acquired and the identifiable liabilities undertaken, including any potential ones, must be recorded at the respective fair values as of the acquisition date.
With regard to each business combination, the minority interests can be recorded at fair value or in proportion to the portion held in the identifiable net assets of the company acquired.
Any excess in the transferred price with respect to the fair value of the identifiable net assets is recorded as goodwill and allocated, as of the acquisition date, to the individual cash generating units, or groups of cash generating units which should benefit from the synergies of the combination, irrespective of the fact that the other assets and liabilities of the entity acquired are assigned to these units or groups of units.
If the transfer price is lower than the fair value of the identifiable net assets, the difference is recorded immediately in the income statement as revenue in the item "Other operating income", after having carried out a new measuring aimed at assessing the correct identification processes for all the activities acquired and the liabilities undertaken.

The price transferred in a business combination equates to the fair value, as of the acquisition date, of the assets transferred, the liabilities incurred and the equity instruments issued by the purchaser in exchange for obtaining control over the entity acquired. The price which the purchaser transfers in exchange for the entity acquired includes any asset or liability emerging from an agreement on the potential price, to be recorded as of the acquisition date on the basis of the fair value. Changes to the transferred price are possible if they derive from additional information on events or circumstances which existed as of the acquisition date and are recognisable within the business combination measuring period (or rather within twelve months of the date of acquisition, as will be specified further on). Any other change which derives from events or circumstances subsequent to the acquisition, such as for example that acknowledged to the seller linked to achievement of specific income-related performances, must be recognised in the income statement.

Identification of the fair value of the assets and liabilities must be finalised definitively within a maximum period of twelve months as from the acquisition date (measuring period).

The costs relating to the acquisition, which include brokerage commission, advisory, legal, accounting and professional costs, general administrative expenses, including those for the upkeep of an acquisitions office, are recorded in the income statement at the time they are incurred, with the exception of the costs for issuing shares and debts securities which are recorded on the basis of the matters laid down by standards IAS 32 and IAS 39.

If control is achieved by means of subsequent acquisitions (business combinations carried out in several phases), the shareholding previously held is measured at fair value as of the acquisition date and the difference with respect to the previous book value must be recorded in the income statement. With regard to these combinations, the goodwill shall be determined by the surplus of the transferred prices increased by the fair value of the interest previously held with respect to the fair value of the identifiable net assets of the acquired entity.

Once control has been obtained and the acquisition method previously described applied, any further increase or decrease in the shareholding in a subsidiary company which continues be controlling is recorded as a transaction between shareholders. Therefore, the book value of the group and minority shareholders' equity must be adjusted to reflect the changes in the holding in the subsidiary. Any difference between the value for which the minority interests are adjusted and the fair value of the price received or paid must be recorded directly in the group shareholders' equity.

With regard to sales of investments in associates which involve a loss of control, the effect to be recognised in the income statement is equal to the difference between (i) the sum of the fair value of the price received and of the fair value of the residual interest held and (ii) the prior book value of the assets (including goodwill), of the liabilities of the subsidiary, and any minority shareholder's equity. The amounts previously recognised in the statement of comprehensive income (such as for example the revaluation reserves of financial assets available for sale) must be recorded in compliance with the matters required in the event that the parent company has directly disposed of the assets and the related liabilities (by means of reclassification in the income statement or under retained earnings).

The fair value of any shareholding held in the former controlling investment must be considered equal to the fair value at the time of initial recognition of a financial asset on the basis of IAS 39, or, if appropriate, equal to the cost at the time of initial recognition in an associated company (IAS 28) or a jointly-controlled entity (IAS 31).

Transactions achieved for reorganisation purposes, between two or more businesses or corporate assets forming part of the Banco Popolare Group, are not considered to be business combinations. The international accounting standards do not in fact discipline the transactions under joint control, which are recorded with continuity at purchase values in the financial statements of the purchaser, if they do not present a significant influence on future cash flows. This is in compliance with the matters envisaged by IAS 8.10, which requires, in the absence of a specific standard, that use of one's own judgement when applying an accounting standard be adopted for the purpose of providing relevant, reliable, prudent disclosure which reflects the economic essence of the transaction.

Bank capitalisation instruments under Italian Law Decree 185/ 2008 ("Tremonti Bonds")

The representation of the financial instruments under Italian Law Decree 185/2008 issued by Banco Popolare in favour of the Ministry of the Economy and Finance complies with the provisions set out in the joint Bank of Italy/CONSOB/ISVAP document no. 3 of 21 July 2009, based on which the economic content of these instruments – as resulting from the overall consideration of all contract provisions (no redemption, remuneration based on the issuer's performance, loss absorption on a going concern basis pari passu with the other shareholders, the company's right to convert a fixed number of the issuer's shares) – is consistent with their classification under the balance sheet item equity instruments (consolidated item "160. Equity instruments")
Similarly, the related accruals (interest expense and accessory charges) are recognised as a reduction in shareholders' equity. Specifically, the liability associated with the remuneration due to the instruments in question is recognised through a matching entry reducing equity reserves at the date the liability is considered to be certain and collectible, equivalent to the recognition of liabilities associated with dividend distribution. Similarly, liabilities for accessory charges represented by the contribution to the guarantee fund for loans to small and medium-sized enterprises, under article 11 of Italian Law Decree 185/2008, are recognised with a matching entry directly reducing the consolidated equity item "170. Reserves".

Methods for determining the fair value of financial instruments

The fair value represents the consideration at which an asset could be traded or a liability cancelled, in a free transaction performed at arm's length between independent and knowledgeable parties, at a given measurement date.
The fair value is the price that would be paid in an ordinary transaction, that is, a transaction involving market participants who wish to negotiate, thus excluding any type of forced transaction.
The determination of fair value of financial instruments is based on the assumption that the company is a going concern, namely it is assumed that the company shall continue to be fully operational and will not liquidate or significantly reduce its operations, nor will it carry out transactions at unfavourable terms.

Financial assets and liabilities held for trading, Financial assets designated at fair value through profit and loss, Financial assets available for sale, Hedging derivatives

For these financial instruments designated at fair value in the financial statements, a "fair value policy" is in place, which assigns the maximum priority to the official prices available on active markets (mark to market) and lower priority to the use of inputs which cannot be observed, since they are more discretional (mark to model).

Mark to Market

To determine fair value, the Bank uses information based on market data, any time it is available, obtained from independent sources, in that this is considered to be the best evidence of fair value. In this case, the fair value is the market price of the same financial instrument assessed, meaning without changes in or recomposition of the instrument, which can be taken from the listings expressed by an active market. A market is considered active if the listed prices reflect the normal market transactions, are duly and promptly available via stock markets, listing services, brokers and if these prices represent effective and regular market transactions.
The following are generally considered active markets:

- regulated securities and derivative markets, with the exception of the "Luxembourg" stock market;
- alternative trading systems;
- certain OTC electronic trading networks (for example, Bloomberg), when given circumstances are in place based on the presence of a certain number of contributors with executable offers, characterised by bid-ask spreads – i.e.,

the difference between the price a seller is offering for a security (ask price) and the price a buyer is willing to pay (bid price) – falling within a given tolerance threshold;
- the secondary market for UCIT units, expressing the official NAV (Net Asset Value), based on which the issuing asset management company must settle units. The NAV can be suitably adjusted to account for the fund's diminished liquidity, i.e., the time span between the date of the request for redemption and that of the actual redemption, as well as for possible exit commissions.

Mark to Model

When the Mark to Market policy is not applicable, because there are no market prices directly observable on active markets, it is necessary to use valuation techniques that maximise the use of information available on the market, based on the following valuation approaches:

1. Comparable approach: in this case the instrument's fair value is derived from the prices observed in recent transactions in similar instruments on active markets, suitably adjusted to account for differences in the instruments and in the market conditions;
2. Valuation Model: in the absence of observable transaction prices for the instrument being measured or similar instruments, it is necessary to apply a valuation model. The model must provide proven reliability in estimating hypothetical "operational" prices and therefore must be generally accepted by market participants.

In detail:

- Debt securities are measured by discounting expected cash flows, suitably adjusted to account for issuer risk;
- Derivative contracts are measured based on multiple models, depending on the input factors (interest rate risk, volatility, exchange rate risk, price risk, etc.) which affect their valuation;
- Unlisted equity instruments are measured by referring to direct transactions of the same security or similar securities observed over a suitable time frame as compared to the valuation date, using the comparably company market multiples method, and subordinately using financial, income and equity valuation methods

The above "fair value policy", results in a three-tiered hierarchy of fair value, based on the availability of market parameters:

1. **Listed prices taken from active markets (Level 1):**
   The valuation is the market price of the same financial instrument assessed, which can be taken from the listings expressed by an active market.
2. **Valuation methods based on observable market parameters (Level 2)**
   The valuation of the financial instrument is not based on prices of the financial instrument assessed which can be taken from market listing for similar assets or by means of valuation techniques in relation to which all the significant factors – including the lending and liquidity spreads – are taken from observable market data. This level implies reduced elements of discretion in the valuation since all the parameters pertain to the market (for the same security and for similar securities) and the calculation methods make it possible to replicate listings present on active markets.
3. **Valuation methods based on market parameters which cannot be observed (Level 3)**
   The determination of the fair value resorts to valuation techniques which are based, to a significant extent, on significant inputs which cannot be inferred from the market and therefore involve estimates and assumptions by management.

Financial liabilities designated at fair value through profit and loss and determination of own creditworthiness

"Financial liabilities designated at fair value through profit and loss" include liabilities issued by the bank, to which the fair value option has been activated . In detail, the scope of the fair value options involves the following types of issues:

- fixed-rate plain vanilla bonds;
- structured bonds whose pay-off is linked to equity components (securities or indices) or to exchange rate components;
- structured bonds whose pay-off is linked to interest rate or inflation rate structures or similar indices.

In these cases, the adoption of the Fair Value Option makes it possible to avoid the otherwise ensuing accounting mismatch, by measuring the bond at its amortised cost and the related derivative at fair value.
In addition to simplifying the administrative and accounting management of hedges, the reason why the Group opted to apply the fair value option, instead of hedge accounting, is closely linked to the actual methods Group uses to carry out its hedging policies, by managing its market exposure globally and not through a discrete relation with the issued bond.
Unlike hedge accounting, whose accounting rules require that only fair value changes attributable to the hedged risk be recognised on hedged instruments, the fair value option requires the recognition of all fair value changes, irrespective of the risk factor that generated them, including the issuer's credit risk.
As of the second half of 2009, in order to reduce the income statement volatility caused by the fluctuations of its own creditworthiness, the Group decided to apply hedge accounting rules for several new issues of significant amounts, hedged with derivative instruments. Specifically, these are several issues which are considered as institutional issues due to that illustrated below. To demonstrate the actual transfer of the hedged risk outside the Group and pass the effectiveness test at consolidated level, traceable hedging transactions have been executed for each individual bond issue, as required in the above paragraph "6- Hedging transactions".
In addition, hedges of bond issues of the subsidiary Banca Italease, which joined the Group's scope of consolidation in the

second half of 2009 following the Public Offering, are managed under hedge accounting at Group level.

For own bond issues, the Group's fair value policy envisages a distinction based on the factors that are considered significant by market participants in fixing the exchange price for a hypothetical transaction on the secondary market.
When determining fair value, changes in own creditworthiness occurring after the issue date are not taken into consideration if this reflects general market practices. This occurs, for example, for retail issues, targeted to Group customers, which are listed on an organised trading system based on a pricing policy that tends to confirm credit spreads existing at the issue date. In this case, the fair value will be taken as the price of Group securities observed on the organised trading system, as it is considered an active market.
On the contrary, for bond issues whose subsequent transactions are affected by changes in own credit spread, the valuation method is based on the discounting of cash flows, where the curve used for discounting is equal to the risk-free market interest rate, plus the own creditworthiness curve. This policy applies, for example, to issues targeted to institutional customers, where the price observed on the market or applicable to a hypothetical transaction considers changes in creditworthiness occurring after the issue date as a significant input. As illustrated above, for some significant bond issues starting from the second half of 2009, falling in the latter category, the Group adopted hedge accounting rules instead of the fair value option, to sterilise the economic impact associated with changes in own creditworthiness. For prior issues, the fair value option rules are confirmed, since designation is irrevocable.
Note, that the issue of this latter type of bonds, which are hedged against interest rate risk, is generally reserved to the Parent Company – Banco Popolare.
The creditworthiness curve is plotted by maximising the use of observable market parameters considered significant, based on the related liquidity. Starting from financial year 2008, the market reference that could best express our creditworthiness was considered to be the Credit Default Swap (CDS) curve – senior or subordinated – based on the issue's level of subordination and the maturity date.
Note, that for all the Companies of the Group, the specific CDS curve used is the Parent Company's – Banco Popolare – as it is the guarantor of last resort, with no additional adjustment.
Once the appropriate market parameters that can best reflect one's creditworthiness have been identified, the change in fair value attributable to the factor in question from the issue date to the valuation date is obtained by calculating the difference between the pricing obtained - considering all risk factors to which the bond is exposed, including credit risk - and the fair value resulting when considering the same factors, except the change in credit risk change arising during the period.

In addition, in discounting cash flows, the valuation technique considers a spread adjustment in order to sterilise, from the issue date, any profit deriving from the difference between the fair value and the price collected by the customer, net of transaction costs. As recognised under "Dividends and revenue recognition", this spread adjustment is equal to the commercial spread implicit in the issue, net of placement fee expenses paid to companies external to the Group, which are fully charged to the income statement at the issue date. As a result, at the issue date, profit is recognised in an amount equal to the placement fee expenses, which are both recorded under the income statement item "110 Profits (losses) on financial assets and liabilities designated at fair value".

Due to and from banks and customers, Debt securities issued, Investments held to maturity

For the other financial instruments recognised at amortised cost and substantially classified as due to and from banks or customers, debt securities issued or investments held to maturity, fair value was determined for reporting purposes in the Explanatory Notes. In detail:

- for non-performing medium/long-term loans (doubtful and substandard loans), fair value is determined by discounting contractual flows, net of expected losses, based on a risk-free market rate. For performing medium/long-term loans, fair value is determined using and approach based on risk aversion: expected cash flows, suitably adjusted for expected losses, are discounted based on a risk-free market rate, plus a component considered as expressing risk aversion, in order to take into account other factors in addition to expected loss;
- for assets and liabilities on demand or with a short-term or undefined maturity, the book value at which they are recognised is considered a good approximation of fair value;
- for bonds measured in the financial statements at amortised cost, fair value is measured by discounting the bond's cash flows based on the specific interest rate curve, suitably adjusted to account for changes in own creditworthiness, whenever this is considered a material factor by market participants, based on the methodology described for "Financial liabilities designated at fair value through profit and loss";
- for debt securities classified in the portfolio of "Investments held to maturity" or "Due from banks or customers", even following a portfolio reclassification, the fair value is measured by using prices obtained on active markets or valuation models, as described above for financial assets and liabilities designated at fair value through profit and loss.

Methods for determining impairment losses on financial assets

At each balance sheet date, all financial assets, except those designated at fair value through profit or loss, are subject to impairment testing to verify whether there is objective evidence of impairment that may compromise the recoverability of the investment.
In detail, the objective evidence of impairment affecting an asset or a group of financial assets can be associated with the following negative events:

- significant financial difficulties experienced by the issuer or the borrower;
- breach of contract, for example a default or failure to make payment of interest or principal when due;
- giving the beneficiary an allowance, that the bank took in consideration primarily for economic or legal reasons related to the beneficiary's financial difficulties, and which otherwise would not have been granted;
- likelihood that the borrower may file for bankruptcy or other financial restructuring procedures;
- disappearance of an active market related to the financial asset in question due to the issuer's financial difficulties. However, the disappearance of an active market caused by the fact that the company's instruments are no longer publicly traded is not evidence of a reduction in fair value;
- events that point at a significant decrease in the issuer's future cash flows (which include the general local or domestic economic conditions in which the issuer operates).

Furthermore, objective evidence of impairment for an investment in an equity instrument may materialise in the event of the following additional negative events:

- significant changes negatively affecting the technological, economic or regulatory environment in which the issuer operates, indicating that the investment can no longer be recovered;
- a prolonged or significant reduction in fair value below the purchase price.

In the event that objective impairment occurs as a result of one or more events that occurred after the initial recognition of the asset, it is necessary to calculate the impairment loss, according to different rules for financial instruments measured at amortised cost or assets designated at fair value with changes carried at equity.
With regard to the determination of impairment losses, please refer to that described for "Investments held to maturity", "Due from banks and customers" for assets valued at amortised cost, and "Financial assets available for sale" for assets designated at fair value with a matching entry in a specific equity reserve.

A.3 – FAIR VALUE DISCLOSURE

A.3.1 Transfers between portfolios

A.3.1.1 Reclassified financial assets: book value, fair value and effects on the comprehensive income

On 15 October 2008, the European Commission approved Regulation No. 1004 by means of which the amendments to IAS 39 were acknowledged with reference to the reclassification of financial instruments, and to IFRS 7 with regard to the related disclosure obligations.
On the basis of this amendment, it is now possible to reclassify in another category - in the presence of specific conditions – financial instruments recorded, at the time of purchase, within the sphere of the category of financial trading assets or the category of financial assets available for sale, as described in detail in the above "Part A.2", to which reference is made for further information.

Based on the above mentioned amendments to regulations, during the meeting held on 28 October 2008, Banco Popolare's Management Board resolved to reclassify certain unlisted financial assets held by the Bank for trading purposes, for a nominal value of euro 594.1 million, equal to a book value of euro 565.2 million, to loans, taking into account that the crisis situation which characterised the world financial markets would not have permitted to reasonably pursue the intentions which had justified the recording of said financial instruments within the sphere of the category of financial trading assets, in fact imposing holding the same in the foreseeable future or until maturity. As permitted by the amendment of IAS 39, due to the exceptional situation, the transfer was essentially carried out on the basis of the prices as at 1 July 2008, since the reclassification was resolved before 1 November 2008. For the residual book value as at 31 December 2010 and the changes during the financial year, see the disclosure reported in the paragraph "debt securities", below.

During 2009, Efibanca' Board of Directors resolved the reclassification of the UCIT units held in closed-end private equity funds from the "Financial assets held for trading" portfolio to the "Financial assets available for sale" portfolio, for a value of euro 8.6 million. This reclassification was carried out on a similar basis to other investments of the type held, which Efibanca had already placed in item "40 – Financial assets held for sale", in consideration of the stability envisaged in this type of investment, also taking into account that the world financial market crisis would not have made it possible for these instruments to pursue trading activities over the short-term.
Since this transfer was resolved after 1 November 2008, the book value in the pertinent accounting category is represented by the fair value as at 30 June 2009, or rather as of the date when the related transfer was resolved, as envisaged by the reference accounting standards.

For the residual book value as at 31 December 2010 and the changes during the financial year, see the disclosure reported in the paragraph "UCIT Units", below.

Type of financial instrument	Source portfolio	Target portfolio	Book value as at 31 December 2010	Fair value as at 31 December 2010	Income items in absence of the transfer (pre tax)		Income items registered in the period (pre tax)	
					Valutational	Other	Valutational	Other
Debt securities	Financial assets held for trading (item 20)	Receivable due from banks (item 60)	27,556	21,415	(10,121)	4,327	(9,911)	3,520
Debt securities	Financial assets held for trading (item 20)	Loans to customers (item 70)	187,717	182,548	4,546	5,223	-	8,438
UCIT units	Financial assets held for trading (item 20)	Financial assets available for sale (item 40)	7,744	7,744	180	-	180	-
Total			**223,017**	**211,707**	**(5,395)**	**9,550**	**(9,731)**	**11,958**

Debt securities

As at 31 December 2010, the reclassified portfolio represented by "Debt securities" comprised 9 securities from corporate issuers (18 as at 31 December 2009) – mainly banks and financial institutions – and 12 Asset Backed Securities (ABS) (16 as at 31 December 2009).
The change in the reclassified securities portfolio, in addition to the inherent events regarding redemption on maturity or early redemption of certain ABS securities, is mainly attributable to a number of sales transactions of securities from corporate issuers The evolution of the markets registered during the first few months of 2010 in fact led to a reconsideration of the assessments made in financial year 2008, making procedures for the disposal of the investment advantageous.
Securities redeemed or sold in total during 2010 amounted to euro 282.9 million in terms of par value (equal to around half the outstanding positions at the end of the previous year); the related effect credited to the income statement under the result of the transfer of the receivables presented a positive balance of euro 3.3 million.

The book value of the debt securities in position as at 31 December 2010 amounted to euro 215.3 million (euro 498 million as at 31 December 2009) and their fair value comes to euro 204 million (euro 484.7 million as at 31 December 2009).

In detail, with regard to the ABS securities, the reclassified positions, for an equivalent book value as at 31 December 2010 amounting to 70.3 million (NV 71.8), represent almost all (79%) the structured credit products of the Group in position. All the ABS belong to the senior class, or the category of securities with contractual right of priority for the payment of the principal and interest. The elements underlying these securities are generally represented by Italian mortgage loans and those of other European countries, as well as by Italian government receivables; as a rule, the ratings fluctuate between double A and triple A.

With reference to the corporate securities, outstanding with a par value of euro 185.5 million, corresponding to a book value of euro 145 million, they are mainly made up of issues from leading banks and financial institutions in the US (46%), Europe (40%), and Italy (14%); there is no position in structured credit securities. In detail, these securities are around 65% represented by plain vanilla issues (or rather non-structured issues subject to just interest rate/counterparty risk) while the remaining 35% is represented by subordinate issues of European and Italian banks.

The cumulative effect as at 31 December 2010 consequent to the reclassification presented a positive balance of euro 11.3 million, compared with euro 13.2 million as at 31 December 2009 (as emerges from the difference between the "Book value as at 31 December 2010" column and the "Fair value as at 31 December 2010"), as analysed below:

- failure to recognise net losses due to the adjustment to fair value for euro 15.9 million, which would have been recorded if the securities had remained in the trading category;
- recognition of income items represented by additional interest income due to the application of the amortised cost to the reclassified assets for euro 4.6 million.

In terms of the income statement, the reclassification resulted in the recording of:

- additional interest income due to the application of amortised cost for euro 4 million;
- impairment losses for euro 9.9 million compared to net losses of only euro 5.6 million which would have been recorded if the transfer had not been made;
- a lower net positive result on trading for euro 1.6 million.

Therefore, the income statement result as at 31 December 2010 is euro 1.9 million lower than it would have been in the absence of the reclassification from the trading category to the loans portfolio (equal to the difference between the "Income items registered in the year" column and the "Income items in the absence of transfer" column).

UCIT Units

For these securities, positive income components of euro 0.2 million reported for the year were the result of the combined effect of the recognition of impairment losses of euro 0.2 million charged to the income statement and the increase in fair value of euro 0.4 million recognised through a specific equity reserve.
Said impacts would also have been achieved in the absence of transfer, with the sole difference that in the latter case the increase in fair value would have been recorded in the income statement rather than in equity.
As at 31 December 2010 the book value of UCIT units transferred thus amounted to euro 7.7 million. The change compared to the book value at the end of 2009, euro 7.2 million, derives from the above mentioned income components recorded during the year, which were a positive euro 0.2 million, as well as from the cash calls during 2010 for euro 4.4 million and the partial repayment of a fund for euro -4.1 million.

A.3.1.2 Reclassified financial assets; effects on the comprehensive income before reclassification

Under IFRS 7, in the year of the reclassification it is required to disclose the effects on comprehensive income before reclassification. In this regard, it is noted that during 2010 no transfers of portfolios were carried out, and, therefore, there is no disclosure to be provided.

A.3.1.3 Transfers of financial assets held for trading

For the reasons underlying the reclassification, please refer to the previous paragraph A.3.1.1.
In addition, note that at the time when Banco Popolare had carried out the reclassification, the IABS had expressly considered the deterioration of the world's financial markets that had occurred during the third quarter of 2008 as an example of "rare circumstances", as stated in their press release of 13 October 2008.

A.3.1.4 Effective interest rate and cash flows expected from reclassified assets

Debt securities

As at 31 December 2010, the effective interest rate for reclassified debt securities, weighted according to the securities outstanding, amounted to 2.33%. For these securities, the estimated value of expected principal-related cash flows totalled euro 222.3 million. The difference compared to the book value net of accruals, amounting to euro 7.9 million, shall be recorded under in interest margin, as a result of the amortised cost, in addition to the interest-related cash flows under the contracts. Specifically, it is noted that:

- for Lehman Brothers securities, with a reported at par value of euro 35 million, the estimated recovery is 30% of the total exposure;
- for subordinated securities issued by the Allied Irish Bank, reported at a part value of euro 15 million, the estimated recovery is around 30%. This resulted in the recognition of impairment of euro 9.9 million in 2010;
- for the remaining securities, the entire par value is expected to be recovered.

Total interest recorded in the financial year 2010 amounted to euro 8.7 million, of which euro 4 million of additional interest income deriving from the adoption of the amortised cost.

A.3.2 Fair value hierarchy

A.3.2.1 Accounting portfolios: breakdown by fair value levels

The growing complexity of financial instruments and the turbulence on the financial markets have increasingly heightened the attention on the need to provide complete and transparent disclosure on the methods for determining the fair value both in qualitative and quantitative terms.

For such purposes, in this section the disclosure required by IFRS 7, validated by EC Regulation 1165 of 27 November 2009, for financial asset and liability portfolios designated at fair value has been provided, on the basis of the fair value hierarchy illustrated in the paragraph "Methods for determining the fair value of financial instruments", under "A.2 - Key financial statement items".

Fair value financial assets/liabilities	31/12/2010			31/12/2009		
(in thousands of euro)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	7,602,922	4,001,835	8,549	7,410,298	4,429,888	90,463
2. Financial assets designated at fair value through profit and loss	173,256	2,016	3,659	166,791	3,001	13,734
3. Financial assets available for sale	4,498,060	492,397	600,719	1,029,118	509,874	517,474
4. Hedging derivatives	-	201,969	-	-	130,758	-
Total	**12,274,238**	**4,698,217**	**612,927**	**8,606,207**	**5,073,521**	**621,671**
1. Financial liabilities held for trading	194,040	3,538,409	1,685	245,146	3,629,306	4,197
2. Financial liabilities designated at fair value through profit and loss	17,912,599	8,601,462	-	13,728,051	13,035,686	-
3. Hedging derivatives	-	235,364	-	-	168,456	-
Total	**18,106,639**	**12,375,235**	**1,685**	**13,973,197**	**16,833,448**	**4,197**

Financial assets

The financial instruments valued on the basis of prices pertaining to active markets (Level 1) or determined on the basis of parameters which can be observed on the market (Level 2) represent 96.5% of total financial assets designated at fair value through profit and loss, essentially in line with the percentage in the previous year (95.7%).
The instruments valued significantly on the basis of parameters which cannot be observed (Level 3) represent a marginal portion (3.5%) and are mainly comprised of the following types of cash assets:

- minority interest share-based investments valued on the basis of internal models (income, equity or mixed methods) and private equity and real estate funds for euro 556.3 million, previously classified under "Financial assets available for sale";
- hedge funds for euro 23.7 million, characterised by significant illiquidity, the fair value of which was derived from sources not publicly available;
- insurance policies with underlying securities issued by Icelandic banks, for euro 20.8 million, classified under "Financial assets available for sale" following the public offer of exchange used to propose that holders of index-linked policies of UGF Assicurazioni and Eurovita Assicurazioni exchange each policy with zero coupon senior bonds issued by Banco Popolare, and a possible cash adjustment, as described in the report on operations;
- securities from securitisations for euro 8.7 million, almost fully attributable to the transactions originated by Group companies prior to 1 January 2004, for which the option not to recognise in the financial statements loans derecognised based on the previous national accounting standards.

Financial assets include euro 3,574 million in derivative instruments held for trading and hedging; these are almost all Over the Counter (OTC) agreements whose valuation was carried out via valuation models which significantly use parameters which can be observed on the market or obtained from independent sources (Level 2).

Financial liabilities

Financial liabilities held for trading are essentially represented by derivative instruments, whose fair value has been obtained by means of valuation techniques which use observable market parameters to a significant extent (Level 2). The positions indicated in correspondence with level 3 refer to a limited number of agreements relating to options sold linked to guaranteed capital asset management schemes.
Financial liabilities designated at fair value through profit and loss are represented by own bond issues subject to hedging by means of derivative instruments, in relation to which the fair value option has been activated. In detail, the securities classified in correspondence with level 1, which represented 59.4% as at 31 December 2010 (compared to 45.4% in the previous year) refer to bonds whose valuation was derived from listings present on the organised trading system relating to Group securities, considered an active market. For further details on the method for determining the financial liabilities under the fair value option, reference should be made to the matters indicated in paragraph "18. Other information" under section "A.2 - Key financial statement items".

A.3.2.2 Annual changes in financial assets designated at fair value through profit and loss (level 3)

(in thousands of euro)	FINANCIAL ASSETS			
	held for trading	designated at fair value	available for sale	hedging
1. Initial balances	**90,463**	**13,734**	**517,474**	**-**
2. Increases	**40,125**	**1,302**	**190,979**	**-**
2.1 Purchases	35,169	-	48,030	-
of which: for business combinations	-	-	-	-
2.2 Profits charged to:	3,621	1,278	33,746	-
2.2.1 Income statement	3,621	1,278	9,642	-
of which: capital gains	2,663	489	203	-
2.2.2 Shareholders' equity	X	X	24,104	-
2.3 Transfers from other levels	42	-	82,378	-
2.4 Other increases	1,293	24	26,825	-
3. Decreases	**(122,039)**	**(11,377)**	**(107,734)**	**-**
3.1 Sales	(78,643)	-	(31,343)	-
of which: for business combinations	-	-	-	-
3.2 Redemptions	(5)	(11,008)	-	-
3.3 Losses charged to:	(3,763)	(366)	(44,454)	-
3.3.1 Income statement	(3,763)	(366)	(19,390)	-
of which: capital losses	(3,462)	(366)	(11,685)	-
3.3.2 Shareholders' equity	X	X	(25,064)	-
3.4 Transfers to other levels	(8,094)	-	(24,235)	-
3.5 Other decreases	(31,534)	(3)	(7,702)	-
4. Closing balance	**8,549**	**3,659**	**600,719**	**-**

A.3.2.3 Annual changes in financial liabilities designated at fair value through profit and loss (level 3)

(in thousands of euro)	FINANCIAL LIABILITIES		
	held for trading	designated at fair value	hedging
1. Initial balances	**4,197**	**-**	**-**
2. Increases	**348**	**-**	**-**
2.1 Issues	348	-	-
of which: for business combinations	-	-	-
2.2 Losses charged to:	-	-	-
2.2.1 Income statement	-	-	-
of which: capital losses	-	-	-
2.2.2 Shareholders' equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**(2,860)**	**-**	**-**
3.1 Redemptions	**-**	**-**	**-**
of which: for business combinations	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits charged to::	(2,860)	-	-
3.3.1 Income statement	(2,860)	-	-
of which: capital gains	-	-	-
3.3.2 Shareholders' equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**1,685**	**-**	**-**

A.3.3 Disclosure on "day one profit/loss"

Pursuant to IFRS 7 paragraph 28, Group financial instruments included options sold in connection with capital guaranteed portfolio management, for which there is a difference between the fair value measured upon initial recognition (transaction price) and the amount determined at that same date using the "Day 1 Profit" valuation technique. In view of the type of products, the fact that input parameters are not observable and no reference prices exist for similar products on an active market, the difference was distributed pro-rata temporis, as described in "Part A – Accounting policies" in the paragraph "Dividends and revenue recognition". The amount recognised through profit or loss in "Profits (losses) on trading" as at 31 December 2010 was a profit of euro 2.9 million. The residual difference still to be recognised totals euro 1.7 million.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

(in thousands of euro)		31/12/2010	31/12/2009
a)	Cash	632,666	565,170
b)	Demand deposits with Central Banks	7,266	15,628
	Total	**639,932**	**580,798**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by instrument

(in thousands of euro)		31/12/2010			31/12/2009		
		L1	L2	L3	L1	L2	L3
A	**Cash assets**						
	1. Debt securities	6,415,460	603,513	6,470	6,103,948	1,157,745	88,400
	1.1. Structured securities	153,195	80,059	-	16	1	-
	1.2. Other debt securities	6,262,265	523,454	6,470	6,103,932	1,157,744	88,400
	2. Equity instruments	329,071	-	67	395,897	-	40
	3. UCIT units	802,148	82,589	2,012	827,742	7,841	2,023
	4. Loans	-	-	-	-	-	-
	4.1. Repurchase agreements	-	-	-	-	-	-
	4.2. Other	-	-	-	-	-	-
	Total A	**7,546,679**	**686,102**	**8,549**	**7,327,587**	**1,165,586**	**90,463**
B	**Derivatives**						
	1. Financial derivatives	56,243	3,314,189	-	82,711	3,262,794	-
	1.1 Trading	56,243	3,226,431	-	82,686	3,107,563	-
	1.2 Under the fair value option	-	42,836	-	-	67,856	-
	1.3 Other	-	44,922	-	25	87,375	-
	2. Loan derivatives	-	1,544	-	-	1,508	-
	2.1 Trading	-	1,544	-	-	716	-
	2.2 Under the fair value option	-	-	-	-	-	-
	2.3 Other	-	-	-	-	792	-
	Total B	**56,243**	**3,315,733**	**-**	**82,711**	**3,264,302**	**-**
	Total (A+B)	**7,602,922**	**4,001,835**	**8,549**	**7,410,298**	**4,429,888**	**90,463**

Derivatives under fair value option are represented by derivatives that are operationally linked to issues of bonds where the Group implemented the fair value option, in compliance with IAS 39, paragraph 9.

The table below presents the breakdown of UCIT units.

(in thousands of euro)		Total 31/12/2010	Total 31/12/2009
a)	Share Funds	7,550	30,951
b)	Balanced Funds	38	5,657
c)	Bond Funds	97,444	97,253
d)	Liquidity Funds	475,345	419,611
e)	Flexible Funds	191,995	171,875
f)	Hedge Funds	114,024	112,225
g)	Real Estate Funds	353	34
	Total	**886,749**	**837,606**

2.2 Financial assets held for trading: breakdown by debtor/issuer

(in thousands of euro)	31/12/2010	31/12/2009
A CASH ASSETS		
1. Debt securities	**7,025,443**	**7,350,093**
a) Governments and Central Banks	5,106,980	4,699,427
b) Other public entities	883	34,912
c) Banks	1,444,210	1,968,515
d) Other issuers	473,370	647,239
2. Equity instruments	**329,138**	**395,937**
a) Banks	50,391	41,386
b) Other issuers:	278,747	354,551
- insurance companies	12,548	36,420
- finance companies	9,963	47,380
- non-finance companies	256,235	270,750
- other	1	1
3. UCIT units	**886,749**	**837,606**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**8,241,330**	**8,583,636**
B DERIVATIVES		
a) Banks		
- fair value	2,549,066	2,578,639
b) Customers		
- fair value	822,910	768,374
Total B	**3,371,976**	**3,347,013**
Total (A+B)	**11,613,306**	**11,930,649**

2.3 - Cash financial assets held for trading: annual changes

(in thousands of euro)	Debt securities	Equity instruments	UCIT units	Loans	Total
A. Initial balances	**7,350,093**	**395,937**	**837,606**	**-**	**8,583,636**
B. Increases	**72,069,611**	**22,356,529**	**343,216**	**-**	**94,769,356**
1. Purchases	71,875,211	21,934,935	322,675	-	94,132,821
2. Increases in fair value	13,031	11,264	8,356	-	32,651
3. Other changes	181,369	410,330	12,185	-	603,884
C. Decreases	**(72,394,261)**	**(22,423,328)**	**(294,073)**	**-**	**(95,111,662)**
1. Sales	(69,188,007)	(21,674,324)	(225,404)	-	(91,087,735)
2. Redemptions	(2,839,781)	(11)	-	-	(2,839,792)
3. Decreases in fair value	(136,504)	(28,322)	(6,040)	-	(170,866)
4. Transfers to other portfolios	-	-	-	-	-
5. Other changes	(229,969)	(720,671)	(62,629)	-	(1,013,269)
D. Closing balances	**7,025,443**	**329,138**	**886,749**	**-**	**8,241,330**

Section 3 - Financial assets designated at fair value through profit and loss - Item 30

3.1 Financial assets designated at fair value through profit and loss: breakdown by instrument

(in thousands of euro)		31/12/2010			31/12/2009		
		L1	L2	L3	L1	L2	L3
1	Debt securities	-	4	-	-	4	9,810
	1.1 Structured securities	-	-	-	-	-	-
	1.2 Other debt securities	-	4	-	-	4	9,810
2	Equity instruments	2	2,012	55	121	2,997	-
3	UCIT units	173,254	-	3,604	166,670	-	3,924
4	Loans	-	-	-	-	-	-
	4.1 Structured	-	-	-	-	-	-
	4.2 Other	-	-	-	-	-	-
	Total	**173,256**	**2,016**	**3,659**	**166,791**	**3,001**	**13,734**
	Cost	**193,057**	**10,434**	**20,855**	**243,640**	**3,342**	**12,696**

Financial assets designated at fair value through profit and loss are mainly comprised by investments in Hedge Funds, for which designation at fair value meets the need to manage and represent a portfolio of financial instruments in consistency with a given investment strategy and based upon a performance target.
"Equity instruments" usually include certain insurance contracts, which are correlated to the performance of an equity instrument, and designed to build up the funding required to pay out supplementary pension benefits to some executives upon their retirement. The fair value designation of this investment is linked to the cost of employee benefits to be recognized under retirement benefits in compliance with IAS 19.

The table below presents the breakdown of UCIT units.

(in thousands of euro)		31/12/2010	31/12/2009
a)	Share Funds	-	-
b)	Balanced Funds	-	-
c)	Bond Funds	-	-
d)	Liquidity Funds	-	-
e)	Flexible Funds	4,563	-
f)	Hedge Funds	171,803	170,113
g)	Real Estate Funds	492	481
	Total	**176,858**	**170,594**

3.2 Financial assets designated at fair value through profit and loss: breakdown by debtor/issuer

(in thousands of euro)		31/12/2010	31/12/2009
1	**Debt securities**	**4**	**9,814**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	4	4
	d) Other issuers	-	9,810
2	**Equity instruments**	**2,069**	**3,118**
	a) Banks	22	29
	b) Other issuers:	2,047	3,089
	- insurance companies	1,990	2,986
	- finance companies	-	-
	- non-finance companies	-	-
	- other	57	103
3	**UCIT units**	**176,858**	**170,594**
4	**Loans**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other parties	-	-
	Total	**178,931**	**183,526**

3.3 Financial assets designated at fair value through profit and loss: annual changes

	(in thousands of euro)	Debt securities	Equity instruments	UCIT units	Loans	Total
A	**Initial balances**	**9,814**	**3,118**	**170,594**	**-**	**183,526**
B	**Increases**	**1,064**	**206**	**14,210**	**-**	**15,480**
	1. Purchases	-	98	9,500	-	9,598
	2. Increases in fair value	-	3	2,514	-	2,517
	3. Other changes	1,064	105	2,196	-	3,365
C	**Decreases**	**(10,874)**	**(1,255)**	**(7,946)**	**-**	**(20,075)**
	1. Sales	(9,238)	(77)	(6,807)	-	(16,122)
	2. Redemptions	-	(19)	(379)	-	(398)
	3. Decreases in fair value	(1,331)	(1,087)	(746)	-	(3,164)
	4. Other changes	(305)	(72)	(14)	-	(391)
D	**Closing balances**	**4**	**2,069**	**176,858**	**-**	**178,931**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by instrument

	(in thousands of euro)	31/12/2010			31/12/2009		
		L1	L2	L3	L1	L2	L3
1	Debt securities	4,319,284	414,271	24,436	815,635	399,727	7,430
	1.1 Structured securities	-	-	-	-	-	-
	1.2 Other debt securities	4,319,284	414,271	24,436	815,635	399,727	7,430
2	Equity instruments	118,022	78,126	427,125	133,303	110,147	397,240
	2.1 Designated at fair value	117,981	75,027	389,102	133,262	107,045	349,763
	2.2 Valued at cost	41	3,099	38,023	41	3,102	47,477
3	UCIT units	60,754	-	149,158	80,180	-	112,804
4	Loans	-	-	-	-	-	-
	Total	**4,498,060**	**492,397**	**600,719**	**1,029,118**	**509,874**	**517,474**

Financial assets available for sale amounted to euro 5,591.2 million as at 31 December 2010. The significant increase in debt securities compared with the euro 2,056.5 million in the previous year is attributable to the progressive purchase of euro 3 billion in fixed-rate Italian Government securities (with a maximum maturity of June 2014), to exploit the interesting level of implicit profitability as described in the Report on Operations.
Most bonds have been hedged using derivatives, as shown in the following table "4.3 Financial assets available for sale subject to micro hedging", to obtain absolute returns on short term interest rates.

Conversely, equity instruments classified as available for sale are represented by shareholdings which cannot be classified as controlling, associated or joint control, and by private equity funds.

The table below presents the breakdown of UCIT units.

	(in thousands of euro)	31/12/2010	31/12/2009
a)	Share Funds	149,004	135,549
b)	Balanced Funds	-	-
c)	Bond Funds	5,643	5,824
d)	Liquidity Funds	-	-
e)	Flexible Funds	-	-
f)	Hedge Funds	20,310	23,020
g)	Real Estate Funds	34,955	28,591
	Total	**209,912**	**192,984**

4.2 Financial assets available for sale: breakdown by debtor/issuer

(in thousands of euro)		31/12/2010	31/12/2009
1	**Debt securities**	**4,757,991**	**1,222,792**
	a) Governments and Central Banks	4,219,220	793,780
	b) Other public entities	6,181	6,167
	c) Banks	291,683	208,476
	d) Other issuers	240,907	214,369
2	**Equity instruments**	**623,273**	**640,690**
	a) Banks	169,953	159,221
	b) Other issuers:	453,320	481,469
	- insurance companies	11,959	18,727
	- finance companies	73,260	115,169
	- non-finance companies	365,026	336,247
	- other	3,075	11,326
3	**UCIT units**	**209,912**	**192,984**
4	**Loans**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other parties	-	-
	Total	**5,591,176**	**2,056,466**

4.3 Financial assets available for sale subject to micro hedging

(in thousands of euro)		31/12/2010	31/12/2009
1	**Financial assets subject to micro fair value hedging**	**4,230,637**	**889,234**
	a) interest rate risk	4,175,526	843,469
	b) price risk	-	-
	c) exchange rate risk	55,111	45,765
	d) credit risk	-	-
	e) multiple risks	-	-
2	**Financial assets subject to micro cash flow hedging**	**-**	**-**
	a) interest rate risk	-	-
	b) exchange rate risk	-	-
	c) other	-	-
	Total	**4,230,637**	**889,234**

4.4 Financial assets available for sale: annual changes

(in thousands of euro)		Debt securities	Equity instruments	UCIT units	Loans	Total
A	**Initial balances**	**1,222,792**	**640,690**	**192,984**	**-**	**2,056,466**
B	**Increases**	**3,737,421**	**112,541**	**38,357**	**-**	**3,888,319**
	1. Purchases	3,599,693	32,773	24,349	-	3,656,815
	2. Increases in fair value	18,435	50,429	12,469	-	81,333
	3. Recoveries	173	3,077	54	-	3,304
	- charged to the income statement	173	-	-	-	173
	- charged to shareholders' equity	-	3,077	54	-	3,131
	4. Transfers from other portfolios	-	-	-	-	-
	- Financial assets held for trading	-	-	-	-	-
	- Financial assets held to maturity	-	-	-	-	-
	5. Other changes	119,120	26,262	1,485	-	146,867
C	**Decreases**	**(202,222)**	**(129,958)**	**(21,429)**	**-**	**(353,609)**
	1. Sales	(6,007)	(42,104)	(17,663)	-	(65,774)
	2. Redemptions	(30,536)	-	-	-	(30,536)
	3. Decreases in fair value	(105,537)	(51,669)	(2,589)	-	(159,795)
	4. Write-downs due to impairment	(16,514)	(36,166)	(1,177)	-	(53,857)
	- charged to the income statement	(16,514)	(36,024)	(1,053)	-	(53,591)
	- charged to shareholders' equity	-	(142)	(124)	-	(266)
	5. Transfers to other portfolios	-	-	-	-	-
	6. Other changes	(43,628)	(19)	-	-	(43,647)
D	**Closing balances**	**4,757,991**	**623,273**	**209,912**	**-**	**5,591,176**

Outcome of impairment tests on financial assets available for sale

On 31 December 2010, an impairment test was carried out to verify the objective existence of impairment losses and, if existing, to recognise impairment losses in the income statement, based on the criteria described in "Part A - Accounting policies" of these explanatory notes.
Specifically, for equity instruments, the Group's accounting policies require automatic recognition of a write-down, equal to the difference between the book value and the lower fair value, in the event of a decrease of over 30% in fair value or impairment which lasts uninterrupted for 24 months, except in exceptional circumstances.
For the remaining securities, a qualitative analysis was performed to identify any negative events which could lead to the belief that the book value of the assets may not be fully recovered.
On the whole, the impact of net adjustments (accounted for under the income statement item 130 b)) on the income statement amounted to euro 53.4 million (equal to the sum of the sub-items "Recoveries" and "Write-downs due to impairment" charged to the income statement shown in the table above).
For equity instruments, the main adjustments concerned the following investments:

- Banca Network Invest for euro 14.7 million;
- Milano Assicurazioni for euro 8.5 million;
- Stabila Group for euro 4.3 million;
- Aedes for euro 2.9 million;
- Gabetti for euro 2.5 million.

For debt securities, adjustments concerned:

- the impairment of the Tiepolo Finance II security, deriving from a loan transaction originated by the Group in December 2002, for which the underlying assets, eliminated on the basis of the previous accounting standards, were not recognised, as the transaction was finalised prior to 1 January 2004. The write-down of this security, which reflects the performance of the transaction, amounted to euro 5.3 million;
- the write-downs on policies with underlying securities of Icelandic banks, amounting to euro 5.9 million, acquired by the Group following the offer to exchange these assets with senior zero coupon bonds issued by Banco Popolare, in addition to a possible cash adjustment. This transaction is illustrated in detail in the section "Significant events during the year" in the Consolidated Report on Operations, to which reference is made.

Section 5 - Investments held to maturity - Item 50

5.1 Investments held to maturity: breakdown by instrument

(in thousands of euro)		31/12/2010				31/12/2009			
		Book Value	Fair Value			Book Value	Fair Value		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1	Debt securities	140,926	131,723	-	10,500	306,240	301,582	-	10,500
	1.1 Structured	-	33,452	-	-	-	14,639	-	-
	1.2 Other	140,926	98,271	-	10,500	306,240	286,943	-	10,500
2	Loans	-	-	-	-	-	-	-	-
	Total	**140,926**	**131,723**	**-**	**10,500**	**306,240**	**301,582**	**-**	**10,500**

Investments held to maturity amounted to euro 140.9 million as at 31 December 2010, decreasing by 54% on the same figure at the end of 2009, amounting to euro 306.2 million, attributable to physiological redemptions which occurred during the year. Investments held to maturity are mainly represented by securities from government issuers (mainly government bonds).

Level 3 assets, amounting to euro 10.5 million, are comprised of bonds issued by Lehman Brothers Holding, at a fixed-rate of 4% with maturity in May 2011, for a nominal amount of euro 35 million, considered as non-performing assets.

5.2 Investments held to maturity: breakdown by debtor/issuer

(in thousands of euro)		31/12/2010	31/12/2009
1	**Debt securities**	**140,926**	**306,240**
	a) Governments and Central Banks	124,906	255,129
	b) Other public entities	-	-
	c) Banks	-	36,323
	d) Other issuers	16,020	14,788
2	**Loans**	**-**	**-**
	a) Governments and Central Banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other parties	-	-
	Total	**140,926**	**306,240**
	Total Fair Value	**142,223**	**312,082**

5.3 Investments held to maturity subject to micro hedging

(in thousands of euro)		31/12/2010	31/12/2009
1	**Investments held to maturity subject to micro fair value hedging**	**-**	**-**
	a) interest rate risk	-	-
	b) price risk	-	-
	c) exchange rate risk	-	-
	d) credit risk	-	-
	e) multiple risks	-	-
2	**Investments held to maturity subject to micro cash flow hedging**	**5,402**	**4,287**
	a) interest rate risk	-	-
	b) exchange rate risk	-	-
	c) other	5,402	4,287
	Total	**5,402**	**4,287**

5.4 Investments held to maturity: annual changes

(in thousands of euro)		Equity securities	Loans	Total
A	**Initial balances**	**306,240**	**-**	**306,240**
B	**Increases**	**40,015**	**-**	**40,015**
	1. Purchases	37,765	-	37,765
	2. Recoveries	-	-	-
	3. Transfers from other portfolios	-	-	-
	4. Other changes	2,250	-	2,250
C	**Decreases**	**(205,329)**	**-**	**(205,329)**
	1. Sales	(4,968)	-	(4,968)
	2. Redemptions	(193,748)	-	(193,748)
	3. Adjustments	-	-	-
	4. Transfers to other portfolios	-	-	-
	5. Other changes	(6,613)	-	(6,613)
D	**Closing balances**	**140,926**	**-**	**140,926**

Sales relate to Bipielle Bank (Suisse) S.A. in liquidation.

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by product

(in thousands of euro)		31/12/2010	31/12/2009
A	**Due from Central Banks**	**667,916**	**1,454,941**
	1. Time deposits	-	80,085
	2. Mandatory reserves	663,497	1,359,679
	3. Repurchase agreements	-	-
	4. Other	4,419	15,177
B	**Due from banks**	**6,897,187**	**8,111,407**
	1. Current accounts and demand deposits	2,171,547	1,967,770
	2. Time deposits	3,108,017	4,112,244
	3. Other loans:	1,425,290	1,856,236
	3.1 Repurchase agreements	384,473	1,003,596
	3.2 Financial leases	13,177	17,136
	3.3 other	1,027,640	835,504
	4. Debt securities	192,333	175,157
	4.1 Structured securities	-	-
	4.2 Other debt securities	192,333	175,157
	Total (book value)	**7,565,103**	**9,566,348**
	Total (fair value)	**7,565,103**	**9,566,348**

For the analysis of non-performing assets, refer to table A.1.1 "Distribution of financial assets by portfolio and credit quality (book values)" in part E of the Consolidated Explanatory Notes.

6.2 Due from banks subject to micro hedging

There are no receivables due from banks subject to micro hedging.

6.3 Financial leases

	31/12/2010					
	Non-performing loans	Minimum payments			Gross investment	
		Principal	*of which guaranteed residual value*	Interest		*of which non-guaranteed residual value*
- On demand	-	211	-	20	230	-
- Up to 3 months	-	395	-	54	449	-
- From 3 months to 1 year	-	1,376	13	199	1,575	-
- From 1 year to 5 years	-	9,681	3,133	539	10,219	-
- Over 5 years	-	1,103	177	145	1,248	-
- Undefined term	-	-	-	-	-	-
Net total	**-**	**12,766**	**3,323**	**957**	**13,721**	**-**

The financial lease transactions shown in the table relate to operations of Banca Italease and its subsidiaries. Note that the minimum payments of principal for performing loans do not include any portfolio adjustments or the amortised cost effect.

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: breakdown by product

	(in thousands of euro)	31/12/2010		31/12/2009	
		Performing	Non-Performing	Performing	Non-Performing
1	Current accounts	14,958,556	1,597,130	15,455,583	1,569,257
2	Repurchase agreements	1,763,763	-	2,016,603	-
3	Mortgage loans	41,539,538	3,934,203	39,165,647	3,778,178
4	Credit cards, personal loans and salary-backed loans	343,609	22,516	374,033	21,068
5	Financial leases	4,180,662	2,253,580	5,476,141	3,347,823
6	Factoring	38,371	2	27,104	90
7	Other operations	21,380,941	1,536,170	21,407,412	1,024,441
8	Debt securities	902,364	10,500	1,676,322	10,523
	8.1 Structured securities	-	-	-	-
	8.2 Other debt securities	902,364	10,500	1,676,322	10,523
	Total (book value)	**85,107,804**	**9,354,101**	**85,598,845**	**9,751,380**
	Total (fair value)	**87,424,499**	**9,396,492**	**87,906,467**	**9,821,771**

The item "other operations" for the previous year was reclassified in the amount of euro 51,030 thousand, relating to a capitalisation agreement entered into by Banco Popolare, previously recognised under "other debt securities", following clarifications provided by Supervisory Authority in February 2011.

7.2 Loans to customers: breakdown by debtor/issuer

	(in thousands of euro)	31/12/2010		31/12/2009	
		Performing	Non-Performing	Performing	Non-Performing
1	**Debt securities**	**902,364**	**10,500**	**1,676,322**	**10,523**
	a) Governments	-	-	-	-
	b) Other public entities	-	-	-	-
	c) Other issuers	902,364	10,500	1,676,322	10,523
	- non-finance companies	2,188	-	27,514	-
	- finance companies	835,777	10,500	1,624,959	10,523
	- insurance companies	-	-	23,849	-
	- other	64,399	-	-	-
2	**Loans to:**	**84,205,440**	**9,343,601**	**83,922,522**	**9,740,858**
	a) Governments	57,328	2	68,269	2
	b) Other public entities	563,891	3,769	515,254	4,209
	c) Other parties	83,584,221	9,339,830	83,338,999	9,736,647
	- non-finance companies	58,765,337	7,713,567	59,348,575	8,137,973
	- finance companies	5,851,268	256,481	6,390,635	273,704
	- insurance companies	93,457	36	650,101	11,243
	- other	18,874,159	1,369,746	16,949,688	1,313,727
	Total	**85,107,804**	**9,354,101**	**85,598,844**	**9,751,381**

7.3 Loans to customers subject to micro hedging

Loans to customers subject to micro hedging amounted to euro 265.5 million as at 31 December 2010, relating to micro hedging of fair value for interest rate risk.

7.4 Financial leases

	31/12/2010					
	Non-performing loans	Minimum payments			Gross investment	
		Principal	*of which guaranteed residual value*	Interest		*of which non-guaranteed residual value*
- On demand	539	50,707	138	11,492	57,603	-
- Up to 3 months	45,882	126,551	1,679	28,247	142,650	-
- From 3 months to 1 year	817,361	500,841	18,962	106,572	563,913	-
- From 1 year to 5 years	818,151	1,493,444	118,593	363,298	1,731,271	-
- Over 5 years	571,297	1,866,336	619,545	322,914	2,098,211	-
- Undefined term	53	7,477	3,729	80	24,744	2,400
Net total	**2,253,283**	**4,045,356**	**762,646**	**832,603**	**4,618,392**	**2,400**

The financial lease transactions shown in the table relate to operations of Banca Italease and its subsidiaries. Note that the minimum payments of principal for performing loans do not include any portfolio adjustments or the amortised cost effect.

Section 8 - Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by hedge type and level

(in thousands of euro)	31/12/2010				31/12/2009			
	Fair Value			Notional value	Fair Value			Notional value
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**201,969**	**-**	**8,842,031**	**-**	**130,758**	**-**	**1,074,451**
1. Fair value	-	178,845	-	6,492,031	-	130,623	-	1,049,898
2. Cash flows	-	23,124	-	2,350,000	-	-	-	-
3. Foreign investments	-	-	-	-	-	135	-	24,553
B) Loan derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**201,969**	**-**	**8,842,031**	**-**	**130,758**	**-**	**1,074,451**

8.2 Hedging derivatives: breakdown by portfolio hedged and hedge type (book value)

	(in thousands of euro)	Fair Value						Cash Flows		Foreign investments
		Micro					Macro	Micro	Macro	
		Interest rate risk	Exchange rate risk	Exchange Credit risk	Exchange Price risk	Multiple Risks				
1	Financial assets available for sale	1,101	-	-	-	-	X	-	X	X
2	Loans	-	-	-	X	-	X	-	X	X
3	Investments held to maturity	X	-	-	X	-	X	23,124	X	X
4	Portfolio	-	-	-	-	-	-	-	-	X
5	Other operations	X	X	X	X	X	X	X	X	-
	Total assets	**1,101**	**-**	**-**	**-**	**-**	**-**	**23,124**	**-**	**-**
1	Financial liabilities	163,393	-	-	X	-	X	-	X	X
2	Portfolio	-	-	-	-	-	14,351	-	-	X
	Total liabilities	**163,393**	**-**	**-**	**-**	**-**	**14,351**	**-**	**-**	
1	Expected transactions	X	X	X	X	X	X	-	X	X
2	Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 9 - Change in fair value of financial assets in macro fair value hedge portfolios - Item 90

9.1 - Change in fair value of hedged assets: breakdown by hedged portfolios

(in thousands of euro)		31/12/2010	31/12/2009
1	**Positive change**	**12,337**	**7,267**
	1.1 In specific portfolios:	12,337	7,267
	a) loans	12,337	7,267
	b) financial assets available for sale	-	-
	1.2 Overall	-	-
2	**Negative change**	**-**	**-**
	2.1 In specific portfolios:	-	-
	a) loans	-	-
	b) financial assets available for sale	-	-
	2.2 Overall	-	-
	Total	**12,337**	**7,267**

The fair value change of financial assets in macro fair value hedge portfolios regards a portfolio of mortgage loans included in the item "loans to customers". The amount of loans subject to macro hedging is shown in table 9.2 below.
The related hedging derivatives, which had a negative value as at 31 December 2010, are shown in the item "60 Hedging derivatives" under balance sheet liabilities.
Income and charges from the valuation of hedging derivatives and the hedged portfolio are recognised under item 90 "Fair value adjustments in hedge accounting".

9.2 Assets subject to macro interest rate risk hedging

(in thousands of euro)		31/12/2010	31/12/2009
1	Loans	152,746	142,026
2	Financial assets available for sale	-	-
3	Portfolio	-	-
	Total	**152,746**	**142,026**

Section 10 - Investments in associates and companies subject to joint control – Item 100

10.1 Investments in companies subject to joint control (carried at equity) and in companies subject to significant influence: information on participative relationships

Company name	Registered offices	Type of relationship (a)	Investment relationship		% of available votes (b)
			Holder	% held	
A. Companies carried at equity					
A.1 Subject to joint control					
N/A					
A.2 Subject to significant influence					
Agos-Ducato S.p.A.	Milan	(8)	Banco Popolare	39.000%	
Alba Leasing S.p.A.	Milan	(8)	Banca Italease	32.790%	
			Mercantile Leasing	n.s.	
Alfa Iota 2002 S.r.l.	Milan	(8)	Efibanca	35.000%	
Aosta Factor S.p.A.	Aosta	(8)	Banco Popolare	13.793%	
			Banca Italease	6.897%	
Arca SGR S.p.A.	Milan	(8)	Banco Popolare	10.280%	
			Holding di Partecipazioni	7.568%	
			Banca Pop. di Cremona	5.310%	
			Banca Pop. di Crema	5.118%	
Arcene Immobili S.r.l. (in liquidation)	Lodi	(8)	Banca Popolare Lodi	50.000%	
Arcene Infra S.r.l. (in liquidation)	Lodi	(8)	Banca Popolare Lodi	50.000%	
Assipromos S.r.l. (in liquidation)	Livorno	(8)	C.R. Lucca Pisa Livorno	34.000%	
AviPop Assicurazioni S.p.A.	Milan	(8)	Holding di Partecipazioni	49.999%	
Bertani Holding S.p.A.	Verona	(8)	Efibanca	22.330%	
Bussentina S.c.a.r.l.	Rome	(8)	Bipielle Real Estate	20.000%	
Co.Ge.Vi. S.A.	E - Guadalajara	(8)	Bormioli Rocco (Spagna) S.A.	37.300%	
Cores Costruzioni Residenziali S.r.l.	Milan	(8)	Banca Popolare Lodi	32.500%	
Energreen S.A.	L - Luxembourg	(8)	Efibanca	45.000%	
Estates Capital Venture S.A.	L - Luxembourg	(8)	Efibanca	43.368%	
Eurocasse SIM S.p.A. (in liquidation)	Milan	(8)	Banco Popolare	20.795%	
		(8)	C.R. Lucca Pisa Livorno	0.186%	
Finanziaria ICCRI BBL S.p.A. (in liquidation)	Milan	(8)	Banco Popolare	50.000%	
Finoa S.r.l. (*)	Milan	(8)	Banco Popolare	50.000%	
G.I. Holding S.p.A.	Milan	(8)	Efibanca	26.253%	26.600%
GEMA Magazzini Generali BPV-BSGSP S.p.A.	Castelnovo Sotto (RE)	(8)	BPV-SGSP	33.333%	
HI-MTF SIM S.p.A.	Milan	(8)	Banca Aletti	20.000%	
Immobiliare Centro Milano S.p.A.	Milan	(8)	Release	33.333%	
Immobiliare Marinai d'Italia S.r.l.	Lodi	(8)	Banca Popolare Lodi	23.188%	
Istituto Centrale delle Banche Popolari Italiane S.p.A.	Milan	(8)	Banco Popolare	15.166%	
			Holding di Partecipazioni	5.766%	
Novara Promuove S.r.l. (in liquidation)	Novara	(8)	Banca Popolare di Novara	49.000%	
Pantex International S.p.A.	Pescara	(8)	Efibanca	50.000%	
Phoenix S.p.A.	Verona	(8)	Efibanca	40.000%	
P.M.G. S.r.l. in liquidation	Milan	(8)	Banca Popolare Lodi	50.000%	
Popolare Vita S.p.A.	Verona	(8)	Banco Popolare	25.612%	
			Holding di Partecipazioni	24.388%	
Portone S.c.a.r.l. (in liquidation)	Ravenna	(8)	Bipielle Real Estate	30.000%	
Renting Italease S.r.l.	Rome	(8)	Italease Gestione Beni	50.000%	
S.E.T.A. Società Edilizia Tavazzano S.r.l.	Milan	(8)	Banca Popolare Lodi	32.500%	
Soc. Coop. fra le Banche Pop. "L.Luzzatti" S.c.r.l.	Rome	(8)	Banco Popolare	26.693%	
Tre Pi S.p.A. (agreement with creditors)	Rome	(8)	Efibanca	20.000%	
Triera Power S.p.A.	Rovigo	(8)	Bio Energy	30.000%	
B. Companies consolidated proportionately					
N/A					

(a) Type of relationship:
(7) Joint control
(8) Associated company
(b) The availability of effective votes during ordinary shareholders' meeting is only indicated if it differs from the percentage of investment in the share capital.
(*) Company undergoing divestiture as per IFRS 5.

10.2 Investments in companies subject to joint control and in companies subject to significant influence: accounting information

(in thousands of euro)	Total assets	Total revenues	Income (Loss)	Shareholder s' equity	Consolidated book value	Fair Value
A. Companies carried at equity						
A.1 Subject to joint control					-	X
A.2 Subject to significant influence					**1.641.429**	
Agos-Ducato S.p.A.	20,744,384	1,613,947	149,808	1,790,247	1,116,164	*
Alba Leasing S.p.A. (1)	5,520,923	8	(3,247)	340,976	121,761	*
Alfa Lota 2002 S.r.l.	191	-	(14)	106	37	*
Aosta Factor S.p.A.	115,775	4,520	(1,549)	25,983	5,376	*
Arca SGR S.p.A.	169,791	172,560	7,435	113,560	39,486	*
Arcene Immobili S.r.l. (in liquidation)	2,904	-	(24)	(1,498)	-	*
Arcene Infra S.r.l. (in liquidation)	5,844	-	(47)	(1,004)	-	*
Assipromos S.r.l. (in liquidation)	129	5	(3)	(32)	-	*
AviPop Assicurazioni S.p.A.	160,573	54,941	689	46,326	-	*
Bertani Holding S.p.A.	23,310	9,858	46	11,491	5,619	*
Bussentina S.c.a.r.l.	446	2	1	(277)	-	*
Co.Ge.Vi. S.A.	3,433	12,688	-	713	266	*
Cores Costruzioni Residenziali S.r.l.	784	179	79	578	-	*
Energreen S.A.	671,822	77,602	(7,589)	68,527	36,563	*
Estates Capital Venture S.A.	5,149	-	(169)	2,079	902	*
Eurocasse SIM S.p.A. (in liquidation)	9,263	56	(558)	(17,209)	-	*
Finanziaria ICCRI BBL S.p.A. (in liquidation)	2,768	1	(99)	2,396	1,199	*
G.I. Holding S.p.A. (2)	20,958	29,989	(3,210)	(696)	-	*
GEMA Magazzini Generali BPV - BSGSP S.p.A.	5,345	1,248	(533)	3,861	1,185	*
HI-MTF S.p.A.	5,005	2,720	547	4,514	903	*
Immobiliare Centro Milano S.p.A.	99,838	-	(107)	813	40	*
Immobiliare Marinai d'Italia S.r.l.	9,331	3	(132)	2,509	-	*
Istituto Centrale delle Banche Popolari Italiane (2)	6,895,561	1,345,457	94,766	617,860	142,853	*
Novara Promuove S.r.l. (in liquidation)	104	62	(47)	84	41	*
Pantex Sud S.r.l.	19,441	27,082	662	5,026	4,638	*
Phoenix S.p.A.	159	28	(22)	57	120	*
P.M.G. S.r.l. (in liquidation)	23,835	957	743	(5,515)	-	*
Popolare Vita S.p.A.	9,001,050	3,106,101	(5,932)	314,375	158,925	*
Portone S.c.a.r.l. (in liquidation)	93	95	-	26	8	*
Renting Italease S.r.l.	32,756	19,793	79	4,260	2,130	*
S.E.T.A. Società Edilizia Tavazzano S.r.l.	1,509	65	8	98	-	*
Società Coop. fra le Banche Pop. "L. Luzzatti" S.c.r.l.	5,570	-	5,088	(26)	1,369	*
Tre Pi S.p.A. (agreement with creditors)	1,409	187	98	(20,607)	-	*
Triera Power S.r.l.	11,953	1	(30)	8,993	1,844	*
B. Companies consolidated proportionately						

Notes
** Unlisted company*
(1) The figures relate to the first half of the year, as the company has not yet drawn up and approved its financial statements as at 31 December 2010
(2) The figures shown relate to the consolidated financial statements

10.3 Investments in associates and companies subject to joint control: annual changes

(in thousands of euro)	2010	2009
A. Initial balances	**1,637,221**	**1,457,405**
B. Increases	**111,209**	**341,867**
B.1 Purchases	26,213	233,762
B.2 Recoveries		-
B.3 Revaluations		-
B.4 Other changes	84,996	108,105
C. Decreases	**(107,001)**	**(162,051)**
C.1 Sales	(28,078)	(39,063)
C.2 Adjustments	(1,138)	(9,132)
C.3 Other changes	(77,785)	(113,856)
D. Closing balances	**1,641,429**	**1,637,221**
E. Total revaluations		
F. Total adjustments	**(526,478)**	**(525,340)**

Purchases include the payment for future share capital increases to the subsidiary Popolare Vita for a total of euro 20.0 million; payment of the residual portion of euro 5.2 million to the associate Avipop Assicurazioni relating to the share capital increase resolved by the company in April 2009 and, as part of merchant banking activities, the payment of euro 0.9 million for a share capital increase of Triera Power.

The other increases include profits on equity valuation of euro 71.6 million and the gain on disposal of investments of euro 4.8 million (details are set forth in Section 16 of the income statement).

Sales represent the value of disposals during the year, and refer to the subsidiary Polo Finanziario for euro 13.0 million, to shares in Istituto Centrale Banche Popolare Italiane for euro 12.0 million, to the subsidiary Centrosim for euro 2.3 million and to AF Mezzanine for euro 0.7 million.

Losses on impairment amounted to euro 1.1 million (details in Section 16 of the income statement).

The other decreases include losses on equity valuation of euro 32.9 million (details are set forth in Section 16 of the income statement) and the changes in reserves of companies carried at equity, attributable to the Group for euro 40.9 million.

Criteria used for determining the recoverable value of the investments in associates and companies subject to joint control for the purpose of drawing up the financial statements as at 31 December 2010.

To quantify impairment, the book value of the investment was compared with its recoverable value. Based on the provisions of IAS 36, the recoverable value is the higher of fair value net of costs to sell and value in use.
The valuations of investments in associates and companies subject to joint control which had a book value significantly higher than their pro-quota equity are shown below, or:

- for valuation of the investment held in Agos-Ducato, given that there is a Plan in place, it was decided to use the Dividend Discount Model ("DDM"), according to which the value of a company is based on the dividend flows that it is capable of generating with a view to the future. In the case in point, the method used is Excess Capital DDM, which expresses economic value as the sum of the current value of future cash flows generated over the selected time period of planning, which can be distributed to shareholders while maintaining a suitable level of capitalisation to guarantee expected future development, and a terminal value equal to the perpetual capitalisation of the normalised dividend for the last year of the Plan, based on a pay-out ratio depending on profitability at full operation. Specifically, the Plan was adjusted, assuming a return on cost of risk, understood as the amount of allocations to Bad Debt Provisions, at values in line with the average of the last few years, and with the forecast estimates of Agos-Ducato;
- for the valuation of the investment in Istituto Centrale delle Banche Popolari Italiane (ICBPI), the prices for the sale of 3.36% of ICBPI by Banco Popolare to Banca Popolare di Cividale and to Banca Sella, in February 2011, were used;
- for the valuation of the investment in Arca SGR, the same methods used for determining the fair value of Asset Management operations in the Private & Investment Banking CGU described in detail in the section Intangible Assets were used.

For the valuation if the investments in Popolare Vita and Avipop Assicurazioni, refer to that set forth in Section 13 below.

The results of valuations conducted as above did not result in the need to record any adjustments. The adjustment posted to the investments in associates and companies subject to joint control, amounting to euro 1.1 million, mainly refer to Centrosim, whose consolidated book value was aligned with the disposal price.

10.4 Commitments relating to investments in companies subject to joint control

There are no commitments relating to investments in companies subject to joint control.

10.5 Commitments relating to investments in companies subject to significant influence

The Extraordinary Shareholders' Meeting of Avipop Assicurazioni of 19 January 2011 resolved a share capital increase for a total of euro 20 million, to be carried out in several tranches, by no later than 30 June 2012, through the issue of 20 million shares to be placed at par. On the same date the shareholders subscribed and paid in an initial tranche as payment for future share capital increases for a total of euro 10 million.
Following this operation, the Banco Popolare Group, through its subsidiary Holding di Partecipazioni Finanziarie BP, paid in euro 5 million, remaining commitment to the company for the residual amount of euro 5 million.

It is also noted that in February 2011 Banco Popolare and its subsidiary Holding di Partecipazioni Finanziarie BP made a payment for future share capital increases in the subsidiary Popolare Vita, which can also be used to cover losses for the year, totalling euro 50 million.

Commitments deriving from consumer credit agreements with Credit Agricole

Banco Popolare signed a shareholders' agreement with Credit Agricole Consumer Finance - CACF (Credit Agricole Group) which entered into force on 22 December 2008. Under this agreement, among other things, if, within a business combination project with other banks which control a company operating in consumer credit, or if the Bank acquires a new party which controls an entity operating in consumer credit, the Bank should own a new company operating in the above sector, it must offer Agos-Ducato the new entity indirectly acquired, which operates in the consumer credit sector, at market price. In the event that the Bank has not transferred the new entity to third parties in the meantime and has not renewed the commercial agreements signed with Agos-Ducato on their second expiry, CACF will have the right to purchase from the Bank, which will be legally required to sell, 5% of the share capital of Agos-Ducato at nominal value.

Commitments deriving from bancassurance agreements

Commitments to Fondiaria-SAI

The clauses in the shareholders' agreements assign control of Popolare Vita to Fondiaria-SAI and involve the granting of mutual put and call options in the event that the partnership is wound up. Specifically, according to the provisions of the shareholders' agreement, Fondiaria-SAI may resell its 50% plus one share in the share capital of Popolare Vita to Banco Popolare, if the following occur:

- change of control of Banco Popolare;
- violation of the exclusive rights granted by Banco Popolare under the distribution agreement and/or serious violations of said agreement;
- Banco Popolare's failure to renew the distribution agreement;
- Popolare Vita's failure to renew the distribution agreement as a result of a decision taken through favourable vote of Fondiaria-SAI, provided that at the expiry date of the distribution agreement (31/12/2017) the amount of premiums issued is 20% lower than that set forth in the Business Plan (underperformance);
- Banco Popolare, even through its subsidiary Holding di Partecipazioni Finanziarie BP, ceases to hold an interest lower than 50% minus one share in the share capital of Popolare Vita.

If the option is exercised, the value of the sale will be determined using current market methods, by an independent expert appointed by the parties.
The distribution agreement between Popolare Vita and Banco Popolare's networks has a term of ten years, and can be renewed for additional periods of 5 years.

Commitments to Aviva Italia Holding

Banco Popolare and Aviva Italia Holding have signed a shareholders' agreement to govern the business aspects of their partnership and the corporate governance rules of Avipop Assicurazioni. Among other aspects, the agreement contains put and call options, in the event the partnership is wound up.
Specifically, according to the shareholders' agreement, Aviva Italia Holding may resell its 50% (plus one share) of the share capital of Avipop Assicurazioni to Banco Popolare, if the following occur:

- change of control of Banco Popolare;
- serious violation by Banco Popolare of the exclusive rights granted by the distribution agreement;
- Banco Popolare's failure to renew the distribution agreement;
- Avipop Assicurazioni's failure to renew the distribution agreement as a result of a decision taken through favourable vote of Aviva Italia Holding, provided that at the expiry date of the distribution agreement (31/12/2017) the amount of premiums issued is 70% lower than that set forth in the Business Plan (underperformance);
- the entry into force of a law and/or the issue of a provision, before the first expiry of the Agreement, which

eliminates the exclusivity restriction provided by the distribution agreement;
- the issue of a provisions which, before the first expiry of the Agreement, requires that Banco Popolare distribute insurance products in the protection segment with parties other than Avipop Assicurazioni;
- underperformance (understood as the achievement of a total volume of product sales, gross of redemptions, in any period of three years starting from 1 January 2009, lower than 20% in terms of value of premiums collected, than that set forth in the business plan for the same three-year period).

If the option is exercised, the value of the sale will be determined using current market methods, by an independent expert appointed by the parties.
The distribution agreement between Avipop Assicurazioni and Banco Popolare's networks has a term of ten years, and can be renewed for additional periods of 5 years.

Section 11 - Technical reserves borne by reinsurers – Item 110

The Group does not hold investments in insurance companies.

Section 12 - Property and equipment - Item 120

As at 31 December 2010, property and equipment amounted to euro 2,447.7 million, compared with euro 1,442.5 million recorded in the previous year. This increase refers, on one hand to the contribution of the real estate assets of the investments acquired during the year, totalling around euro 280 million (of which euro 251.3 million regards companies which became part of the Banco Popolare Group following the agreements with the Risanamento Group), and on the other hand, to the properties purchased by Banca Italease and Release, totalling euro 762.9 million, following the termination of contracts with several important customers in default, which resulted in the re-possession of the properties covered by the lease contracts ("*datio in solutum*").

12.1 Property and equipment: breakdown of assets carried at cost

(in thousands of euro)	31/12/2010	31/12/2009
A) Assets used in operations		
1.1 Owned	**1,095,736**	**1,215,725**
a) land	309,668	327,572
b) buildings	540,409	615,139
c) furniture	48,855	53,433
d) electronic equipment	43,675	49,260
e) other	153,129	170,321
1.2 Acquired under financial lease	**47,155**	**43,295**
a) land	8,874	19,314
b) buildings	37,417	23,867
c) furniture	-	-
d) electronic equipment	-	-
e) other	864	114
Total A	**1,142,891**	**1,259,020**
B) Assets held for investment purposes		
2.1 Owned	**1,247,011**	**123,427**
a) land	568,758	49,959
b) buildings	678,253	73,468
2.2 Acquired under financial lease	**54,847**	**60,015**
a) land	34,950	33,203
b) buildings	19,897	26,812
Total B	**1,301,858**	**183,442**
Total (A+B)	**2,444,749**	**1,442,462**

The useful life of property and equipment subject to depreciation is shown below, broken down by asset type:

- land	indefinite
- buildings	33 years
- assets held for investment purposes	33 years
- furniture and furnishings	7-9 years
- equipment	3-7 years

12.2 Property and equipment: breakdown of assets designated at fair value through profit and loss or revalued

The Group does not hold property and equipment designated at fair value at through profit or loss or revalued.

12.3 Property and equipment used in operations: annual changes

(in thousands of euro)	Land	Buildings	Furniture	Electrical equipment	Other	Total
A) Gross initial balances	**352,961**	**950,534**	**244,893**	**434,965**	**816,030**	**2,799,383**
A.1 Total net impairment	(6,075)	(311,528)	(191,460)	(385,705)	(645,595)	(1,540,363)
A.2 Net initial balances	**346,886**	**639,006**	**53,433**	**49,260**	**170,435**	**1,259,020**
B) Increases:	**12,703**	**47,665**	**10,768**	**22,616**	**38,556**	**132,308**
B.1 Purchases	11,364	42,723	8,602	16,951	38,233	117,873
B.2 Capitalised leasehold improvement costs	-	23	-	-	-	23
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	1	15	-	16
B.6 Transfers from properties held for investment purposes	-	-	-	-	-	-
B.7 Other changes	1,339	4,919	2,165	5,650	323	14,396
C) Decreases	**(41,047)**	**(108,845)**	**(15,346)**	**(28,201)**	**(54,998)**	**(248,437)**
C.1 Sales	(3,159)	(2,933)	(1,610)	(5,862)	(414)	(13,978)
C.2 Depreciation	-	(27,780)	(11,618)	(22,176)	(38,862)	(100,436)
C.3 Adjustments for impairment charged to:	-	-	-	-	(1,302)	(1,302)
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	(1,302)	(1,302)
C.4 Decreases in fair value charged to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	(1)	(14)	-	(15)
C.6 Transfers to:	(10,736)	(6,584)	-	-	-	(17,320)
a) property and equipment held for investment purposes	(10,728)	(6,584)	-	-	-	(17,312)
b) non-current assets held for sale and discontinued operations	(8)	-	-	-	-	(8)
C.7 Other changes	(27,152)	(71,548)	(2,117)	(149)	(14,420)	(115,386)
D) Net closing balances	**318,542**	**577,826**	**48,855**	**43,675**	**153,993**	**1,142,891**
D.1 Total net impairment	3,245	324,848	198,648	393,394	663,645	1,583,780
D.2 Gross closing balances	**321,787**	**902,674**	**247,503**	**437,069**	**817,638**	**2,726,671**
E) Valuation at cost	-	-	-	-	-	-

12.4 Property and equipment held for investment purposes: annual changes

(in thousands of euro)	Land	Buildings	Total
A) Initial balances	**83,162**	**100,280**	**183,442**
B) Increases	**638,966**	**723,260**	**1,362,226**
B.1 Purchases	565,736	615,965	1,181,701
(of which for business combinations)	201,689	85,782	287,471
B.2 Capitalised leasehold improvement costs	-	-	-
B.3 Increases in fair value	-	-	-
B.4 Recoveries	528	654	1,182
B.5 Exchange gains	-	-	-
B.6 Transfers from properties used in operations	10,728	6,584	17,312
B.7 Other changes	61,974	100,057	162,031
C) Decreases	**(118,420)**	**(125,390)**	**(243,810)**
C.1 Sales	(792)	(2,890)	(3,682)
C.2 Depreciation	-	(11,711)	(11,711)
C.3 Decreases in fair value	-	-	-
C.4 Losses on impairment	(3,918)	(12,476)	(16,394)
C.5 Exchange losses	-	-	-
C.6 Transfers to other portfolios of assets	(35,587)	(30,575)	(66,162)
a) properties used in operations	-	-	-
b) non-current assets held for sale	(35,587)	(30,575)	(66,162)
C.7 Other changes	(78,123)	(67,738)	(145,861)
D) Closing balances	**603,708**	**698,150**	**1,301,858**
E) Designation at fair value through profit and loss	**622,676**	**739,346**	**1,362,022**

12.5 Commitments to purchase property and equipment

There are no commitments to purchase property and equipment.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of assets

(in thousands of euro)	31/12/2010		31/12/2009	
	Defined term	Undefined term	Defined term	Undefined term
A.1 Goodwill	**X**	**4,408,665**	**X**	**4,474,030**
A.1.1 pertaining to the Group	X	4,408,665	X	4,474,030
A.1.2 attributable to minority interests	X		X	
A.2 Other intangible assets	**540,877**	**222,200**	**584,512**	**236,400**
A.2.1 Assets carried at cost:	540,877	222,200	584,512	236,400
a) Internally generated intangible assets	-	-	-	-
b) Other assets	540,877	222,200	584,512	236,400
A.2.2 Assets designated at fair value through profit and loss:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**540,877**	**4,630,865**	**584,512**	**4,710,430**

Intangible assets with undefined term are represented by goodwill and trademarks, for which impairment tests were conducted as illustrated in paragraph 13.1.1 below.
Intangible assets with defined term include intangibles recorded under Purchase Price Allocation (P.P.A.) for euro 430.9 million and relating to the valuation of the Client Relationship. The remaining portion mainly relates to software.

13.1.1 Undefined term intangible assets: impairment testing

Attribution of goodwill and other intangible assets with undefined useful lives to cash-generating units

Pursuant to paragraph 66 of IAS 36 if there is evidence that an asset is impaired, the recoverable value of the individual asset must be estimated. If it is not possible to estimate the recoverable value of the individual asset, the recoverable value of the cash generating unit to which the asset belongs must be estimated.

With specific reference to goodwill, paragraph 80 specifies that for impairment testing, at the acquisition date, goodwill acquired through a business combination must be allocated to each of the acquirer's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:
(a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes;
(b) not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

To identify cash generating units to which assets subject to impairment testing are to be allocated, the potential units identified must generate significant cash flows that are independent from those deriving from other potential units identified.

In line with that set forth in the financial statements as at 31 December 2008 and 2009, the cash generating units to which goodwill and other intangible assets with undefined useful lives (trademarks) are allocated are not the same as the individual legal entities comprising the operating segments pursuant to IFRS 8. The Network Banks may no longer be considered substantially independent cash generating units for the following reasons:

- concentration of treasury management and the issue of bonds targeted to both institutional and retail customers within the Parent Company;
- transformation of the Network Banks into providers of services created by the product companies, including joint ventures of the Parent Company;
- determination of strategies relating to the types of products to be placed by the Network Banks at Parent Company level;
- remuneration and incentive policies are standardised for network personnel;
- reorganisation of the commercial network by swapping bank branches among the various Network Banks in order to maximise their overall profitability and efficiency by increasing the local presence guaranteed by the existence of a single brand overseeing the local areas where the Group operates;
- optimisation of the commercial network;
- strengthening of the Parent Company structures in order to achieve better coordination of lending policies and credit monitoring;
- completion of the Large Corporate Project, which foresees the transfer of all customer relations in this segment to the Parent Company, in addition to the centralisation with Banco Popolare of the commercial management of customers of national importance without historical roots, featuring complex financial needs;
- set up of a reporting and internal control system to guarantee direct monitoring of the performance of the Network Banks CGU and thereby allow the Parent Company to more effectively exercise its powers of strategic guidance.

In light of the above considerations, the cash and income flows generated by the Network Banks are increasingly intertwined, confirming the necessity to include them in a single CGU.

The Private & Investment Banking CGU includes Banca Aletti and the 100%-owned trust companies (Aletti Fiduciaria and Aletti Trust) as the activities carried out by these companies are ancillary to the parent company's activities.

In line with the methods implemented din the previous year, for the purpose of drawing up the financial statements as at 31 December 2010, impairment testing of intangible assets with an undefined useful life was conducted on:

- a CGU including all the Network Banks: Banca Popolare di Verona - S. Geminiano e S. Prospero, Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Credito Bergamasco, Banca Popolare di Crema and Banca Popolare di Cremona;
- a CGU corresponding to the companies operating in the Private & Investment Banking area, mentioned above;
- a CGU corresponding to the sole Asset Management company (following the incorporation of Aletti Gestielle Alternative SGR into Aletti Gestielle SGR in 2010);
- several CGUs corresponding to the individual companies operating in the Bancassurance area (Popolare Vita, Avipop Assicurazioni);
- any other CGUs corresponding to the individual companies which have been allocated intangible assets with an undefined useful life (as at 31 December 2010, these were Bormioli Rocco e Figlio and BRF Property).

Impairment testing for the purpose of drawing up the financial statements as at 31 December 2009 was conducted by comparing the book value of the individual CGUs in the consolidated financial statements with the higher of the value in use and the fair value of the same entity.
The results of the tests conducted for the purpose of drawing up the financial statements as at 31 December 2009 showed no impairment in the book values of all Group CGUs.

Criteria used for determining the recoverable value of cash generating units for the purpose of drawing up the financial statements as at 31 December 2010.

Generally, impairment testing is one of the most complex and critical aspects of business management. The current scenario has increased this complexity. In particular, the volatility of the financial markets and the uncertainty pervading economic and financial development scenarios have increased the risk of making errors in estimating values.

Owing to the uncertainty of future scenarios of operation, the Banco Popolare Group currently does not have an updated plan that can be used as a significant basis for estimating the value in use of investments in associates and companies subject to joint control and cash generating units to which intangible assets with an unspecified duration have been allocated.
Therefore, for the purposes of the impairment test, in compliance with the provisions of IAS 36 and in line with the procedure carried out in the previous years, the Banco Popolare Group thought to proceed, on a general basis, with the determination of the Fair Value for the main CGUs (which overall expressed intangibles with an undefined useful life for a total of euro 4,409 million), by means of the application of the Market Multiples (Stockmarket Multiples and Comparable transactions). Exceptions include the methods used for determining the recoverable value of the cash generating units operating in the bancassurance areas and in Bormioli which emerge as based on the values in use.

When conducting impairment tests, we took into due consideration the recommendations issued with the joint letter signed by the Bank of Italy, CONSOB and ISVAP on 3 March 2010 and, specifically, the existence of an impairment indicator for Banco Popolare, represented by market capitalisation significantly below its consolidated shareholders' equity. The procedure for impairment of goodwill and the other intangible assets with undefined useful lives was approved autonomously through a resolution in advance of approval of the draft financial statements 2010, as required by the aforementioned supervisory authorities.

The methodologies selected and the implementation procedures were identified with a view to limiting the risks of over/underestimating values, also in relation to the economic and financial environment. For this reason, we used both Market Multiples and Comparable Transaction multiples. On one hand, by using Market Multiples, taking into account the volatility of the financial markets and the conservative prices they express, may run the risk of determining conservative values, especially if these were to be applied to economic-financial figures of the entities undergoing valuation with a purely short term view, influenced by contingent factors. On the other hand, if we were to rely solely on Comparable Transaction multiples, not considering Market Multiples, we might fail to recognise important changes in the economic and financial scenario in which the CGUs actually operate.
Therefore, in order to limit the above risks, we used the average market price calculated over a 6 month time horizon in order to stabilise listed prices and arrive at a normalised budget, meaning a budget stripped of items considered to be non-recurring and/or contingent on the current environment. Where possible, Comparable Transaction multiples were also considered along with Market Multiples.
Specifically, with regard to the Network Banks CGU, the equity multiple (Goodwill/Total Funding) was adjusted using the multiplier deriving from comparable company transactions. This decision was supported by the availability of a considerable sample of recent transactions regarding commercial banks, as well as by the historical analysis conducted on market multiples which showed that the current level of this multiple is significantly misaligned with the past values, over a long-term time horizon.

Methods for determining the fair value of cash generating units: basic information

The analysis of CGUs under valuation was carried out based on preliminary 2010 data, the 2011 budget and the normalised 2011 budget.
The normalised 2011 budget takes the 2011 budget as a starting point, with the goal of estimating the maximum potential expected recurring income. These normalisations are justified by specific Group forecasts or by evidence from external sources (e.g. Prometeia).

For the Network Banks CGU, the normalised 2011 budget was calculated taking the 2011 budget as a starting point, adjusting it to take the following factors into consideration:

- the interest margin was "normalised" based on the specific macroeconomic scenario which, for the period 2011-2013, forecasts an increase of 75 bps in market rates (3-month Euribor: average of 121 bps in 2011, average of 196 bps in 2013);
- the 2011 budget, which was inevitably effected by the specific negative economic trend, was "normalised" by applying an average cost of credit of 45 bps, more consistent with a context of macroeconomic stability, as expected in the actual scenario and in line with the long-term historical series of the Group;
- the 2011 budget of the Network Banks was "normalised" by derecognising additional charges deriving from the levy of VAT on intergroup services, as this tax regime is considered temporary over a medium-term view;
- the 2011 budget of the Network Banks was "normalised" to take into consideration the expected elimination of income as a result of the transfer of customers to the Parent Company under the "National Large Corporate" project, which involves the centralisation of Large Corporate customers with a national scope with the Parent Company, and the resulting reduction in intergroup funding requirements of the Network Banks;
- the 2011 budget of the Network Banks was "normalised" to take into consideration the increases in efficiency and the exploitation of synergies resulting from the Group's strategies, which will structurally affect profitability through discontinuity strategies aimed at a commercial relaunch, acquisition of market shares, an increase in the customer base and, in general, improvement in operating efficiency (Discontinuity Plan). For further details on the guidelines of the "Discontinuity Plan" please refer to that set forth in the section "Outlook for Business Operations" of the Group Report on Operations.

Methods for determining the fair value of cash generating units: valuation methods applied

With respect to the Network Banks CGU and the Private & Investment Banking CGU, valuation was conducted using the Market Multiples method, based on the analysis of comparable listed companies or comparable transactions, applying the parameters obtained to the values of the company/CGU under valuation.
The multiples are obtained as the ratio between the valorisation of the comparable companies, expressed by the stockmarket listings, or by the prices paid within the sphere of M&A transactions, and the related income statement, balance sheet and financial balances deemed significant.
The Market Multiples method was applied as follows:

- identification of the comparable listed companies and Comparable Transactions (if this method is considered), taking into account various factors such as the sector and country of activity, the risk and the size of the company, the profitability and the capitalisation, as well as for listed companies – the intensity of the securities trading;
- determination of the timescale of the analysis, on the basis of the objectives of the same; for the purpose of making the information implicit in the stockmarket prices available and with the aim of limiting/reducing the effects of the sharp volatility present at the moment within the stock markets, reference has been made to a timescale of 6 months; and
- identification of the multiples deemed most significant, on the basis of the characteristics of the sector which the company being analysed belongs to. Generally, both income multiples and capital multiples are used, provided they are capable of providing a link between economic-financial data and enterprise value.

Listed comparable companies were chosen from among the most similar to the CGU under valuation in terms of core business. To calculate the multiples of the comparables, companies with an annual volume turnover ratio of less than 10% (of Share Capital) were excluded from the sample, as they were considered illiquid. The balance sheet data for the comparables was derived from the latest available official documents, the income statement data, in line with the figure used for the entities under valuation, was calculated on the Adjusted Earnings (Source: Bloomberg) according to analyst consensus.
Consistent with the procedure in conducting the impairment test for the financial statements as at 31 December 2008 and as at 31 December 2009, the multiples identified were:

- the Adjusted Price/Earnings ratio, calculated as the ratio between the average market capitalisation in the six months prior to 28 January 2011 and the adjusted income, determined as the average of the consensus of the analysts (Source: Bloomberg);
- Goodwill/AuM, obtained as the ratio between the difference between the market capitalisation at 6 months and the tangible shareholders' equity and total funding. The latter parameter, drawn from official documents (financial statements of comparable companies) is equal to the sum of direct and indirect funding for the Network Banks CGU or assets under management for the Private & Investment Banking CGE and the Asset Management Companies.

Negative multiples have been excluded from the samples used, as they were deemed insignificant, while, for prudent purposes, Adjusted Price/Earnings ratios above 20x were excluded as they were considered too optimistic.
For the Network Banks CGU, also following the historical analysis of Market Multiples, the observable data from Comparable Transactions carried out in the three year period 2008-2010 was also taken into consideration, only for the purposes of the capital multiple. For the Private & Investment Banking CGU, and, specifically, with regard to the activities of Banca Aletti, the value was determined by splitting up the business into its two components of Investment Banking and Asset Management. This division, based on historical information, was carried out by allocating 80% of activities to Investment Banking and the remaining 20% to Asset Management. For the latter component, the capital multiple was not obtained using the average of the comparables, but through the regression of Goodwill/AuM on Income/AuM.

The assessments were carried out considering, in the application of the P/E Adjusted (hereinafter, also P/E Adj.), the level of capitalisation of the CGU, so as to adequately reflect any over/under capitalisations of the CGU in relation to legislation or to that observed for comparable entities (otherwise called "correction for Excess/Deficit Capital").
When applying the P/E Adj., the consideration of the Excess/Deficit Capital implies an adjustment of the normalised 2011 budget used for valuation, in order to reflect the impact of the different assumed capital on income.
The Fair Value deriving from the income multiple is, therefore, equal to the sum of the Excess/Deficit Capital and the application of the P/E Adj multiple to recurring income adjusted as a result of the Excess/Deficit Capital.
Moreover, for prudent purposes, the difference between the normalised 2011 budget and the 2011 budget was subtracted from the result obtained in applying the income multiple.

The multiples used are shown below:

	P/E Adjusted	GW/Total funding
Network Banks	9.51X	5.20%
Investment Banking	12.12X	n.a.

For the Asset Management CGU, at the end of December 2010 Aletti Gestielle SGR incorporated Aletti Gestielle Alternative SGR (with accounting effect from 1 January 2010), after Banco Popolare had acquired exclusive ownership of the two Asset

Management Companies from its subsidiaries Credito Bergamasco and Holding di Partecipazioni Finanziarie BP in July 2010.
The intergroup transfer, a transfer between related parties, of the units of the two Asset Management Companies was finalised at a price determined by the respective Management Boards and Boards of Directors based on a fairness opinion issued by KPMG Corporate Finance. Therefore, the impairment test was carried out using the valuation conducted by KPMG Corporate Finance in July 2010 and the aforementioned transactions.

With regard to Bancassurance companies, the related recoverable value was identified by applying the Appraisal Value valuation model (method commonly used to value Insurance Companies and, specifically, for those operating under bancassurance agreements). Based on this method, the value of a company is defined as the sum of: i) Adjusted Shareholders' Equity (ASE), determined on the basis of the book value of the shareholders' equity at the reference date of the valuation, adjusted to discount balance sheet assets and liabilities to current market values and/or estimates; ii) Value In Force (VIF, generally estimated only for life insurance companies), determined on the basis of actuarial methodologies as the present value of net income to be generated by the existing portfolio at the reference date of the valuation, net of reinsurance, tax, associated operating expenses and figurative charges deriving from keeping the capitalisation levels necessary to meet existing supervisory requirements in force; iii) value referring to future new business (Goodwill), corresponding to the present value of net income to be generated by the new subscribed business, determined on the basis of actuarial methodologies similar to those used to calculate VIF. These analysis have shown that, even using highly conservative, prudent assumptions, the book values are well below the recoverable values.

As to the investment in Bormioli Rocco e Figlio, considering the availability of a business plan and the industrial nature of the company, it was decided to use the Discounted Cash Flow (DCF) method. Based on this method, the economic value of a company is equal to the sum of the following components: i) net operating cash flows that the company can generate within a specific planning period, discounted using a discount rate corresponding to the Weighted Average Cost of Capital, or WACC; ii) the Terminal Value, expressing the enterprise value after the given period, calculated as perpetual income from cash flow sustainable over the long term; iii) the company's net financial position expressed at market values.

The valuation of BRF Property was carried out by adjusting the statutory Shareholders' Equity posted in the company's balance sheet as at 31 December 2010 based on the valuation of its main real estate assets held at market values.

The table below summarises the results of impairment tests carried out as well as the book value and intangible assets with undefined useful lives allocated to each CGU:

C.G.U. *(in millions of euro)*	Book value	Of which: goodwill	Of which: trademarks	Total intangible assets with undefined useful life	Impairment (Ex. 2010)
Network Banks	9,344	3,276	222	3,498	-
Private & Investment Banking	1,509	897	-	897	-
Asset Management	82	14	-	14	-
Avipop Assicurazioni	73	77	-	77	-
Popolare Vita	261	102	-	102	-
Bormioli Rocco e Figlio	416	33	-	33	-
BRF Property	7	9	-	9	-
Other minor	1	1	-	1	-
Total	**11,693**	**4,409**	**222**	**4,631**	**-**

As a result of impairment testing conducted in compliance with IAS 36, there was no impairment in the book values of the assets of the Group, specifically with regard to strategic and core assets such as the Network Banks.
In accordance with paragraph 134 of IAS 36, for CGUs which did not record impairment losses, shown below are the multiples (holding all else constant and according to the adopted methodologies) which provide a fair value equal to the book value:

- Network Banks P/E Adj.: 13.46X if the multiple is applied as a standalone; 7.64X if the multiple is applied in combination with the GW/Total Funding multiple;
- Network Banks GW/Total Funding: 2.31% if the multiple is applied as a standalone; 4.28% if the multiple is applied in combination with the P/E Adj. multiple;
- Private & Investment Banking P/E Adj. (for the investment banking component): 9.07X;
- Asset Management P/E Adj. 5.59X and 0.48% of the GW/Total Funding multiple (for the Asset Management component).

This analysis further confirmed the significance of the process and the inputs used to measure the recoverable value of intangible assets with an undefined useful life, as the impairment test of most intangible assets with an undefined life shown in the financial statements of the Banco Popolare Group (euro 4,409 million out of euro 4,631 million worth of total intangible assets) would have been passed also by applying much lower multiples than the ones used for the valuation

Sensitivity analysis

In compliance with IAS 36 and in consideration of the recommendations set forth in the joint communication signed by the Bank of Italy, CONSOB and ISVAP of 3 March 2010, a sensitivity analysis was conducted on the various CGUs, in order to verify changes in recoverable values. In detail, steps were taken to:

- modify the reference time horizon, using the average market capitalisation of comparable companies at 3 instead of 6 months. In this case, the value of the Network Banks CGU would decrease by 1.72% and that of the Private & Investment Banking CGU would increase by 1.61%;
- worsened the assumptions underlying the normalisation of the 2011 budget, assuming a reduction in the normalised budget. Specifically, for the Network Banks CGU, the effects of the expected trend in the Interest Rate Curve and the Discontinuity Plan were decreased by 50%, while the 2011 budget for the Private & Investment Banking CGU was reduced by 20%. In this case, the value of the Network Banks CGU would decrease by 5.88% and that of the Private & Investment Banking CGU would decrease by 17.27%;
- modify the sample of Comparable Transactions used for the Network Banks CGU, using the three worst transactions within the sample considered. In this case, the value of the Network Banks CGU would decrease by 19.04%;
- used solely the implicit multiple deriving from the valuation of Banca Caripe in the transaction with Banca Tercas. This multiple was highly appropriate as Banca Caripe has the same characteristics that distinguish the Banks comprising the Network Banks CGU (which Banca Caripe was included in). In this case, the value of the Network Banks CGU would increase by 3.7%;
- modify the percentage of the contribution to the operating result between investment banking and asset management for the Private & Investment Banking CGU. In this case, the value of the CGU would remain substantially unchanged;
- set the entire Terminal Value for the Bancassurance CGU to zero and, with reference to Popolare Vita, we also carried out an additional stress test simulating the cancellation of all pension product business. In this case, the value of the CGU would decrease by 50.39%.

In all the sensitivity analyses carried out, the fair value estimates confirmed the full recoverability of goodwill, with the sole exception of the sensitivity in point *iii)*, where the multiple of the assets used in the stress test is highly penalising, as it is equal to about half of the multiple used in the basic scenario and lower than the lowers sample of Comparable Transactions.

Intrinsic signs of impairment

The misalignment between the Banco Popolare Group's market capitalisation and its shareholders' equity continues. This situation is common to all leading Italian banks. The reasons for this misalignment should essentially be sought in the heavy heritage of the global economic crisis which hit the banking sector quite vigorously; it is also useful to recall how, prior to the crisis, the valuations expressed by the financial markets were, in contrast to what is occurring presently, abundantly greater than the shareholders' equity and more in line with respect to the historic average.
The market values are the result of the assessments of the financial community, assessments which, due to their very nature, remain focused on short-term targets and estimates, which are not capable of fully reflecting the growth potentials over the medium/long term for the company. Moreover, they do not take into consideration the premium for control which is incorporated in the Comparable Transactions method. Instead, valuations expressed for the purpose of drawing up these financial statements are the result of extrapolating the economic value of the CGUs based on a normal income generation capacity, which is not fully recognised by the financial markets. This assessment expresses itself over a wider period than that adopted by the financial community and leaves aside the singular nature of the current economic-financial context, even if taken into due account.
It is important to note that at the end of 2010 the transfer of Banca Caripe to Banca Tercas was finalised, with a funding multiple (GW/TF) of 5.71%, higher than the 5.2% used in the analysis set forth in this document. Moreover, in the past few months, a leading international banking group submitted a "binding" offer to purchase the investments in Credito Bergamasco, Cassa di Risparmio di Lucca Pisa Livorno and Banca Popolare di Cremona held by Banco Popolare at a value substantially in line with the fair value determined herein.
The transfer of Banca Caripe and the offer from the leading international banking Group corroborate the analysis and valuations formulated to this point for impairment testing, confirming the recoverability of the value of goodwill and the intangible assets with undefined useful life with regard to the Network Banks CGU. The prices for the sale and the "binding" offer are the best evidence of fair value, as they are not affected by the uncertainty and subjectivity of the parameters used for the estimate.
Therefore, this confirms the soundness of the values of goodwill recorded in the financial statements for all Group CGUs, thereby ruling out the need to write down intangibles with undefined useful lives and overcoming the issue of misalignment of the current market values of the Banco Popolare share with respect to shareholders' equity.

It is also noted that, as an additional guarantee, an independent expert (KPMG Corporate Finance) issued a fairness opinion on the adequacy and correctness of the parameters, valuation methods applied and sensitivity analysis used in the estimation process.

13.1.2 Defined term intangible assets: impairment testing

The intangible assets recognised include the intangible assets recorded on 1 July 2007, in compliance with the provisions of IFRS 3, when recognising the business combination involving the absorption of Banca Popolare Italiana Soc. Coop. by Banco Popolare di Verona e Novara.
Specifically, these were intangible assets related to the valuation of Client Relationships, allocated to the Network Banks, Private & Investment Banking, and Asset Management CGUs.
These intangible assets, which still have a defined useful life, have been subject to a systematic process of amortisation based on their estimated useful life since 1 July 2007 and, based on IAS 36, must be subject to impairment testing only when indicators of impairment are present. The recoverable value is the higher of value in use and the fair value net of costs to sell.
The residual net book value of the Client Relationship assets as at 31 December 2010 referring to the Network Banks CGU amounted to euro 428.5 million, while that referring to managed and administered assets of the Private & Investment Banking and Asset Managment CGUs amounted to euro 2.4 million. The amortisation charge recorded in the income statement for the year (included under item "210. Net adjustments to/recoveries on intangible asset") amounted to euro 41.3 million.
As at 31 December 2010 an impairment test was conducted in relation to the reduction in the mark down direct deposits from customers during the year.
The tests thus conducted on all Client Relationships, with the support of KPMG Advisory, did not result in the need to record any adjustments, as the estimated fair value as at 31 December 2010 was higher than the residual book value.

13.2 Property and equipment: annual changes

(in thousands of euro)	Goodwill	Other intangible assets				Total
		Internally generated		Other		
		DEF	UNDEF	DEF	UNDEF	
A. Initial balances	**4,959,806**	**-**	**-**	**1,260,191**	**236,400**	**6,456,397**
A.1 Total net impairment	(485,776)	-	-	(675,679)	-	(1,161,455)
A.2 Net initial balances	**4,474,030**	**-**	**-**	**584,512**	**236,400**	**5,294,942**
B. Increases:	**1,107**	**-**	**-**	**61,921**	**-**	**63,028**
B.1 Purchases	1,107	-	-	61,870	-	62,977
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4) Increases in fair value		-	-	-	-	-
- at equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5) Exchange gains	-	-	-	36	-	36
B.6) Other changes	-	-	-	15	-	15
C. Decreases	**(66,472)**	**-**	**-**	**(105,556)**	**(14,200)**	**(186,228)**
C.1 Sales	(66,462)	-	-	-	-	(66,462)
C.2 Adjustments	-	-	-	(78,312)	-	(78,312)
- Amortisation	X	-	-	(78,071)	-	(78,071)
- Write-downs	-	-	-	(241)	-	(241)
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	(241)	-	(241)
C.3 Decreases in fair value	-	-	-	-	-	-
- at equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	(27,180)	(14,200)	(41,380)
C.5 Exchange losses	-	-	-	(62)	-	(62)
C.6 Other changes	(10)	-	-	(2)	-	(12)
D. Net closing balances	**4,408,665**	**-**	**-**	**540,877**	**222,200**	**5,171,742**
D.1 Total net adjustments	(485,776)	-	-	(734,813)	-	(1,220,589)
E. Gross closing balances	**4,894,441**	**-**	**-**	**1,275,690**	**222,200**	**6,392,331**
F. Valuation at cost	-	-	-	-	-	-

The item C.4 "Transfers to non-current assets held for sale" refers to the balances of the subsidiary Banca Caripe, sold at the end of the year.

13.3 Other information

As at 31 December 2010 there were no commitments relating to intangible assets.

Section 14 - Tax assets and liabilities – Item 140 under assets and Item 80 under liabilities

14.1 Deferred tax assets: breakdown

(in thousands of euro)	IRES	IRAP	Other	31/12/2010	31/12/2009
A) Matching balance to the Income Statement					
Loan write-downs deductible in coming years	1,030,364	-	-	1,030,364	793,541
Allocations and adjustments deductible in coming years	209,407	2,212	-	211,619	157,997
Designation of financial assets and liabilities at fair value through profit and loss deductible in coming years	98,946	110	-	99,056	51,432
Deferred tax assets on intergroup capital gains eliminated on consolidation	25,476	-	-	25,476	25,476
Personnel expenses and allocations to employee termination indemnities deductible in coming years	42,341	-	-	42,341	47,225
Write-downs of investments in associates and companies subject to joint control deductible in coming years	5,617	-	-	5,617	5,488
Depreciation of non-operating real estate deductible in coming years	1,185	-	-	1,185	1,014
Amortisation of goodwill deductible in coming years	634,039	104,268	-	738,307	818,877
Losses from previous years	10,627	-	568	11,195	10,627
Other	155,396	20,203	2,958	178,557	149,232
Total A	**2,213,398**	**126,793**	**3,526**	**2,343,717**	**2,060,909**
B) Matching balance to Shareholders' Equity					
Designation at fair value through profit and loss of financial assets available for sale	35,987	4,796	-	40,783	17,511
Other	25,225	4,157	-	29,382	30,257
Total B	**61,212**	**8,953**	**-**	**70,165**	**47,768**
Total (A+B)	**2,274,610**	**135,746**	**3,526**	**2,413,882**	**2,108,677**

Other deferred tax assets which are a matching entry to the Income Statement as at 31 December 2010 include the deferred tax effects on consolidation entries for a total of euro 116 million (of which euro 98.6 million for IRES and euro 17.4 for IRAP).

14.2 Deferred tax liabilities: breakdown

(in thousands of euro)	IRES	IRAP	Other	31/12/2010	31/12/2009
A) Matching balance to the Income Statement					
Designation at fair value through profit and loss of financial instruments taxable in coming years	7,441	6	-	7,447	4,720
Adjustments on goodwill deducted but not yet charged to the income statement	56,412	7,810	-	64,222	50,234
Other adjustments on goodwill deducted but not yet charged to the income statement	21,914	2,017	-	23,931	30,197
Deferred taxes on income of subsidiaries taxable in coming years	4,062	7,115	-	11,177	13,118
Capital gains taxable in coming years	15,596	147	-	15,743	24,510
Adjustments taxable in coming years relating to business combinations (PPA)	285,202	48,753	-	333,955	447,451
Other	93,343	10,677	2,375	106,395	108,503
Total A	**483,970**	**76,525**	**2,375**	**562,870**	**678,733**
B) Matching balance to Shareholders' Equity					
Designation at fair value through profit and loss of financial assets available for sale	4,020	1,721	-	5,741	6,457
Other	3,372	167	1,021	4,560	4,956
Total B	**7,392**	**1,888**	**1,021**	**10,301**	**11,413**
Total (A+B)	**491,362**	**78,413**	**3,396**	**573,171**	**690,146**

Other deferred tax liabilities which are a matching entry to the Income Statement as at 31 December 2010 include the deferred tax effects on consolidation entries for a total of euro 51.8 million (of which euro 44.1 million for IRES and euro 7.7 for IRAP).

14.3 Changes in deferred tax assets (as a matching entry to the income statement)

(in thousands of euro)	2010	2009
1. Opening amount	**2,060,909**	**1,760,152**
2. Increases	**590,897**	**533,547**
2.1 Deferred tax assets recorded during the year	584,523	413,607
a) referring to previous years	307,167	76,897
b) due to changes in accounting criteria	-	-
c) recoveries	-	-
d) other	277,356	336,710
2.2 New taxes or increases in tax rates	2,166	1
2.3 Other increases	4,208	119,939
(of which for business combinations)	1,343	107,730
3. Decreases	**(308,089)**	**(232,790)**
3.1 Deferred tax assets cancelled during the year	(292,503)	(231,193)
a) reversals	(286,508)	(197,598)
b) write-downs due to unrecoverability	(1,201)	(22,538)
c) due to changes in accounting criteria	-	-
d) other	(4,794)	(11,057)
3.2 Decreases in tax rates	(2,981)	-
3.3 Other decreases	(12,605)	(1,597)
4. Closing amount	**2,343,717**	**2,060,909**

The increase on the previous year is justified by the recognition of deferred tax assets by Banca Italease and its subsidiaries following the inclusion of said companies in the "tax consolidation" scheme of the Banco Popolare Group, as extensively illustrated in the section on significant events during the year in the Report on Operations, to which reference is made.

In the absence of a long-term plan, the valuation of the probability of recovering deferred tax assets for the companies currently falling under the tax consolidation scheme of Banco Popolare for 2010 was conducted on the basis of the only available information, i.e., the estimate of taxable income derived from the 2011 budget and from the "normalised" budget,

that is, the document approved by the Management Board summarising the management forecast of the potential expected recurring income.
In particular, with regard to IRES deferred tax assets referring to past tax losses and IRAP deferred tax assets the expected taxable base was determined by considering the expected income of each individual company.
As to the other IRES deferred tax assets referring to deductible temporary differences pertaining to the companies falling under the current scope of the "tax consolidation" scheme, we took into consideration the sum of the expected taxable income of said companies.
The test on IRAP deferred tax assets pertaining to the Parent Company showed that temporary differences deductible in financial year 2011 will only be partly covered by the estimated IRAP taxable income based on the 2011 budget. The share of deferred tax assets referring to deductible temporary difference that most likely will not be recoverable in the next year amounted to euro 8.4 million. The share of deferred tax assets referring to temporary differences deductible in the years following 2011 is deemed recoverable both in light of that inferrable from the income prospects set forth in the "normalised" budget, and due to the existence of various opportunities for action that could increase the value of production over a time period compatible with the dates at which the temporary differences in question will be deductible.
The bad debt provisions established at the end of the prevision year, amounting to euro 7.2 million was not necessary, as in 2010, the Parent Company generated an IRAP taxable base higher than was predictable at the date of preparation of the draft financial statements for 2009. As a result of the recoveries recorded, the 2010 income statement was charged an amount equal to the different, i.e. euro 1.2 million.

With regard to IRES deferred tax assets deriving from past tax losses, the opinion expressed on drawing up the financial statements as at 31 December 2009 has been confirmed, regarding the fact that almost all deferred tax assets relating to tax losses will be unrecoverable. These are mainly tax assets referring to tax losses that were temporarily limited in the possibility of carrying over (tax losses of Banca Italease and tax losses deriving from the former Banca Popolare Italiana).
In terms of the assessment of the probability of recovery of deferred tax assets relating to other deductible temporary differences, the changes introduced through art. 2 quinquies of the "Mille Proroghe" Decree should be noted. Based on these new regulations, deferred tax assets recorded in the financial statements relating to write-downs of loans which have not yet been deducted from taxable income pursuant to paragraph 3 of art. 106 of Presidential Decree 22 December 1986 no. 917, as well as those relating to the value of goodwill and other intangible assets, whose negative components can be deducted over several tax periods for the purpose of income taxes, are transformed into tax credits when the company records a loss for the year in the separate financial statements. The aforementioned regulations, after specifying the methods for calculating the tax credit, clarifies that this credit is not refundable, nor does it accrue interest, but it may be transferred, meaning it may be used to offset other amounts, without amount limits, pursuant to art. 17 of Italian Legislative Decree 9 July 1997, no. 241.
The above regulatory changes eliminate the risk of a failure to recover said deferred tax assets, assets which, as shown in table 14.1, are the majority of the tax assets recorded in the Group's financial statements.
The remaining deferred tax assets are deemed as likely to be recovered, in light of that inferrable from the income prospects set forth in the "normalised" budget.

14.4 Changes in deferred tax liabilities (as a matching entry to the income statement)

(in thousands of euro)	2010	2009
1. Opening amount	**678,733**	**638,002**
2. Increases	**52,107**	**195,461**
2.1 Deferred tax liabilities recorded during the year:	42,055	82,434
a) referring to previous years	16,410	248
b) due to changes in accounting criteria	-	-
c) other	25,645	82,186
2.2 New taxes or increases in tax rates	61	-
2.3 Other increases	9,991	113,027
(of which for business combinations)	7,428	105,596
3. Decreases	**(167,970)**	**(154,730)**
3.1 Deferred tax liabilities cancelled during the year:	(146,966)	(147,801)
a) reversals	(137,158)	(131,487)
b) due to changes in accounting criteria	-	-
c) other	(9,808)	(16,314)
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(21,004)	(6,929)
4. Closing Amount	**562,870**	**678,733**

14.5 Changes in deferred tax assets (as a matching entry to shareholders' equity)

(in thousands of euro)	2010	2009
1. Opening amount	**47,768**	**88,773**
2. Increases	**36,426**	**7,462**
2.1 Deferred tax assets recorded during the year	35,943	6,621
a) referring to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	35,943	6,621
2.2 New taxes or increases in tax rates	6	-
2.3 Other increases	477	841
3. Decreases	**(14,029)**	**(48,467)**
3.1 Deferred tax assets cancelled during the year	(12,314)	(48,391)
a) reversals	(11,875)	(48,390)
b) write-downs due to unrecoverability	-	-
c) changes in accounting criteria	-	-
d) other	(439)	(1)
3.2 Decreases in tax rates	-	(1)
3.3 Other decreases	(1,715)	(75)
4. Closing amount	**70,165**	**47,768**

14.6 Changes in deferred tax liabilities (as a matching entry to shareholders' equity)

(in thousands of euro)	2010	2009
1. Opening amount	**11,413**	**7,513**
2. Increases	**1,527**	**6,040**
2.1 Deferred tax liabilities recorded during the year:	1,351	2,764
a) referring to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	1,351	2,764
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	175	3,276
(of which for business combinations)	-	75
3. Decreases	**(2,639)**	**(2,140)**
3.1 Deferred tax liabilities cancelled during the year:	(2,360)	(1,869)
a) reversals	(669)	(780)
b) due to changes in accounting criteria	-	-
c) other	(1,691)	(1,089)
3.2 Decreases in tax rates	(5)	-
3.3 Other decreases	(274)	(271)
4. Closing Amount	**10,301**	**11,413**

14.7 Other information

Group tax situation

In 2010 and the previous years, Banco Popolare and the Group Companies have been subject to various assessments by the Tax Authorities. These activities concerned the taxable income declared and the methods for application of tax legislation in force as and when for various specific transactions, mainly extraordinary in type. Following these activities, Banco Popolare and the subsidiary companies were involved in numerous disputes. The outstanding disputes are illustrated below.

The disputes launched vis-à-vis Banco Popolare solely concerned the companies whose merger gave rise to the Bank and its subsidiary companies as detailed below:

Former Banco Popolare di Verona e Novara s.c.ar.l.
During 2007, a payment demand was served relating to registration in the tax roll for euro 3.7 million by way of the balance of IRAP (regional business tax), fines and interest for 2003. The tax authority claim refers to the IRAP rate applicable to the value of the net business deriving from the activities carried out in the Veneto Region to the increased extent of 5.25% rather than the ordinary extent of 4.25%. The afore-mentioned tax demand was challenged before the Provincial Tax Commission which upheld the appeal and cancelled registration in the tax role and the tax demand. In 2008, the Tax

Authorities presented an appeal against the afore-mentioned sentence to the Regional Tax Commission, which in 2009 partly upheld the charge, deeming the rate of 4.75% applicable.
An appeal has been presented to the Supreme Court against this sentence.
During 2008, a similar payment demand was served for euro 4.8 million covering the 2004 tax period. The tax authority claim refers to the IRAP rate applicable to the value of the net production deriving from the activities carried out in the Veneto Region area (rate of 5.25% instead of 4.25%) and the Tuscany Region (rate of 4.40% instead of 4.25%), with the related fines and interest. The tax demand was challenged before the Provincial Tax Commission which in 2008 upheld the appeal consequently cancelling the registration in the tax role and the tax demand. In 2009, the Tax Authorities presented an appeal against the afore-mentioned sentence to the Regional Tax Commission, which partially rejected the appeal in question. Appeal has been presented before the Supreme Court.
During 2009, a further payment demand was served for euro 6.5 million covering the 2005 tax period. The tax authority claim refers to the IRAP rate applicable to the value of the net production deriving from the activities carried out in the Veneto Region area (rate of 5.25% instead of 4.25%), with the related fines and interest. An appeal was presented to the Provincial Tax Commission, which rejected the appeal. A further appeal has been presented.
During 2010, a further payment demand was served for euro 7.0 million covering the 2006 tax period. The tax authority claim refers to the IRAP rate applicable to the value of the net production deriving from the activities carried out in the Veneto Region area (rate of 5.25% instead of 4.25%), with the related fines and interest. An appeal was presented to the Provincial Tax Commission.
The potential liabilities deriving from these disputes have been classified as possible.

Former Banca Popolare Italiana soc. coop.
Proceedings are pending before the Milan Regional Tax Commission regarding the additional value assigned by the Lodi Inland Revenue to a business segment subject to disposal, during 2004, between Banca Eurosistemi S.p.A. (then incorporated within Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop.. The additional registration tax disputed in the notice of adjustment amounts to 7 million. The first instance judge rejected the petition presented by the company. An appeal has been presented and the Regional Tax Commission rejected it. The liability has been classified as probable.

An appeal has been presented to the Regional Tax Commission against the sentence of the Pisa Provincial Tax Commission which rejected the appeal against the notice of settlement of the registration tax relating to the requalification under business segment transfers of the transfer of securities carried out in 2002 between Cassa di Risparmio di Pisa (now Cassa di Risparmio di Lucca Pisa Livorno) and Banca Popolare Italiana.
Payment has been made for the tax demand of euro 14.5 million relating to the registration in the tax role carried out by the Pisa Local Office of the Inland Revenue pending ruling. The amounts paid over was recorded as a receivable since the potential liability is still judged as possible but not probable.

Banco Popolare
In December 2010 an inspection was commenced by the Finance Police of Verona regarding the financial relations between the former Banca Popolare Italiana and the Magiste Group.

Banca Popolare di Crema
In January 2010, the Cremona Regional Headquarters of the Finance Police concluded the tax assessment for direct taxation and VAT purposes vis-à-vis Banca Popolare di Crema for the tax period 2008. With a view to reducing the outstanding dispute, the inland revenue claims amounting to euro 0.3 million in total have been defined as per art. 5-bis of Italian Legislative Decree no. 218/97 presenting an instance for compliance with the formal notice of assessment.

Banca Popolare di Cremona
Disputes are pending before the Central Tax Commission against the IRPEG and ILOR notices of assessment for the tax periods 1978, 1979, 1980 and 1982 and disputes concerning substitute tax declarations for the years 1982 and 1983. The inland revenue claims amount in total to around euro 1 million. The outcome of the dispute was favourable both in first and second instance.

Bipielle Real Estate
Proceedings are pending before the Supreme Court in relation to the notice of settlement of the tax and imposition of the fines regarding the requalification under business segment transfers of a series of real estate property conferrals in relation to Cassa di Risparmio di Lucca Pisa Livorno S.p.A.. The outcome of the dispute was negative both in first and second instance.
A payment has been made – for a total of euro 16.4 million (plus fines for euro 5 million) – in relation to the tax demands relating to registration in the tax role carried out by the Pisa Local Office of the Inland Revenue pending ruling. With reference to the fines, steps were taken to present an appeal requesting reimbursement, while at the same time recording a receivable for the same amount.

Proceedings are currently pending before the Milan Regional Tax Commission relating to the notice of settlement of the tax and imposition of the fines regarding the conferral of a business segment to Reti Bancarie Holding (formerly Banco di Chiavari e della Riviera Ligure) and containing an overall tax claim of euro 13.6 million. The Milan Provincial Tax Commission fully upheld the petition. The Inland Revenue has appealed. The Milan Regional Tax Commission confirmed the first instance sentence.

On 25 May 2010, Bipielle Real Estate was served a formal notice of assessment relating to 2007 concerning the recovery for the purposes of taxation to the charge of Bipielle Real Estate Spa of the taxable amount of euro 6.2 million for IRES purposes, the taxable amount of euro 6.4 million for IRAP purposes and VAT of euro 0.07 million. The recoveries mainly concern the depreciation of land and Magiste property rentals written down during 2005 and partially disposed of in 2007.
On 9 April 2010, Basileus Srl, a company disposed of on 7 October 2008 to Anta Srl of the Antonio Taini Group in Brescia, was served a formal notice of assessment relating to 2005.
Considering that, as part of the contract for the disposal of the investment in Basileus srl, the parent company Bipielle Real Estate granted the purchaser a guarantee which releases the purchaser from any disputes which may emerge from the settlement of the tax periods open at the time of disposal; the potential liability is therefore the responsibility of Bipielle Real Estate.
The formal notice of assessment refers to documental, accounting and non-accounting searches by means of which the inspectors acquired information, data and documents in relation to the activities carried out in 2005, looking in depth at each aspect which concerns the type of economic transactions carried out, with particular reference to the disposals of equity investments during the year subject to control. The maximum potential liability which could derive from the eventuality of a final negative outcome of the dispute can be estimated as around euro 13 million and at the moment is qualifiable as possible.
In December 2010, with reference to the aforementioned formal notice of assessment, the Inland Revenue Lodi Provincial Headquarters served Basileus two notices of assessment. Taxes were assessed for IRAP purposes for euro 0.08 million and VAT for euro 5 million, and a fine of euro 6.25 million was levied.
During 2010 Mariner Srl (subsidiary of Bipielle Real Estate) was served a formal notice of assessment regarding lease transactions. The contestations regard the years 2005 and 2006 for IRES, IRAP and VAT, for a total of about euro 7 million. An amount of euro 1.45 million was allocated to the financial statements.

Banca Popolare di Novara
On 21 October 2009, Banca Popolare di Novara S.p.A. was served a formal notice of assessment issued by the Inland Revenue – Assessment Headquarters on conclusion of the targeted tax assessment transactions relating to the 2004 tax period. The assessment concerned a carry over transaction.
By means of the afore-mentioned notice of assessment, the Inland Revenue charged the bank with having abused the provisions contained in art. 109, paragraph 8 of the ITCL obtaining an extra return by means of the transaction which would not have any economic reason other than the attainment of tax benefits. With reference to the afore-mentioned notice, at the end of December 2009, 3 notices of assessment findings were served. In detail, BPN was served a notice of assessment relating to IRAP, tax year 2004, for euro 1.7 million, interest for euro 0.2 million and sanctions for euro 1.7 million; and a notice of assessment relating to IRES, year 2004, for euro 12.2 million, interest for euro 1.6 million and sanctions for euro 12.2 million. The latter notice was served on Banco Popolare in its capacity as consolidating party and on BPN solely in copy form.
In June, Equitalia served the following on the Bank:

- a tax payment demand for a total of euro 1 million containing registration in the tax roll (on a provisional basis as per art. 15 of Italian Presidential Decree No. 602/1973) carried out by the Piedmont Regional Headquarters for half of the IRAP assessed and the related interest, plus collection fees. The demand in question has been paid.
- a tax payment demand for a total of euro 7.3 million resulting in registration in the tax roll (on a provisional basis as per art. 15 of Italian Presidential Decree No. 602/1973) carried out by the Veneto Regional Headquarters for half of the IRES assessed and the related interest, plus collection fees. This demand has been suspended.

Appeals have been presented before the tax judge against the afore-mentioned. The potential liability has been judged as possible.

In December 2010 a notice of assessment was served regarding VAT for tax year 2005. The assessment specifically regards the fees paid to the bank by Azimut for custodian bank services, fees which the bank considered to be exempt, but which the Tax Authorities consider to be taxable at ordinary rates. The VAT assessed amounts to euro 1.7 million and the fines amount to euro 2.1 million.

Aletti Fiduciaria
At the end of 2010 Aletti Fiduciaria and the Bank, as the consolidating party, were served with a deed of collection. Aletti Fiduciaria was assessed, as a quotaholder of Maximm Srl in liquidation, for the payment of taxes owed by the latter (pursuant to the personal liability of quotaholders according to art. 36, paragraph 3, of Italian Presidential Decree no. 602/1973). The Inland Revenue, claiming, within the time limits, the dividends that Maximm Srl in liquidation distributed to Aletti Fiduciaria in the last two tax periods prior to being put into liquidation, is requiring payment of euro 7.9 million for IRES and unpaid withholdings due on the distribution of dividends (plus interest of euro 0.87 million).

Banca Aletti
In February 2011 an inspection was commenced by the Finance Police of Milan. The reporting officers started the inspection on the share of profits distributed (art. 89 ITCL) indicated in the Corporation Tax Returns for the years 2006, 2007, 2008 and 2009.

Aletti Gestielle SGR
In January 2011 an inspection was begun by the Inland Revenue Lombardy Regional Headquarters, referring to tax period 2007, for IRES, IRAP and VAT.

Cassa di Risparmio di Lucca Pisa e Livorno
In March 2011 an inspection was begun by the Inland Revenue - Tuscany Regional Headquarters, referring to tax periods 2006 and 2009, for IRES and IRAP.

Banca Italease
The appeal is currently pending before the Supreme Court, presented by the Inland Revenue and concerning additional IRPEG and ILOR assessed for euro 32.4 million – plus a administrative fines of euro 32.4 million – for the tax years 1995, 1996 and 1997. In second instance, the Tax Authorities emerged as having lost the lawsuit in full. Also, with regard to the dispute relating to the additional IRPEG and IRAP of euro 4.4 million - plus a similar amount for administrative fines – assessed for 1998, the Regional Tax Commission partially upheld the appeal of the Inland Revenue. Therefore, an appeal has been presented before the Supreme Court by both the parties to the proceedings. In 2008, payment of the tax demand for euro 1.3 million was paid, issued following the afore-mentioned sentence of the second instance judge.
During 2008, following the assessments carried out c/o of the counterparts, two notices of assessment were served relating to the 2003 and 2004 tax years, by means of which the Tax Authorities challenged the erroneous application of VAT in two leasing transactions. In detail, application of the "not liable to taxation" system was challenged, following the receipt of the declaration of intent, the financial lease instalment and a contract concerning a property asset. On 8 February 2010, the sentence of the Milan Provincial Tax Commission was filed, which partially upheld the appeal of the company for 2003, and rejected the appeal for 2004. From the analysis carried out, there are valid reasons for proposing an appeal against the sentence used to reject the appeal since the case law approach of the Supreme Court on the legal qualification of the leasing is not applied. The additional tax assessed comes to euro 0.2 million, plus euro 0.3 million for fines and interest.
During 2009, a notice of assessment for 2004 was served which fully assimilated the contestations of the tax assessment carried out in the period November 2007 – July 2008, regarding the application of reduced VAT and closely follows similar contestations already made vis-à-vis all the companies active in the nautical leasing sector. The additional VAT assessed comes to euro 0.2 million, plus euro 0.3 million in interest and fines. With regard to the part not yet assessed, the entity of the findings made in the report of assessment findings comes to euro 1.86 million in additional taxes and euro 2.4 million in fines. On the same date, a notice of assessment of a modest amount was also served in relation to IRES and IRAP, again with reference to the 2004 tax year. On 29 November 2009, an assessment petition involving compliance was presented, which was not accepted. Therefore, an appeal was presented.
Again in 2009, two notices of settlement of mortgage and land registry taxes were served in relation to 2006. The taxes paid amounted to euro 3 million, and euro 0.2 million in fines. The related appeals have been presented to the Mantua Provincial Tax Commission. The appeals were upheld, and in November 2010 the Tax Office presented its appeal.
The potential liabilities are classified as possible.
It is also disclosed that as at 18 December 2009, the Milan Inland Revenue served Banca Italease with a formal report on assessment findings following the preliminary activities carried out on property leasing transactions of a significant amount, entered into during the years between 2005 and 2007 and also inclusive of a finding of a minor entity in relation to leasing transactions on movable property. The contestations included therein refer to both VAT and direct taxation and the total amount comes to euro 340.4 million for non-deductible VAT and additional direct taxes, plus fines and interest which will be only be quantifiable at the time of issue of the notice of assessment.
On 6 July 2010 the Inland Revenue – Milan Local Office 1 served Banca Italease with a formal report on assessment findings as a result of the inspections carried out relating to a leasing transaction on moveable property, which states findings relating to the late registration of an inter-EU purchase invoice relating to art. 47, paragraph 1 of Italian Law Decree 331/93.
In December 2010 a notice of assessment was served following a questionnaire served in September 2010. VAT for the tax year 2001 was assessed. Specifically, this regards undeductable VAT as a result of the invoicing of inexistent transactions for euro 0.19 million (fines for euro 0.46 million).
Also in December 2010 a notice of assessment for 2005 was served to Banca Italease S.p.A., as the party incorporating ITALEASING S.p.A., following a questionnaire. The Inland Revenue disputes the validity of two sale and lease back agreements of the company. Undeductible VAT has been assessed for euro 8.6 million and fines for euro 25.8 million. With regard to this contestation, an additional notice of assessment was served regarding IRAP for euro 0.07 million, disputing amortisation and depreciation, and fines for euro 0.11 million. In January 2011 a notice of assessment was service, again regarding the dispute of two sale and lease back agreements, assessing theoretic IRES for euro 0.54 million, disputing amortisation and depreciation.

Banca Italease - factoring
During 2008 and 2009, two notices of assessment were served relating to value added tax respectively for the years 2003 and 2004.
The additional VAT assessed comes to euro 1.7 million, plus euro 2.3 million for interest and fines for 2003 and euro 2.3 million plus euro 3.1 million in interest and fines for 2004. With regard to the assessment for 2003, a payment demand was served for a total of euro 1.0 million, following registration of 50% of the taxes assessed in the tax roll. Suspension of the demand was granted. In February 2010, the sentence of the Milan Provincial Tax Commission was filed, upholding the appeal of the company. The Inland Revenue has appealed. Following the regular appearance of Banca Italease, the hearing was set for 9 February 2011. The favourable sentence was also confirmed by the Regional Tax Commission.

With reference to the 2004 assessment, a payment demand was served for a total of euro 1.3 million, following registration in the tax role of 50% of the assessed taxes. The enforcement of the demand was suspended and on 8 October 2010 the Milan Provincial Tax Commission fully upheld the appeal. The portion not yet assessed, referring to 2005, amounts to euro 1 million.

Banca Italease – Factorit
On 18 June 2009, a general inspection was commenced by the Finance Police vis-à-vis Factorit for VAT purposes for the years from 2005 until the date of access. The assessment concluded on 13 October 2009. A report on the assessment findings was issued, whose findings are mainly based on the presumption that the transactions subject to adjustment are not the result of the loan but of loan management activities. The additional VAT proposed for recovery comes to euro 40.5 million for the years from 2005 to 2009.
With regard to this last formal report of assessment findings, in May 2010 a notice of assessment was served for 2005 for euro 5.6 million and fines for euro 1.8 million. Therefore, taxes not yet assessed amount to euro 34.9 million.
The potential liabilities have been classified as possible.

Leasimpresa
In 2009 the Inland Revenue presented an appeal against the ruling of the Regional Tax Commission confirming the cancellation of the tax demand of euro 0.04 million relating to insufficient payment of IRAP for 2003 (in addition to fines and interest). The Bank presented a counter-appeal to the Supreme Court.
On 20 March 2009 the company was served with a tax demand in the amount of euro 0.05 million, relating to insufficient payment of IRAP for 2004 (in addition to fines and interest). The Bank presented a prompt appeal and, by order of the President of the Provincial Tax Commission the execution of the demand was suspended.
The Tax Authorities also presented an appeal to the Supreme Court against the sentence of the Piedmont Regional Tax Commission which annulled the notice of assessment claiming the failure to settle invoices received and to apply VAT in relation to several export sales finalised during the tax period 2003. Banca Italease presented a counter-appeal. The dispute regards fines levied for about euro 0.34 million.

Mercantile Leasing
During 2008, a notice of assessment was served in relation to value added tax for the year 2003 following the outcome of the inspection carried out on a number of nautical lease transactions. The additional VAT assessed amounted to euro 1.4 million, plus euro 1.9 million in interest and fines. The Florence Provincial Tax Commission only partly upheld the appeal. The appeal ruling on the first instance sentence is pending.
During 2009, two notices of assessment were served with reference to IRES, IRAP and VAT for the years 2004 and 2005 following the inspection carried out on a number of real estate property and nautical leasing transactions. Additional taxes for a total of euro 138 million were assessed, plus interest for euro 15 million and fines for euro 309 million. Appeals presented before the tax magistrate against these notices of assessment are currently pending. In December 2010 a notice of assessment was served regarding IRES for tax year 2005, for euro 2.67 million (euro 4 million in fines).
The potential liability has been classified as possible.
The portion not yet assessed, referring to years 2006 and 2007, amounts to about euro 10.9 million for VAT and euro 3.6 million for direct taxes.
Within this dispute, on 26 November 2009 a deed of enforcement was served for the bank guarantees presented by Banca Italease in favour of Mercantile Leasing, following which Banco Popolare issued a new bank guarantee for euro 476.5 million and on 28 December 2009 Mercantile Leasing was served notices of suspension of VAT refunds for the year 2006 and the first and second quarters of 2007.
With regard to the notices of suspension of VAT refunds for 2006 and the first and second quarters of 2007, served on 28 December 2009 by the Inland Revenue – Tuscany Regional Headquarters - on 8 March 2010 the company submitted an appeal to the Florence Provincial Tax Commission and requested that these notices be joined with the proceedings set forth in the previous paragraph.
In October 2010 a formal report on assessment findings regarding the application of direct taxes for 2007 and VAT for the years 2005, 2006 and 2007 mainly with regard to nautical leasing, the objective undeductibility of the purchase of residential real estate and the transfer to foreign parties of the early termination option. The VAT amounts to euro 6.2 million while direct taxes amount to euro 0.15 million. In December 2010 a notice of assessment was served with regard to the aforementioned formal report on assessment findings, for VAT for 2005 for euro 0.64 million (fines for euro 0.8 million).

Italease Gestione Beni
With reference to the inspection commenced in May 2009 by the Inland Revenue, you are hereby informed that on 17 December 2009, the Milan Inland Revenue concluded the investigations relating to 2006, proceeding to serve the related report on assessment findings which concerns disputes regarding direct taxation and, with regard to a very contained amount, VAT. The overall entity of said findings came to around euro 1.6 million in additional direct taxes, plus fines and interest which will only be quantifiable at the time the notice of assessment is issued. In February 2010 a report on assessment findings was served in relation to 2005. The additional taxes assessed amounted in total to euro 7.1 million.

Italease Network
On 23 June 2010, the Inland Revenue – Assessment Headquarters served Italease Network a report on findings following the inspection activities started on 27 March 2008, regarding real estate property leasing – for the years 2005, 2006 and 2007. The findings regard financial lease agreements on real estate assets stipulated by Italease Network as the lessor, the reason

why the partial undeductability of the amortisation for the purpose of direct tax, and the undeductability of the VAT paid by the lessor on purchase are maintained. The additional taxes demanded amounted in total to euro 21.1 million.
On 20 December 2010 a formal report on assessment findings was served, which found undue deduction of negative income components for IRES and IRAP purposes for the tax periods 2003, 2004 and 2005. Undue deduction of VAT for objectively inexistent transactions for the years 2003 and 2007 was also claimed. The taxes amounted in total to euro 0.24 million.

In summary, the claim advanced by the Government Tax Authorities by means of the notices of assessment dated 31 December 2010 amount in total to euro 741 million (additional taxes assessed and related fines). The tax authority claims in terms of additional taxes due which can be inferred from the formal report on assessment findings were estimated, in contracts at around euro 819 million.

The most significant portion of the dispute in question refers to claims contained in a series of formal reports on assessment findings and notices of assessment served to Banca Italease and to its subsidiaries Mercantile Leasing and Italease Gestione Beni, referring to 2001 and 2009. The Tax Authorities' claims inferrable from the notices of assessment regarding Banca Italease and its subsidiaries amount to euro 603 million (additional taxes assessed and related fines), while those deriving from the formal reports on assessment finding total euro 810 million (additional taxes and fines - the latter only where expressed in the report).

As illustrated in the section on events occurring after the date of the financial statements, on 15 March 2011 an agreement was signed with the Inland Revenue for the purpose of full settlement of almost all of the disputes regarding Banca Italease and its direct subsidiaries. In formalising this agreement, the parties undertook to settle the individual pending disputes, the individual assessments which have not yet been disputed, and the findings of each of the formal reports through payment by Banca Italease and its direct subsidiaries Mercantile Leasing and Italease Gestione Beni of the total amount of euro 210.1 million in additional taxes (primarily VAT), fines and interest. In relation to this commitment to pay, a specific allocation of euro 210.1 million was made to the item "provisions for risks and charges" (item 120 b) of balance sheet liabilities in the consolidated financial statements as at 31 December 2010.

Excluding the disputes which will be closed as a result of the out-of-court settlement illustrated, the potential liabilities relating to notices of assessment received as at 31 December 2010 have been reduced by about euro 217 million, while those relating to formal reports on findings amount to about euro 15 million.

The tax disputes regarding the companies of the former Banca Italease Group excluded from the out-of-court settlement show residual claims of the Tax Authorities for about euro 85 million (notices of assessment for euro 79 million and formal reports on assessment findings for euro 6 million).
Specifically, the following disputes which have already been instituted are still pending:

Banca Italease

1. Appeal to the Supreme Court against the notices of assessment for IRPEG, ILOR and IRAP for the tax years 1995, 1996, 1997 and 1998 - potential risk euro 73.6 million (for taxes and administrative fines);
2. Appeal to the Regional Tax Commission against two notices of assessment for the tax years 2003 and 2004, in which the Tax Authorities claim the incorrect application of VAT to two lease transactions - potential risk euro 0.5 million (for taxes and administrative fines);
3. Appeal to the Regional Tax Commission against two notices of settlement of mortgage and land registry taxes for 2006 - potential risk euro 3.2 million (for taxes and administrative fines);

Leasimpresa

1. All the disputes regarding Veneto Region IRAP for the years 2003, 2004 and 2005 are still pending, for a total of euro 0.2 million;
2. Appeal to the Supreme Court against the second instance sentence in favour of the company, regarding the failure to settle invoices received and to apply VAT, in relation to several export sales finalised in the tax period 2003 - potential risk euro 0.3 million (for taxes and administrative fines).

Mercantile Leasing

The dispute regarding the notice of VAT assessment for tax period 2005 is still pending before the Provincial Tax Commission - potential risk euro 1.4 million (for taxes and administrative fines).

Lastly, with regard to Mercantile Leasing, the formal report on assessment findings served on 19 October 2010 referring to the recovery of direct taxes for the year 2007 and VAT for 2006 and 2007 was not complied with. This report mainly related to nautical leasing, the objective undeductibility of the purchase of residential real estate and the transfer to foreign parties of the early termination option - potential risk euro 5.7 million (for taxes and administrative fines).

The potential liabilities deriving from these disputes have been deemed possible but not likely, also given the first instance ruling in favour of the Group companies.

Also with reference to the disputes relating to Group companies other than Banca Italease and its direct subsidiaries, it is believed that in almost all cases, there are valid and well-founded grounds to challenge the claims advanced by the Tax

Authorities as regards legal proceedings already underway. The potential liabilities classified as probable in relation to the notices of assessment received to-date amount in total to approximately euro 24 million and are fully covered by the provisions set aside in the item tax liabilities.

The National Tax Consolidation Scheme

The Group opted for the national tax consolidation scheme under articles from 117 to 129 of Italian Presidential Decree of 22 December 1986, no. 917.

This option, valid for the tax period 2010-2012, refers to all Group Companies which meet the requirements of the aforementioned regulations and, specifically:

1. Aletti Fiduciaria S.p.A.;
2. Aletti Gestielle SGR S.p.A.;
3. Banca Aletti & C. S.p.A.;
4. Banca Italease S.p.A.;
5. Banca Popolare di Crema S.p.A.;
6. Banca Popolare di Cremona S.p.A.;
7. Banca Popolare di Lodi S.p.A.;
8. Banca Popolare di Novara S.p.A.;
9. Banca Popolare di Verona - - S. Geminiano e S. Prospero S.p.A.;
10. Bipielle Real Estate S.p.A.;
11. BP Property Managemet s.c.r.l.;
12. Cassa di Risparmio di Lucca Pisa Livorno;
13. Credito Bergamasco S.p.A.;
14. Efibanca S.p.A.;
15. Holding di Partecipazioni Finanziarie;
16. Immobiliare BP S.r.l.;
17. Itaca S.p.A.;
18. Italease Gestione Beni S.p.A.;
19. Lido dei Coralli S.r.l.;
20. Mercantile Leasing S.p.A.;
21. Nadir Immobiliare S.r.l.;
22. Release S.p.A.;
23. Sirio Immobiliare S.r.l.;
24. Società Gestione Crediti BP S.c.p.A.;
25. Società Gestione Servizi BP S.c.p.A.;
26. Tecmarket Servizi S.p.A.;
27. Valori Finanziaria S.p.A..

In 2010, Banco Popolare renewed the Tax Consolidation option for the three-year period 2010-2012, while extending the option to the companies in the former Banca Italease Group.

On 26 June 2010, the liquidation of Parchi del Garda S.p.A. was completed and it was cancelled from the Companies' Register and, therefore, exited the scope of consolidation.

On 29 July 2010, 90.05% of the interest in Factorit S.p.A. was sold, and the company exited from the scope of consolidation.

On 3 December 2010 Italease Network S.p.A. was merged into Banca Italease S.p.A. with tax effect from 1 January 2010.

On 31 December 2010 the entire investment in Banca Caripe S.p.A. was sold to Tercas. Therefore, Banca Caripe exited the scope of tax consolidation of the Banco Popolare Group.

Moreover, on 31 December 2010 as well, Aletti Gestielle Alternative SGR S.p.A. was incorporated as Aletti Gestielle SGR S.p.A and Aletti Fiduciaria S.p.A was merged into Nazionale Fiduciaria S.p.A., which was then renamed Aletti Fiduciaria S.p.A..

Therefore, there were twenty-seven consolidated companies as at 31 December 2010, compared to twenty-six in the previous year, in addition to the parent company Banco Popolare Società Cooperativa.

The advantages of exercising the national consolidation option in 2010 are mainly linked:

- to the fact that taxes are levied on one single taxable income, resulting from the summation of the taxable income of the companies listed above that exercised the option;
- to the possibility of offsetting the undeductible portion of interest expense against the possible Gross Operating Income availability (G.O.I.), pertaining to other Companies of the Group, under art. 96, paragraph 4) of the ITCL. G.O.I. is the core business gross operating income calculated as the difference between the value of production

and the cost of production under letters A) and B) of art. 2425 of the Civil Code, excluding depreciation of property and equipment and amortisation of intangible assets and finance lease payments for capital goods;
- to the full deductibility of interest expense of banks and other financial entities – accrued against entities participating in the tax consolidation – up to the total amount of interest expense accrued by the participating entities in favour of entities not included in the tax consolidation.

The adoption by Banco Popolare Soc. Coop. of Group taxation along with the subsidiary companies results in an expansion of its administrative liabilities, summarised as follows:
- exclusive liability for the fulfilment of duties associated with the calculation of the group's total consolidated income;
- joint liability for any increased tax, fines and interest on the total taxable income of each consolidated company;
- joint liability with all the relevant companies for the failure to pay amounts due based on the consolidated income tax return.

To this end, and in compliance with the regulatory changes introduced by the 2008 Budget law, the Bank prepared the "consolidation agreements" governing its relations with the above mentioned subsidiaries that joined the consolidated taxation treatment. The agreements were approved by the individual Boards of Directors.

There are no associates for which we opted for the fiscal transparency regime under articles 115 and following of Italian Presidential Decree 917-1986.

Section 15 - Non-current assets held for sale and discontinued operations and related liabilities – Item 150 under assets and Item 90 under liabilities

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of assets

(in thousands of euro)	31/12/2010	31/12/2009
A. Individual assets		
A.1 Financial assets	-	-
A.2 Investments in associates and companies subject to joint control	60,000	60,370
A.3 Property and equipment	152,157	42,864
A.4 Intangible assets	-	54,621
A.5 Other non-current assets	-	2,420
Total A	**212,157**	**160,275**
B. Discontinued operations		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Investments held to maturity	-	-
B.5 Due from banks	72,608	75,467
B.6 Loans to customers	82,593	1,579,657
B.7 Investments in associates and companies subject to joint control	-	-
B.8 Property and equipment	845	26,565
B.9 Intangible assets	117	27,117
B.10 Other assets	3,570	46,681
Total B	**159,733**	**1,755,487**
C. Liabilities related to individual assets held for sale		
C.1 Debts	22,071	36,317
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**22,071**	**36,317**
D. Liabilities related to discontinued operations		
D.1 Due to banks	1,801	696,433
D.2 Due to customers	134,871	117,416
D.3 Debt securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-
D.6 Provisions	-	32,081
D.7 Other liabilities	664	77,818
Total D	**137,336**	**923,748**

Non-current assets held for sale include:

- the book value of the associate Finoa for euro 60 million;
- euro 152.2 million of property and equipment (euro 42.9 million as at 31 December 2009) euro 110.6 million of which refers to properties of Banca Italease and Release purchased following the full and final settlement of debt positions;
- the assets and liabilities relating to subsidiary Banco Popolare Ceska Republica.

The clear decrease compared to the previous year is mainly attributable to Factorit, sold in July.

15.2 Other information

There is no other information to report

15.3 Information on investments in companies subject to significant influence, not carried at equity

There are no investments in companies subject to significant influence which are not carried at equity classified as held for sale.

Section 16 - Other assets – Item 160

16.1 Other assets: breakdown

(in thousands of euro)	31/12/2010	31/12/2009
Due from Inland Revenue (not classifiable under tax assets)	912,899	878,777
Receivables for the disposal of assets and the provision of services	114,833	116,395
Other income to be received	74,091	88,986
Cash and other values on hand	88,690	114,646
Items being processed	218,634	313,090
Items in transit between branches	171,987	222,228
Illiquid items for portfolio transactions	-	5,388
Securities and coupons to be settled	72,875	147,830
Other operations to be settled	281,500	166,731
Leasehold improvements	53,818	66,907
Accrued income and prepayments not attributable to a specific item	28,255	37,302
Other items	589,332	789,733
Total	**2,606,914**	**2,948,013**

This item includes tax credits such as VAT credits, credits for former IRPEG/ILOR tax, credits relating to activities as withholding agent and other tax items not recognised under item 140 "Tax assets".
"Items being processed" mainly contains the debits not yet due to be charged to customer current accounts and received by external companies, relating to the domiciliation of bills.
The item "other operations to be settled" includes euro 132.0 million for amounts relating to the repayment of pool loans recorded on 31 December and waiting to be settled on the first subsequent working day.
The item "improvements on third party assets" includes the expenses incurred on those assets which cannot be included under "property and equipment", whose depreciation charge is recorded under item 220 of the income statement "Other operating expenses and income".
"Other items" include assets relating to the Pension Fund for euro 63 million, inventories of assets according to the definition of IAS 2, fully attributable to Bormioli, for euro 143.1 million and other assets for euro 383.2 million. Among the latter, we note euro 103.6 million in assets hedging defined-contribution provisions which have a matching entry in the retirement plans under item 120 "Provisions for risks and charges" under Banco Popolare's balance sheet liabilities and other amounts waiting to be definitively recorded, which are at the branches and central offices for euro 56.6 million of Banca Popolare di Verona - S. Geminiano e S. Prospero.

The subsidiary Banca Aletti has receivables due from the Swiss Tax Authorities relating to tax periods 2006 to 2008, for an amount of euro 14,498 thousand.
For these receivables, the Bank received from the Federal Tax Administration a notice of rejection of the related refund petitions.
Nonetheless, the Bank, based on specific legal and tax opinions obtained also in Switzerland, believes that now all the conditions are in place to consider these receivables due from the Swiss Tax Authorities to be fully recoverable, as, in light of the Swiss tax regulations, said notice of rejection is lacking grounds in the merits.
From a procedural point of view, as this notice was not a formal rejection, meaning a challengeable order, it does not meet the requirement of being definite. Therefore, the Bank has requested that the Swiss Tax Authority rule by way of a challengeable order (which has not yet been received), as the Bank intends - for the founded reasons set forth above – to protect its rights through the competent Swiss legal tax bodies.

Lastly, the Bank's assessment of the recoverability of the receivables in question is also supported by the fact that, faced with the same type of underlying operations, the Bank has not had any difficulties in obtaining refunds of tax credits from the tax authorities of countries other than Switzerland.
Also with regard to the residual tax credits due from the Swiss Tax Authorities (relating to years 2009-2010), amounting to euro 30,643 thousand, for which the Bank has not received any contestation, the Bank deems that there are no reasons to consider these credits as unrecoverable.

LIABILITIES

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by product

(in thousands of euro)	31/12/2010	31/12/2009
1. Due to central banks	**4,301,123**	**2,617,438**
2. Due to banks	**5,191,827**	**5,802,979**
2.1 Current accounts and demand deposits	1,067,200	1,294,493
2.2 Time deposits	1,856,198	2,392,665
2.3 Loans	2,185,740	2,079,591
2.3.1 repurchase agreements	1,182,598	1,209,251
2.3.2 other	1,003,142	870,340
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	82,689	36,230
Total	**9,492,950**	**8,420,417**
Fair Value	**9,492,950**	**8,420,417**

For amounts due to banks the fair value valuation is almost identical to their book value, as these are mostly short-term payables.

1.2 Breakdown of item 10 "Due to banks": subordinated loans

At the reporting date, similarly to the end of the previous year, there are no subordinated loans payable to banks.

1.3 Breakdown of item 10 "Due to banks": structured debts

At the reporting date, similarly to the end of the previous year, there are no subordinated loans payable to banks.

1.4 Due to banks subject to micro hedging

(in thousands of euro)	31/12/2010	31/12/2009
1. Payables subject to micro fair value hedging	**-**	**69,062**
a) interest rate risk	-	69,062
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Payables subject to micro cash flow hedging	**301,761**	**189,556**
a) interest rate risk	301,761	189,556
b) exchange rate risk	-	-
c) other	-	-
Total	**301,761**	**258,618**

1.5 Financial lease payables

(in thousands of euro)	31/12/2010		
	Minimum payments		Gross investment
	Principal	Interest	
Financial lease payables			
Up to 3 months	2,572	328	2,900
From 3 months to 1 year	3,969	930	4,899
From 1 year to 5 years	13,764	3,044	16,808
Over 5 years	6,713	452	7,165
Undefined term	-	-	-
Total	**27,018**	**4,754**	**31,772**

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by instrument

(in thousands of euro)	31/12/2010	31/12/2009
1. Current accounts and demand deposits	39,602,043	43,622,032
2. Time deposits	1,311,718	1,153,305
3. Loans	12,980,673	7,662,160
3.1 repurchase agreements	12,949,653	7,108,959
3.2 other	31,020	553,201
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	679,775	754,366
Total	**54,574,209**	**53,191,863**
Fair Value	**54,549,238**	**53,186,152**

2.2 Breakdown of item 20 "Due to customers": subordinated loans

At the reporting date there are no material subordinated loans payable to customers.

2.3 Breakdown of item 20 "Due to customers": structured debts

At the reporting date, similarly to the end of the previous year, there are no structured debts payable to customers.

2.4 Due to customers subject to micro hedging

At the reporting date there are no amounts due to customers subject to micro hedging.

2.5 Financial lease payables

(in thousands of euro)	31/12/2010		
	Minimum payments		Gross investment
	Principal	Interest	
Financial lease payables			
Up to 3 months	753	230	983
From 3 months to 1 year	2,266	663	2,929
From 1 year to 5 years	12,019	2,837	14,856
Over 5 years	11,875	744	12,619
Undefined term	-	-	-
Total	**26,913**	**4,474**	**31,387**

Section 3 - Debt securities issued - Item 30

3.1 Debt securities issued: breakdown by instrument

(in thousands of euro)	Total 31/12/2010				Total 31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	21,325,647	6,302,404	14,384,022	-	21,164,702	3,341,480	17,894,141	-
1.1 structured	2,417,210	1,133,886	1,434,186	-	1,515,583	-	1,519,639	-
1.2 other	18,908,437	5,168,518	12,949,836	-	19,649,119	3,341,480	16,374,502	-
2. Other securities:	2,109,832	-	2,020,608	-	4,062,818	-	3,941,029	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	2,109,832	-	2,020,608	-	4,062,818	-	3,941,029	-
Total	**23,435,479**	**6,302,404**	**16,404,630**	**-**	**25,227,520**	**3,341,480**	**21,835,170**	**-**

During the year, issues of Covered Bonds were finalised for a nominal value of euro 2,350 million (euro 2,307 million in book value). This category includes a funding repurchase agreement transaction for euro 343 million, carried out with a leading counterparty, with an underlying represented by the covered bond repurchased by the issuer for a nominal value of

euro 400 million. This transaction was represented as debt securities issued based on the information provided by the Supervisory Authority based on the clarifications received in February 2011.

The subitem "Level 1 structured securities", which was nil as at 31 December 2009, refers to the convertible bond issued by Banco Popolare in March 2010 net of the optional component separated out and shown under item 160 of Liabilities "Capital instruments". For further details on the characteristics of the loan, please refer to the section in this Report on Operations that illustrates the significant events that occurred during the year.

3.2 - Breakdown of item 30 "Debt securities issued": subordinated securities

At the reporting date, subordinated debt securities issued amounted to euro 4,627.4 million (euro 4,497.4 million at the end of 2009) of which euro 1,227.9 million are represented by perpetual instruments (preferred shares).
During the year, the Parent Company exercised the early redemption option, via authorisation from the Bank of Italy, on a perpetual instrument (preferred share) for a nominal value of euro 25 million, concurrently issuing an instrument with the same nominal and asset value, recorded in the financial statements for euro 26.7 million.
In the same period, the Parent Company issued 3 subordinated loans for a total nominal value of euro 1,153 million and book value of euro 1,119.9 million.
A convertible subordinated loan was reimbursed for a residual nominal value of euro 299.9 million was redeemed, as well as 3 hybrid capital instruments for a total nominal value of euro 369.5 million.
The early redemption option was also exercised on a non convertible subordinated loan for a nominal value of euro 173.7 million by the subsidiary Banca Popolare di Lodi, while the subsidiary Cassa di Risparmio di Lucca Pisa Livorno redeemed the second four-year payment instalment of the non convertible subordinated loan which decreased from a nominal value of euro 30 million to euro 20 million.

Lastly, for an issue of preferred securities for euro 150 million guaranteed by Banca Italease (ISIN: XS0255673070), the four coupons relating to 2010 were not paid, as the conditions were in place which allow their suspension, according to the contractual and supervisory regulations. As a result, in March 2010, Moody's rating agency lowered the rating of this issue from Ba3 to Caa3, as Banca Italease announced its intention not to pay said coupons in a press release dated 25 February 2010.

The characteristics of the subordinated loans which can be calculated for regulatory purposes are set forth in Part F – "Information on consolidated capital".

3.3 Breakdown of item 30 "Debt securities issued": securities subject to micro hedging

(in thousands of euro)	31/12/2010	31/12/2009
1. Payables subject to micro fair value hedging:	**7,900,541**	**5,869,153**
a) interest rate risk	7,900,541	5,869,153
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Payables subject to micro cash flow hedging:	**279,718**	**422,078**
a) interest rate risk	279,718	422,078
b) exchange rate risk	-	-
c) other	-	-
Total	**8,180,259**	**6,291,231**

Section 4 - Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by instrument

(in thousands of euro)	31/12/2010					31/12/2009				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	266	266	-	-	266	142	146	-	-	146
2. Due to customers	10,628	10,973	-	-	10,973	34,013	34,386	-	-	34,386
3. Debt Securities	-	-	-	-		-	-	-	-	
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**10,894**	**11,239**	**-**	**-**	**11,239**	**34,155**	**34,532**	**-**	**-**	**34,532**
B. Derivatives										
1. Financial Derivatives		182,801	3,537,858	1,685			210,614	3,624,531	4,197	
1.1 Trading	X	182,791	3,467,095	1,685	X	X	210,482	3,514,928	4,197	X
1.2 Under the fair value option	X	-	184	-	X	X	-	2,428	-	X
1.3 Other	X	10	70,579	-	X	X	132	107,175	-	X
2. Loan Derivatives		-	551	-			-	4,775	-	
2.1 Trading	X	-	551	-	X	X	-	4,671	-	X
2.2 Under the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	104	-	X
Total B	**X**	**182,801**	**3,538,409**	**1,685**	**X**	**X**	**210,614**	**3,629,306**	**4,197**	**X**
Total (A+B)	**X**	**194,040**	**3,538,409**	**1,685**	**X**	**X**	**245,146**	**3,629,306**	**4,197**	**X**

FV = Fair Value
FV = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness with respect to the issue date*
NV = Nominal Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "Cash liabilities – due to customers" exclusively includes technical overdrafts on listed shares issued by other companies, of the subsidiary Aletti & C. Banca di Investimento Mobiliare S.p.A..

4.2 Breakdown of item 40 "Financial liabilities held for trading": subordinated liabilities

At the reporting date, similarly to the end of the previous year, there are no subordinated financial liabilities.

4.3 - Breakdown of item 40 "Financial liabilities held for trading": structured debts

At the reporting date, similarly to the end of the previous year, there are no material structured debts under financial liabilities held for trading.

4.4 Cash financial liabilities (excluding "technical overdrafts") held for trading: annual changes

There are no cash financial liabilities held for trading, as amounts due to banks are fully represented by technical overdrafts and there were no changes during the year.

Section 5 - Financial liabilities designated at fair value through profit and loss - Item 50

5.1 Financial liabilities designated at fair value through profit and loss: breakdown by instrument

(in thousands of euro)	31/12/2010					31/12/2009				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	27,222,101	17,912,599	8,601,462	-	26,933,242	6,901,635	13,728,051	13,035,686	-	26,787,421
3.1 Structured	2,142,204	214,603	1,903,263	-	X	845,653	414,578	2,272,982	-	X
3.2 Other	25,079,897	17,697,996	6,698,199	-	X	6,055,982	13,313,473	10,762,704	-	X
Total	**27,222,101**	**17,912,599**	**8,601,462**	**-**	**26,933,242**	**6,901,635**	**13,728,051**	**13,035,686**	**-**	**26,787,421**

FV= Fair Value
FV = Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness with respect to the issue date.*
NV= Nominal Value
L1= Level 1
L2= Level 2
L3= Level 3

Financial liabilities designated at fair value through profit and loss refer to plain vanilla bond issues which are fixed-rate or linked to equity instruments, exchange rates, inflation rates or interest rate structures, and are hedged using derivative instruments. In that case, the use of the fair value option meets the need to cancel or significantly reduce accounting asymmetry, as an alternative to hedge accounting. Otherwise, derivatives would be valued at fair value in any event, while the bond loans would be recognised at amortised cost.
For the scope of securities under the fair value option and the method used to determine fair value and quantify changes in creditworthiness, please refer to "Part A – Accounting policies – A.2 Key financial statement items, 18 – Other information, Methods for determining the fair value of financial instruments".
Specifically, for issues classified as "institutional or similar", creditworthiness is quantified based on the senior or subordinated Credit Default Swap - CDS curve, in relation to the payment priorities of the loans. For the remaining issues, the prices of Group securities observed on secondary markets were used, or those obtained through a valuation technique which does not consider changes in creditworthiness as a significant factor, as effectively shown in market practice.

Effect of the change in the Bank's creditworthiness on financial liabilities designated at fair value through profit and loss

With regard to the financial liabilities designated at fair value through profit and loss outstanding as at 31 December 2010, the change in the creditworthiness, with respect to the issue date of the same, led overall to a lower fair value of the liabilities equal to euro 419.2 million (compared with euro 23.7 million as at 31 December 2010).
The economic effect pertaining to 2010 was therefore positive overall for euro 395.5 million (euro 267.7 million net of taxes), as a consequence of the extension of the Credit Default Swap (CDS) curve in the name of Banco Popolare, following the tension on financial markets originated by Greece's default risk.
The net write-downs registered in the previous year were significantly influenced by the change in the method for determining the fair value for certain types of issues placed with retail or similar customers, which had led to the charging of euro 211 million. This effect was emphasised during the second half of 2009, further to a general improvement in the CDS curve with respect to that reported as at 31 December 2008, the amount of the losses pertaining to the whole of 2009 thereby coming to euro 350.5 million.
The following table shows the effects of the change in the creditworthiness recorded in the income statement for each period and cumulatively as of the issue date of the loan:

Creditworthiness effect *(in thousands of euro)*	**31/12/2010**	**31/12/2009**
Cumulative gains/losses	419,181	23,684
Profits (losses) on creditworthiness change	395,497	(350,513)

It has been believed appropriate to highlight that the net cumulative gains recorded as at 31 December 2010 due to the changes in the creditworthiness and which translated into the recording of the liabilities at a lower book value, are destined to negatively reverse in the future income statements to the extent that the liabilities will not be subject to repurchase at prices in line with the recorded book value.

For completeness, it is noted that based on the supervisory regulations in force, the net cumulative gains attributable to the worsening of creditworthiness do not contribute to the determination of regulatory capital, as a result of the application of prudent filters.

5.2 Breakdown of item 50 "Financial liabilities designated at fair value through profit and loss": subordinated liabilities

As at 31 December 2010 financial liabilities designated at fair value through profit and loss with subordination clauses amounted to euro 582.9 million, compared with euro 749.3 million in the previous year.

The characteristics of the subordinated loans which can be calculated for regulatory purposes are set forth in Part F – "Information on consolidated capital".

5.3 Financial liabilities designated at fair value through profit and loss: annual changes

(in thousands of euro)	Due to banks	Due to customers	Debt securities issued	Total
A. Initial balances	**-**	**-**	**26,763,737**	**26,763,737**
B. Increases:	**-**	**-**	**9,965,584**	**9,965,584**
B.1 Issues	-	-	8,745,309	8,745,309
B.2 Sales	-	-	228	228
B.3 Increases in fair value	-	-	187,785	187,785
B.4 Other changes	-	-	1,032,262	1,032,262
C. Decreases	**-**	**-**	**(10,215,260)**	**(10,215,260)**
C.1 Purchases	-	-	(3,033,114)	(3,033,114)
C.2 Redemptions	-	-	(5,434,023)	(5,434,023)
C.3 Decreases in fair value	-	-	(524,852)	(524,852)
C.4 Other changes	-	-	(1,223,271)	(1,223,271)
D. Closing balances	**-**	**-**	**26,514,061**	**26,514,061**

Section 6 - Hedging derivatives – Item 60

6.1 Hedging derivatives: breakdown by hedge type and level

(in thousands of euro)	Fair value 31/12/2010			Notional value 31/12/2010	Fair value 31/12/2009			Notional value 31/12/2009
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**235,364**	**-**	**8,521,514**	**-**	**168,456**	**-**	**3,576,611**
1. Fair value	-	212,952	-	8,083,686	-	131,994	-	3,177,027
2. Cash flows	-	22,412	-	437,828	-	36,258	-	370,000
3. Foreign investments	-	-	-	-	-	204	-	29,584
B) Loan derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**235,364**	**-**	**8,521,514**	**-**	**168,456**	**-**	**3,576,611**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Hedging derivatives: breakdown by portfolio hedged and hedge type

(in thousands of euro)	Fair Value						Cash Flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Interest Exchange rate risk	Interest Credit risk	Interest Price risk	Multiple risks				
1. Financial assets available for sale	83,900	-	-	-	-	X	-	X	X
2. Loans	13,543	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	9,078	-	-	-	-	13,293	-	-	X
5. Other operations	X	X	X	X	X	X	X	X	-
Total Assets	**106,521**	**-**	**-**	**-**	**-**	**13,293**	**-**	**-**	**-**
1. Financial liabilities	93,138	-	-	X	-	X	11,330	X	X
2. Portfolio	-	-	-	-	-	-	11,082	-	X
Total Liabilities	**93,138**	**-**	**-**	**-**	**-**	**-**	**22,412**	**-**	
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 7 - Change in fair value of financial liabilities in macro fair value hedge portfolios - Item 70

7.1 Change in fair value of hedged financial liabilities

(in thousands of euro)	31/12/2010	31/12/2009
1. Positive change in financial liabilities	7,701	41,518
2. Negative change in financial liabilities	-	-
Total	**7,701**	**41,518**

This item refers to the fair value adjustment on funding represented by current accounts of customers under the item due to customers, for which macro fair value hedging has been put in place using derivative instruments. Income and charges from the valuation of hedging derivatives and the hedged portfolio are recognised under item 90 “Fair value adjustments in hedge accounting”.

7.2 Liabilities subject to macro interest rate risk hedging: breakdown

(in thousands of euro)	31/12/2010	31/12/2009
1. Due to customers	350,000	1,002,944
2. Debt securities issued	-	-
3. Subordinated liabilities	-	-
4. Financial liabilities	-	-
5. Portfolio	-	-
6. Due to banks	-	-
Total	**350,000**	**1,002,944**

Section 8 - Tax liabilities – Item 80

This section was illustrated in Section 14 of balance sheet assets in Part B – Information on the balance sheet, of these explanatory notes.

Section 9 - Liabilities associated with non-current assets held for sale and discontinued operations - Item 90

The information in this section was shown in Section 15 of balance sheet assets in Part B – Information on the balance sheet, of these explanatory notes.

Section 10 - Other liabilities – Item 100

10.1 Other liabilities: breakdown

(in thousands of euro)	31/12/2010	31/12/2009
Due to Inland Revenue (not classifiable under tax liabilities)	195,161	150,090
Due to personnel	185,965	136,804
Due to Social Security	28,161	25,502
Trade payables	251,671	376,091
Payables for sundry items due to the Inland Revenue Service	40,712	44,292
Items in transit between branches not yet allocated to destination accounts	20,535	55,477
Amounts available to be paid to third parties	138,764	111,316
Bank transfers to be cleared	165,799	395,816
Items relating to securities transactions	21,286	24,892
Other items being processed	188,938	218,301
Adjustments for illiquid items in portfolio	976,245	423,045
Accrued liabilities and deferred income not attributable to a specific item	93,484	56,366
Other items	697,399	720,259
Total	**3,004,120**	**2,738,251**

The item "Due to Inland Revenue (not classifiable under tax liabilities)" includes net tax liabilities such as VAT payable, withholdings and other tax items not recognised under item 80 "Tax liabilities".
The item "Due to personnel" mainly comprises charges relating to holidays accrued and not taken.
The item "Other items" is composed of three subitems: "Hedging of risks for guarantees given and commitments" for euro 34.2 million, consolidation adjustments, with a negative balance of euro 85 million and the residual subitem "Other items" of euro 577.9 million. The latter is mainly comprised of amounts at branches and central entities which have not yet been definitively allocated, sundry invoices from suppliers and temporary accounts.
This residual item also includes the effects of line-by-line consolidation of several mutual funds managed by Aletti Gestielle. Specifically, these are funds in which the Group holds a majority of assets, for which the net asset value (NAV) of the funds was consolidated, recognising the NAV not attributable to the Group under other liabilities. This share refers to the funds Gestielle Hedge Multi Strategy (euro 120.4 million), Gestielle Harmonia Vivace (euro 20.4 million), Gestielle Harmonia Dinamico (euro 9.6 million) and Gestielle Hedge Long Short World (euro 17.1 million).

Section 11 - Employee termination indemnities – Item 110

11.1 Employee termination indemnities

(in thousands of euro)	2010	2009
A. Initial balances	**415,688**	**417,746**
B. Increases	**29,575**	**43,218**
B.1 Provisions for the year	14,194	21,550
B.2 Other increases	15,381	21,668
C. Decreases	**(50,278)**	**(45,276)**
C.1 Benefits paid	(22,194)	(25,487)
C.2 Other decreases	(28,084)	(19,789)
Closing balances	**394,985**	**415,688**

11.2 Other information

As described in Part A – Accounting policies, following the reform of supplementary pension plans, employee termination indemnities in this financial statement item (for companies with an average of at least 50 employees during 2006, which represents almost all Group companies) refers only to the portion accrued up to 31 December 2006.
For these companies, therefore, the provisions do not include the portions which, as a result of the reform, have been paid to supplementary pension plans or to the Italian Social Security Institution (INPS) Treasury Fund. In that case, the portions of employee termination indemnities accruing from 1 January 2007 are classified as "defined-contribution plans" and are recognised under personnel expenses in the subitem "employee termination indemnities", based on the contributions due, without applying actuarial calculation methods, as an offset to the recognition of "Other liabilities" on the balance sheet, or to an outflow of cash or cash equivalents.

The actuarial valuation of employee termination indemnities, carried out based on the "accrued benefits" methods, using the "Projected Unit Credit" criteria as per IAS 19, is based on the following demographic, economic and financial assumptions:

Main demographic and actuarial assumptions for the valuation of employee termination indemnities as at 31 December 2010	
Employee mortality rate	RG48 Survival Table used by the State General Accounting Office
Frequency and amount of advances on employee termination indemnities	Determined based on historical experience according to seniority of services: with reference to advances following the first, it has been established that 10% of employees who requested the first advance also request a second, 6 years from the first; as for the amount of advances, an amount of 70% has been assumed for the first and 45% for the second request
Frequency of turnover	Determined based on historical experience according to age and gender
Probability of retiring	On reaching the first retirement requirement according to the provisions of General Mandatory Insurance
Yearly discounting rate	4.30%, equal to the Iboxx Corporate AA rate with duration equal to the average duration of all benefits paid to employees of companies belonging to the Group (social security, Sipre, employee termination indemnities and seniority bonuses)
Annual inflation rate	2.00%. The resulting annual revaluation rate for employee termination indemnities is 3%, i.e., 75% of the inflation rate increased by 1.5 percentage points

It is noted that the demographic and effective assumptions shown above are substantially in line with those used in the previous year. The annual discounting rate for actuarial valuation as at 31 December 2009 stood at 4.4%. There were no changes in the average annual inflation rate and in the resulting annual revaluation rate for employee termination indemnities.

Section 12 - Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

(in thousands of euro)	31/12/2010	31/12/2009
1. Company retirement plans	254,656	244,280
2. Other provisions for risks and charges	798,481	814,936
2.1 legal disputes	276,878	304,246
2.2 personnel expenses	149,444	189,025
2.3 other	372,159	321,665
Total	**1,053,137**	**1,059,216**

As at 31 December 2010 provisions for risks and charges amounted to euro 1,053.1 million.

The item "*company retirement plans*" includes two substantial types of plans. The first is defined benefit provisions of euro 88 million, provisions which the Group has set up in order to guarantee benefits to retired employees. The second, amounting to euro 166.6 million, comprises defined contribution provisions, which are funded through the annual payment of contributions by the company.

Other provisions for risks and charges include item 2.1 *"legal disputes"* which mainly refers to provisions for clawback actions and other pending proceedings. For the description of the most significant clawback actions and pending lawsuits at group level, refer to the comments in the section on "Risks associated with pending legal proceedings" in the Report on Operations.
The item *"personnel expenses"* mainly includes the allocations for the renewal of the supplementary company agreement, the incentive system, the loyalty bonus, provisions for redundancy incentives (i.e. solidarity fund) and the liabilities associated with a Supplementary Welfare System (S.I.PRE, *Sistema Integrativo Previdenziale*).
Item 2.3 *"other"* includes the Group's charity provisions for euro 10.4 million, provisions for possible claims on financial instruments, including positions in derivatives, for euro 12.3 million and allocations for the agreement signed on 15 March 2011 with the Tax Authorities to settle almost all claims regarding Banca Italease and its subsidiaries, amounting to euro 210.1 million. The reasons for the creation of these provisions are illustrated in detail in Section 14 "Tax assets and liabilities" – paragraph 14.7 "Other information" in these explanatory notes.
The provisions as at 31 December 2010 did not include the euro 100 million in provisions relating to the agreement on securities loans entered into with Alba Leasing, allocated in the previous year, as a result of the full use of said provisions following the subscription of a supplementary and amending agreement on 2 July 2010 in order to better define the rules for transferring the securitised loans deriving from the banking channel to Alba Leasing.

12.2 Provisions for risks and charges: annual changes

(in thousands of euro)	Company retirement plans	Other Provisions	Total
A. Initial balances	**244,280**	**814,936**	**1,059,216**
B. Increases	**31,676**	**421,458**	**453,134**
B.1 Provisions for the year	7,372	360,659	368,031
B.2 Changes over time	2,031	2,578	4,609
B.3 Changes due to changes in the discounting rate	699	584	1,283
B.4 Other changes	21,574	57,637	79,211
C. Decreases	**(21,300)**	**(437,913)**	**(459,213)**
C.1 Uses during the year	(15,711)	(342,118)	(357,829)
C.2 Changes due to changes in the discounting rate	-	(3,680)	(3,680)
C.3 Other changes	(5,589)	(92,115)	(97,704)
D. Closing balances	**254,656**	**798,481**	**1,053,137**

Item B.1 "Provisions for the year" includes the allocations by Banca Italease and its subsidiaries relating to the settlement of tax disputes described above.

Item C.1 "Uses during the year" mainly includes personnel expenses, the use of provisions for clawbacks to cover losses on loans recorded in the income statement following the closure of settlements arranged with bankruptcy receivers and components linked to other legal disputes.

Item C.3 "Other changes", which decreased, includes, for the current year, the provisions for the company bonus for 2009 which, based on the fact that they are considered certain, were transferred to the item "Other liabilities" under balance sheet liabilities.

12.3 Defined benefit company retirement plans

12.3.1 Description of the plans

With regard to the defined benefit supplementary pension plans, the determination of present values as required by IAS 19 "Employee benefits" is carried out by an independent Actuary.
The definition of economic forecast assumptions led to the adoption of a discounting rate of 4.3% (as at 31 December 2009 it was 4.4%) and of 3.48% for the plans of the former Banca Italease Group, and an inflation rate of 2%. The method and the demographic economic and financial technical basis adopted differ from plan to plan. The technical-financial management system adopted for these valuations is full capitalization.

Group defined benefit plans are broken down into internal and external plans.
Internal plans refer to the following Group companies:

- Banco Popolare: former Banca Popolare Italiana (BPI) plan, former Chiavari plan, former BIG (Banca Industriale Gallaratese) plans, former Eurosistemi plan and Adriatico plan; plans for which the Parent Company guarantees defined benefits to a group of retired employees as at 31 December 2010, inherited from the former BPVN S.c.a.r.l.. For greater details on these plans, refer to the specific illustrative section in the Parent Company's financial statements.
- Cassa di Risparmio di Lucca Pisa Livorno: former Cassa di Risparmio di Lucca plan, former Cassa di Risparmi di Livorno plan, former Cassa di Risparmio di Pisa plan;
- Banca Popolare di Cremona: Banca Popolare di Cremona plan;
- Banca Italease: Banca Italease Group plan.

The statement of the Banco Popolare internal plan is shown as an attachment to the Parent Company's separate financial statements, while those referring to Banca Italease and Cassa di Risparmio di Lucca Pisa Livorno are contained in the attachments to these consolidated financial statements.
The internal plan of Banca Popolare di Cremona is a defined benefit company plan without legal personality which provides supplementary pension benefits in addition to those provided by INPS. As at 31 December 2010, it showed a balance of euro 128 thousand. Actuarial assessment of the adequacy of the Plan was carried out on 14 January 2011 and demonstrated the need, following the use of euro 14 thousand of the plan, to allocate euro 15 thousand.
External plans regard the plans for Credito Bergamasco employees.

12.3.2. Changes in the plans during the year

		Pension plan for Banco Popolare personnel	Pension plan for Creberg personnel and minor plans	Pension plan for CrLuPiLi personnel	Pension plan for Cremona personnel	Pension plan for Italease Group personnel	31/12/2010
A.	**Initial balances**	**45,013**	**15,711**	**22,416**	**127**	**8,030**	**91,297**
B.	**Increases**	**3,386**	**1,715**	**1,226**	**14**	**1,203**	**7,544**
	B.1 Pension costs associated with service	51	7	1	-	2	61
	B.2 Financial charges due to the passage of time	2,003	609	1,140	6	-	3,758
	B.3 Other actuarial losses	938	1,098	85	8	897	3,026
	B.4 Other increases	394	1	-	-	304	699
C.	**Decreases**	**(3,927)**	**(3,772)**	**(2,531)**	**(13)**	**(593)**	**(10,836)**
	C.1 Uses during the year	(3,817)	(3,761)	(2,267)	(13)	(593)	(10,451)
	C.2 Changes due to changes in the discounting rate	-	-	-	-	-	-
	C.3 Other actuarial gains	(110)	(11)	(264)	-	-	(385)
	C.4 Other decreases	-	-	-	-	-	-
D.	**Closing balances**	**44,472**	**13,654**	**21,111**	**128**	**8,640**	**88,005**

Section 13 - Technical reserves – Item 130

The Group does not hold investments in associates and companies subject to joint control in consolidated insurance companies.

Section 14 - Redeemable shares - Item 150

14.1 Redeemable shares: breakdown

The Group did not hold redeemable shares at the date of the financial statements or at 31 December 2009.

Section 15 - Group Shareholders' Equity - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Share capital and treasury shares: breakdown

The share capital as at 31 December 2010 consisted in 640,484,006 ordinary shares (640,482,201 ordinary shares at the end of 2009), for a value of euro 2,305.7 million.

The item "treasury shares", amounting to a value of euro 30.9 million, mainly included:
- 369,205 shares of the Parent Company, held by the same, for a value of euro 3 million;
- 3,623,062 shares of Efibanca, held by the same, for a value of euro 27.9 million.

15.2 Share capital– Number of Parent Company shares: annual changes

		Ordinary	Other
A.	**Shares issued at the beginning of the year**	**640,482,201**	**-**
	- fully paid-in	640,482,201	-
	- not fully paid-in	-	-
A.1	Treasury shares (-)	(332,450)	-
A.2	**Shares issued: opening balance**	**640,149,751**	**-**
B.	**Increases**	**1,220,550**	**-**
B.1	New issues	1,805	-
	- against payment:		-
	- business combinations		-
	- conversion of bonds		-
	- exercised warrants	1,805	-
	- other		-
	- scrip issue:		-
	- to employees		-
	- to directors		-
	- other		-
B.2	Sale of treasury shares	1,218,745	-
B.3	Other changes		-
C.	**Decreases**	**(1,255,500)**	**-**
C.1	Cancellation		-
C.2	Purchase of treasury shares	(1,255,500)	-
C.3	Business transfers		-
C.4	Other changes		-
D.	**Shares issued: closing balance**	**640,114,801**	**-**
D.1	Treasury shares (+)	369,205	-
D.2	Shares issued at the end of the year	640,484,006	-
	- fully paid-in	640,484,006	-
	- not fully paid-in	-	-

15.3 Share capital: other information

All ordinary shares issued as at 31 December 2010 are authorised and fully paid-in.
On 11 December 2010 the extraordinary shareholders' meeting resolved to eliminate the nominal value of the share pursuant to art. 2346 of the Italian Civil Code.
At the reporting date, the share capital amounted to euro 2,305.7 million and was comprised of 640,484,006 ordinary shares with a value of euro 3.6 each. The shares had no constraints or privileges of any type and each share has the same rights to receive dividends and repayment of capital. Only Banco Popolare holds treasury shares.

15.4 Retained earnings: other information

(in thousands of euro)		31/12/2010	31/12/2009
a)	Legal reserve	511,515	487,510
b)	Statutory reserve	511,535	486,013
c)	Other retained earnings	1,334,533	1,289,971
	Total	**2,357,583**	**2,263,494**

15.5 Other information

Item 160 Capital instruments includes an amount of euro 1,450 million in bank capitalisation instruments governed by art. 12 of Law Decree 185/08, otherwise known as "Tremonti bonds" and euro 33.1 million in the optional component of the "Banco Popolare 2010-2014 4.75% convertible with right to repayment in shares" convertible bond.

During the year, the subordinated convertible bond "TDF 4.75% 2000/2010" expired. The related principal was transferred to available retained earnings for euro 2.5 million.

Section 16 - Minority interests – Item 210

16.1 Capital instruments: breakdown and annual changes

There are capital instruments issued by Group companies which are not fully owned.

Other information

1. Guarantees given and commitments

(in thousands of euro)	31/12/2010	31/12/2009
1) Financial guarantees given	2,797,847	1,737,954
a) Banks	1,383,280	353,659
b) Customers	1,414,567	1,384,295
2) Commercial guarantees given	6,899,509	6,226,281
a) Banks	1,345,214	303,124
b) Customers	5,554,295	5,923,157
3) Irrevocable commitments to disburse funds	3,495,462	4,424,539
a) Banks	448,886	372,430
i) certain to be utilised	299,685	222,165
ii) uncertain to be utilised	149,201	150,265
b) Customers	3,046,576	4,052,109
i) certain to be utilised	332,422	316,329
ii) uncertain to be utilised	2,714,154	3,735,780
4) Commitments underlying loan derivatives: protection sales	-	-
5) Assets pledged to secure third party obligations	-	45,534
6) Other commitments	646,173	1,190,886
Total	**13,838,991**	**13,625,194**

2. Assets pledged to secure own liabilities and commitments

(in thousands of euro)	31/12/2010	31/12/2009
1. Financial assets held for trading	3,187,444	1,757,282
2. Financial assets designated at fair value through profit and loss	-	-
3. Financial assets available for sale	3,854,066	453,474
4. Investments held to maturity	66,008	162,224
5. Due from banks	406,505	4,905,691
6. Loans to customers	5,702,056	2,023,275
7. Property and equipment	-	-
Total	**13,216,079**	**9,301,946**

The table highlights securities underlying repurchase agreements, those pledged as collateral for the issue of banker's drafts, and mortgages guaranteeing refinancing transactions with the Bank of Italy as part of the Abaco (Securitised Bank Assets) project. Amounts due to customers to secure own liabilities and commitments also include mortgages transferred to the vehicle company BP Covered Bond to guarantee the holders of covered bonds which the Parent Company began issuing during 2010, for a book value of euro 4,565.5 million, as described in detail in paragraph C.3 Covered Bonds, in Part E - Section 1 of these explanatory notes.

As at 31 December 2010, guaranteed funding transactions were in place which were not shown in the table as the underlying securities were not recognised under balance sheet assets, deriving from the lodging as security for transactions with the Central Bank (pooling mechanism) and with the New MIC market managed by the Cassa di Compensazione e Garanzia, for the securities deriving from Group self-securitisations for a total nominal value of euro 5,723.2 million. These were put in place in order to cover the Group's possible need for liquidity, a goal for which said self-securitisation operations were executed. In this regard, the securities issued by the vehicle, fully subscribed on issue by the Group companies, are not represented in the consolidated financial statements in any way. On the contrary, the transferred assets represented mainly by residential mortgage contracts and performing lease agreements, are represented.

3. Information on operating leases

There were no material assets or liabilities under operating leases as at 31 December 2010.

4. Breakdown of investments associated with unit-linked and index-linked policies

As at 31 December 2010, the Group did not hold any investments associated with unit or index-linked policies.

5. Management and brokerage on behalf of third parties

(in thousands of euro)	Amount
1. Order execution on behalf of customers	**9,303,780**
a) Purchases	4,689,473
1. settled	4,423,618
2. not settled	265,855
b) Sales	4,614,307
1. settled	4,594,149
2. not settled	20,158
2. Portfolio management	**13,745,016**
a) individual	13,744,203
b) collective	813
3. Custody and safekeeping of securities	**329,208,891**
a) third party securities in custody: associated with custodian bank services (excluding portfolio management)	6,357,732
1. securities issued by consolidated companies	27,606
2. other securities	6,330,126
b) other third party securities in custody (excluding portfolio management): other	138,185,078
1. securities issued by consolidated companies	12,267,705
2. other securities	125,917,373
c) third party securities deposited with third parties	137,729,490
d) proprietary securities deposited with third parties	46,936,591
4. Other operations	**2,516,157**

The item "portfolio management" represents the total amount, at market value, of assets managed on behalf of other parties, excluding the liquidity component.
The securities under item "custody and safekeeping of securities" are recognised at their nominal value. These exclude the securities under portfolio management pursuant to point 2.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

The following tables of the Explanatory notes as well as the income statement format also show, in addition to the figures of the period of reference, the corresponding comparison figures changed in compliance with IFRS 5 and in compliance with clarifications on the regulations for compiling the financial statements made known by the Supervisory Body in February 2011. The Attachments contain a statement of reconciliation between the income statement schedule published in the 2009 financial statements and that restated in these financial statements.

Section 1 - Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

(in thousands of euro)	Debt securities	Loans	Other operations	2010	2009
1. Financial assets held for trading	126,507	-	501,934	628,441	471,452
2. Financial assets designated at fair value through profit and loss	1	-	-	1	3,968
3. Financial assets available for sale	71,242	-	-	71,242	50,673
4. Investments held to maturity	8,062	-	-	8,062	13,711
5. Due from banks	12,304	93,783	103	106,190	184,996
6. Loans to customers	15,258	2,815,534	2,335	2,833,127	3,246,684
7. Hedging derivatives	X	X	100,679	100,679	71,897
8. Other assets	X	X	15,147	15,147	8,098
Total	**233,374**	**2,909,317**	**620,198**	**3,762,889**	**4,051,479**

(in thousands of euro)	2010	2009
Interests on performing loans	3,433,212	3,747,836
Interests on loans classified as “non-performing"	329,677	303,643
Total interest and similar income	**3,762,889**	**4,051,479**

1.2 Interest and similar income: differences relating to hedging transactions

(in thousands of euro)	2010	2009
A. Positive differences relating to hedging transactions	222,663	196,228
B. Negative differences relating to hedging transactions	(121,984)	(124,331)
C. Balance (A-B)	**100,679**	**71,897**

1.3 Interest and similar income: other information

1.3.1 Interest income on currency financial assets

(in thousands of euro)	2010	2009
Interest income on currency assets	75,671	73,411

1.3.2 Interest income on financial lease transactions

(in thousands of euro)	2010	2009
Interest income on financial lease transactions	207,747	153,143

1.4 Interest and similar expense: breakdown

(in thousands of euro)	Debts	Securities	Other operations	2010	2009
1. Due to central banks	30,449	X	-	30,449	59
2. Due to banks	76,237	X	15,450	91,687	159,369
3. Due to customers	272,521	X	17,715	290,236	443,348
4. Debt securities issued	X	640,333	-	640,333	690,120
5. Financial liabilities held for trading	5	-	1,028	1,033	4,880
6. Financial liabilities designated at fair value through profit and loss	-	902,857	-	902,857	805,132
7. Other liabilities and funds	X	X	1,266	1,266	17,697
8. Hedging derivatives	X	X	-	-	-
Total	**379,212**	**1,543,190**	**35,459**	**1,957,861**	**2,120,605**

1.5 Interest and similar expense: differences relating to hedging transactions

Reference is made to the table in point 1.2 in that the balance of differences is positive for 2010 as for 2009.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on currency liabilities

(in thousands of euro)	2010	2009
Interest expense on currency liabilities	24,895	42,250

1.6.2 Interest expense on currency liabilities for financial lease transactions

(in thousands of euro)	2010	2009
Interest expense on financial lease transactions	5,918	394

Section 2 – Net fee and commission income – Items 40 and 50

2.1 Fee and commission income: breakdown

(in thousands of euro)		2010	2009
a)	guarantees given	59,555	55,809
b)	loan derivatives	443	152
c)	management, brokerage and advisory services:	675,249	614,038
	1. financial instrument trading	48,278	28,611
	2. currency trading	3,058	4,284
	3. portfolio management	153,420	142,561
	3.1 individual	56,655	54,595
	3.2 collective	96,765	87,966
	4. custody and safekeeping of securities	11,480	12,371
	5. custodian bank	14,761	15,043
	6. placement of securities	96,144	64,305
	7. receiving and sending orders	48,376	52,396
	8. advisory activities	2,629	2,119
	8.1 on investments	2,629	2,119
	8.2 on financial structure	-	-
	9. distribution of third party services	297,103	292,348
	9.1 portfolio management	159	416
	9.1.1 individual	1	-
	9.1.2 collective	158	416
	9.2 insurance products	184,104	175,088
	9.3 other products	112,840	116,844
d)	collection and payment services	151,155	149,368
e)	servicing for securitisation transactions	2,711	2,842
f)	services for factoring transactions	64	51
g)	tax office services	-	-
h)	activities for the management of multilateral exchange systems	-	-
i)	maintenance and management of current accounts	234,529	272,599
j)	other services	296,141	249,608
	Total	**1,419,847**	**1,344,467**

The sub-item j) "other services" includes commissions relating to cashpoint and Credit card services of 53.7 million (59.6 million as at 31 December 2009) and to the consideration for making the funds available introduced in 2009 (Consideration for Credit Availability) of 126.1 million (48.9 million in the previous year).

2.2 Fee and commission expense: breakdown

(in thousands of euro)		2010	2009
a)	Guarantees given	2,000	2,666
b)	Loan derivatives	-	-
c)	Management and brokerage services:	70,967	46,999
	1. financial instrument trading	36,415	16,541
	2. currency trading	1,385	-
	3. portfolio management:	-	-
	3.1 own	-	-
	3.2 delegated by third parties	-	-
	4. custody and safekeeping of securities	6,897	7,504
	5. placement of financial instruments	19,635	17,713
	6. door-to-door sales of financial instruments, products and services	6,635	5,241
d)	Collection and payment services	36,903	39,388
e)	Other services	44,253	44,622
	Total	**154,123**	**133,675**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

(in thousands of euro)	2010		2009	
	Dividends	Income from UCIT units	Dividends	Income from UCIT units
A. Financial assets held for trading	361,765	138	527,958	1,276
B. Financial assets available for sale	6,894	5,410	8,676	695
C. Financial assets designated at fair value through profit and loss	-	15	-	15
D. Investments in associates and companies subject to joint control	-	X	22,065	X
Total	**368,659**	**5,563**	**558,699**	**1,986**

Section 4 – Profits (losses) on trading - Item 80

4.1 Profits (losses) on trading: breakdown

(in thousands of euro)	Capital gains (A)	Profits on trading (B)	Capital losses (C)	Losses on trading (D)	Net result (A+B)-(C+D)
1. Financial assets held for trading	**30,751**	**456,665**	**(169,162)**	**(706,327)**	**(388,073)**
1.1 Debt securities	12,248	67,221	(135,183)	(48,307)	(104,021)
1.2 Equity instruments	11,259	385,218	(27,940)	(657,481)	(288,944)
1.3 UCIT units	7,244	3,697	(6,039)	(539)	4,363
1.4 Loans	-	-	-	-	-
1.5 Other	-	529	-	-	529
2. Financial liabilities held for trading	**6**	**1,998**	**(383)**	**(38,169)**	**(36,548)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	6	1,998	(383)	(38,169)	(36,548)
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange-rate differences	**X**	**X**	**X**	**X**	**(54,307)**
4. Derivatives	**959,001**	**5,057,182**	**(646,068)**	**(5,267,691)**	**182,031**
4.1 Financial derivatives:	956,836	5,049,573	(644,940)	(5,259,244)	181,832
- On debt securities and interest rates	770,047	4,548,948	(621,582)	(4,546,419)	150,994
- On equity instruments and share indices	183,641	500,625	(16,666)	(707,458)	(39,858)
- On currencies and gold	X	X	X	X	79,607
- Other	3,148	-	(6,692)	(5,367)	(8,911)
4.2 Loan derivatives	2,165	7,609	(1,128)	(8,447)	199
Total	**989,758**	**5,515,845**	**(815,613)**	**(6,012,187)**	**(296,897)**

Section 5 - Profits (losses) on hedging activities – Item 90

5.1 Profits (losses) on hedging activities

(in thousands of euro)	2010	2009
A. Revenues relevant to:		
A.1 Fair value hedging derivatives	99,068	32,165
A.2 Hedged financial assets (fair value)	73,963	26,243
A.3 Hedged financial liabilities (fair value)	72,810	33,772
A.4 Financial hedging derivatives of the financial flows	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total revenues of hedging activities (A)	**245,841**	**92,180**
B. Expenses relevant to:		
B.1 Hedging derivatives of fair value	(160,617)	(75,528)
B.2 Hedged financial assets (fair value)	(25,664)	(1,949)
B.3 Hedged financial liabilities (fair value)	(48,267)	(22,967)
B.4 Financial hedging derivatives of the financial flows	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total hedging expense (B)	**(234,548)**	**(100,444)**
C. Profits (losses) on hedging activities (A-B)	**11,293**	**(8,264)**

Section 6 - Profits (losses) from disposal/repurchase – Item 100

6.1 Profits (losses) from disposal/repurchase: breakdown

(in thousands of euro)	2010			2009		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	2,274	-	2,274	-	-	-
2. Loans to customers	7,886	(9,832)	(1,946)	5,547	(3,626)	1,921
3. Financial assets available for sale	11,389	(5,761)	5,628	10,179	(1,590)	8,589
3.1 Debt securities	11	(386)	(375)	143	(1,178)	(1,035)
3.2 Equity instruments	9,336	(5,375)	3,961	8,770	(388)	8,382
3.3 UCIT units	2,042	-	2,042	1,266	(24)	1,242
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	(8)	(8)	6	-	6
Total Assets	**21,549**	**(15,601)**	**5,948**	**15,732**	**(5,216)**	**10,516**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	35,185	(9,198)	25,987	29,631	(7,784)	21,847
Total Liabilities	**35,185**	**(9,198)**	**25,987**	**29,631**	**(7,784)**	**21,847**

Section 7 - Profits (losses) on financial assets and liabilities designated at fair value – Item 110

7.1 Net change in value of financial assets/liabilities designated at fair value through profit and loss: breakdown

(in thousands of euro)	Capital gains (A)	Profits on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result (A+B)-(C+D)
1. Financial assets	**2,517**	**2,925**	**(1,934)**	**(14)**	**3,494**
1.1 Debt securities	-	779	-	-	779
1.2 Equity instruments	3	-	(1,106)	-	(1,103)
1.3 UCIT units	2,514	2,146	(828)	(14)	3,818
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**493,120**	**159,343**	**(208,377)**	**(37,360)**	**406,726**
2.1 Debt securities	493,120	159,343	(208,377)	(37,360)	406,726
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange-rate differences	**X**	**X**	**X**	**X**	**(1,953)**
4. Credit and financial derivatives	**193,465**	**121,761**	**(178,329)**	**(119,474)**	**17,423**
Total	**689,102**	**284,029**	**(388,640)**	**(156,848)**	**425,690**

This item includes the net result of bonds for which the fair value option was used, in the same way as the result of their hedging derivatives. In this case, the use of the fair value option has satisfied the need to reduce the accounting asymmetry which would otherwise result from assessing the financial liabilities issued at amortised cost and the related hedging derivatives at fair value.
It is appropriate to point out that, as prescribed by reference accounting standard, the effect resulting from the change in the creditworthiness of Banco Popolare - occurred after the date of issue - was also considered in determining the fair value. In 2010, the effects entered to the credit of the income statement are positive totalling 395.5 million. For further details, reference is made to section 5 of the balance sheet liabilities of these explanatory notes, in relation to "Financial liabilities designated at fair value".

Section 8 - Net losses/recoveries on impairment - Item 130

8.1 Net losses on impairment of loans: breakdown

(in thousands of euro)	Losses			Recoveries				2010	2009
	Specific		Collective	Specific		Collective			
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	(24,008)	(31)	-	494	-	1,724	(21,821)	2,592
- Loans	-	(14,098)	(31)	-	494	-	1,724	(11,911)	2,592
- Debt securities	-	(9,910)	-	-	-	-	-	(9,910)	-
B. Loans to customers	(167,705)	(963,012)	(143,108)	177,568	289,142	-	46,559	(760,556)	(817,265)
- Loans	(167,705)	(962,761)	(143,108)	177,568	289,118	-	46,559	(760,329)	(820,293)
- Debt securities	-	(251)	-	-	24	-	-	(227)	3,028
C. Total	**(167,705)**	**(987,020)**	**(143,139)**	**177,568**	**289,636**	**-**	**48,283**	**(782,377)**	**(814,673)**

A = from interest
B = other recoveries

8.2 Net losses on impairment of financial assets available for sale: breakdown

(in thousands of euro)	Losses Specific		Recoveries Specific		2010	2009
	Write-offs	Other	A	B		
A. Debt securities	(115)	(16,399)	-	173	(16,341)	(12,902)
B. Equity instruments	-	(36,024)	X	X	(36,024)	(12,085)
C. UCIT units	-	(1,053)	X	-	(1,053)	(4,264)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**(115)**	**(53,476)**	**-**	**173**	**(53,418)**	**(29,251)**

A = from interest
B = other recoveries

8.3 Net losses on impairment of investments held to maturity: breakdown

The case in point is not present in the current or in the previous period.

8.4 Net losses on impairment of other financial activities: breakdown

(in thousands of euro)	Losses			Recoveries				Total 2010	Total 2009
	Specific		Collective	Specific		Collective			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	-	(7,665)	(3,000)	-	3,894	-	308	(6,463)	(17,421)
B. Loan derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to issue funds	-	-	(42)	-	-	-	21	(21)	(22)
D. Other operations	(22,630)	(2,079)	(6,673)	295	160	-	-	(30,927)	(2,429)
E. Total	**(22,630)**	**(9,744)**	**(9,715)**	**295**	**4,054**	**-**	**329**	**(37,411)**	**(19,872)**

A= From interest
B= Other recoveries

Net losses on impairment of other transactions of 22.6 million refer to the write-down on the payment made by Banco Popolare as future increases in share capital of Risanamento S.p.A., as laid down in the restructuring agreement. On 30 October 2010, the Shareholders' Meeting of Risanamento decided to cover the losses of the 2010 interim report by using all the available reserves, including the reserve set up as future increases in share capital.

Section 9 - Net premiums – Item 150

This item is not considered relevant for the Group.

Section 10 – Net other income and expense from insurance activities – Item 160

This item is not considered relevant for the Group.

Section 11 - Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

(in thousands of euro)		2010	2009
1)	Employees	1,644,894	1,581,662
	a) wages and salaries	1,090,039	1,036,148
	b) social security contributions	304,094	301,504
	c) employee termination indemnities	60,507	65,285
	d) social security expenditure	570	792
	e) provision to employee termination indemnities	14,194	21,273
	f) provision to pension fund and similar commitments:	13,310	15,353
	- defined contribution	7,871	8,675
	- defined benefit plans	5,439	6,678
	g) payments to external supplementary pension plans:	20,400	19,774
	- defined contribution	17,140	17,158
	- defined benefit plans	3,260	2,616
	h) costs deriving from payment agreements based on own equity instruments	226	1,145
	i) other employee benefits	141,554	120,388
2)	Other personnel in service	12,939	21,044
3)	Directors and auditors	20,942	21,779
4)	Retired personnel	1,654	4,954
5)	Charge-back of expenses for employees seconded to other companies	(6,263)	(5,199)
6)	Charge-back of expenses for third party employees seconded to the bank	5,209	2,865
	Total	**1,679,375**	**1,627,105**

11.2 Average number of employees by category and other staff

	2010	2009
Employees	19,617	19,685
a) executives	328	336
b) total middle managers	7,618	7,468
of which: 3rd and 4th level	3,659	3,538
c) other employees	11,671	11,881
Other personnel	255	311
Average number of personnel	**19,872**	**19,996**
Average number of personnel belonging to Merchant Banking	2,696	2,969
Total	**22,568**	**22,965**

The average number of employees does not include directors and auditors. In the case of part-time employees, it is conventionally considered to be 70 percent.

11.3 Defined benefit company retirement plans: total costs

(in thousands of euro)		2010	2009
a)	Pension cost associated with current service	60	67
b)	Pension cost associated with past service	2,968	4,395
c)	Financial charges	828	282
d)	Expected rate of return on plan assets	304	147
e)	Actuarial gains and losses	1,279	1,787
f)	Gains and losses from impairments or settlements	-	-
	Total	**5,439**	**6,678**

11.4 Other employee benefits

The item related to other employee benefits is indicated in the previous table 11.1, point "i) other employee benefits" of 141.6 million, whereas the corresponding amount for the year 2009 was 120.4 million. This amount refers to expenses for redundancy incentives, contribution to canteen expenses, reimbursement of board and lodging expenses to employees away on business, costs for kilometric refund, costs for insurance policies taken out in favour of employees, costs for employee professional refresher courses.

11.5 Other administrative expenses: breakdown

(in thousands of euro)	2010	2009
a) expenses relating to real estate:	212,825	214,103
- rentals and maintenance of premises	171,213	159,899
- cleaning expenses	6,653	16,342
- energy, water and heating	34,959	37,862
b) indirect taxes and duties	163,462	148,710
c) postal charges, telephone charges, printed materials and other office expenses	67,371	72,535
d) maintenance and rentals for furniture, machines and plants	69,099	57,998
e) professional and consulting services	130,401	126,558
f) fees for surveys and information	19,344	15,060
g) value supervision and escorting	12,352	16,678
h) services from third parties	160,122	152,590
i) advertising, representation and gifts	29,846	30,455
l) insurance premiums	14,329	17,387
m) transport, hiring and travel	36,469	35,417
n) other costs and sundry expenses	30,346	53,834
Total	**945,966**	**941,325**

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown

(in thousands of euro)	Provisions	Reallocation of surpluses	31/12/2010	31/12/2009
Net provisions for risks and charges:	(302,343)	66,024	(236,319)	34,873
a) legal disputes	(73,141)	51,776	(21,365)	68,843
b) personnel expenses	(435)	4,998	4,563	(303)
c) other	(228,767)	9,250	(219,517)	(33,667)
Total	**(302,343)**	**66,024**	**(236,319)**	**34,873**

In relation to the economic impact of changes in Provisions for risks and charges, reference is made to the comments in table 12.2 "Provisions for risks and charges: annual changes" of section 12 "Provisions for risks and charges" of liabilities of part B of the Consolidated explanatory notes.

Section 13 – Net adjustments to/recoveries on property and equipment - Item 200

13.1 Net adjustments to property and equipment: breakdown

(in thousands of euro)	Depreciation (a)	Losses on impairment (b)	Recoveries (c)	Net result (a+b-c)
A. Property and equipment				
A.1 Owned	(109,397)	(17,696)	1,182	(125,911)
- Used in operations	(98,676)	(1,302)	-	(99,978)
- For investment	(10,721)	(16,394)	1,182	(25,933)
A.2 Acquired under financial lease	(2,750)	-	-	(2,750)
- Used in operations	(1,760)	-	-	(1,760)
- For investment	(990)	-	-	(990)
Total	**(112,147)**	**(17,696)**	**1,182**	**(128,661)**

Section 14 – Net adjustments to/recoveries on intangible assets – Item 210

14.1 Net adjustments to intangible assets: breakdown

(in thousands of euro)	Amortisation (a)	Losses on impairment (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned:	(78,071)	(241)	-	(78,312)
- internally generated	-	-	-	-
- other	(78,071)	(241)	-	(78,312)
A.2 Acquired under financial lease	-	-	-	-
Total	**(78,071)**	**(241)**	**-**	**(78,312)**

Section 15 - Other operating expenses and income – Item 220

15.1 Other operating expenses: breakdown

(in thousands of euro)	2010	2009
a) expenses on fixed assets in finance leasing	-	76
b) depreciation of expenses for leasehold improvements	19,899	25,628
c) others	384,776	161,761
Total	**404,675**	**187,465**

The item "other expenses" mainly includes expenses related to industrial activities carried out by the subsidiary Bormioli Rocco & Figlio S.p.A. (approximately 320 million).

15.2 Other operating income: breakdown

(in thousands of euro)	2010	2009
a) tax recovery	141,167	133,713
b) recovery of expenses	41,472	37,399
c) income on securitisation transactions	75	1,179
d) rents receivable on real estate	33,761	14,594
e) others	680,818	572,279
Total	**897,293**	**759,164**

The item "other income" mainly shows:
- industrial income attributable to the Bormioli Rocco Group of approximately 540 million;
- income relating to the conclusion of settlement agreements for liability and compensation of damage actions against former directors and former managers in favour of Banca Popolare di Lodi (32.3 million) and Banca Italease (10 million). For further details, refer to the section "Significant events during the year" of the Consolidated Report on Operations.

Section 16 - Profits (losses) on investments in associates and companies subject to joint control – Item 240

16.1 Profits (losses) on investments in associates and companies subject to joint control: breakdown

(in thousands of euro)	2010	2009
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other income	-	-
B. Expenses	-	(135)
1. Write-downs	-	(135)
2. Losses on impairment	-	-
3. Loss on disposal	-	-
4. Other expenses	-	-
Net result	**-**	**(135)**
2) Companies subject to significant influence		
A. Income	76,607	97,523
1. Revaluations	71,570	93,865
2. Profits on disposal	4,822	3,658
3. Recoveries	-	-
4. Other income	215	-
B. Expenses	(34,417)	(21,152)
1. Write-downs	(32,968)	(12,016)
2. Losses on impairment	(1,138)	(9,132)
3. Loss on disposal	(44)	(4)
4. Other expenses	(267)	-
Net result	**42,190**	**76,371**
Total	**42,190**	**76,236**

The items Revaluations and Write-downs include profits and losses, totalling 71.6 million (of which 49.5 million for Agos, 19.8 million for I.C.B.P.I., 1.7 million for Arca) and 32.9 million (of which 17.5 million for Avipop Assicurazioni, 3.9 million for Energreen, 5.6 million for Popolare Vita, 4.4 for Alba Leasing, 0.8 for G.I. Holding) respectively, deriving from the measurement at equity of investments subject to joint control and significant influence.

The item profits on disposal refers to income recognised for transfer of equity investments in I.C.B.P.I. of 3.1 million and of the subsidiary Polo Finanziario of 1.7 million. The loss on disposal is related to the transfer of the associate Efibanca Palladio Finanziaria.

Impairment losses refer to Centrosim investments of 0.8 million and G.I. Holding investment of 0.3 million.

Section 17 - Profit/loss designated at fair value on property and equipment and intangible assets - Item 250

17.1 Profit/loss designated at fair value (or revalued value) on property and equipment and intangible assets: breakdown

The Group does not hold property and equipment or intangible assets designated at fair value through profit or loss or revalued.

Section 18 – Value adjustments on goodwill – Item 260

18.1 Value adjustments on goodwill: breakdown

No value adjustments on goodwill were carried out. For verifications on the impairment test, refer to what is described in section 13 – Intangible assets, in part B of these Consolidated explanatory notes.

Section 19 - Profits (losses) on disposal of investments - Item 270

19.1 Profits (losses) on disposal of investments: breakdown

(in thousands of euro)	2010	2009
A. Properties	2,323	112,374
- Profits on disposal	4,686	112,516
- Losses on disposal	(2,363)	(142)
B. Other assets	5,650	113
- Profits on disposal	17,071	5,948
- Losses on disposal	(11,421)	(5,835)
Net result	**7,973**	**112,487**

Profits/(losses) on disposal of investments refer to transfers carried out during the year of properties, mainly by companies belonging to Banca Italease. In the previous year, profits on disposal included the capital gain of 105 million, carried out by the subsidiary Immobiliare BP and deriving from the contribution of artistic properties relevant to the closed real-estate fund "Eracle".

Section 20 – Taxes on income from continuing operations - Item 290

20.1 Taxes on income from continuing operations: breakdown

(in thousands of euro)	2010	2009
1. Current taxes (-)	(299,469)	(449,150)
2. Changes in current taxes of prior periods (+/-)	3,277	(22,479)
3. Decreases in current taxes for the year (+)	59	52
4. Change in deferred tax assets (+/-)	291,205	180,788
5. Change in deferred tax liabilities (+/-)	104,850	61,813
6. Income taxes for the year (-) (-1 +/- 2 + 3 +/- 4 +/- 5)	**99,922**	**228,976**

The item does not include taxes relevant to the companies shown in the specific table 21.2 "Breakdown of income taxes relating to groups of assets/liabilities undergoing divestiture".

20.2 Reconciliation between theoretical tax expense and actual tax expense of the financial statements

IRES	2010		2009	
Consolidated gross profit		**217,937**		**492,883**
Negative components of gross profit definitively not relevant (+)		691,119		542,815
non-deductible interests expense	120,935		115,324	
losses on disposal/measurement of investments before consolidation entries	144,318		195,411	
non-deductible taxes other than income taxes	9,359		4,639	
other (non-deductible losses, telephone expenses, entertainment expenses, motor-vehicle expenses, non-core business costs, non-deductible extraordinary liabilities, etc.)	135,892		224,359	
net effects from consolidation entries	271,405		-	
effects from IFRS 3 (PPA) adjustments	9,209		3,081	
Positive components of gross profit definitively not relevant (-)		(566,590)		(652,178)
not relevant portion of gains on disposal/measurement of investments before consolidation entries	(116,911)		(25,060)	
not relevant portion of dividends measured before consolidation entries	(372,181)		(537,171)	
other (non-taxable extraordinary income, capital gains from contribution of properties to real-estate fund, etc.)	(76,488)		(68,177)	
net effects from consolidation entries			(21,689)	
effects from IFRS 3 (PPA) adjustments	(1,010)		(82)	
Final increases not related to elements of gross profit (+)		(4,625)		395
other	(4,625)		395	
Final decreases not related to elements of gross profit (-)		(65,786)		(98,033)
profits paid to directors	-		-	
donations though special fund set up during profit distribution	(11,133)		(14,317)	
recovery of infragroup interest expense deductibility for tax consolidation scheme	(36,894)		(40,267)	
other (mainly: deduction of negative income components recorded directly under equity)	(17,759)		(43,449)	
IRES calculation base to i.s.		**272,053**		**285,882**
IRES nominal rate	**27.50%**		**27.50%**	
Actual IRES		**74,815**		**78,617**
IRES tax rate		**34.33%**		**15.95%**

IRAP	2010		2009	
Consolidated gross profit		**217,937**		**492,883**
Negative components of gross profit definitively not relevant (+)		2,887,354		2,427,365
non-deductible interests expense	132,312		145,232	
non-deductible portion of depreciations on assets used in operations	4,374		3,590	
other non-deductible administrative expenses	142,439		142,384	
personnel expenses net of allowed deductions (decrease in tax wedge, the disabled, etc.)	1,089,271		1,026,076	
losses on loans net of recoveries and net provisions for risks and charges	1,083,287		855,993	
other operating expenses (item 190 bank I.S.)	-		52,329	
losses on investments in associates and companies subject to joint control (item 210 bank I.S.) before consolidation entries	96,904		163,736	
non-relevant losses on disposal of investments (item 240 bank I.S.)	144		1	
other "ordinary" effects	50,239		32,425	
effects from consolidation entries	271,405		-	
effects from IFRS 3 (PPA) adjustments	16,979		5,600	
Positive components of gross profit definitively not relevant (-)		(734,058)		(1,047,733)
profits on investments in associates and companies subject to joint control (item 210 bank I.S.)	(107,096)		(2,295)	
not relevant portion of dividends (50%) measured before consolidation entries	(393,951)		(548,251)	
other operating expenses (item 190 bank I.S.)	(190,913)		(146,833)	
non-relevant profits on disposal of investments (item 240 bank I.S.)	(1,277)		(53)	
other (mainly: net recoveries on provisions for risks and charges)	(42,899)		(152,558)	
effects from consolidation entries	-		(97,744)	
effects from IFRS 3 (PPA) adjustments	2,077		(100,000)	
Final increases not related to elements of gross profit (+)		30,814		191,153
other (including losses for the year not carried forward)	30,814		191,153	
Final decreases not related to elements of gross profit (-)		(31,685)		(8,464)
other	(31,685)		(8,464)	
IRAP calculation base to i.s.		**2,370,360**		**2,055,203**
IRAP weighted average nominal rate	**4.74%**		**4.73%**	
Actual IRAP		**112,434**		**97,188**
IRAP tax rate		**51.59%**		**19.72%**

Non-relevant IRES E IRAP and other taxes	2010		2009	
Total impact		**(287,171)**		**53,294**
Ires - Current, pre-paid and deferred taxation of prior periods	(293,789)		(453)	
Irap - Current, pre-paid and deferred taxation of prior periods	4,657		3,689	
Effect from application for IRES reimbursement due to the partial deductibility of IRAP	9		(11,324)	
Substitute tax pursuant to art. 1, paragraphs 137 et sequitur, Italian Law no. 296 of 24 December 2006	-		8,432	
PPA effects (mainly: reversal of deferred taxation on goodwill)	-		(2,171)	
Other (mainly: taxes following a dispute, foreign taxes)	1,952		55,122	
Non-relevant IRES and IRAP tax rate and other taxes		**(131.77%)**		**10.81%**
Total taxes on gross profit		**2010**		**2009**
Total IRES + IRAP + Other taxes		**(99,922)**		**229,099**
OVERALL TAX RATE		**(45.85%)**		**46.48%**

Section 21 - Income (loss) after tax from discontinued operations – Item 310

21.1 Income (loss) after tax from discontinued operations: breakdown

(in thousands of euro)	2010	2009
1. Income	95,243	148,361
2. Expenses	(102,096)	(152,846)
3. Result of measurements of group of assets and related liabilities	-	-
4. Profit (loss) on disposal	27,312	(1,136)
5. Taxes and duties	(6,791)	(4,581)
Income (loss)	**13,668**	**(10,202)**

The item includes the contribution to the income statement for the year (sub-items income and expenses) and capital gains and losses recognised following the transfer of the subsidiaries Banca Caripe S.p.A., Factorit S.p.A., Monticchio Gaudianello S.p.A. and Castimm S.r.l. (sub-item profits and losses on disposal). It also includes the contribution to the consolidated income statement of the subsidiary Banco Popolare Ceská Republika a.s. undergoing disposal.

21.2 Breakdown of income taxes relating to groups of assets/liabilities undergoing divestiture

(in thousands of euro)	2010	2009
1. Current taxation (-)	(13,591)	(13,882)
2. Change in deferred tax assets (+/-)	3,116	5,747
3. Change in deferred tax liabilities (-/+)	3,684	3,554
4. Income taxes for the year (-1 +/- 2 +/- 3)	**(6,791)**	**(4,581)**

The item includes taxes related to the companies Banca Caripe S.p.a., Factorit S.p.A., Monticchio Gaudianello S.p.A., Castimm S.r.l. transferred during the year and to Banco Popolare Ceská Republika, a.s. undergoing disposal at end of the reporting period.

Section 22 - Income (loss) for the year attributable to minority interests - Item 330

Section 22.1 Breakdown of item 300 "income (loss) for the year attributable to minority interests"

(in thousands of euro)	2010	2009
Credito Bergamasco	10,631	6,900
Cassa di Risparmio Lucca Pisa Livorno	(2,539)	(3,334)
Banca Aletti	4,609	3,812
Efibanca	(303)	(547)
Banca Popolare di Crema	(236)	(454)
Banca Caripe	(356)	(320)
Arena Broker	372	200
Aletti Gestielle SGR	-	(10)
Aletti Gestielle Alternative SGR	-	6
Bormioli Group	1,422	160
Glass Italy	(3)	(2)
Partecipazioni Italiane	(1)	-
Banca Italease	(118)	(9,823)
Release	10,702	(3,797)
Italease Network	-	(1,631)
Mercantile Leasing	(396)	(1,212)
Factorit	19	696
Italease Gestione Beni	(61)	161
Itaca Service	5	48
Essegibi Promozioni Immobiliari	1	1
HCS	-	(4)
Banca Italease Funding LLC	(1)	81
Merfinance/Veicoli	-	17
Other	(235)	(47)
Total	**23,512**	**(9,099)**

The item Other includes profits and losses for the year attributable to minority interests not in the higher range.

Section 23 – Other information

There is no other important information to report in addition to what was already indicated in the previous sections.

Section 24 - Earnings per share

	31 December 2010			31 December 2009		
	Attributable result *(euro)*	Weighted average of ordinary shares	EPS *(euro)*	Attributable result *(euro)*	Weighted average of ordinary shares	EPS *(euro)*
Basic EPS	221,571,159	640,482,219	0.346	215,374,800	640,482,143	0.336
Diluted EPS	336,751,424	1,364,448,825	0.247	223,300,948	699,545,121	0.319

24.1 Average number of ordinary shares with diluted capital

The Basic EPS, calculated by dividing the net income attributable to the ordinary shareholders by the average of the ordinary shares in circulation, takes into account, as element for the reduction of the numerator, the coupon to be paid, on 14 March 2011, to the financial capitalisation instruments as per Article 12 of Italian Law Decree 185/08 (so-called Tremonti Bonds), due to the redemption operation, as described in the section dedicated to the events occurring after the date of the financial statements.

The main diluting effects existing as at 31 December 2010, able to justify the difference between the diluted and basic EPS, are represented:

- by the convertible bond, issued in March 2010, and convertible in 162,014,061 ordinary shares;
- by the Tremonti Bonds, issued on 31 July 2009, and convertible in 546,795,000 ordinary shares.

In 2010, the significant deviation between diluted and basic EPS, otherwise not recognisable in 2009, is attributable to the fact that the potential future dilutive effect of the Tremonti Bonds was fully shown only in 2010, compared to the five months of the prior period, to which the dilutive component represented by the issue, in March 2010, of the convertible bond was added.

The operations concerning ordinary shares and future ordinary shares, occurred after the reporting date, which could have significantly changed the number of outstanding shares at the end of the financial year if they had occurred before 31 December 2010, are described below:

- redemption of the Tremonti Bonds, as previously stated;
- increase in share capital, following which, as from 1 January 2011, the number of ordinary outstanding shares will increase by 1,122,980,404, compared to 640,484,006 shares currently outstanding.

24.2 Other information

There is no other important information to report in addition to what was already indicated in the previous sections.

PART D – STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Analytical statement of consolidated comprehensive income

Items *(in thousands of euro)*		Gross amount	Income tax	Net amount
10	**Net income(loss)**	**X**	**X**	**331,527**
	Other comprehensive income			
20	Financial assets available for sale:	(75,620)	24,203	(51,417)
	a) changes in fair value	(82,616)	24,648	(57,968)
	b) transfer to the income statement			
	- losses on impairment	2,738	(140)	2,598
	- profit (loss) on disposal	4,056	76	4,132
	c) other changes	202	(381)	(179)
30	Property and equipment	-	-	-
40	Intangible assets	-	-	-
50	Foreign investment hedges:	69	(19)	50
	a) changes in fair value	-	-	-
	b) transfer to the income statement	69	(19)	50
	c) other changes	-	-	-
60	Cash flow hedges:	(931)	4,283	3,352
	a) changes in fair value	7,391	1,244	8,635
	b) transfer to the income statement	-	-	-
	c) other changes	(8,322)	3,039	(5,283)
70	Exchange rate differences:	-	-	-
	a) changes in fair value	-	-	-
	b) transfer to the income statement	-	-	-
	c) other changes	-	-	-
80	Non-current assets held for sale:	-	-	-
	a) changes in fair value	-	-	-
	b) transfer to the income statement	-	-	-
	c) other changes	-	-	-
90	Actuarial gains (losses) on defined benefit plans	-	-	-
100	Share of valuation reserves related to investments carried at equity:	(5,076)	-	(5,076)
	a) changes in fair value	(5,076)	-	(5,076)
	b) transfer to the income statement			
	- losses on impairment	-	-	-
	- profit (loss) on disposal	-	-	-
	c) other changes	-	-	-
110	**Total other comprehensive income**	**(81,558)**	**28,467**	**(53,091)**
120	**Comprehensive Income (Items 10+110)**			**278,436**
130	Consolidated comprehensive income attributable to minority interests			(23,526)
140	**Consolidated comprehensive income attributable to the Parent Company**			**254,910**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

The document containing the information referring to the Banco Popolare Group and related to capital adequacy, exposure to risk and the general characteristics of the systems set in place to identify, measure and manage risk (the so-called "Pillar III"), in compliance with the circular of the Bank of Italy no. 263 of 27 December 2006 and subsequent updates, is made available under the provisions of the regulations in the Investor Relations section of the web site www.bancopopolare.it.

Section 1 refers exclusively to the Banking Group, unless otherwise expressly indicated. The tables show figures gross of relations with other consolidated companies.

Section 1 - Risks of the Banking Group

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

The Banco Popolare Group pursues lending policy objectives aiming at:

- supporting the growth of the business activities operating in its market territories, with a strong customer relationship focus on small and medium sized companies, as well as on households;
- diversifying its portfolio, limiting loan concentration on single counterparties/groups, on single sectors of economic activity or geographical areas;
- adopting a homogeneous and univocal credit management model based on rules, methodologies, processes, IT procedures and internal regulations harmonized and standardised across all Network Banks.

The credit portfolio monitoring, carried out by the Parent Company's Loans Department, is focused on the performance analysis of risk profile of economic sectors, geographical areas, customer segments and types of granted credit lines, as well as on other analysed spheres of action, allowing the definition of possible corrective actions at central level. Reports are produced monthly to be submitted to the Management Board, and quarterly to be submitted to the Board of Directors of the Network Banks.

2. Credit risk management policies

2.1 Organisational aspects

As credit intermediation is a core activity of the Group, it is exposed to the risk that granted loans are not paid back by borrowers when due, either partially or in full. This risk is sensitive to the performance of the domestic and international economic scenario, structural and technological changes in the borrowing companies, changes in the competitive position of the counterparties, structural macroeconomic factors, and other external factors such as regulatory and legal requirements.
The organisational model of the Group with respect to its lending activity complies with the following principles:

- the Parent Company guarantees a consistent management, planning, coordination and control of the credit process and of the associated credit risks for the network banks and product companies, by defining policies, procedures and processes, assessment criteria, adequate organizational, operational, IT and training tools and making sure that they are adopted by the companies of the Group;
- the banks and operating companies of the Group autonomously assess and approve the loans they grant directly, and retain the ownership of the relationships and of the related profit and risk components;
- the banks and operating companies cooperate with the Parent Company to prepare lending regulations, procedures and instruments, by contributing their know-how and expertise deriving from their direct relationships with customers and their lending activities on the territory.

With the aim of optimising credit quality and minimising the global credit risk cost for both the Group and the single companies, under the Group organisational model the Parent Company's Loans Department is in charge of developing lending activities and loan policy guidelines for the banks and companies of the Group.
To fully implement the Group lending model, the subsidiary banks and companies actively:

- adopt the criteria, instruments and procedures to analyse creditworthiness and the method to assess loans in keeping with the instructions issued by the Parent company;
- ensure the constant compliance with the overall and individual ceilings fixed for "large risks", both at single unit and at Group level;
- define the structure of the decision-making bodies and of internal power delegation mechanisms in compliance with the Parent Company instructions;

- ensure the monitoring of borrowers and customers in general, by performing the first level controls in keeping with the Parent Company instructions.

With respect to the procedures to assess creditworthiness, and the approval and management of positions, each lending company adopts its own structure of decision-making bodies and defines the delegated powers to authorise loans, in keeping with the guidelines issued by the Parent Company.
The autonomy levels of Decision-making Bodies are defined in terms of credit line towards the risk group. The rating, up to predefined amounts, shall define who is authorised to approve the loan.
Guidelines have been set at Group level, defining how to behave with respect to credit risk-taking, to avoid excessive concentrations, limit potential losses and guarantee credit quality. In particular, in the loan approval phase, the Parent Company exercises its role of management, direction and support for the Group by defining:

- lending rules, regulating credit risk-taking modalities with respect to customers;
- the lending ceiling, that is, the global limit for loans that Group companies can grant to larger risk groups;
- the prior approval on the total amount of loans that can be granted to a single customer or a group of customers borrowing from the Banco Popolare Group.

2.2 Management, measurement and control systems

The Banco Popolare Group makes use of an elaborate set of instruments to monitor the credit portfolio quality, including internal ratings. Their calculation is based on models that are differentiated and estimated specifically for each customer segment (large corporate, mid corporate, small business, retail and banks).
Rating plays a key role in loan granting, monitoring and management. Given the occurrence of specific cases, the Rating Desk must examine the positions and decide whether to change the rating ("override" process).
The rating plays a role in deciding which are the competent bodies to approve loans, as well as on the mechanism for the automatic renewal of uncommitted credit facilities, and it contributes to guide the decisions of loan managers when classifying positions based on their performance. It also contributes to the outcome of creditworthiness assessment systems for retail customers and small-sized businesses, to support the lending decisions of the decision-making bodies.
In 2010 the performance monitoring and management process underwent a deep revision. New risk monitoring processes were introduced and existing ones were updated based on the principle that loan positions are managed by the Managers who entertain a relation with the borrowed customer, and who must take all the necessary actions to assure a constant and correct monitoring and detection of events so as to identify those that might impair loans. Procedures that allow to identify immediately the signs of a potential problem with the borrower, through a complex customer monitoring process, have been activated. With respect to retail customers, a new management process was adopted, supported by a new IT procedure, which sets out precise actions along well defined timings to bring the position back to performing and to recover the defaulted amount.
As to the internal lending limits of the Banco Popolare Group, in addition to the compliance with risk concentration limits defined by supervisory regulations, whenever a preset loan threshold is exceeded in case of major customers, the Group Loans Department must resolve maximum ceilings or the Parent Company's competent boards must express their opinion thereon.
The Parent Company also decides the country classification and the Group-wise maximum exposure level for each country.
In 2010, the assessment model of creditworthiness of the new customers (PD of acceptance) and the "exposure at the time of default" (EAD) model were re-estimated and actions were taken to use them within the lending processes to achieve a more comprehensive creditworthiness assessment.
Management reports use loss given default (LGD) and exposure at default (EAD), both derived by internally developed models.
The portfolio risk monitoring is based on a default model that is applied on a monthly basis mainly to credit exposures of commercial banks of the Banco Popolare Group, with regard to performing loans, cash loans and endorsement credits, of ordinary and not ordinary resident customers. This model allows to estimate operating capital absorption, taking into account the portfolio concentration and the assumption of a joint default of counterparties, in a predefined context of significant macroeconomic variables. The rate of confidence used is 99.96% and the time horizon of reference is one year.
In particular, the operating capital absorbed by counterparties is determined along a "MonteCarlo" approach that simulates a sufficiently high number of scenarios to provide a good empirical approximation of the theoretical distribution of credit portfolio losses.
A project to develop a system to analyse, define, implement and monitor the Group's lending policy strategies was launched in 2009 and finalised in 2010. The purpose of these guidelines for the development and reorganization of the credit portfolio is to optimise its risk-return ratio in line with the target risk profile defined by company bodies, the available capital and the planned economic and financial growth targets.

2.3 Credit risk mitigation techniques

The Group has always kept a watchful eye on the acquisition of loan collaterals and securities, i.e. the use of tools and techniques that mitigate credit risk. When deemed necessary, the typical bank guarantees are acquired, namely mortgages on properties, collaterals on securities in addition to personal guarantees issued by the guarantors.
In general, the decision on the acquisition of a guarantee is based on the customer's creditworthiness and on the characteristics of the transaction. Following this analysis, it may be deemed appropriate to obtain additional guarantees to mitigate credit risk, considering the estimated recoverable value offered by the collateral.

The system for the recording of collateral property, which also allows to periodically revaluate the property has been consolidated.
The value of the financial collaterals is constantly and automatically monitored, so as to compare the present value of the collateral to the initial one, and to allow the manager to act on time in case the collateral suffers from a significant impairment loss.
With regard to derivative transactions with market counterparties, we favour entities with which we have entered into agreements requiring the provision of collateral, especially ISDA - Credit Support Annex, so as to obtain a significant credit risk mitigation.

2.4 Non-performing financial assets

The Group avails itself of special organisational units in charge of the management of non-performing loans, which apply predefined management and recovery methodologies that differ based on the type of loan by amount and risk profile.
Non-performing loans are classified according to specific criteria, based on prudence, and objective risk parameters.
In general, problem loans include loans that give rise to a severely abnormal evolution of the business relations between the customer and the Group banks, serious irregularities found in the reports to the Central Credit Register, a worrying situation of financial accounts, the onset of adverse events that may restrict the creditworthiness, decrease the value of the guarantees or impair the loan.
Value adjustments are measured on an individual basis for each single position, they are based on the criteria of prudence in relation to the possibilities of actual recovery, also related to the existence of any collateral and they are regularly verified.
In particular, all doubtful and substandard loans that exceed given predefined utilisation ceilings are managed by a separate company, wholly controlled by the Group, which acts as a servicer of impaired loans, specialising in management processes in relation to loan characteristics, to improve loan recovery capabilities and optimise the ratio between costs and collection percentages. As a result, the activity is oriented towards the economic result, by favouring, whenever possible, out-of-court settlements and focusing on the timeless and speed of the recovery action.
This company makes use of peripheral structures, specific IT and performance control tools that systematically produce reports.

Disclosure on structured credit products and on exposures to Special Purpose Entities

The financial market crisis magnified the need for the market to have access to information on the type and breadth of risks taken on by financial intermediaries by trading structured credit products directly or through special purpose entities.
Based on the recommendations issued in 2008 by the Financial Stability Forum and by the Bank of Italy, illustrated below is the disclosure on risks taken on by Banco Popolare with respect to structured credit products, which the market perceives as being high-risk, relating to investments in Asset Backed Securities – ABS, and Collateralised Debt Obligations – CDO, and to exposures to special purpose companies for securitisation transactions originated from companies of the Group or Guaranteed Bank Bond issue.

Structured products issued by third parties and held by the Group

As at 31 December 2010, the main positions in structured credit securities issued by third parties (meaning issued by parties not belonging to the transactions originated from companies belonging to the Group) are represented by ABS and CDOs, mainly attributable to products acquired prior to the financial markets' crisis.

The total exposure to these products, in terms of equivalent book value, amounted to 89 million, accounting for a limited portion of the overall portfolio represented by debt securities (lower than 1% in percentage terms). The related fair value comes to 83.5 million.
Almost all the securities belong to the senior class, i.e. to the securities having a top priority when principal and interest payments are made.
The underlying are generally represented by Italian residential mortgage loans and those of other European countries, as well as by Italian government receivables; the ratings range between double and triple A as a rule.

In detail, the ABSs, with a total book value amounting to 88.8 million, are represented by securities of 70.3 million reclassified as at 30 September 2008 from the "Financial assets held for trading" to "Loans to customers" portfolio, as described in Part A - Accounting policies, "A.3 - Fair value disclosure" in these explanatory notes. The remaining position of 18.5 million is classified in the portfolio of "Financial assets held for trading".

With regard to CDOs, classified under "Financial assets available for sale", the residual exposure as at 31 December 2010, in terms of book value, was entirely marginal (0.2 million euro).

For further details on held exposures, reference is made to the following table "C.1.3 Exposures deriving from the main "third-party" securitisation transactions broken down by type of securitised asset and by type of exposure".

Exposures to Special Purpose Entities (SPE) – for securitisations and covered bond issue

The exposures to Special Purpose Entities (SPE), companies established ad hoc to achieve a specific purpose, ensue from securitisation transactions of Group company loans and from the Covered Bond transaction.
As a result of the securitisation transactions, the loans of the Group are sold to a special purpose entity, established in accordance with Article 3 of Italian law No. 130 dated 30 April 1999, which issues public or private securities to finance the purchase. The obligations taken on by the SPE towards the subscribers of the securities are satisfied exclusively by using the cash flows generated by the sold loans.
Otherwise, the Covered Bond transaction requires that the securities be issued by a bank, the Parent Company in the issue program of the Banco Popolare Group, and that the guarantee of such securities, in addition to the general equity of the issuer, be represented by a separate equity represented by appropriate assets sold to a special purpose entity established ad hoc in accordance with Article 7-bis and 7-ter of Italian law no. 130 of 30 April 1999.
For more information on the purposes, structures and characteristics of the transactions originated by the Group, reference is made to what is contained in chapter "C. Securitisations and sales of assets" of this section 1 – Credit risk and, for originated securitisations, to the following section 3 – Liquidity risk.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non performing and performing exposures: amounts, adjustments, trends, economic and geographical breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

(in thousands of euro)	Banking group					Other companies		Total
	Doubtful loans	Substandard loans	Restructured loans	Past due loans	Other assets	Non-Performing loans	Other	
1. Financial assets held for trading	1	9,427	816	1,610	10,385,479	-	86	10,397,419
2. Financial assets available for sale	-	-	-	-	4,757,991	-	-	4,757,991
3. Investiments held to maturity	10,500	-	-	-	130,426	-	-	140,926
4. Due from banks	19,156	-	-	9,116	6,055,203	-	1,481,629	7,565,104
5. Loans to customers	2,879,377	4,336,985	1,708,813	428,927	85,106,771	-	1,032	94,461,905
6. Financial assets designated at fair value through profit and loss	-	-	-	-	4	-	-	4
7. Financial assets held for disposal	-	-	-	-	155,201	-	-	155,201
8. Hedging derivatives	-	-	-	-	178,845	-	23,124	201,969
31/12/2010	**2,909,034**	**4,346,412**	**1,709,629**	**439,653**	**106,769,920**	**-**	**1,505,871**	**117,680,519**
31/12/2009	**2,686,997**	**5,549,776**	**754,502**	**929,038**	**108,003,150**	**146**	**1,014,798**	**118,938,407**

The figures in this table referring to the Banking Group are indicated excluding all the intragroup relations, including the relations with other consolidated companies.

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)

(in thousands of euro)	Non-performing assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	153,432	(141,578)	11,854	X	X	10,385,479	10,397,333
2. Financial assets available for sale	-	-	-	4,763,931	(5,940)	4,757,991	4,757,991
3. Investiments held to maturity	27,209	(16,709)	10,500	130,426	-	130,426	140,926
4. Due from banks	94,945	(66,673)	28,272	6,055,611	(408)	6,055,203	6,083,475
5. Loans to customers	12,894,887	(3,540,785)	9,354,102	85,663,703	(556,932)	85,106,771	94,460,873
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	4	4
7. Financial assets held for disposal	-	-	-	155,201	-	155,201	155,201
8. Hedging derivatives	-	-	-	X	X	178,845	178,845
Total A	**13,170,473**	**(3,765,745)**	**9,404,728**	**96,768,872**	**(563,280)**	**106,769,920**	**116,174,648**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	86	86
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Investiments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	1,481,629	-	1,481,629	1,481,629
5. Loans to customers	-	-	-	1,032	-	1,032	1,032
6. Financial assets designated at fair value through profit and loss	-	-	-	X	X	-	-
7. Financial assets held for disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	23,124	23,124
Total B	**-**	**-**	**-**	**1,482,661**	**-**	**1,505,871**	**1,505,871**
31/12/2010	**13,170,473**	**(3,765,745)**	**9,404,728**	**98,251,533**	**(563,280)**	**108,275,791**	**117,680,519**
31/12/2009	**13,770,916**	**(3,850,457)**	**9,920,459**	**98,791,396**	**(587,622)**	**109,017,948**	**118,938,407**

The figures in this table referring to the Banking Group are indicated excluding all the intragroup relations, including the relations with other consolidated companies.

A detailed disclosure requested by the Bank of Italy on 16 February 2011 with reference to the net exposure figure is provided below, stating beforehand some useful clarifications for a better understanding of the said disclosure.
More specifically, the Supervisory Body requires to provide the breakdown, by portfolios, of performing loans, distinguishing between exposures subject to renegotiation within collective agreements and other exposures, and points out the need to provide, for both categories, an analysis of the length of expiry, on the basis of the provisions in IFRS 7 "Financial Instruments: additional information".

Renegotiated performing loans

As regards the disclosure requirement related to renegotiated loans, it should be noted that the scope corresponds to all the Agreements whose conditions and operations are regulated in accordance with laws, protocols of intent or agreements signed by trade associations or Federations, to which the Banco Popolare Group has subscribed, and which require a suspension of payment (principal and/or interest) whose moratorium terms are still in progress on 31 December 2010.
Renegotiations carried out on the basis of voluntary initiatives undertaken by the Group or the Agreements that contemplate a modification of the instalment do not fall under the said scope (e.g. ABI-MEF Agreement of 19 June 2008 whereby the difference between the instalment by contract and the reduced instalment accrues into an additional loan account).

The collective Agreements of renegotiation, in the meaning above, to which the Banco Popolare Group subscribed, are listed below:

- "Banco Popolare Protocol of Intent – MEF" pursuant to Article 12, sub-paragraph 2, of Italian Law Decree no. 185/2008 and of the "ABI-MEF Framework Agreement" of 25 March 2009 - containing provisions concerning the subscription of the so-called "Tremonti bond" financial instruments;
- ABI "Household Plan", aimed at favouring the sustainability of the retail credit market: agreement of 18 December 2009 between ABI and Consumer organisations for the suspension of the mortgage payments with regard to families in a difficult state following the crisis;
- "ABI Household Plan – Abruzzo": adjustment of the ABI Household Plan aimed at establishing measures in favour of the Abruzzo population affected by the earthquake;
- "Solidarity fund for mortgage loans to purchase a first home" set up pursuant to Law 244 of 24 December 2007;
- "ABI, MEF Agreement and business representations" of 3 August 2009, to facilitate the loan inflow continuity to the productive system;
- "ABI MEF Agreement and business representations (ABI Executive Committee of 23 June 2010)" in favour of the Abruzzo population.

It is specified that what was indicated in connection with the renegotiated loans refers to the total exposure of the relation, apart from the amounts subject to renegotiation (example: a number of instalments).

Past due performing loans

The IFRS 7 accounting standard provides that each financial asset that has not been impaired should be given a length of expiry that occurs when the counterpart fails to pay the asset within the contractually due date. The decision on the length of expiry brackets is left at the discretion of the management, which will then need to select those most appropriate to ensure relevance and significance of the disclosure.
On the basis of the definition of past due loans contemplated by the said principle, the length of expiry of the exposures for which the customer has failed to pay the amount within the terms expected by contract is analysed. These exposures are represented by loan and leasing agreements. Past due exposures, such as those resulting from the use of a current account by exceeding the arranged credit line, have not been reported in that they do not fall within the definition of past due pursuant to IFRS 7.
In addition, the amount showed in the table refers to the overall exposure, regardless of the past due instalment, which could also represent a non-significant share of the credit.
With reference to renegotiated loans, the provisions of the Bank of Italy require for the renegotiation to stop the calculation on the days of persistence in the past due "status" throughout the period of effectiveness of the suspension.

Breakdown of past due assets *(in thousands of euro)*	31/12/2010					
	Not past due	Past due from 1 day to 1 month	Past due from 1 to 3 months	Past due from 3 to 6 months	Past due over 6 months	Total
Performing loans subject to renegotiation:						
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets available for sale	-	-	-	-	-	-
3. Investiments held to maturity	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-
5. Loans to customers	2,893,724	74,886	84,646	23,474	4,929	**3,081,659**
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
7. Financial assets held for disposal	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-
Total performing loans subject to renegotiation	**2,893,724**	**74,886**	**84,646**	**23,474**	**4,929**	**3,081,659**
Other performing loans:						
1. Financial assets held for trading	10,385,565	-	-	-	-	**10,385,565**
2. Financial assets available for sale	4,757,991	-	-	-	-	**4,757,991**
3. Investiments held to maturity	130,426	-	-	-	-	**130,426**
4. Due from banks	7,536,821	-	11	-	-	**7,536,832**
5. Loans to customers	79,905,937	602,611	852,246	340,910	324,440	**82,026,144**
6. Financial assets designated at fair value through profit and loss	4	-	-	-	-	**4**
7. Financial assets held for disposal	155,201	-	-	-	-	**155,201**
8. Hedging derivatives	201,969	-	-	-	-	**201,969**
Total other performing loans	**103,073,914**	**602,611**	**852,257**	**340,910**	**324,440**	**105,194,132**

As at 31 December 2010, total exposures past due on the basis of the criteria above represented amounted to 2,308.2 million; otherwise, if you were to show only the "defaulting" instalment instead of the overall exposure, the past due figure would be significantly lower, amounting to just 121 million.

A.1.3 Banking Group – Cash and off-balance sheet exposures to banks: gross and net values

(in thousands of euro)	Gross exposure	Specific adjustments	Collective adjustments	Net exposure
A. Cash exposures				
a) Doubtful loans	85,829	(66,673)	X	19,156
b) Substandard loans	-	-	X	-
c) Restructured loans	-	-	X	-
d) Past due loans	9,116	-	X	9,116
e) Other assets	7,896,479	X	(408)	7,896,071
Total A	**7,991,424**	**(66,673)**	**(408)**	**7,924,343**
B. Off-balance sheet exposures				
a) Non-performing loans	46	(7)	X	39
b) Other	6,331,104	X	-	6,331,104
Total B	**6,331,150**	**(7)**	**-**	**6,331,143**
Total A + B	**14,322,574**	**(66,680)**	**(408)**	**14,255,486**

A.1.4 Banking Group – Cash exposures to banks: changes in gross non-performing loans

(in thousands of euro)	Doubtful loans	Substandard loans	Restructured loans	Past due loans
A. Gross exposure: opening balance	**23,274**	**54,655**	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-
B. Increases	**64,564**	**-**	**-**	**9,116**
B.1 Inflows from performing loans	10,031	-	-	9,116
B.2 Transfers from other categories of non-performing loans	54,533	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**(2,009)**	**(54,655)**	**-**	**-**
C.1 Outflows to performing loans	-	-	-	-
C.2 Write-offs	(1,360)	-	-	-
C.3 Repayments	-	-	-	-
C.4 Gains on disposals	(649)	-	-	-
C.5 Transfers to other categories of non-performing loans	-	(54,533)	-	-
C.6 Other decreases	-	(122)	-	-
D. Gross exposure: closing balance	**85,829**	**-**	**-**	**9,116**
- of which: exposures sold not derecognised	-	-	-	-

Item B.2 and C.5 refer to the transfer to doubtful loans of non-performing loans to Icelandic banks that in the previous year were classified as substandard loans. Item B.1 "inflows from performing loans" refers to the transfer to doubtful loans of the exposure to the Danish Bank Amagerbanken held by the London branch.

A.1.5 Banking Group – Cash exposures to banks: changes in total adjustments

(in thousands of euro)	Doubtful loans	Substandard loans	Restructured loans	Past due loans
A. Total adjustments: opening balance	**17,025**	**37,229**	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-
B. Increases	**51,256**	**-**	**-**	**-**
B.1 Value adjustments	14,098	-	-	-
B.2 Transfers from other categories of non-performing loans	37,158	-	-	-
B.3 Other increases	-	-	-	-
C. Decreases	**(1,608)**	**(37,229)**	**-**	**-**
C.1 Recoveries from valuation	-	(71)	-	-
C.2 Recoveries from repayment	(248)	-	-	-
C.3 Write-offs	(1,360)	-	-	-
C.4 Transfers to other categories of non-performing loans	-	(37,158)	-	-
C.5 Other decreases	-	-	-	-
D. Total adjustments: closing balance	**66,673**	**-**	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-

Item B.1 "Value adjustments" mainly refers to write-downs of receivables due from Icelandic banks of 8.3 million and from the Danish bank of 4.1 million.
Item B.2 and C.4 refer to the transfer to doubtful loans of non-performing loans to Icelandic banks that in the previous year were classified as substandard loans.

A.1.6 Banking Group – Cash and off-balance sheet exposures to customers: gross and net values

Portfolios / Quality *(in thousands of euro)*	Gross exposure	Specific adjustments	Collective adjustments	Net exposure
A. Cash exposures				
a) Doubtful loans	5,184,793	(2,294,916)	X	2,889,877
b) Substandard loans	5,524,840	(1,014,222)	X	4,510,618
c) Restructured loans	2,008,217	(299,404)	X	1,708,813
d) Past due loans	465,209	(36,282)	X	428,927
e) Other assets	103,290,615	X	(562,872)	102,727,743
Total A	**116,473,674**	**(3,644,824)**	**(562,872)**	**112,265,978**
B. Off-balance sheet exposures				
a) Non-performing loans	438,005	(178,787)	X	259,218
b) Other	11,039,166	X	(36)	11,039,130
Total B	**11,477,171**	**(178,787)**	**(36)**	**11,298,348**
Total A + B	**127,950,845**	**(3,823,611)**	**(562,908)**	**123,564,326**

A.1.7 Banking Group – Cash exposures to customers: changes in gross non-performing loans

(in thousands of euro)	Doubtful loans	Substandard loans	Restructured loans	Past due loans
A. Gross exposure: opening balance	**4,931,537**	**6,994,447**	**860,323**	**974,688**
- of which: exposures sold not derecognised	139,616	406,344	-	203,000
B. Increases	**2,090,815**	**3,531,570**	**1,765,692**	**1,625,245**
B.1 Inflows from performing loans	540,024	2,217,550	1,256,300	1,399,484
B.2 Transfers from other categories of non-performing loans	1,322,566	1,029,914	455,661	66,034
B.3 Other increases	228,225	284,106	53,731	159,727
C. Decreases	**(1,837,559)**	**(5,001,177)**	**(617,798)**	**(2,134,724)**
C.1 Outflows to performing loans	(616,819)	(1,384,032)	(346,020)	(877,364)
C.2 Write-offs	(693,474)	(153,209)	(1,158)	(837)
C.3 Collections	(237,084)	(462,606)	(142,307)	(84,246)
C.4 Gains on disposals	(9,962)	-	-	-
C.5 Transfers to other categories of non-performing loans	(5,549)	(1,710,506)	(43,981)	(1,114,137)
C.6 Other decreases	(274,671)	(1,290,824)	(84,332)	(58,140)
D. Gross exposure: closing balance	**5,184,793**	**5,524,840**	**2,008,217**	**465,209**
- of which: exposures sold not derecognised	160,246	259,404	27,878	72,697

A.1.8 Banking Group – Cash exposures to customers: changes in total adjustments

(in thousands of euro)	Doubtful loans	Substandard loans	Structured loans	Past due loans
A. Total adjustments: opening balance	**2,253,833**	**1,307,897**	**106,155**	**47,522**
- of which: exposures sold not derecognised	80,985	43,365	-	8,488
B. Increases	**1,188,756**	**541,606**	**265,905**	**78,846**
B.1 adjustments	872,362	470,276	90,331	72,215
B.2 transfers from other categories of non-performing loans	217,261	53,811	103,943	2,775
B.3 other increases	99,133	17,519	71,631	3,856
C. Decreases	**(1,147,673)**	**(835,281)**	**(72,656)**	**(90,086)**
C.1 recoveries from valuation	(224,445)	(284,189)	(45,210)	(21,395)
C.2 recoveries from collection	(75,194)	(60,144)	(4,115)	(158)
C.3 write-offs	(693,474)	(153,209)	(1,158)	(837)
C.4 transfers to other categories of non-performing loans	(2,832)	(298,124)	(12,205)	(64,629)
C.5 other decreases	(151,728)	(39,615)	(9,968)	(3,067)
D. Total adjustments: closing balance	**2,294,916**	**1,014,222**	**299,404**	**36,282**
- of which: exposures sold not derecognised	48,725	27,326	1,735	3,802

A.2 Classification of exposures based on internal and external ratings

A.2.1 - Breakdown of cash and "off-balance sheet" exposures by external rating classes

Exposures	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower B-	Unrated	Total
A. Cash exposures	1,193,905	26,379,579	3,408,192	13,007,367	3,334,848	3,688,584	61,982,603	112,995,078
B.1 Financial derivatives	319,635	579,989	29,634	110,894	109,875	26,247	546,766	1,723,040
B.2 Credit derivatives	-	-	-	-	-	-	413	413
C. Guarantees given	4,510	2,707,323	534,580	1,059,444	153,136	182,482	2,651,098	7,292,573
D. Commitments to lend funds	71,283	581,458	181,917	297,924	144,857	106,281	1,817,859	3,201,579
Overall total	**1,589,333**	**30,248,349**	**4,154,323**	**14,475,629**	**3,742,716**	**4,003,594**	**66,998,739**	**125,212,683**

The breakdown of cash and off-balance sheet exposures by external rating classes does not include the higher value assigned to the loans of some banks belonging to the former BPI Group during the purchase price allocation (PPA) between the BPVN and BPI Groups that amounted to 91 million as at 31 December 2010.

The Banco Popolare Group adopts the creditworthiness assessments issued by the following External Credit Assessment Institutions (ECAI):
Standard & Poor's ratings Services, Moody's Investors Service, Fitch Ratings and Cerved Group, the latter limited to exposure classes towards enterprises and other subjects. The aforesaid agencies are valid for all the banks belonging to the Group. It should be noted that, if there are two assessments of the same customer, the more prudential assessment is adopted; in the case of three assessments, the intermediate one is adopted.

The table connecting the classes of risk with the ratings of the agencies used is shown below.

CLASS	Fitch Ratings	Moody's	Standard & Poor's	Cerved Group
BBB+/BBB-	from BBB+ to BBB-	from Baa1 to Baa3	from BBB+ to BBB-	BAA8
BB+/BB-	from BB+ to BB-	from Ba1 to Ba3	from BB+ to BB-	from BAA9 to B13
B+/B-	from B+ to B-	from B1 to B3	from B+ to B-	from B14 to B15
Lower B-	CCC+ and lower	Caa1 and lower	CCC+ and lower	B16 and lower

A.2.2 Banking Group - Breakdown of cash and "off-balance sheet" exposures by internal rating classes

Bank Exposures	AAA	AA	A	BBB	BB	B	CCC	Unrated	Total
A. Cash exposures	-	424,443	2,723,409	1,155,911	132,476	8,445	1,946	3,286,288	7,732,918
B.1 Financial derivatives	-	97,243	660,863	178,455	4,054	-	-	131,765	1,072,380
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-
C. Guarantees given	-	5,338	88,390	168,262	34,289	25,681	1,857	109,350	433,167
D. Commitments to lend funds	-	366	76,099	34,272	13,911	494	-	41,759	166,901
Overall total	**-**	**527,390**	**3,548,761**	**1,536,900**	**184,730**	**34,620**	**3,803**	**3,569,162**	**9,405,366**

Large Corporate Exposures	1	2	3	4	5	6	7	8	9	Unrated	Total
A. Cash exposures	7,169	100,303	2,231,337	1,527,336	2,399,988	1,566,062	421,761	43,599	147,175	1,896,099	10,340,829
B.1 Financial derivatives	596	410	13,172	14,354	40,021	20,782	652	724	1,878	118,943	211,532
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees given	34,257	144,769	984,800	636,548	564,736	604,310	188,661	9,336	2,463	75,075	3,244,955
D. Commitments to lend funds	-	7,832	88,995	304,739	55,312	135,042	6,435	-	0	14,279	612,634
Overall total	**42,022**	**253,314**	**3,318,304**	**2,482,977**	**3,060,057**	**2,326,196**	**617,509**	**53,659**	**151,516**	**2,104,396**	**14,409,950**

Mid Corporate Exposures	1	2	3	4	5	6	7	8	9	Unrated	Total
A. Cash exposures	1,520,405	3,957,356	5,599,840	4,504,370	4,704,708	3,694,741	2,478,649	1,279,586	544,068	132,074	28,415,797
B.1 Financial derivatives	11,881	27,684	31,621	36,357	30,093	30,992	15,511	9,997	4,949	59	199,144
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees given	539,369	550,942	398,092	274,895	303,162	117,841	99,366	32,158	8,277	13,694	2,337,796
D. Commitments to lend funds	91,575	159,920	150,092	189,374	64,039	85,722	69,587	24,684	10,214	48,110	893,317
Overall total	**2,163,230**	**4,695,902**	**6,179,645**	**5,004,996**	**5,102,002**	**3,929,296**	**2,663,113**	**1,346,425**	**567,508**	**193,937**	**31,846,054**

Small Business Exposures	1	2	3	4	5	6	7	8	9	Unrated	Total
A. Cash exposures	229,269	1,053,368	2,190,804	3,345,578	3,036,593	2,227,845	1,520,979	724,427	476,008	136,595	14,941,466
B.1 Financial derivatives	751	3,429	5,973	13,188	11,762	6,268	3,940	4,360	2,458	6	52,135
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees given	44,496	104,823	104,746	110,121	85,474	44,777	67,162	12,212	5,972	8,815	588,598
D. Commitments to lend funds	61,922	110,640	113,439	105,642	53,622	15,860	10,217	1,808	648	31,043	504,841
Overall total	**336,438**	**1,272,260**	**2,414,962**	**3,574,529**	**3,187,451**	**2,294,750**	**1,602,298**	**742,807**	**485,086**	**176,459**	**16,087,040**

The A.2.2 tables represent the breakdown by rating class of "performing" loans.
96% of the company portfolio has been rated.

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.1 Banking Group - Guaranteed exposures to banks

(in thousands of euro)	Value of net exposure	Collateral guarantees (1)			Personal guarantees (2)									Total (1)+(2) 31/12/2010
					Credit derivatives					Endorsement credits				
		Properties	Securities	Other collateral guarantees	CLN	Governments and central banks	Other public entities	Banks	Other subjects	Governments and central banks	Other public entities	Banks	Other subjects	
1. Guaranteed cash exposures:	**847,697**	**-**	**643,450**	**45,796**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**147**	**157,986**	**847,379**
1.1. fully guaranteed	675,926	-	472,008	45,785	-	-	-	-	-	-	-	147	157,986	675,926
- of which non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed	171,771	-	171,442	11	-	-	-	-	-	-	-	-	-	171,453
- of which non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed "off-balance sheet" exposures:	**937,681**	**-**	**-**	**890,710**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,127**	**1,881**	**902,718**
2.1. fully guaranteed	5,429	-	-	-	-	-	-	-	-	-	-	5,429	-	5,429
- of which non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	932,252	-	-	890,710	-	-	-	-	-	-	-	4,698	1,881	897,289
- of which non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,785,378**	**-**	**643,450**	**936,506**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,274**	**159,867**	**1,750,097**

A.3.2 Banking group - Guaranteed exposures to customers

(in thousands of euro)	Value of net exposure	Collateral guarantees (1)			Personal guarantees (2)									Total (1)+(2) 31/12/2010
					Credit derivatives					Endorsement credits				
		Properties	Securities	Other collateral guarantees	CLN	Governments and central banks	Other public entities	Banks	Other subjects	Governments and central banks	Other public entities	Banks	Other subjects	
1. Guaranteed cash exposures:	**65,138,209**	**47,115,596**	**2,326,900**	**1,724,064**	**-**	**-**	**-**	**-**	**73,453**	**473**	**81,188**	**128,636**	**12,395,650**	**63,845,960**
1.1. fully guaranteed	60,003,691	45,596,616	1,894,090	1,534,802	-	-	-	-	69,630	473	74,275	80,023	11,250,222	60,500,131
- of which non-performing loans	5,620,358	4,658,900	32,307	50,543	-	-	-	-	-	4	303	9,460	880,275	5,631,792
1.2. partially guaranteed	5,134,518	1,518,980	432,810	189,262	-	-	-	-	3,823	-	6,913	48,613	1,145,428	3,345,829
- of which non-performing loans	1,563,581	914,871	44,313	62,494	-	-	-	-	-	-	30	18,141	160,045	1,199,894
2. Guaranteed "off-balance sheet" exposures:	**1,594,633**	**20,162**	**120,871**	**119,915**	**-**	**-**	**-**	**-**	**-**	**-**	**1,138**	**40,579**	**1,096,482**	**1,399,147**
2.1. fully guaranteed	1,245,449	17,637	81,002	90,486	-	-	-	-	-	-	939	26,978	1,023,400	1,240,442
- of which non-performing loans	19,228	858	2,033	2,181	-	-	-	-	-	-	-	-	16,104	21,176
2.2. partially guaranteed	349,184	2,525	39,869	29,429	-	-	-	-	-	-	199	13,601	73,082	158,705
- of which non-performing loans	63,609	625	506	1,211	-	-	-	-	-	-	-	-	5,366	7,708
Total	**66,732,842**	**47,135,758**	**2,447,771**	**1,843,979**	**-**	**-**	**-**	**-**	**73,453**	**473**	**82,326**	**169,215**	**13,492,132**	**65,245,107**

B. Breakdown and concentration of exposures

B.1 Banking Group - Breakdown by sector of cash and "off-balance sheet" exposures to customers (book values)

(in thousands of euro)	Governments and central banks			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other parties		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures																		
A.1 Doubtful loans	-	24,071	X	2,536	1,582	X	40,264	191,504	X	35	4	X	2,256,395	1,664,465	X	590,647	413,290	X
A.2 Substandard loans	3	-	X	1,233	472	X	404,262	127,407	X	2	-	X	3,551,451	812,333	X	553,667	74,010	X
A.3 Restructured loans	-	-	X	-	-	X	3,965	2,352	X	-	-	X	1,629,854	292,840	X	74,994	4,212	X
A.4 Past due loans	-	-	X	-	-	X	1,616	68	X	-	-	X	305,095	26,890	X	122,216	9,324	X
A.5 Other loans	9,329,943	X	210	570,957	X	1,064	14,574,153	X	64,257	149,955	X	3,120	59,157,417	X	429,504	18,945,318	X	64,717
Total	**9,329,946**	**24,071**	**210**	**574,726**	**2,054**	**1,064**	**15,024,260**	**321,331**	**64,257**	**149,992**	**4**	**3,120**	**66,900,212**	**2,796,528**	**429,504**	**20,286,842**	**500,836**	**64,717**
B. "Off-balance" sheet exposures																		
B.1 Doubtful loans	-	-	X	-	-	X	7	31	X	-	-	X	46,505	44,679	X	16	17	X
B.2 Substandard loans	-	-	X	-	-	X	2,265	-	X	19	1	X	129,794	112,833	X	1,927	106	X
B.3 Other non-performing assets	-	-	X	-	-	X	184	-	X	-	-	X	78,082	21,111	X	419	10	X
B.4 Other loans	285,364	X	-	144,261	X	-	1,142,693	X	-	12,672	X	-	8,990,116	X	36	462,331	X	-
Total	**285,364**	**-**	**-**	**144,261**	**-**	**-**	**1,145,149**	**31**	**-**	**12,691**	**1**	**-**	**9,244,497**	**178,623**	**36**	**464,693**	**133**	**-**
31/12/2010	**9,615,310**	**24,071**	**210**	**718,987**	**2,054**	**1,064**	**16,169,409**	**321,362**	**64,257**	**162,683**	**5**	**3,120**	**76,144,709**	**2,975,151**	**429,540**	**20,751,535**	**500,969**	**64,717**
31/12/2009	**6,062,455**	**35,921**	**957**	**651,384**	**2,150**	**4,461**	**18,459,131**	**398,098**	**40,960**	**164,450**	**20**	**2**	**76,691,336**	**2,999,046**	**553,998**	**23,012,515**	**491,036**	**86,344**

B.2 Banking group - Geographical breakdown of cash and "off-balance sheet" exposures to customers (book values)

(in thousands of euro)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures										
A.1 Doubtful loans	2,841,651	2,068,099	21,688	211,034	25,534	9,263	375	101	629	6,419
A.2 Substandard loans	4,131,381	877,026	354,130	125,954	9,803	9,240	6,442	984	8,862	1,018
A.3 Restructured loans	1,668,564	268,302	40,249	31,102	-	-	-	-	-	-
A.4 Past due loans	417,374	28,179	9,668	8,092	119	6	1,766	5	-	-
A.5 Other loans	98,859,209	541,146	2,989,689	10,127	748,153	1,829	58,182	9,394	72,510	376
Total	**107,918,179**	**3,782,752**	**3,415,424**	**386,309**	**783,609**	**20,338**	**66,765**	**10,484**	**82,001**	**7,813**
B. "Off-balance" sheet exposures										
B.1 Doubtful loans	35,967	38,098	-	198	-	-	-	-	-	-
B.2 Substandard loans	125,532	119,360	2,042	10	-	-	-	-	-	-
B.3 Other non-performing assets	94,544	21,122	1,133	-	-	-	-	-	-	-
B.4 Other loans	10,436,805	37	578,484	-	5,675	-	683	-	15,791	-
Total	**10,692,848**	**178,617**	**581,659**	**208**	**5,675**	**-**	**683**	**-**	**15,791**	**-**
31/12/2010	**118,611,027**	**3,961,369**	**3,997,083**	**386,517**	**789,284**	**20,338**	**67,448**	**10,484**	**97,792**	**7,813**
31/12/2009	**119,188,951**	**4,127,809**	**4,857,770**	**427,789**	**848,941**	**40,302**	**65,585**	**9,712**	**80,024**	**7,381**

B.3 Banking group - Geographical breakdown of cash and "off-balance sheet" exposures to banks (book values)

(in thousands of euro)	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures										
A.1 Doubtful loans	-	-	19,156	66,673	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due loans	1,114	-	8,002	-	-	-	-	-	-	-
A.5 Other loans	3,403,033	293	4,156,082	114	191,472	1	56,709	-	88,775	-
Total	**3,404,147**	**293**	**4,183,240**	**66,787**	**191,472**	**1**	**56,709**	**-**	**88,775**	**-**
B. "Off-balance" sheet exposures										
B.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	39	7	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Other loans	4,365,136	-	961,853	-	28,017	-	223,685	-	23,640	-
Total	**4,365,175**	**7**	**961,853**	**-**	**28,017**	**-**	**223,685**	**-**	**23,640**	**-**
31/12/2010	**7,769,322**	**300**	**5,145,093**	**66,787**	**219,489**	**1**	**280,394**	**-**	**112,415**	**-**
31/12/2009	**6,003,920**	**1,145**	**6,086,552**	**55,414**	**289,211**	**10**	**293,484**	**38**	**360,947**	**35**

B.4 Large risks

With the 6th Update of Circular no. 263 "New prudential regulatory provisions for the banks" of 27 December 2010, prudential regulations on risk concentration has been revised to align it with the provisions of Directive 2009/111/EC. The new legislation entered into force as from 31 December 2010 defines as "large risks" the exposures of the Group towards a customer or a group of related customers if they are greater than or equal to 10% of the consolidated regulatory capital.
Unlike what was required by the law previously in force, "large risks" are determined by referring to the book value of the "exposures" without applying the required weighting factors. The legislation previously in force required to consider exposures after applying weighting factors.

On the basis of the new rules outlined above, on 31 December 2010 there are no. 4 risk positions classified as "large risks" for a total exposure of euro 20,220 million corresponding to a risk position (weighted exposure) of 1,647 million
The first exposure to risk of euro 9,046 million (euro 0 million considering the weighting factors) is represented by the Ministry of Treasury and is predominantly formed by Government securities in the Group portfolios. The second exposure to risk of euro 7,757 million (euro 440 million considering the weighting factors), is represented by Borsa Italiana S.p.A. and is predominantly formed by the relations with the clearing house. The remaining exposures to risk of euro 2,398 million (481 million considering the weighting factors and euro 1,019 million (726 million considering the weighting factors) concern a leading European Bank and a leading national industrial group, respectively.

	31.12.2010 current regulations	31.12.2009 previous regulations
Number of risk positions	4	1
Exposure *	20,220,316	2,974,605
Risk position (*)	1,647,416	1,001,915

(*) in thousands of euro

C. Securitisations and sales of assets

C.1 Securitisation transactions

QUALITATIVE INFORMATION

Securitisations that in recent years were used as a strategic funding channel within the global action plan aiming at satisfying the Group's financial requirements, are gradually replaced today by issuing Guaranteed Bank Bonds. This resulted in the closing of some existing securitisation transactions in order to use the relevant loans as underlyings of the Covered Bond issues (see Paragraph C.3 Covered Bond transactions). The Covered Bonds issue is part of the Group's strategic plan, and represents a tool to diversify sources of funding, to reduce the relevant cost and to extend the maturities of liabilities. To this end, the Group set up a dedicated structure located in the Parent Company's Finance Department that can autonomously organise the securitisations and Covered Bond issues. The collateralised portfolios of the performed transactions are constantly monitored by way of monthly and quarterly reports detailing the performance of principal and interest collections and the loan status.
Transactions entered into after 1 January 2004 under IAS/IFRS are not considered a sale without recourse, as the Group maintains the risks and benefits of the transaction and as such do not qualify for derecognition pursuant to IAS 39. At Group level, the maintenance of the majority of the risks and benefits involves, as per SIC 12, calls for the SPEs to be fully consolidated despite the absence of an investment in the SPE's share capital. As a result of this consolidation, assets sold and not derecognised are offset by the securities issued by the SPE to finance the transaction sold to third parties, net of the tranches of securities issued by the Banks of the Group.
Securitisations that have been "fully derecognised" refer to securitisations that had been finalised prior to 2004, and for which the possibility under IFRS 1 not to "recognise" the assets based on international accounting standards was opted, except for those of the former Italease Group (acquired in the second half of 2009) whose assets were recognised in the financial statements. As a result, the financial statements show the subscribed securities and any guarantees and commitments to disburse funds, adequately measured to reflect the P&L performance of the underlying securitisation as at 31 December 2010.
Securitisations characterised by the full subscription by the Group of the debt securities issued by the SPE are called "originated securitisations" and their exclusive purpose is funding. Banco Popolare and Banca Italease step in by subscribing senior and mezzanine funds that will be used to draw liquidity from the market through ECB refinancing transactions or repurchase agreements with market counterparts. These transactions are illustrated in Part E – Section 1 - Risks of the Banking Group. 1.3 Liquidity risk.

As at 31 December 2010, there were 19 securitisation transactions outstanding via 14 special purpose entities, as shown below:

	SPEs	Originator	Securities issue date	Transaction	Type of securitisation
Securitisations not derecognised from the financial statements					
	Banco Popolare Group				
1.	BP Mortgages S.r.l.	Banca Popolare di Novara, Credito Bergamasco	June 2007	BP Mortgages 2	Performing residential mortgage loans
2.	BP Mortgages S.r.l.	Banca Popolare di Verona – SGSP	March 2007	BP Mortgages 1	Performing residential mortgage loans
3.	Bipitalia Residential S.r.l.	Banca Popolare di Crema, Banca Popolare di Lodi, Cassa di Risparmio Lucca Pisa Livorno	June 2004	Residential	Performing residential mortgage loans
	Italease Group				
Securitisations not derecognised and derecognised from the financial statements					
	Italease Group				
4.	Italfinance Securitization Vehicle 2 S.r.l.	Banca Italease, Mercantile Leasing	March 2007	ITA 9	Performing leases
5.	Leasimpresa Finance S.r.l.	Banca Italease	October 2006	Leasimpresa 2	Performing leases
6.	Italfinance Securitization Vehicle S.r.l.	Banca Italease, Mercantile Leasing	December 2005	ITA 8	Performing leases
7.	Erice Finance S.r.l.	Banca Italease	December 2005	ITA BEI	Performing leases
8.	Italease Finance S.p.A.	Banca Italease	March 2005	ITA 7	Performing leases
9.	Italease Finance S.p.A.	Banca Italease	June 2004	ITA 6	Performing leases

	SPEs	Originator	Securities issue date	Transaction	Type of securitisation
Securitisations fully derecognised from the financial statements					
	Banco Popolare Group				
10.	Sintonia Finance S.r.l.	Banca Popolare di Cremona, Centrobanca	December 2002	Sintonia	Performing residential and commercial mortgages
11.	Tiepolo Finance II S.r.l.	SGC BP	April 2003	Tiepolo 2	Non-performing mortgage and ordinary loans
12.	Tiepolo Finance S.r.l.	Banca Popolare di Lodi, Cassa di Risparmio Lucca Pisa Livorno	June 2001	Tiepolo	Non-performing mortgage and ordinary loans

	SPEs	Originator	Securities issue date	Transaction	Type of securitisation
Originated securitisations					
	Banco Popolare Group				
13.	BPL Mortgages S.r.l.	Banca Popolare di Verona - SGSP, Banca Popolare di Novara, Credito Bergamasco, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Popolare di Cremona, Banca Popolare di Crema	July 2009	BPL Mortgages 4	Performing residential and commercial mortgages
14.	BPV Mortgages S.r.l.	Banca Popolare di Verona - SGSP, Banca Popolare di Novara, Credito Bergamasco, Banca Popolare di Lodi	June 2009	BPV Mortgages	Performing residential mortgage loans
15.	BPL Mortgages S.r.l.	Banca Popolare di Verona - SGSP, Banca Popolare di Novara, Credito Bergamasco, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Banca Caripe	March 2009	BPL Mortgages 3	Performing residential mortgage loans
	Italease Group				
16.	Italfinance RMBS S.r.l.	Banca Italease	November 2008	Italfinance RMBS 1	Residential mortgages
Originated securitisations not derecognised and derecognised from the financial statements					
	Italease Group				
17.	Italfinance Securitization Vehicle 2 S.r.l.	Banca Italease, Mercantile Leasing	January 2009	ITA 11	Performing leases
18.	Pami Finance S.r.l.	Banca Italease, Mercantile Leasing	October 2008	Quicksilver	Performing leases
19.	Italfinance Securitization Vehicle 2 S.r.l.	Banca Italease, Mercantile Leasing	May 2008	ITA 10	Performing leases

Transactions fully derecognised from the financial statements, for what concerns the Italease Group, refer to the derecognised portfolio of securitised loans whose risks and benefits have been transferred from Banca Italease to Alba Leasing under the “Agreement on securitised loans".

2010 main events

On 18 January 2010, the mortgage loans underlying the securitisation transactions, carried out via the special purpose entity BPL Mortgages S.r.l. in December 2007 (BPL Mortgages 1) and in December 2008 (BPL Mortgages 2) were repurchased by the Originator Banks and by the Banks taking part in the transactions following the branch swap; in particular, by Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A. Banca Popolare di Novara S.p.A, Banca Popolare di Lodi S.p.A., Cassa di Risparmio Lucca Pisa Livorno S.p.A., Banca Popolare di Cremona S.p.A. and Banca Popolare di Crema S.p.A. for the BPL Mortgages 1 transaction that involved the repurchase of loans totalling 643 million; by Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Novara S.p.A., Banca Popolare di Lodi S.p.A. and Credito Bergamasco S.p.A. for the BPL Mortgages 2 transaction that involved the repurchase of loans totalling 913 million; the relevant securities were redeemed by the special purpose entity in January 2010 and October 2010, respectively.
Some Originator Banks (Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Novara S.p.A., Credito Bergamasco S.p.A., Banca Popolare di Lodi S.p.A. and Cassa di Risparmio Lucca Pisa Livorno S.p.A. transferred at the same time part of the repurchased mortgage loans, for an amount of approximately euro 1.4 billion, to the special purpose entity BP Covered Bond in order to launch, at Group level, the Guaranteed bank bond issue program (see Paragraph C.3).

Main events occurring after 31 December 2010

In relation to the trend of BP Mortgages 1 and BP Mortgages 2 securitisations in 2010, with a special reference to the increase in default mortgages, which led to the use of cash reserve, the rating agencies have placed the two operations in "negative watch"; as a result, the Originator Banks, in January 2011, decided to support the transaction by granting Subordinated Loans and repurchasing part of the default loans.
For what concerns the securitisation carried out via the special purpose entity Bipitalia Residential, in February 2011 the Fitch rating company upgraded the Class B security from AA+ to AAA.
With reference to the Sintonia Finance securitisation, transaction derecognised from the financial statements by the Originator Banca Popolare di Cremona, in February 2011 the Step Up date expired, namely the option to dismantle the transaction in advance; the Originators are defining the dismantling time of the transaction expected during the second half of 2011.
On 20 February 2011, the mortgage loans underlying the securitisation transaction carried out via the special purpose entity BPL Mortgages in March 2009 (BPL Mortgages 3) were repurchased by the Originator Banks (Banca Popolare di Lodi S.p.A., Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Novara S.p.A., Cassa di Risparmio di Lucca, Pisa e Livorno S.p.A., Credito Bergamasco S.p.A. and Banca Caripe S.p.A.; a share of the repurchased mortgage loans was transferred at the same time by the same Banks, (except for Banca Caripe S.p.A) to the SPE BP Covered Bond for an amount of approximately euro 1.8 billion; the BPL Mortgages company will carry out the early redemption option of the securities issued on 31 March 2011.
A second rating is being assigned to the Senior security issued by the special purpose vehicle BPL Mortgages in July 2009 (BPL Mortgages 4), in relation to the requirements of the ECB in order to use the securities as collateral in refinancing operations on the interbank market. To allow the additional rating, it was necessary to require the increase of reserve cash of a higher amount compared that required in the structure; in this regard, the Originator Banks decided in February to grant subordinated loans to the SPE.

Securitisations not derecognised from the financial statements

BP Mortgages 2 (June 2007)

On 22 June 2007, Credito Bergamasco and Banca Popolare di Novara, acting as Originators, sold to the SPE BP Mortgage S.r.l. a loan portfolio of home and residential mortgage loans backed by a voluntary mortgage on the property; the sold portfolio amounted to euro 1,640 million; to raise the necessary funds to purchase the loans, on 29 June 2007 the SPE issued four classes of securities that were sold to institutional investors and listed on the "Ireland Stock Exchange" and two junior securities fully subscribed by the Originators.

Trend of loans by originator

Bank	Value at 31/12/2010 (1)	Portfolio % at 31/12/2010	Value at 31/12/2009	Portfolio % at 31/12/2009	Value at 22/06/07	Portfolio % at the selling date
Banca Popolare Novara	526,766	53.28%	582,187	52.12%	862,811	53.60%
Credito Bergamasco	427,404	43.23%	495,873	44.39%	747,008	46.40%
Banca Popolare Lodi	34,557	3.50%	38,957	3.49%	-	
Total	**988,727**	**100.00%**	**1,117,017**	**100.00%**	**1,609,819**	**100.00%**

(1) The value as at 31 December 2010 comprises mortgage loans inclusive of instalments, the amortised cost, gross of relevant write-downs. After the branch reallocation on 1 December 2008 between Banca Popolare di Lodi and Banca Popolare di Novara S.p.A., Banca Popolare di Lodi joined the operation.

Issue characteristics

Classes	Type	Issue value	Value at 31/12/2010	Interest rate	Maturity	Moody's/S&P/ Fitch rating
A1	Senior	147,300	-	Euribor 3 months + 0.07%		
A2	Senior	1,382,000	868,824	Euribor 3 months + 0.13%	July 2044	Aaa/AAA/AAA
B	Mezzanine	28,200	28,200	Euribor 3 months + 0.25%	July 2044	Aa3/AA/AA+
C	Mezzanine	36,200	36,200	Euribor 3 months + 0.66%	July 2044	Baa1/BBB/BBB
M1	Junior	8,639	8,639 (2)	Euribor 3 months + 2% plus Additional return (1)	July 2044	unrated
M2	Junior	7,479	7,479	Euribor 3 months + 2% plus Additional return (1)	July 2044	unrated
	Total	**1,609,818**	**949,342**			

(1) Variable additional return depending on the actual operating results generated by the SPE on the securitised portfolio.
(2) After the branch reallocation on 1 December 2008 between Banca Popolare di Lodi and Banca Popolare di Novara S.p.A., Banca Popolare di Lodi purchased for an amount of euro 550 thousand from Banca Popolare di Novara a percentage of junior security held by it in proportion to the percentage of the mortgage loans of the agencies being swapped

Accessory financial transactions

To immunise the interest rate risk to which the SPE is exposed owing to the mismatch between the securitised mortgage rates and the yield of the issued bonds, the Originator Banks entered an Interest Rate Swap agreement with the SPE, with Banca Aletti as intermediary.

BP Mortgages 1 (March 2007)

On 16 March 2007, Banca Popolare di Verona, acting as Originator Bank, sold to the SPE BP Mortgage S.r.l. a loan portfolio of home and residential mortgage loans; the sold portfolio totalled euro 1,476 million; to raise the necessary funds to purchase the loans, on 11 April 2007, BP Mortgages S.r.l. issued four classes of securities that were sold to institutional investors and listed on the Luxembourg Stock Exchange and two junior securities fully subscribed by the Originator.

Trend of loans by originator

Bank	Value at 31/12/2010 (1)	Portfolio % at 31/12/2010	Value at 31/12/2009	Portfolio % at 31/12/2009	Value 16/03/07	Portfolio % at the selling date
Banca Popolare Verona	667,353	88.63%	794,854	89.08%	1,476,589	100.00%
Banca Popolare Lodi	85,606	11.37%	97,420	10.92%	-	-
Total	**752,959**	**100.00%**	**892,274**	**100.00%**	**1,476,589**	**100.00%**

(1) The value as at 31 December 2010 comprises mortgage loans inclusive of instalments, the amortised cost, gross of relevant write-downs. After the branch reallocation on 1 November 2008 between Banca Popolare di Lodi and Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Lodi joined the operation.

Issue characteristics

Classes	Type	Issue value	Value as at 31/12/2010	Interest rate	Maturity	Moody's/S&P/ Fitch rating
A1	Senior	202,700	-	Euribor 3 months + 0.06%		
A2	Senior	1,172,650	673,132	Euribor 3 months + 0.13%	April 2043	Aaa/AAA/AAA
B	Mezzanine	25,300	25,300	Euribor 3 months + 0.19%	April 2043	Aa3/AA/AA+
C	Mezzanine	32,600	32,600	Euribor 3 months + 0.48%	April 2043	Baa2/BBB/BBB+
M	Junior	14,500	14,500 (2)	Euribor 3 months + 2.5% plus Additional return (1)	April 2043	unrated
	Total	**1,447,750**	**745,532**			

(1) Variable additional return depending on the actual operating results generated by the SPE on the securitised portfolio.
(2) Banca Popolare di Lodi purchased for an amount of euro 1,553 thousand from Banca Popolare di Verona - S. Geminiano e S. Prospero a percentage of junior security held by it in proportion to the percentage of the mortgage loans of the agencies being swapped.

Accessory financial transactions

To immunise the interest rate risk to which the SPE is exposed owing to the mismatch between the securitised mortgage rates and the yield of the issued bonds, the Originator Banks entered an Interest Rate Swap agreement with the SPE, with Banca Aletti as intermediary.

Bipitalia Residential

In first half of 2004, Banca Popolare di Lodi S.p.A., Cassa di Risparmio Lucca Pisa Livorno S.p.A. and Banca Popolare di Crema S.p.A finalised a securitisation transaction, by selling residential mortgage loans classified as performing loans, for a nominal value of about 1 billion, to the SPE Bipitalia Residential that financed the purchase by issuing 5 classes of securities. Within the securitisation transaction, Banca Popolare di Lodi acts also as Servicer of the portfolio, with the other Banks of the Group stepping in as Sub Servicers and Società di Gestione Crediti BP S.C.p.A. as Special Servicer for delinquent loans.

Trend of loans by originator

Bank	Value at 31/12/10 (1)	Portfolio % at 31/12/10	Residual debt at 31/12/09	Portfolio % at 31/12/09	Residual debt at 17/05/04	Portfolio % at 17/05/04
Banca Popolare Lodi	157,642	56.61%	191,358	55.60%	576,176	57.47%
CR Lucca Pisa Livorno	103,394	37.13%	130,532	37.92%	375,327	37.44%
Banca Popolare Crema	9,410	3.38%	12,601	3.66%	50,986	5.09%
Banca Popolare Novara	6,301	2.26%	7,536	2.19%	-	-
Banca Popolare Verona - SGSP	1,727	0.62%	2,170	0.63%	-	-
Total	**278,475**	**100.00%**	**344,197**	**100.00%**	**1,002,490**	**100.00%**

(1) The value as at 31 December 2010 comprises mortgage loans inclusive of instalments, the amortised cost, gross of relevant write-downs. After the branch reallocation on 1 December 2008 and 1 November 2008, between Banca Popolare di Lodi, Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A. and Banca Popolare di Novara, the latter joined the operation.

Issue characteristics

Classes	Type	Nominal issue value	Value as at 31/12/2010	Interest rate	Maturity	Fitch / Moody's rating
A1	Senior	230,000	-			
A2	Senior	733,000	240,157	Euribor 3 months + 0.175%	December 2040	AAA/Aaa
B	Mezzanine	16,000	16,000	Euribor 3 months + 0.30%	December 2040	AA+/Aa2
C	Mezzanine	19,000	19,000	Euribor 3 months + 0.80%	December 2040	BBB/Baa1
D	Junior	4,500	4,500	2.0 % Plus Additional return (1)	December 2040	unrated
	Total	**1,002,500**	**279,657**			

(1) Variable additional return depending on the actual operating results generated by the SPE on the securitised portfolio.

Senior and mezzanine securities are sold on the market to institutional investors and listed on the Luxembourg Stock Exchange. Junior securities have been subscribed by the Assigning Banks on a pro-rata basis with respect to the sold loans.

Accessory financial transactions

Within the finalisation of the transaction, Banca Popolare di Lodi granted a limited recourse mortgage loan of euro 12 million as a liquidity reserve. Upon issuing the notes, the SPE signed an "Interest Rate Swap" agreement with a third party, to hedge against the risk of mismatch between the rates of the securitised mortgages and the yield of the issued bonds.

Italease Group securitisations not derecognised and derecognised from the financial statements

As an alternative to direct indebtedness, Banca Italease and Mercantile Leasing carry out securitisation transactions with the aim of obtaining financial means necessary for their business. A further peculiarity is represented by the Servicer's role that allows companies in charge of collecting and recovering loans to retain the full management of customer relationship. The risks of the companies as assigning banks, due to the securitisations, are represented by securities held as long-term financial assets, subscribed by the companies themselves within such securitisation transactions, (i) "junior" tranches, i.e. with the highest subordination and (ii) "mezzanine" and "senior" tranches. Securitised assets refer to the entire loans portfolio sold for each single transaction and they represent a segregated asset to be used exclusively for the holders of securities issued under these this transaction and of the other lenders participating in the single transactions. Securitised assets refer to loans deriving from performing leases entered by the companies with their customers. On a monthly and quarterly basis, the companies monitor the performance of the underlying assets, i.e., the loans associated with leases, to verify that collections and recoveries of past due loans are efficiently managed. The operating results of the (on and off-balance sheet) positions associated with the securitisations represent the borrowing costs incurred to cover the operating costs of the related issuer, the fees to service providers, the rights of holders of securities subscribed by third party investors. The rating of the loans underlying the single transactions was assigned by primary rating firms, such as *Standards and Poor's, Moody's and Fitch*.

2010 main events

On 15 January 2010, the transaction called ITA Junior was closed by exercising the clean-up option as per contract; on 7 September 2010, the restructuring process of the ITA 8, ITA 9, ITA 10, ITA 11 and Leasimpresa Finance transactions was concluded by signing the relevant documents. On the basis of this process, the Originators undertake to restore the collateralisation condition at each interest payment date by means of the repurchase of default loans or the drawing of a credit line made available to the SPE. Following this restructuring, on the same date Moody's removed the "review for downgrade" placed on the ITA 8, ITA 9, ITA 10 and Leasimpresa Finance transactions on 18 September 2009.

Trigger events

In the securitisation transactions, so-called "trigger events" can take place, which, in accordance to what is provided in the documents of the transactions, give rise to changes, structural or otherwise, to the transaction. Illustrated below is an overview of the most significant trigger events.

Events linked to the failure to fulfil certain contract obligations

Events linked to the failure to fulfil certain contract obligations have been provided for. The main events can be summarised as follows:

- payment default by the Issuer: the Issuer defaults on interest and principal payment on outstanding Securities for five or more working days;
- failure to fulfil other Obligations by the Issuer: failure to fulfil or non-compliance by the Issuer of commitments and obligations under the Sales Agreement or other Transaction Documents;
- breach of Declarations and Guarantees by the Issuer: any declaration and guarantee given by the Issuer in the Transaction Documents turns out to be incorrect or misleading; - Issuer insolvency;
- Issuer liquidation; - Illicitness; - unlawful: if the performance or fulfilment of obligations taken on by the Issuer with respect to the securities or any other transaction document is or becomes unlawful.

Under the above circumstances, the immediate consequence is that the payment priority is changed. Interest and principal payment of mezzanine securities[1] (if they have been issued) can take place only after senior securities have been fully repaid. Interest and principal payment of junior securities continues to be subordinated to the other classes of securities.
Moreover, should some of the above events occur, the Representative of the security holders can, either on his/her own initiative or under a resolution of the Extraordinary meeting of security holders, require the early termination of the revolving phase[2] (although still ongoing in the single securitisation transaction) and, also with the approval of the extraordinary meeting of the security holders, he/she may also sell all or part of the loans on behalf of the issuer.

Pro Rata Amortisation Condition

Also the Pro Rata Amortisation Conditions (events linked to the violation of given thresholds with respect to indicators calculated by correlating the values of securities and their underlying loans), if provided for by the single securitisation transactions, can modify the payment priority of the securities.

Causes for loan purchase suspension and Acceleration Events

In transactions in which the revolving phase is not over yet, *loan purchase suspension* causes that in practice cause the early triggering of the amortisation phase are provided for.
While in transactions in which the amortisation phase has started, it is possible to contemplate Acceleration Events that can change the securities repayment priority.

Events linked to performance measures

Finally, there are events linked to performance measures (Delinquency Ratio[3] and Default Ratio[4]), which

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[1] In an issue consisting of multiple tranches of securities, securities are subdivided into Senior, Mezzanine and Junior. Senior securities have priority with respect to interest and principal over other classes of debt, therefore they have a lower return. Mezzanine securities are subordinated to Senior securities but above Junior Securities, which are the most risky.
[2] Period in which loans falling due are replaced by others through subsequent sales.
[3] Delinquency Ratio: is the ratio of (a) the residual debt and the principal overdue of delinquent loans (characterised by having a periodic instalment overdue for more than 30 days but less than 180), present in the collateralised portfolio and (b) the total amount of the residual debt of the loans present in the collateralised portfolio.
[4] The Definition of Default Ratio can vary from one operation to another but may be briefly summarised as: 1) Net Default Ratio: the ratio of (a) the residual debt and the principal overdue of default loans (characterised by having a periodic instalment overdue for more than 180 days) during the period, net of the recoveries made and (b) the arithmetic average of the residual debt of the loans in the collateralised portfolio at the beginning and at the end of the period of reference 2) Net Cumulative Default Ratio: ratio of (a) the residual debt and the principal overdue of default loans during the transaction, net of the recoveries made and (b) the residual debt of the loans of the initial portfolio and of all the subsequent portfolios sold due to the revolving loans (in ITA 5 the denominator takes into account only the initial portfolio) 3) Gross Cumulative Default Ratio: ratio of (a) the residual debt and the principal overdue of all the default loans during the transaction (b) the residual debt of the loans of the initial portfolio and of all the subsequent portfolios sold due to the revolving loans.

represent the threshold levels of the measures.
These events and the related consequences can be summarised as follows: - Overcollateralisation Trigger Ratio when exceeded, a liquidity provision has to be set aside corresponding to a defined percentage of the initial Senior Securities amount; - Cash Trapping Trigger: when exceeded, funds are blocked within the structure; - Mezzanine Trigger Ratio: when exceeded, Mezzanine coupons cannot be paid until Senior Series have been fully paid off; - Cumulative Default Trigger Ratio: when exceeded, funds must be blocked within the structure; - Series Trigger Ratio: when exceeded, the coupons of securities with a lower seniority cannot be paid until higher seniority classes have been fully paid off.
The columns of the table below list, by transaction, the performance indicators to which the threshold refers while the rows list the related trigger events described above.

	ITA 6	ITA 7	ITA 8	ITA 9	Leasimpresa 2	ITA 10	QUICK SILVER	ITALFINANCE RMBS 1	ITA 11
Overcollateralisation Trigger Ratio	Net Cumulative Default Ratio	Net Cumulative Default Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cash Trapping Trigger	N/A	N/A	Net Cumulative Default Ratio	Net Cumulative Default Ratio	Net Cumulative Default Ratio	Net Cumulative Default Ratio	N/A	N/A	Net Cumulative Default Ratio
Mezzanine Trigger Ratio	Net Cumulative Default Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Default Trigger Ratio	Net Cumulative Default Ratio	N/A	N/A	N/A	N/A	Net Cumulative Default Ratio	N/A	N/A	Net Cumulative Default Ratio
Series Trigger Ratio	N/A	Gross Cumulative Default Ratio	Net Cumulative Default Ratio	Net Cumulative Default Ratio	N/A	N/A	N/A	N/A	N/A

Downgrading of the rating of Banca Italease

In the securitisation transactions carried out, the downgrading of the rating of Banca Italease below given thresholds is a trigger event that can lead also to structural consequences for each securitisation transaction. Although they differ from transaction to transaction, the main aspects to be taken into consideration in case of downgrading of Banca Italease are the following: - end of the revolving phase (if still ongoing); - revocation of the Servicer and replacement by the Back-Up Servicer; - direct payment by users on the collection accounts of the related sellers/issuers and related notification to debtors.
For an analysis of the impacts deriving from a downgrading of the rating of Banca Italease below investment grade on the securitisation transactions outstanding on 31 December 2008, refer to the "Report and Financial Statements" as at 31 December 2010 of Banca Italease. With reference to such securitisation transactions, a further downgrading of the rating of Banca Italease would not entail any other consequence to the transactions other than the ones described in the above mentioned "Report and Financial Statements".

Securitisations fully derecognised from the financial statements

Described below are the main securitisation transactions that have been fully derecognised.

Tiepolo Finance II

On 30 December 2002, the company SGC BP S.p.A carried out a securitisation transaction of non-performing mortgage and ordinary loans that had been previously acquired from some banks of the Group, by selling the loans to an SPE Tiepolo Finance II S.r.l.. The SPE financed the purchase of the loans by issuing bonds subdivided into four classes: senior securities (class A and class B), mezzanine securities (class C) and junior securities (class D). Within the entire transaction, Società di Gestione Crediti BP S.C.p.A acted as Servicer.

Trend of loans

The loans that at the selling date amounted to 486.0 million, at 31 December 2010, amounted to 49.3 million (57.6 million as at 31 December 2009).

Issue characteristics

On 30 April 2003, the SPE issued senior securities (class A) amounting to euro 170 million, fully redeemed; senior securities (class B) amounting to 15 million, fully redeemed, mezzanine securities (class C) amounting to 151 million and junior securities (class D) amounting to 150 million. Junior securities initially subscribed by the banks that had originally owned the loans under securitisation, in 2007 were sold to a third party. Class C (mezzanine) securities were fully subscribed by Banca Popolare di Lodi S.p.A (they are unrated and have an annual return rate of 7%). On 31 December 2010, Class C securities were completely written down; during the financial period, an adjustment of 5.3 million was carried out;

moreover, in relation to the transaction performance, a write-down of accrued and unpaid coupons of 6.7 million (accrued coupons amounted to euro 52.1 million) was carried out.

Tiepolo Finance

In the second half of 2000, Banca Popolare di Lodi S.p.A. and Cassa di Risparmio di Lucca Pisa Livorno S.p.A. carried out a securitisation of non-performing mortgage and ordinary loans by selling them to the SPE Tiepolo Finance S.r.l that financed the purchase of the loans by issuing on 29 June 2001 bonds subdivided into three classes. Within the entire transaction, Banca Popolare di Lodi acted both as Servicer, managing the collection of loans, and as Cash Manager, hiring Società di Gestione Crediti BP S.p.A as Sub-Servicer for defaulted loans.

Trend of loans by originator

Bank	Value at 31/12/10	Portfolio % at 31/12/10	Value at at 31/12/09	Portfolio % at 31/12/09	Selling value	Portfolio % at sale
Cassa Risparmio di Lucca Pisa Livorno	6,625	55.54%	9,217	56.46%	96,791	63.07%
Banca Popolare di Lodi	5,303	44.46%	7,106	43.54%	56,672	36.93%
Total	**11,928**	**100.00%**	**16,323**	**100.00%**	**153,463**	**100.00%**

Issue characteristics

The SPE financed the purchase of the loans by issuing bonds subdivided into three classes: - Class A Securities (senior securities) of 75 million and Class B Securities (mezzanine securities) of 30 million, fully redeemed; Class C Securities (junior securities) of 50.5 million, subscribed when issued by the Originators Cassa Risparmio Lucca Pisa Livorno S.p.A. of 27 million and Banca Popolare di Lodi S.p.A. of 13.5 million (Euribor six months plus a spread of 0.40% p.a.). As at 31 December 2010, Class C securities were recovered for 173 thousand (the whole value of the security was impaired in the prior periods); the previous coupons were fully written down, except for the one accrued in 2010 (of 783 thousand). Banca Popolare di Lodi must collect a loan from the SPE that, as at 31 December 2010, amounted to 11.7 million, amount that will be repaid in future periods with the revenues deriving from the loans still held by the SPE.

QUANTITATIVE INFORMATION

C.1.1 Banking group - Exposures resulting from securitisations classified by underlying asset quality

Underlying asset quality / Exposures *(in thousands of euro)*	CASH EXPOSURES					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With proprietary underlying assets	**304,099**	**304,099**	**324,604**	**166,931**	**664,775**	**587,183**
a) non-performing			216,630	58,957	51,811	1,311
b) other	304,099	304,099	107,974	107,974	612,964	585,872
B. With third-party underlying assets	**89,181**	**89,036**	**-**	**-**	**-**	**-**
a) non-performing						
b) other	89,181	89,036				

Guarantees given and credit lines are omitted as not present.

C.1.2 Banking group - Exposures resulting from main "proprietary" securitisations broken down by type of securitised asset and by type of exposure

Type of securitised assets / Exposures *(in thousands of euro)*		CASH EXPOSURES					
		Senior		Mezzanine		Junior	
		Book value	Adjustments / recoveries	Book value	Adjustments / recoveries	Book value	Adjustments / recoveries
A.	**Fully derecognised**	**276,390**	**-**	**114,878**	**(10,873)**	**344,860**	**26,494**
A.1	Tiepolo 1 - doubtful loans			11,674	452	1,311	173
A.2	Tiepolo 2 - doubtful loans			47,283	(11,325)		
A.3	Sintonia Finance - residential mortgages			2,145	-	4,170	1,683
A.4	Sintonia Finance - residential mortgages			1,029	-	2,000	807
A.5	ITA 6 - performing lease loans					3,399	4,690
A.6	ITA 7 - performing lease loans					-	564
A.7	ITA 8 - performing lease loans					576	3,709
A.8	ITA 9Bei - performing lease loans	36,491		52,747		-	2,956
A.9	Leasimpresa2 - performing lease loans					10,908	3,651
A.10	ITA 9 - performing lease loans					5,473	1,869
A.11	ITA 10 - performing lease loans	67,278				81,766	950
A.12	Quick Silver - performing lease loans	27,174				128,753	670
A.13	ITA 11 - performing lease loans	145,447				106,504	4,772
B.	**Partially derecognised**						
C.	**Not derecognised**	**27,709**	**-**	**52,053**	**-**	**242,323**	**-**
C.1	Residential 2004 - residential mortgages			12,000	-	13,769	
C.2	BP Mortgages March 2007 - mortgage loans					55,872	
C.3	BP Mortgages June 2007 - mortgage loans					78,124	
C.4	ITA 6 - performing lease loans					2,417	
C.5	ITA 7 - performing lease loans					261	
C.6	ITA 8 - performing lease loans					42,340	
C.7	ITA 9Bei - performing lease loans	27,709		40,053		2,244	
C.8	Leasimpresa2 - performing lease loans					27,244	
C.9	ITA 9 - performing lease loans					20,052	

Guarantees given and credit lines are omitted as not present.

C.1.3 Banking group - Exposures resulting from main "third-party" securitisations broken down by type of securitised asset and by type of exposure

Underlying asset type / Exposures ISIN Code *(in thousands of euro)*	CASH EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries	Book value	Adjustments/ recoveries
ES0312298005 AYT CED EUR TV 12 *Other*	19,735	-				-
ES0312885017 BANCAJA 6 A2 EUR /36 *Mortgage loans*	8,749	-				-
ES0314019003 BANKINTER/36 3A CL A *Mortgage loans*	6,597	-				-
XS0208439694 CAMBER A3 04-53 TV *Other*	185	-				-
ES0371622004 CEDULAS TDA EUR TV16 *Other*	11,626	-				-
XS0131470196 DELPHINUS EUR TV 66 *Mortgage loans*	900	-				-
IT0003675763 F-E GREEN TV 04-18 *Leases*	1,414	-				-
XS0206715137 G SQUARE FIN04-50 TV *Other*	37	(145)				
ES0345782009 HIPOCAT 6A 03/34 TV *Other*	1,305	-				-
IT0003428619 INTESABCI 03-23 A2 *Mortgage loans*	1,972	-				-
XS0192771516 SAECURE EUR TV 36 *Other*	2,842	-				-
IT0003731426 SCIC TV 04-23 *Loans*	2,518	-				-
IT0003953384 SOC. CART. CREDITI INPS TV *Social-security contributions*	18,511	-				-
ES0338449004 TDA CAM 2A/32 EUR TV *Mortgage loans*	6,952	-				-
ES0338450002 TDA IBERCAJA 35 TV *Mortgage loans*	5,693	-				-
	89,036	**(145)**	**-**	**-**	**-**	**-**

Guarantees given and credit lines are omitted as not present.

C.1.4 Banking group - Exposures resulting from securitisations classified by portfolio and by type

Exposure/portfolio *(in thousands of euro)*	Trading	Designated at fair value	Available for sale	Held to maturity	Loans	31/12/2010	31/12/2009
1. Cash exposures	**6,170**	**-**	**1,964**	**-**	**817,030**	**825,164**	**1,424,731**
- Senior		xxx		xxx	365,782	365,782	1,045,671
- Mezzanine		xxx	1,964	xxx	113,869	115,833	79,483
- Junior	6,170	xxx		xxx	337,379	343,549	299,577
2. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior						-	
- Mezzanine						-	
- Junior						-	

C.1.5 Banking group - Total amount of securitised assets underlying junior securities or other forms of credit support

Assets / Values *(in thousands of euro)*	Traditional securitisations	Synthetic securitisations
A. Proprietary underlying assets:	**702,215**	**-**
A.1 Fully derecognised	338,490	X
1. Doubtful loans	1,110	X
2. Substandard loans	-	X
3. Restructured loans	-	X
4. Past due loans	-	X
5. Other assets	337,380	X
A.2 Partially derecognised	-	X
1. Doubtful loans	-	X
2. Substandard loans	-	X
3. Restructured loans	-	X
4. Past due loans	-	X
5. Other assets	-	X
A.3 Not derecognised	363,725	-
1. Doubtful loans	7,480	-
2. Substandard loans	5,989	-
3. Restructured loans	569	-
4. Past due loans	830	-
5. Other assets	348,857	-
B. Third-party underlying assets:	**-**	**-**
1. Doubtful loans	-	-
2. Substandard loans	-	-
3. Restructured loans	-	-
4. Past due loans	-	-
5. Other assets	-	-

C.1.6 Banking group - Shareholdings in special purpose entities

Name	Registered office	Shareholding %
Tiepolo Finance S.r.l.	Lodi	60.00
Tiepolo Finance II S.r.l. (*)	Lodi	60.00
Sintonia Finance S.r.l. (**)	Milan	5.00
Bipitalia Residential S.r.l.	Milan	4.00
Italease Finance S.p.A. (***)	Milan	70.00
Italfinance Securitisation VH 1 S.r.l. (***)	Conegliano V.	9.90
BP Covered Bond S.r.l.	Milan	60.00

(*) Interest held by way of the subsidiary Società Gestione Crediti BP S.c.p.A.
(**) Interest held by way of the subsidiary Banca Popolare di Cremona S.p.A.
(***) Interest held by way of the subsidiary Banca Italease S.p.A.

C.1.7 Banking group - Servicer activities – collection of securitised loans and redemption of securities issued by the special purpose entity

SPE	Securitised assets (end-of-period)		Loan collections in the year		Percentage of redeemed securities (end-of-period)					
					Senior		Mezzanine		Junior	
	Non-Performing	Performing	Non-Performing	Performing	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
Tiepolo Finance	11,928		7,168		100.00%		100.00%			
Tiepolo II	49,276		12,860		100.00%					
Residential	11,842	264,418	2,512	63,432		75.06%				
BP Mortgages (March 07)	40,578	706,182	2,884	135,501		51.06%				
BP Mortgages (June 07)	60,036	919,045	4,997	132,305		43.19%				
Sintonia Finance	2,403	25,166	1,227	4,815		89.36%		25.77%		
Italease Finance - ITA 6	9,594	80,898	4,078	93,102		97.71%		92.82%		
Italease Finance - ITA 7	22,390	168,138	3,217	80,565		92.50%		73.71%		
Italease Finance Securitisation VH - ITA 8	25,040	211,318	14,567	115,240		87.28%		63.86%		
Erice Finance - ITA 9BEI	46,748	258,650	7,983	125,061		44.17%				
Italease Finance Securitisation VH 2 - ITA 9	37,943	513,358	49,562	260,681		69.18%		17.50%		
Leasimpresa Finance - Leasimpresa 2	29,301	312,317	10,246	202,238		88.85%		34.08%		

C.1.8 Banking group - Special purposes entities owned by the Banking Group

Name	Registered office
Tiepolo Finance S.r.l.	Lodi – Via Polenghi Lombardo 13
Tiepolo Finance II S.r.l.	Lodi – Via Polenghi Lombardo 13
Italease Finance S.p.A.	Milan – Via Sile 18

Shown below is a summary by SPE and by single securitisation of the main transactions described in the explanatory notes (and in the relevant attachment) of the financial statements of the acquiring companies and the issuing companies of the securities under Law 130/99.

Attachment to table C.1.8

Summary table of securitised assets and issued securities (by single SPE owned by the Banking Group)

Tiepolo Finance S.r.l.

(in thousands of euro)	31/12/2010	31/12/2009
A. Securitised assets	**11,928**	**16,323**
1) Loans	11,928	16,323
- doubtful loans	11,928	16,323
- other loans	-	-
2) Securities	-	-
3) Other assets	-	-
B. Use of available funds from loan management	**2,590**	**2,987**
1) Available funds on current account	2,427	2,824
2) Other loans	-	-
3) Repurchase agreements	-	-
4) Other assets	163	163
C. Issued securities	**50,500**	**50,500**
1) "Class A" securities	-	-
2) "Class B" securities"	-	-
3) "Class C" securities"	50,500	50,500
D. Loans received	**-**	**-**
1) Securities lending	-	-
2) Subordinated loan	-	-
E. Other liabilities	**28,658**	**34,276**
1) Accrued liabilities	625	821
2) Other liabilities	28,033	33,455
F. Interest expense on issued securities	**735**	**1,546**
G. Fees and commissions borne by the transaction	**520**	**410**
1) Servicing fees	366	256
2) Other services	154	154
H. Other charges	**1,322**	**3,689**
1) Other interest expense	705	1,654
2) Other expenses	617	2,035
3) Impairment of fixed assets		
I. Interests generated by securitised assets		
L. Other revenues	**3,401**	**2,980**
1) Interest income	24	374
2) Other revenues	3,377	2,606

Tiepolo Finance II - S.r.l.

(in thousands of euro)	31/12/2010	31/12/2009
A. Securitised assets	**49,276**	**57,557**
1) Loans	49,286	57,557
- doubtful loans	49,276	57,557
- other loans	-	-
2) Securities	-	-
3) Other assets	-	-
B. Use of available funds from loan management	**4,890**	**4,577**
1) Available funds on current account	4,866	4,553
2) Other loans	-	-
3) Repurchase agreements	-	-
4) Other assets	24	24
C. Issued securities	**301,030**	**301,030**
1) "Class A" securities	-	-
2) "Class B" securities"	-	-
3) "Class C" securities"	151,000	151,000
4) "Class D" securities"	150,300	150,030
D. Loans received	**-**	**-**
1) Securities lending	-	-
2) Subordinated loan	-	-
E. Other liabilities	**78,354**	**74,668**
1) Accrued liabilities	2,224	2,224
2) Other liabilities	76,130	72,444
F. Interests expense on issued securities	**13,759**	**13,759**
G. Fees and commissions borne by the transaction	**733**	**959**
1) Servicing fees	626	838
2) Other services	107	121
H. Other charges	**6,335**	**10,259**
1) Other interest expense	-	-
2) Other expenses	6,335	10,259
3) Impairment of fixed assets	-	-
I. Interests generated by securitised assets	-	-
L. Other revenues	**9,173**	**9,266**
1) Interest income	133	168
2) Other revenues	9,040	9,098

Italease finance S.p.A
ITA 6

(in thousands of euro)	31/12/2010	31/12/2009
A. Securitised assets	**102,991**	**199,689**
A1) loans	101,858	194,122
A2) securities	-	-
A3) other (including accrued income and prepayments)	1,132	5,567
B. Use of available funds from loan management	**13,499**	**27,908**
B1) debt securities	-	-
B2) equity instruments	-	-
B3) other (time deposits)	13,499	27,908
C. Issued securities	**102,643**	**209,989**
C1) Senior securities - AAA/Aaa rating	81,536	176,496
C2) Mezzanine securities - A/A2 rating	10,634	23,019
C3) Junior Securities - unrated	10,473	10,473
D. Loans received	**-**	**-**
E. Other liabilities (accrued liabilities and deferred income)	**13,847**	**17,608**
F. Interests expense on issued securities	**3,533**	**11,064**
G. Fees and commissions borne by the transaction	**80**	**107**
G1) servicing fees	43	70
G2) other services	37	37
- for corporate service	10	10
- for the representative of the security holders	7	7
- for payment services	6	6
- for computation agent service	15	15
H. Other expenses	**1,867**	**3,917**
- on swap basis	200	1,643
- for administrative procedures	50	252
- for losses on loans	1,393	978
- for capital losses	224	1,044
I. Interests generated by securitised assets	**5,421**	**14,849**
L. Other revenues	**59**	**239**
- generated from use of funds	59	236
- other income	0	3

Italease finance S.p.A
ITA 7

	31/12/2010	31/12/2009
A. Securitised assets	**209,311**	**278,884**
A1) loans	209,156	278,735
A2) securities	-	-
A3) other (accrued income)	155	149
B. Use of available funds from loan management	**3,244**	**4,092**
B1) debt securities	-	-
B2) equity instruments	-	-
B3) other (time deposits)	3,244	4,092
C. Issued securities	**168,492**	**248,965**
C1) Senior Securities - AAA/Aaa rating	141,807	209,868
C2) Mezzanine Securities - AA/Aa3-A/A3 rating	25,860	38,272
C3) Junior Securities - unrated	825	825
D. Loans received	**-**	**-**
E. Other liabilities (accrued liabilities and deferred income)	**44,064**	**34,011**
F. Interests expense on issued securities	**8,378**	**16,246**
G. Fees and commissions borne by the transaction	**97**	**121**
G1) servicing fees	42	66
G2) other services	56	55
- for corporate service	10	11
- for the representative of the security holders	9	9
- for payment services	6	6
- for computation agent service	31	30
H. Other charges	**1,926**	**3,305**
- on swap basis	281	2,223
- for administrative procedures	95	254
- for losses on loans	1,273	308
- for capital losses	278	521
I. Interests generated by securitised assets	**10,346**	**19,432**
L. Other revenues	**55**	**240**
- interests generated from use of funds	55	240

C.2 Sale transactions

C.2.1 Banking group - Financial assets sold and not derecognised

(in thousands of euro)	Financial assets held for trading			Financial assets designated at fair value through profit and loss			Financial assets available for sale			Financial assets held to maturity			Due from banks			Loans to customers			Total 31/12/2010	Total 31/12/2009
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets																				
1. Debt securities	2,700,744	-	-	-	-	-	3,780,416	-	-	66,008	-	-	46,957	-	-	-	-	-	6,594,125	2,217,483
2. Equity instruments	7,058	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	7,058	45,390
3. UCIT	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	9,061	-	-	2,800,684	-	-	2,809,745	13,686,210
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
31/12/2010	**2,707,802**	**-**	**-**	**-**	**-**	**-**	**3,780,416**	**-**	**-**	**66,008**	**-**	**-**	**56,018**	**-**	**-**	**2,800,684**	**-**	**-**	**9,410,928**	
of which non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	438,637	-	-	438,637	
31/12/2009	**1,674,326**	**-**	**-**	**-**	**-**	**-**	**426,323**	**-**	**-**	**162,224**	**-**	**-**	**348,528**	**-**	**-**	**13,337,682**	**-**	**-**		**15,949,083**
of which non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	497,782	-	-		497,782

A=financial assets sold and fully recognised (book value)
B=financial assets sold and partially recognised (book value)
C= financial assets sold and partially recognised (full value)

C.2.2 Banking group - Financial liabilities associated with financial assets sold and not derecognised

(in thousands of euro)	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
A. Due to customers	**2,820,686**	**-**	**3,315,374**	**43,435**	**7,014**	**-**	**6,186,509**
a) relating to fully recognised assets	2,820,686	-	3,315,374	43,435	7,014	-	6,186,509
b) relating to partially recognised assets	-	-	-	-	-	-	-
B. Due to banks	**181,690**	**-**	**167,748**	**-**	**47,404**	**-**	**396,842**
a) relating to fully recognised assets	181,690	-	167,748	-	47,404	-	396,842
b) relating to partially recognised assets	-	-	-	-	-	-	-
C. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**2,537,518**	**2,537,518**
a) relating to fully recognised assets	-	-	-	-	-	2,537,518	2,537,518
b) relating to partially recognised assets	-	-	-	-	-	-	-
31/12/2010	**3,002,376**	**-**	**3,483,122**	**43,435**	**54,418**	**2,537,518**	**9,120,869**
31/12/2009	**2,562,141**	**-**	**454,984**	**199,357**	**4,603,816**	**9,921,840**	**17,742,138**

C.3 Banking group - Covered bond transactions

Guaranteed bank bond issue program

QUALITATIVE INFORMATION

Strategic goals

In January 2010, as part of a long-term program which envisages the overall issue of 5 billion Guaranteed Bank Bonds, the Guaranteed Bank Bonds ("GBB" or "Covered Bonds") were issued at Group level, addressed to institutional investors, for which Banco Popolare acts as Issuing Bank for the Covered Bonds, while the network banks belonging to the Group act as the banks transferring the assets as per Article 7-*bis* of Italian Law No. 130 dated 30 April 1999. The Covered Bonds issue is part of the Group's strategic plan, and represents a tool to diversify sources of funding, to reduce the relevant cost and to extend the maturities of liabilities.

Main characteristics of the operations of Group, related risks and controls

The Program is to be carried out through the assignment without recourse to BP Covered Bond S.r.l. ("Special purpose entity" enrolled in the list set forth in article 106 of the Consolidated Banking Law, in which Banco Popolare holds a 60% stake), by several Banks of the Banco Popolare Group (Banca Popolare di Verona – S.Geminiano e S.Prospero S.p.A, Banca Popolare di Novara S.p.A, Credito Bergamasco S.p.A., Banca Popolare di Lodi S.p.A. and Cassa di Risparmio Lucca Pisa Livorno S.p.A. "Assigning Banks") of the monetary receivables relating to mortgages with the characteristics provided by the regulations that govern the issuance of the bonds under review.
In connection with the sale of the assets, the Assigning Banks granted, each for what is of direct concern, a Subordinated Loan in favour of the SPE in order to provide it with the necessary financial resources to acquire the relevant loans; the SPE must repay the subordinated loan on the date of final repayment, in compliance with the applicable priority and within the limits of the funds available, without prejudice to the fact that, at each interest payment date, the subordinate loan may be repaid in advance provided that the principal amount of the loan is equal or higher than the residual debt of the Covered Bonds issued each time and that the tests contemplated by the regulations and by contract are observed. Interests accrue on the subordinated loan at a rate equal to the average interest rate of the Series of Covered Bonds issued, and a regular yield equal to the excess spread generated by the structure (or the difference between revenues generated by the sold assets, the expenses of the transaction and losses on loans), determined on the basis of the specific portfolio sold by each originator.
Since the Banco Popolare Securities Issuer is a subject other than the Assigning Banks of the assets, the structure of the transaction requires that the benefits and costs related to the issue of the Covered Bonds be transferred from Banco Popolare to each Assigning Bank according to the share of each Bank in the Program, through the issue of each Bank of bonded loans fully subscribed by Banco Popolare or the granting of loans, with characteristics in line with those of the Series of Covered Bonds issued.
In relation to each transfer of loans, the SPE signs derivative contracts on interest rates called Mortgages Pool Swap and Covered Bond Swap to mitigate the interest rate risk related to the collections deriving from the assets forming the cover pool and the coupon payments that must be carried out on the Covered Bonds, which must be paid to the SPE in case of default of the issuer. At consolidated level, the Covered Bond Swaps, on the basis of which the SPE receives from the swap counterparts a fixed rate equal to the coupons of the Covered Bonds and pays them a variable interest rate, are aimed at neutralising the exposure to interest-rate risk of the fixed-rate Covered Bond issue.
The SPE, in order to guarantee the repayment of the Covered Bonds should Banco Popolare not fulfil its obligations to pay pursuant to the Covered Bonds, has issued an unconditional and irrevocable primary guarantee valid for separate assets for the benefit of the investors that will subscribe the Covered bonds; the guaranteed amount is equal to total interests and principal that must be paid to the investors on each class of Covered Bond, increased by the expenses that must be paid to third-party counterparts of the transaction. The regulations on Covered Bonds require that the integrity of the guarantee should be ensured during the life of the Covered Bonds; to this end, the structure of the Program contemplates a series of tests on the portfolio to make sure that the SPE, if necessary, is able to pay interests and principal on the issued Covered Bonds. The accuracy of the test is verified by an external subject, the Asset Monitor that, in accordance with Supervisory Regulations, must be an Independent Auditor. The management of the portfolio during the life of the Program is regulated by a Cover Pool Administration Agreement, signed by the Company, by the Assigning banks and by Banco Popolare.
In addition to the issued guarantee, the observance of the oversecuritisation ratio is the first method for the protection of subscribers, which must be maintained in time, which is the maximum ratio between Covered bonds issued and assets sold, as set by Regulation or contract. Moreover, when cash assets in the separate equity assets reach the threshold of 15% of the assets, they should be used to purchase more assets.
The collection and management of the loans sold is carried out by each Assigning Bank, which acts as servicer with regard to the loans sold; the amounts collected on behalf of the special purpose vehicle are paid on accounts opened with Banca Popolare di Lodi, acting as Interim Account Bank, which will credit such amounts on a daily basis on accounts opened with BNP Paribas (Account Bank). Banco Popolare was asked to furnish a guarantee pursuant to the Servicing contract to cover the obligations undertaken by the Assigning Banks acting as Servicer of the sold mortgage loans (Credito Bergamasco 1.7 million, Banca Popolare Lodi 0.8 million, Banca Popolare Novara 2.9 million, Banca Popolare Verona - S. Geminiano e S. Prospero euro 2.5 million and Cassa Risparmio Lucca Pisa Livorno 1.8 million); Banco Popolare acts also as administrative servicer, i.e. it supplies administrative services and tax duties on behalf of the SPE.

QUANTITATIVE INFORMATION

The underlying of the first issue of Covered Bonds is represented by residential mortgage and land loans previously assigned to the special purpose entity BPL Mortgages S.r.l. within the sphere of two securitisation transactions carried out by the Banco Popolare Group in December 2007 (BPL Mortgages 1) and in December 2008 (BPL Mortgages 2). More specifically, in order to use the mortgage loans underlying the two securitisation transactions, the Originator Banks re-acquired, on 18 January 2010, the portfolios previously securitised, the Assigning Banks sold to the SPE a mortgage loan portfolio with an overall residual debt of 1,431.3 million.

BP Covered Bond security issue – Series 1

On 3 March 2010, Banco Popolare issued the *First Tranche of the Series 1 of Covered Bonds* for a notional amount of euro 1 billion (issue price 99.401); a fixed-rate coupon accrues on the securities equal to 3.625% and the maturity is "soft bullet" with a duration of 7 years (maturity 31 March 2017); the bond, which was given a rating of "AAA" by Fitch and "Aaa" by Moody's, was entirely subscribed by institutional investors.

On 17 May 2010, the Assigning Banks sold a second residential mortgage and land loans portfolio to the SPE with a total residual debt of 1,874 million.
On 5 August 2010, Banco Popolare issued the *Second Tranche of the Series 1 of the Covered Bonds*, amounting to 400 million; the characteristics of the securities are identical to those of the first Tranche, the coupon has a fixed rate of 3.625%, due date of interest starts on 3 March 2010 and ends on 31 March 2017 (issue price 100.432 includes the accrued interest rate). The security, whose rating was confirmed, was subscribed by Banco Popolare that used it for a four-year REPO transaction with a third-party counterpart.

BP Covered Bond security issue – Series 2

On 16 September 2010, Banco Popolare issued the *First Tranche of Series 2 of the Covered Bonds*, amounting to 800 million; the characteristics of the securities have a fixed-rate coupon of 3.25%, due date of interest starts on 16 September 2010 and expires 30 September 2015 (issue price 99.897). The rating of Series 1 was confirmed for the security.
On 21 October 2010, Banco Popolare issued the *Second Tranche of Series 2 of Covered Bonds,* for a notional amount of euro 150 million, the characteristics of the securities are identical to those of the first tranche (issue price 100.13 includes the accrued interest).

On 29 November 2010, the Assigning Banks sold a third residential mortgage that on the selling date had a total residual debt of 1,585 million.
Overall, the securities issued by Banco Popolare under the Covered Bond issue program amounted to euro 2,350 million as at 31 December 2010.

Accounting representation

In the consolidated financial statements, all the companies taking part in the issue program (assigning banks, issuing Parent Company and SPE) are part of the Group and consolidated line-by-line.

The accounting representation of the main asset items related to the issue of Covered Bonds is provided below:

- the mortgage loans sold by the Assigning Banks to the SPE are recognised in the assets of the balance sheet under item 70 "Loans to customers". As at 31 December 2010, the book value is equal to 4,565.5 million. This amount is subject to specific evidence among "Assets pledged to secure own liabilities and commitments" among Other information contained in Part B – Information on the Balance sheet of these explanatory notes;
- the issued Covered Bond are recorded among Debt securities issued (item 30 of Liabilities) and managed according to the accounting rules of fair value hedge with the hedging derivative of the interest-rate risk signed by the SPE (Covered Bond Swap). The issued securities also comprise the loan transaction by means of repurchase agreements on the series of re-acquired Covered Bonds previously described, in line with the clarifications provided in this regard by the Supervisory Body. The book value of the securities as at 31 December 2010 amounts to 2,307 million;
- the consolidated financial statements show the liquidity (item 60 Receivables due from banks) of approximately 328 million deposited with the current accounts of the Agent bank.

D. Banking group - Credit risk measurement models

To measure the portfolio credit risk, the Risk Management Service avails itself of an econometric model fed by an extensive set of data and risk variables.

By resorting to Credit-VaR metrics, the model defines the distribution probability of losses in the loan portfolio for performing loans, cash loans and endorsement credits to resident retail and financial customers. The distribution is used for measuring the maximum potential loss along an annual timeframe and with a specific level of confidence.

In particular, to calculate the distribution, the model's processing engine uses a "MonteCarlo" simulation approach, which simulates a sufficiently high number of scenarios to produce a good empirical approximation of the theoretical distribution of loan portfolio losses.

The calculation of the maximum potential loss, which can be broken down in the classical Expected Loss and Unexpected Loss (Economic Capital), is affected by the concentration risk (generated by large exposures to single counterparts – name concentration – or types of peer counterparts in terms of geographical areas and/or industries, whose creditworthiness depends on one or more systematic factors – industry concentration) and by the systematic risk (generated by the impact of unexpected changes in macroeconomic factors on the probability of default of the single counterparts).

In addition to the loan portfolio concentration level, the impact of the above components on credit risk depends also on the structure of the correlation matrix of the probabilities of default, which is estimated by using a quantitative stress testing model (developed and updated in-house), which can link the decay rates of peer counterparts in terms of industry and geographical areas to a set of "first level" (international and national) and "second level" (regional) economic and financial factors.

Finally, the portfolio model is periodically stress tested to verify how sensitive the credit risk of the Group portfolio is to moderate and extreme changes (albeit plausible) of one (so called sensitivity analysis) or more (so called scenario analysis) economic and financial factors.

1.2 BANKING GROUP - MARKET RISKS

1.2.1 Interest rate risk and price risk - regulatory trading portfolio

QUALITATIVE INFORMATION

A. Overview

The organisational model adopted by the Banco Popolare Group for the trading portfolios exposed to the interest rate risk and the price risk requires the centralisation:

- of Treasury positions in the Group Finance Department in charge of coordinating the management of short term liquidity and interest rate risk and exchange risk positions within the Group, and of managing the Proprietary portfolio to optimise its overall risk/return profile, by diversifying risks across different asset classes of financial instruments;
- in the subsidiary Banca Aletti of the risk positions and the operating flows associated with securities, currency, OTC derivative trading and other financial assets. In addition to this, there are the main interest rate risk exposures from the trading portfolio of Banca Aletti relating to operations both on money markets, and the associated listed or plain vanilla derivatives covered by the Trading & Brokerage Service, both on the markets of derivatives and OTC structured products and of listed derivatives, covered by the Structured Products Service.

This model does not include the subsidiary Efibanca and the companies of the former Banca Italease Group, as no material positions are reported that may affect market risks.
The Network Banks still hold positions that are extremely residual as compared to the above portfolios, which were not centralised in the Parent Company, because they are held for specific needs and objectives of the individual Banks, or are directly linked to the commercial activity. Said portfolios are monitored by Banca Aletti, if deriving from trades with the commercial networks, and are represented by security tranches that are not negotiable or not immediately marketable.
Additional positions are assigned to the Finance Department of the Parent Company, relating to treasury bonds deposited as security, residual positions deriving from trading activities that cannot be immediately transferred to Banca Aletti because they do not meet the minimum amount requirements contemplated by market settlement systems; finally, there are additional positions that, from an operating point of view, are considered an investment-trading, but from an accounting viewpoint are classified in the banking portfolio.

Group Finance Portfolio.

Within the Group Finance of the Banco Popolare Group, we can identify two main types of trading operations:

- The "investment portfolio" of Banco Popolare represents the major source of interest-rate risk associated with the Parent Company's "trading portfolio"; it is mainly comprised of bonds, characterised by a limited exposure to the

interest-rate risk, ensured also by careful hedges with listed derivatives or over the counter plain vanillas. At the end of 2010, the bond portfolio of Banco Popolare had a nominal value in excess of euro 4.5 billion, made up by 77% of Government securities and the remaining part of Financial securities, mostly above the single A rating. Part of the portfolio consists of asset swap structures hedged against interest rate risk through derivatives (mainly plain vanilla I.R.S.); also instruments listed as futures have been used for interest rate risk hedging. The total interest rate risk sensitivity (delta) at year-end, net of long and short exposures on the different currencies and yield curve nodes, is about euro -0.19 million, assuming a parallel 1 basis point yield curve movement, and considering the associated interest rate derivatives used in the investment strategy (interest rate swap and futures) and the asset swap portfolio.
This portfolio also presents an overall exposure to credit spread risk of about euro -1.2 million considering a 1 basis point shock, allocated mainly on Government securities issued by the Italian State.

- The Treasury portfolio of Banco Popolare reports an exposure of euro -0.11 million, concentrated on the short term nodes of the Euro curve. These exposures include euro 677 million worth of positions in short term government securities with an average duration of 6 months that are largely financed through repurchase agreements.

As to the price risk component, the equity portfolio includes equity securities and UCIT units, and has also maintained a low risk profile, as it is invested in bond and money market funds for about euro 420 million.

Trading portfolio of Banca Aletti, held as part of its investment banking activities

In its capacity as Group investment bank, the subsidiary Banca Aletti holds a trading portfolio whose main exposures to the interest-rate risk are linked to trades on the money market, with the associated listed or plain vanilla derivatives covered by the Fixed Income Function, as well as on the markets of derivatives and OTC structured product and listed derivatives, covered by the Structured Products Service.
In particular:

- the investment bond portfolios and the associated listed derivatives, held by the Fixed Income Function, are characterised by a prudent interest-rate risk management; in particular, with regard to year-end positions, the portfolio had a nominal value of about euro 1.2 billion, mainly allocated in government securities (61%) and the remaining part in financial securities (33%) and in corporate securities (6%). The generated total exposure to the interest rate risk is about euro 35 thousand, assuming a parallel change in the interest-rate curve of 1 basis point. This portfolio also includes positions deriving from trades on the Group Securities Market, namely the Group's organised trading facility for the management of the secondary markets of non-structured securities issued by the Group, amounting to about euro 140 million, as well as positions in securities from securitisations of the Banks of the Group, amounting to little more than euro 20 million. At consolidated level, the latter positions are deducted from liabilities recognised against loans sold and not derecognised; the exposure to credit spread risk amounts to about euro –55 thousand, considering a 1 basis-point shock, allocated mainly on financial securities.
- operations in structured instruments and listed and unlisted derivatives, including trades on the secondary market of structured products issued or sold by the banks of the Group, represent a second type of operation. The destructuring of complex transactions based on the underlying allows to achieve a centralised management of the interest rate, exchange rate and price risks within the specific Offices of the Bank's Structured Products Service, which use sophisticated position keeping systems. In particular, the total interest rate sensitivity (delta) at year-end, net of long and short positions on the various currencies and nodes of the interest curves amounted to about -0.36 million, assuming a parallel change in the interest rate curve of 1 basis point. This exposure also depends on the Structured bond portfolio of about euro 380 million, including those deriving from trades on the Group Securities Market of euro 215 million.

The main exposures to the equity risk are related to trades on cash markets and associated listed or plain vanilla derivatives, covered by the Equity Proprietary Trading Function, as well as on the derivatives and OTC structured products market and the listed derivatives market covered by the Equity Structured Products Function.
In particular:

- equity portfolios with their listed derivatives, held for trading by the Equity Proprietary Trading Function, in its capacity as market maker on single Stock Futures and as Specialist, are characterised by limited overnight net daily exposures. As to proprietary trading, worth mentioning with regard to basket trading is trading on the Spanish stock Ibex 35. The portfolio consists of sales of index futures against cash positions on single names;
- the Equity Structured Products Function is in charge of operations in structured instruments and listed and unlisted derivatives. As already mentioned, the destructuring of complex operations based on the underlying allows to achieve a centralised management of the interest rate, exchange rate and price risks within the specific Offices of the Function, which use a sophisticated position keeping system specialised in interest rate, exchange rate and price risks. The system is integrated with pricing models and risk measurement (Greeks) developed in-house and validated by a specific Model Validation Group coordinated by the Parent Company's Risk Management Function, under the supervision of academic experts. At year-end, the total price risk exposure of the derivative portfolio of the Structured Products Function is equivalent to a short position of about euro 2.4 million, net of hedges with derivatives and cash financial assets.

Banca Aletti's risk positions are monitored on a daily basis to verify their compliance with the operating thresholds set by

the Board of Directors on the entire portfolio and on the single underlying assets.

Additional residual portfolios of Banco Popolare or of single Network banks of the Group, monitored and managed by Banca Aletti or by the Parent Company's Finance Department

Please refer to the summarised account given in the consolidated report on operations.

The Internal Regulation on Risk Positions fixes the operational limits in terms of stock, interest-rate risk sensitivity, asset allocation with respect to the type of issuer and related creditworthiness, as well as concentration on single names and rating class. These ceilings are monitored by the Market Risk Function on a daily basis. Daily and period reports provide an account of this activity and of the held exposures.
For additional information, please refer to the specific paragraph below dealing with risk management and measurement processes.

B. Interest-rate risk and price risk management process and measurement methods

The function in charge of controlling the financial risk management for all the Banks of the Group, except Efibanca and Banca Italease, with the aim of identifying the type of risks, define the methods to measure risks, control limits at strategic level and verify the consistency between trade limits and the risk/return targets assigned, is the Market Risk Function.
In particular, for the identification, measurement, management and operating control of the risk positions of the Banks of the Group, the Parent Company's Finance Department and Banca Aletti make use of a sophisticated position keeping and risk control system that provide a constant control over exposure levels and over the compliance with the operating limits defined by the Parent company's Management and Supervisory Bodies and by the Boards of Directors of the Group banks.
Risk control for trading activities in listed and unlisted derivatives and in structured products is based on a specific application specialising in interest/exchange rate derivatives and equity instruments.
In case of very complex and innovative structures, these models are complemented by pricing and sensitivity measurement models developed in house and certified by the Risk Management Service of the Parent Company.
This position keeping system, automatically fed by market platforms and by the sales networks in case of operations in cash and in listed derivatives, is constantly aligned with accounting procedures and guarantees the constant measurement and control of position indicators, sensitivity and operational results. It is also closely integrated with the Value at Risk control systems, developed by the Market Risk Function.
Financial risks are monitored on a daily basis by using deterministic indicators (sensitivity to market risk factors) as well as probabilistic indicators (VaR).
In particular, these indicators are considered the most appropriate instruments to ensure an effective and precise measurement and control of market risks generated by exposures to complex derivatives, also from a regulatory standpoint.
Value at Risk (VaR), which indicates the maximum potential loss associated with market movements in unexceptional conditions, represents a synthetic risk measurement. The method used to calculate the VaR belongs to the historical simulation VaR models. The values are calculated with a confidence level of 99% and a time horizon of one day. The observation period is 250 days. The correlations used are those implicit in historical scenarios applied to estimate the empirical distribution of values in the trading portfolio.
During 2010, the Group continued to constantly improve the market risk management, both from a technological and methodological point of view.
Together with the increase in the issuer risk of the sovereign countries during 2010, the credit spread component implicit in the positions relating to government or non-government bonds was introduced in the VaR risk measurement. This monitoring, initially applied to the positions of trading portfolio, was extended later also to the banking portfolio.

The historical simulation VaR method was refined by pointing out all last year's scenarios and the latest historical measurements should the volatility of the risk parameters increase.

Therefore, two changes in the method were introduced:

- change in the lambda decay factor from 0.98 to 0.99 and risk calculation as maximum value between VaR with equiweighted scenarios and VaR as decay factor.
- Introduction of the credit spread risk factor implicit in the bond positions, with the calculation of a separate VaR risk measure.

Therefore, the current model covers the generic risk, with the interest-rate risk, the equity risk and the exchange-rate risk and, the specific risk both of debt securities (specifically measured as specific VaR) and of equity instruments (included, with the generic component, in the estimate of the equity VaR).
VaR reports are prepared, through which monitoring is ensured at Group level, at single bank level, by organisational unit, and by trading portfolio.
Said reports are sent to the Bank Head Office, the Finance Department and to Internal Audit.
During the year, the analysis for verifying the economic impacts in connection with extreme changes in market risk factors both historical and potential (stress test) continued.
Moreover, in-depth and impact analyses have been conducted regarding the new rules of calculation of capital requirements that will become effective as from 31 December 2011.
The internal VaR model is not used to date for calculating the capital requirements on market risks; the analyses for using

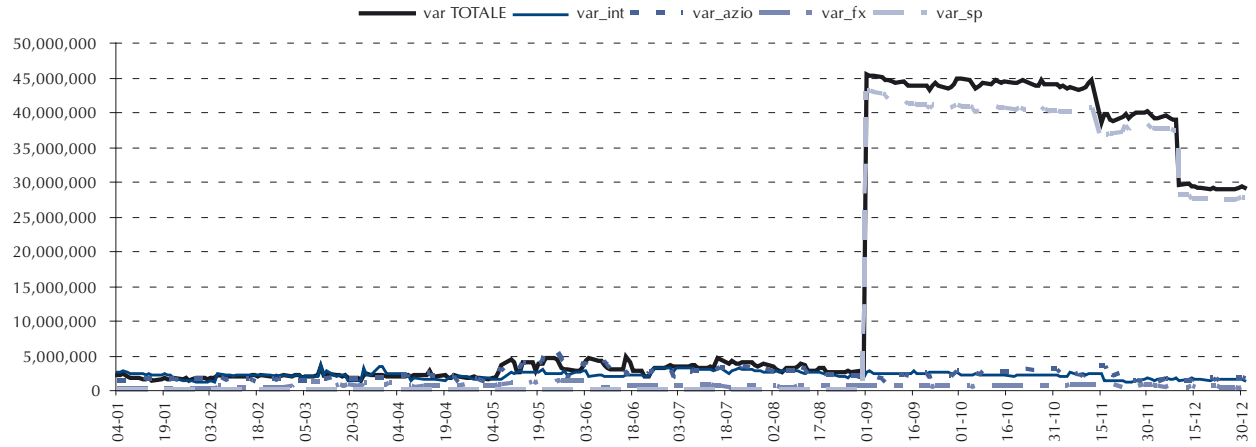
such model with regulatory purposes are still in progress, as the reviews of the supervisory regulations by the Basel Committee (July 2009) tend to significantly reduce the convenience of using the internal model in financial terms.

QUANTITATIVE INFORMATION

Regulatory trading portfolio: internal models and other sensitivity analysis methods

Shown below are the VaR(*) for 2010 referring to the regulatory trading portfolio of the Banco Popolare Group. The figures do not include the portfolios of Efibanca and former Italease Group.
As from 6 August 2010, the method for estimating the risk contemplates the application of the maximum value rule between Equiweighted VaR and VaR with Lambda 0.99. Moreover, as from 1 September 2010, the method for estimating the risk contemplates that the overall VaR is given by the sum of the generic component and the specific component of the debt securities.

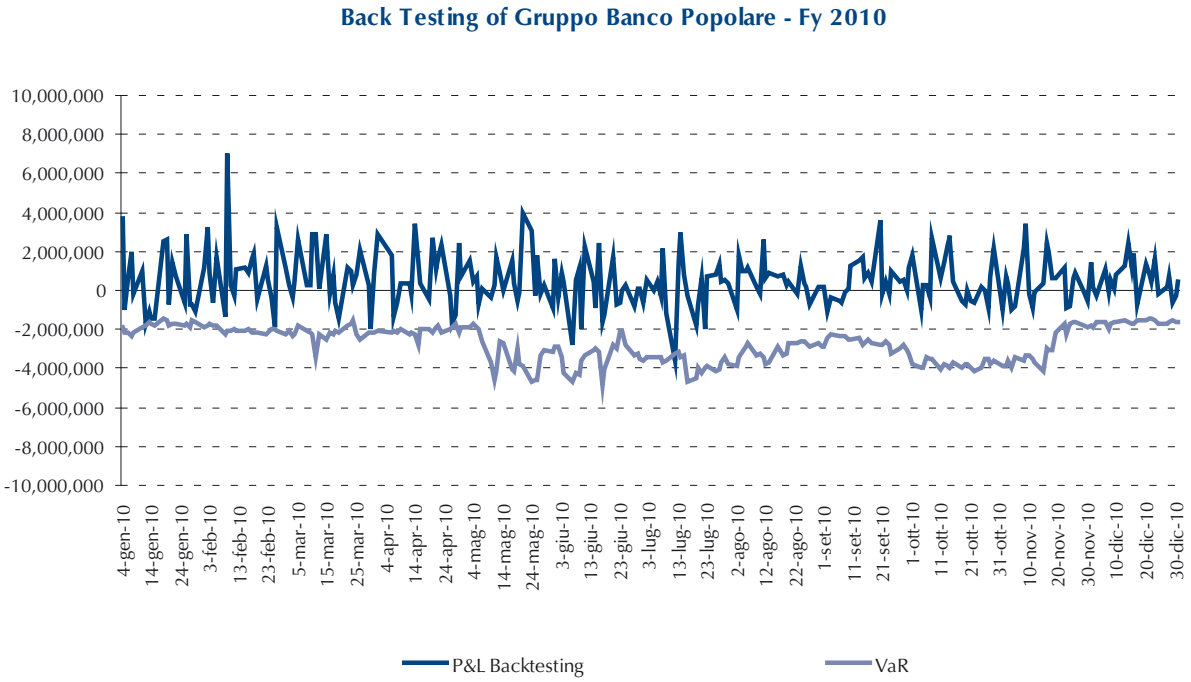
Daily var and var by risk factor
GRUPPO BANCO POPOLARE: Regulatory tranding portfolio



Regulatory trading portfolio *(in millions of euro)*	31-Dec		2010		
	2009	2010	Average	Maximum	Minimum
Interest rate risk	2.838	1.452	2.244	3.617	1.188
Exchange rate risk	0.328	0.327	0.624	1.789	0.157
Equity risk	0.981	1.722	2.259	5.793	1.092
Total uncorrelated	**4.147**	**3.500**			
Diversification effect	(2.218)	(2.002)			
Total Generic Risk	**1.929**	**1.498**			
Specific Risk Debt Securities		**27.732**	**37.711**	**43.138**	**27.344**
Combined Risk	**1.929**	**29.230**	**40.435**	**45.606**	**28.937**

During the month of December, a decrease in total VaR was reported, mainly as a result of the reduction of specific risk exposure of positions in securities on Banco Popolare's Proprietary Portfolio, following the changes in the credit spread.

Shown below is the back testing referring to the VaR methodology, only for the generic risk component, referring to the Trading Portfolio of the Banco Popolare Group in 2010.



1.2.2 Interest rate and price risk – Banking portfolio

QUALITATIVE INFORMATION

A. General issues, management procedures and interest rate risk and price risk measurement methods

The interest rate risk borne by the Banco Popolare Group in correlation with its banking portfolio is mainly associated with the core activity performed by the bank acting as an intermediary in the process of transformation of maturities. In particular, the issue of fixed rate bonds, the granting of fixed rate commercial loans and mortgages and funding from demand checking accounts represent a fair value interest rate risk; floating rate financial assets and liabilities represent a cash flow interest rate risk.
The Parent Company's Operational and Transformation Risks function is in charge of monitoring and controlling the interest rate risk inherent in the banking portfolio, and it performs this function also on behalf of the banks and financial subsidiaries. This activity is performed on a monthly basis to verify that the limits in interest income or equity changes are complied with, with possible intramonth updates in case of material transactions or significant events.
The structure in charge of managing the interest rate risk is the Parent Company's ALM & Asset Backed Funding function, which carries out this task also on behalf of the banks and subsidiary financial companies, and pursues the maximisation of the economic return from the bank's commercial activity in compliance with the set interest rate risk exposure limits.

The structure measures the interest-rate risk by way of spreadsheets prepared based on the Operating Asset & Liability Management (ALMO) procedure, in particular the simulation module analyses the mismatches between deposits and loans by aggregating positions.

2010 has seen the above structures involved in the integration, within the monitoring system of the Group, of companies belonging to the former Banca Italease group, with a full parity of analysis and control of the other banking companies of the group.

Also in 2010, the Group reported a net "asset-sensitive" structural mismatch, with an exposure to the interest rate risk within fixed limits. The introduction into the monitored area of the companies of the former Banca Italease group slightly mitigated the risk appetite of the BP group, since the newly entered companies have a risk profile slightly "liability sensitive".

As regards the methods used to estimate the risk of the banking portfolio, reference is made to what is indicated in a subsequent paragraph of this section dedicated to internal models and other analyses methods of sensitivity.

Alternative assets (funds of hedge funds) that are held for the strategic purpose of making the overall portfolio market neutral, are exposed to the price risk. For a more in-depth analysis please refer to the report on operations. We also have a portfolio consisting of minority shareholdings, classified as financial assets available for sale.
As regards the methods used to estimate the risk of such assets, reference is made to what is indicated in the prior section whose subject matter is the trading portfolio, with reference to internal models and other analyses methods of sensitivity.

B. Fair value hedging

The risk management policy adopted by the Banco Popolare Group, aiming at stabilising the net interest income, implied the specific hedging of bond issues, both fixed rate and structured.

In particular, the interest rate risk was transferred to the market by our Group Investment Bank - Banca Aletti – through specific hedges set up with OTC contracts (mainly IRS, interest rate options).
As to the accounting treatment of this hedging relation, in addition to the fair value option already in use, the Group introduced the accounting rule of micro fair value hedge adopted for new bond issues sold to institutional investors; both procedures aim at ensuring a consistent accounting treatment with hedging derivatives, that are necessarily measured at fair value. For further details, reference is made to "Section A – Accounting policies" and to the comment to table "50. Financial liabilities designated at fair value" -"Section B – Notes to the Consolidated Balance sheet" of these explanatory notes.

In 2010, the market rates and their growth expectations, suggested not to hedge plain vanilla fixed-rate loans.

With regard to demand deposits, for a better and more sophisticated measurement of interest rate risk exposure, estimate models of the behavioural parameters previously implemented were used.
The stabilisation effect for these items is ensured by the use of fair value macro-hedges with plain vanilla swaps on part of the demand deposits.
In relation to market trends, such as for the previous year, also in 2010, no renewals of expiring hedges were carried out.

The price risk of the alternative assets portfolio is monitored on a daily basis and is not hedged.

C. Cash flow hedging

In order to stabilise the cost of its floating rate deposits and reduce the asset mismatches, the Banco Popolare Group resorted to swap hedges called macro cash flow hedges.
The existing hedges have a total capacity in the notional amount of floating rate loans.

D. Foreign investment hedges

For a detailed analysis, reference is made to the Exchange rate risk section.

QUANTITATIVE INFORMATION

1. Banking portfolio: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency of denomination: Euro *(in thousands of euro)*	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Undefined term
1. Cash assets	**65,845,515**	**21,543,018**	**8,164,539**	**2,007,471**	**9,575,806**	**2,114,623**	**1,331,640**	**35,348**
1.1 Debt securities	642	4,315,642	3,804,840	116,580	4,003,150	387,311	9,733	-
- with early redemption option	1	2,274,665	3,472,937	23,944	103,072	-	-	-
- others	641	2,040,977	331,903	92,636	3,900,078	387,311	9,733	-
1.2 Loans to banks	1,548,601	1,648,653	1,712,360	166,169	145,407	25,662	909	18,951
1.3 Loans to customers	64,296,272	15,578,723	2,647,339	1,724,722	5,427,249	1,701,650	1,320,998	16,397
- c/a	15,735,451	172,984	149,231	128,945	337,462	39,436	10,871	4,400
- other loans	48,560,821	15,405,739	2,498,108	1,595,777	5,089,787	1,662,214	1,310,127	11,997
- with early redemption option	40,550,231	4,072,826	641,145	198,971	1,156,574	856,407	750,480	-
- others	8,010,590	11,332,913	1,856,963	1,396,806	3,933,213	805,807	559,647	11,997
2. Cash liabilities	**42,219,097**	**27,730,231**	**7,306,275**	**3,118,885**	**20,509,649**	**5,652,076**	**(49,420)**	**8,327,067**
2.1 Due to customers	38,711,810	17,031,956	3,568,452	268,508	397,811	52,668	2,889	24,804
- c/a	35,945,529	886,035	25,227	300	-	-	-	-
- other payables	2,766,281	16,145,921	3,543,225	268,208	397,811	52,668	2,889	24,804
- with early redemption option	-	-	-	-	-	-	-	-
- others	2,766,281	16,145,921	3,543,225	268,208	397,811	52,668	2,889	24,804
2.2 Due to banks	3,419,718	5,233,977	64,810	2,996	164,689	69,317	289	15
- c/a	798,084	-	-	-	-	-	-	15
- other payables	2,621,634	5,233,977	64,810	2,996	164,689	69,317	289	-
2.3 Debt securities	83,482	7,651,750	3,673,013	2,847,381	19,947,149	5,530,091	(52,598)	8,302,248
- with early redemption option	23,948	1,652,465	57,124	90,319	981,168	665,404	-	8,302,248
- others	59,534	5,999,285	3,615,889	2,757,062	18,965,981	4,864,687	(52,598)	-
2.4 Other liabilities	4,087	(2,187,452)	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4,087	(2,187,452)	-	-	-	-	-	-
3. Financial derivatives	**4,282,604**	**18,675,503**	**5,056,767**	**5,085,292**	**9,800,346**	**3,041,981**	**185,822**	**4,139,637**
3.1 With underlying security	-	350,000	-	(142,672)	(1,106,363)	590,174	-	-
- Options	-	-	-	-	(156,363)	-	-	-
+ long positions	-	-	-	-	(156,363)	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	350,000	-	(142,672)	(950,000)	590,174	-	-
+ long positions	-	-	-	-	(950,000)	606,400	-	-
+ short positions	-	350,000	-	(142,672)	-	(16,226)	-	-
3.2 Without underlying security	4,282,604	18,325,503	5,056,767	5,227,964	10,906,709	2,451,807	185,822	4,139,637
- Options	39,624	1,693,929	1,543,756	1,515,919	2,625,306	130,000	60,000	-
+ long positions	19,812	751,420	771,879	853,635	1,312,727	65,000	30,000	-
+ short positions	19,812	942,509	771,877	662,284	1,312,579	65,000	30,000	-
- Other derivatives	4,242,980	16,631,574	3,513,011	3,712,045	8,281,403	2,321,807	125,822	4,139,637
+ long positions	96,227	7,774,560	1,590,255	3,515,834	3,404,478	1,102,672	20,183	4,050,696
+ short positions	4,146,753	8,857,014	1,922,756	196,211	4,876,925	1,219,135	105,639	88,941

Currency of denomination: currencies other than Euro *(in thousands of euro)*	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years	Undefined term
1. Cash assets	**632,387**	**602,717**	**173,369**	**167,926**	**200,423**	**198,554**	**69,595**	**12,886**
1.1 Debt securities	6,954	32,586	1,997	29,786	24,724	125	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	6,954	32,586	1,997	29,786	24,724	125	-	-
1.2 Loans to banks	120,177	73,311	4,593	87,803	26,037	174	1	-
1.3 Loans to customers	505,256	496,820	166,779	50,337	149,662	198,255	69,594	12,886
- c/a	70,167	-	-	-	-	-	-	-
- other loans	435,089	496,820	166,779	50,337	149,662	198,255	69,594	12,886
- with early redemption option	1	1,142	126	-	-	-	-	-
- others	435,088	495,678	166,653	50,337	149,662	198,255	69,594	12,886
2. Cash liabilities	**1,057,482**	**793,697**	**76,023**	**12,307**	**1,728**	**1,062**	**291**	**-**
2.1 Due to customers	969,210	359,774	54,950	10,974	1,198	139	291	-
- c/a	963,695	81,431	2,120	1,436	-	-	-	-
- other payables	5,515	278,343	52,830	9,538	1,198	139	291	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	5,515	278,343	52,830	9,538	1,198	139	291	-
2.2 Due to banks	87,840	298,374	15,142	982	530	923	-	-
- c/a	5,235	-	-	-	-	-	-	-
- other payables	82,605	298,374	15,142	982	530	923	-	-
2.3 Debt securities	432	135,549	5,931	351	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	432	135,549	5,931	351	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**2**	**213**	**122**	**6,011**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	6,011	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	6,011	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	6,011	-	-
3.2 Without underlying security	-	-	2	213	122	-	-	-
- Options	-	-	2	213	122	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	2	213	122	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Banking portfolio: internal models and other sensitivity analysis methods

The Group makes use of a Strategic Asset & Liability Management procedure (ALMS) to measure on a monthly basis the impact ("sensitivity") from changes in the interest rate structure on the expected net interest, dividend and similar income and on the economic value of capital related to the banking and trading portfolios.
As already explained, in the banking portfolio the ALM model takes into account also deposits opened to finance the trading portfolio and measures the relevant sensitivity; for a correct matching and a consequent correct measurement of sensitivity, it is therefore necessary to extend the analysis to include the correlated trading portfolio.

With regard to the expected net interest, dividend and similar income, the ALM system estimates its changes on a one year horizon in the assumption of deterministic shocks of the interest rate curves (bps increases/decreases applied to all the interest rate curves as if it were a sudden, single and parallel change), and shocks to adjust to the forward rates implied in money market rates, and again shocks from projections that reflect alternative scenarios. Estimates are based on the assumption that the capital structure remains unchanged in terms of aggregate assets and liabilities, as well as in terms of financial characteristics (rates, spreads, duration).
With regard to the economic value of capital, the same assumptions on the interest rate curve changes are applied, measuring the change in present value of all transactions and comparing it with the economic value of capital.
A third probability indicator was introduced in the capital adequacy assessment (ICAAP process), which measures the value at risk based on the VaR methodology on a time horizon of 12 months and a confidence ratio of 99.96%.
Shown below are the main sensitivity data of the Group referring to 2010 compared with 2009, with regard to the banking book and trading portfolio.

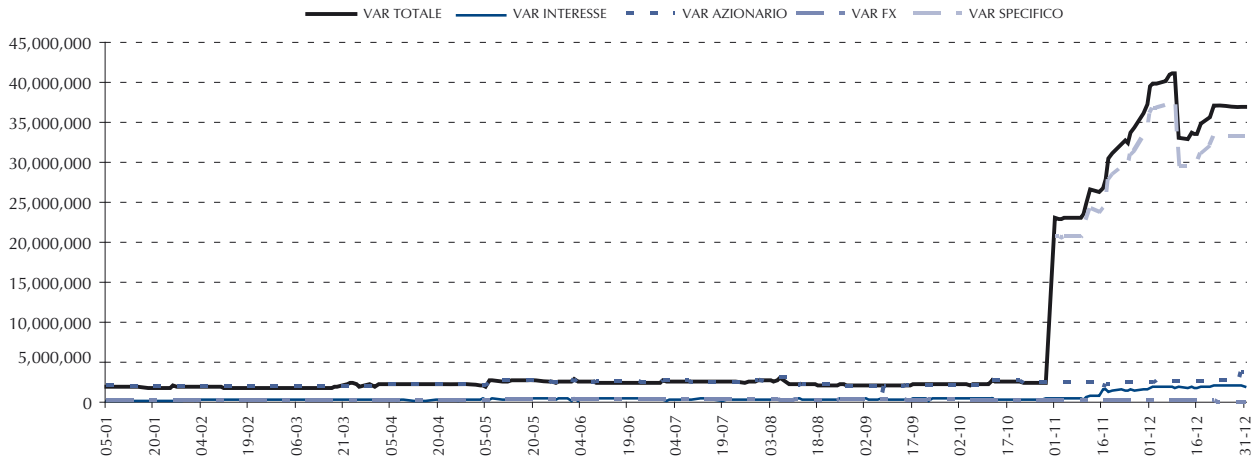
Risk ratios (%)	FY 2010				FY 2009	
	31 December	Average	Maximum	Minimum	31 December	Average
For shift of + 100 bp						
Financial margin at risk / Financial margin	4.2%	7.4%	9.4%	4.2%	5.2%	5.4%
Economic value at risk / Economic value of capital	-1.8%	-1.4%	-0.4%	-2.8%	-1.5%	-0.7%
For shift of - 100 bp						
Financial margin at risk / Financial margin	-8.4%	-14.1%	-8.4%	-17.1%	-13.2%	-9.9%
Economic value at risk / Economic value of capital	2.5%	2.2%	3.7%	0.8%	2.0%	1.0%

Price risk monitoring and control activities for the funds of hedge funds banking portfolio are based on an internal VaR model. The risk is estimated by tying each fund to a combination of risk factors representing the management strategies (as well as a factor that can represent the relative specific risk component).
The price risk of the equity securities classified as assets available for sale is not subject to specific monitoring for the time being.

Shown below are VaR data for 2010, referring to the banking portfolio of the Banco Popolare Group, restricted to positions related to transactions classified as AFS, CFV, L&R and HTM.

NO Trading Portfolio *(in millions of euro)*	31-Dec		2010		
	2009	2010	Average	Maximum	Minimum
Interest rate risk	0.135	1.885	0.535	2.115	0.120
Exchange rate risk	0.083	0.001	0.206	0.336	0.001
Equity risk	2.042	3.766	2.294	3.766	0.570
Total uncorrelated	**2.261**	**5.652**			
Diversification effect	(0.275)	(1.938)			
Total Generic Risk	**1.986**	**3.714**	**2.397**	**3.719**	**1.809**
Specific Risk Debt Securities		**33.166**	**29.634**	**37.909**	**20.559**
Combined Risk	**1.986**	**36.880**	**7.526**	**41.166**	**1.809**

Daily var and var by risk factor
BANCO POPOLARE: Banking portfolio



As from 6 August 2010, the method for estimating the risk contemplates the application of the maximum value rule between Equiweighted VaR and VaR with Lambda 0.99. Moreover, as from 1 November 2010, the method for estimating the risk contemplates that the overall VaR is given by the sum of the generic component and the specific component of the debt securities for the Banking Book portfolio.
The "backtesting" results are not shown because the banking portfolio is valued at amortised cost and is therefore not covered by a specific process of evaluation of the management P&L, and therefore, of ex-post income components with which to compare the ex-ante risk estimates.

1.2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. General issues, management procedures and exchange rate risk measurement methods

Exchange rate risk management is centralised at the Treasury for Group Finance operations and at the Equity Structured Products Function for Banca Aletti. Exposures are extremely narrow for Banco Popolare's Treasury, while with respect to Banca Aletti's forex derivative trading, positions on the major currencies brush euro 10 million.
As regards the methods used to measure and control the exchange rate risk generated by the trading portfolio, reference is made to the section "Interest rate risk and price risk – Regulatory trading portfolio". As with the other risks, the adopted methods are not used to calculate capital requirements.

B. Exchange rate risk hedging

Exchange rate risk positions are monitored on a daily basis and are hedged so as to meet the Risk limits provided for each function.

With respect to Exchange rate risk, hedges equivalent to the book value (net equity) of the Hungarian subsidiary, and to 65% of the book value of the Czech subsidiary (the hedging is deliberately partial because the currency is more stable) have been set up.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and of derivatives

(in thousands of euro)	Currencies					
	US dollars	Japanese yen	Swiss francs	Croatian Kuna	GB pounds	Other currencies
A. Financial assets	**1,323,791**	**134,085**	**382,533**	**191,909**	**70,529**	**405,013**
A.1 Debt securities	37,774	257	33,253	-	6,839	39,419
A.2 Equity instruments	42,192	25,843	10,638	41,422	-	56,366
A.3 Loans to banks	89,730	17,283	167,902	72,087	6,281	53,321
A.4 Loans to customers	1,154,095	90,702	170,740	78,400	57,409	255,907
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**52,471**	**1,236**	**5,656**	**4**	**10,679**	**11,576**
C. Financial liabilities	**1,235,484**	**58,156**	**134,746**	**119,445**	**60,053**	**457,690**
C.1 Due to banks	280,966	2	54,982	1	9,459	40,681
C.2 Due to customers	947,139	58,154	61,087	119,444	50,594	292,080
C.3 Debt securities	6,997	-	18,367	-	-	116,470
C.4 Other financial liabilities	382	-	310	-	-	8,459
D. Other liabilities	**-**	**-**	**2**	**-**	**-**	**-**
E. Financial derivatives	**4,322,634**	**413,118**	**512,366**	**74,300**	**-**	**1,052,202**
- Options	667,240	85,786	67,339	-	-	127,752
+ long positions	269,394	21,320	32,679	-	-	82,043
+ short positions	397,846	64,466	34,660	-	-	45,709
- Other	3,655,394	327,332	445,027	74,300	-	924,450
+ long positions	1,776,107	175,499	118,716	22,347	-	470,028
+ short positions	1,879,287	151,833	326,311	51,953	-	454,422
Total assets	**3,421,763**	**332,140**	**539,584**	**214,260**	**81,208**	**968,660**
Total liabilities	**3,512,617**	**274,455**	**495,719**	**171,398**	**60,053**	**957,821**
Mismatch (assets - liabilities)	**(90,854)**	**57,685**	**43,865**	**42,862**	**21,155**	**10,839**

2. Internal models and other sensitivity analysis methods

The exchange rate risks generated by the trading portfolio and the banking book are monitored through an internal VaR model extensively described in section "Interest rate risk and price risk – Regulatory trading portfolio", where the values assumed by this indicator are shown, and in the section "Interest rate risk and price risk – Banking portfolio.

1.2.4 Derivative instruments

QUALITATIVE INFORMATION

Given the operations in derivatives, the Banco Popolare Group introduced specific and robust validation and control processes of the Pricing Model and the related Market Parameters.

Validation and control process of Market Parameters

The Banco Popolare Group adopted a Fair Value Policy defining the accounting rules to be used to value market parameters. To comply with this Policy, a strict process was put in place to count, validate and control the market parameters used to measure the market value and to estimate the risk of derivative positions. This process is carried out by the Parent Company's Risk Management Service.

In particular, this process regulates:

- the constant update of the Parameter Manual, containing the main parameters used and their most significant features, and the definition of the source;
- the constant update of parameter control methods;
- the daily validation and control of the listed parameters, automatically fed by external info-providers;
- the daily validation and control of illiquid parameters, from an accounting and management viewpoint.

In order to support control activities, the Group introduced a state of the art application (fed by the front office system and, for benchmarking purposes, by alternative and highly specialised info-providers) to monitor over time the performance of the parameters, featuring the statistical analysis of variations and operating warnings.

Validation process of Pricing Models of OTC derivative products

The Banco Popolare Group deals with OTC derivative instruments, and in order to measure them, it uses quantitative pricing models in line with market best practices already available in the Front Office application, or, for particular structures, models developed by Banca Aletti's financial engineering.
In order to ensure a precise and strict control over the adoption of new pricing models – be they market or in-house developed models - a validation process is in place, with the following features:

- activation of the Model validation Group, made up of the heads of the various corporate functions and coordinated by the Parent Company's Risk Management Service;
- model validation based on strict consistency and robustness tests, conducted with the support of academic experts;
- official validation of new models by a Financial Product Innovation Committee, with the collaboration of key corporate managers.

Note that, based on the current policy pursued by the Group, innovative financial instruments can be entered only after a thorough analysis of the reliability and accuracy of their pricing models.

A limited number of OTC derivatives (equal to 0.1% of total OTC contracts), associated with matched trading, for which the related fair values are hardly reproducible by in-house developed theoretical models, because of their high complexity.
However, being matched trading, the Banco Popolare Group is not exposed to market risks in connection with these products. In order to correctly quantify the counterparty risk and give a correct accounting measurement, for these contracts the valuation is based upon information obtained from external contributors, through non-public sources. In any case, the percentage incidence of these instruments is bound to dwindle down over time, as the current policy followed by the Group requires that financial instruments with innovative characteristics can be entered only after a careful analysis of the reliability and accuracy of the related pricing models.

QUANTITATIVE INFORMATION

The table below illustrates the fair value of derivative positions of Banca Aletti (excluding forex futures transactions), with the corresponding pricing model in use. In its capacity as investment banking of the Banco Popolare Group, Banca Aletti manages the market risk associated with derivative trading.

Fair value of derivative positions (Fair Value in thousands of euro):

Aggregate	Lots	Fair Value	Positive fair value	Negative fair value
Total	**165,439**	**(582,892)**	**4,212,206**	**(4,795,099)**
of which: Listed derivatives	151,502	(126,752)	52,270	(179,022)
of which: OTC derivatives measured with proprietary models of the Front Office system	12,965	(353,203)	3,824,315	(4,177,519)
of which: OTC derivatives measured with internal models developed by Banca Aletti's finance engineering	958	(102,965)	292,066	(395,030)
of which: OTC derivatives measured by external contributors	14	28	43,555	(43,528)

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: year-end notional and average values

Underlying assets / Types *(in thousands of euro)*	31/12/2010		31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	176,518,468	7,531,321	156,151,826	10,119,008
a) Options	49,298,509	1,200,000	40,221,306	33,206
b) Swap	126,845,152	-	115,930,520	-
c) Forward	374,807	59	-	-
d) Futures	-	6,331,262	-	10,085,802
e) Other	-	-	-	-
2. Equity instruments and share indices	16,847,675	2,756,871	19,965,766	3,280,901
a) Options	16,847,325	2,468,356	19,965,766	2,999,425
b) Swap	-	-	-	-
c) Forward	350	15,150	-	-
d) Futures	-	273,365	-	281,476
e) Other	-	-	-	-
3. Currencies and gold	4,685,387	-	3,071,591	-
a) Options	1,352,934	-	907,905	-
b) Swap	39,200	-	19,600	-
c) Forward	3,293,253	-	2,144,086	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	1,908	146,957	-	-
5. Other underlyings	-	-	-	-
Total	**198,053,438**	**10,435,149**	**179,189,183**	**13,399,909**
Average values	**180,306,621**	**1,865,546**	**231,550,601**	**9,450,545**

A.2 Banking portfolio: year-end notional and average values

A.2.1 Hedging

Underlying assets / Types *(in thousands of euro)*	31/12/2010		31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	14,937,894	-	4,717,862	-
a) Options	423,235	-	539,884	-
b) Swap	14,514,659	-	4,177,978	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	-	-	-	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	96,249	-
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	96,249	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	-	-	-	-
Total	**14,937,894**	**-**	**4,814,111**	**-**
Average values	**14,287,753**	**-**	**4,382,327**	**-**

A.2.2 Other derivatives

Underlying assets / Types *(in thousands of euro)*	31/12/2010		31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	8,446,198	-	14,413,132	-
a) Options	431,082	-	811,937	-
b) Swap	8,015,116	-	13,601,195	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	3,454,047	-	3,947,258	-
a) Options	3,454,047	-	3,947,258	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	458,697	-	537,395	-
a) Options	452,686	-	454,586	-
b) Swap	6,011	-	82,809	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlyings	929,806	-	1,021,412	-
Total	**13,288,748**	**-**	**19,919,197**	**-**
Average values	***39,331,866***	**-**	***18,392,434***	**-**

A.3 Financial derivatives: gross positive fair value – breakdown by products

Portfolios / Types of derivatives *(in thousands of euro)*	Positive fair value			
	31/12/2010		31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio:	**3,233,556**	**58,261**	**3,136,718**	**84,191**
a) Options	785,033	58,261	875,783	84,191
b) Interest rate swap	2,413,450	-	2,228,690	-
c) Cross currency swap	1,700	-	3,077	-
d) Equity swap	-	-	-	-
e) Forward	33,249	-	28,981	-
f) Futures	124	-	187	-
g) Other	-	-	-	-
B. Banking portfolio - hedging derivatives	**178,845**	**-**	**130,758**	**-**
a) Options	17,903	-	23,042	-
b) Interest rate swap	160,942	-	107,581	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	135	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**69,894**	**-**	**137,446**	**-**
a) Options	27,078	-	46,069	-
b) Interest rate swap	42,707	-	79,326	-
c) Cross currency swap	109	-	12,051	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**3,482,295**	**58,261**	**3,404,922**	**84,191**

A.4 Financial derivatives: negative gross fair value - breakdown by products

Portfolios / Types of derivatives *(in thousands of euro)*	Negative fair value			
	31/12/2010		31/12/2009	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio:	**2,838,970**	**809,833**	**2,739,722**	**986,227**
a) Options	921,405	809,833	844,952	986,227
b) Interest rate swap	1,887,833	-	1,867,039	-
c) Cross currency swap	177	-	159	-
d) Equity swap	-	-	-	-
e) Forward	29,431	-	27,385	-
f) Futures	124	-	187	-
g) Other	-	-	-	-
B. Banking portfolio - hedging derivatives	**234,112**	**-**	**163,230**	**-**
a) Options	2,954	-	7,916	-
b) Interest rate swap	231,158	-	154,021	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	1,293	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**52,223**	**-**	**97,049**	**-**
a) Options	28,088	-	48,076	-
b) Interest rate swap	23,934	-	48,973	-
c) Cross currency swap	201	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**3,125,305**	**809,833**	**3,000,001**	**986,227**

A.5 OTC financial derivatives: regulatory trading portfolio – notional values, positive and negative gross fair values by counterparty - contracts not included in netting agreements

Contracts not included in netting agreements *(in thousands of euro)*	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Debt securities and interest rates							
- notional value	77,318	8,112	4,551,214	3,284,416	3,032,188	12,249,900	3,664,548
- positive fair value	-	342	125,595	52,659	-	325,672	2,489
- negative fair value	-	25	138,295	13,058	346,180	21,987	46,645
- future exposure	-	56	12,281	14,082	12,254	71,724	34,675
2) Equity instruments and share indices							
- notional value	-	-	81,647	240,511	6,869,179	59	1,164,966
- positive fair value	-	-	1,232	93,860	-	184	4,359
- negative fair value	-	-	3,276	1,145	103,401	-	88,640
- future exposure	-	-	6,107	9,952	533,761	5	62,923
3) Currencies and gold							
- notional value	-	-	678,182	385,850	-	1,025,773	42,662
- positive fair value	-	-	8,512	1,762	-	16,723	291
- negative fair value	-	-	2,574	4,083	-	16,501	638
- future exposure	-	-	6,781	3,661	-	11,672	457
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	9,713
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: regulatory trading portfolio – notional values, positive and negative gross fair values by counterparty - contracts included in netting agreements

Contracts included in netting agreements *(in thousands of euro)*	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Debt securities and interest rates							
- notional value	-	-	130,513,512	19,137,260	-	-	-
- positive fair value	-	-	1,935,471	279,315	-	-	-
- negative fair value	-	-	1,477,323	250,134	-	-	-
2) Equity instruments and share indices							
- notional value	-	-	8,018,537	472,776	-	-	-
- positive fair value	-	-	337,102	13,488	-	-	-
- negative fair value	-	-	268,526	16,052	-	-	-
3) Currencies and gold							
- notional value	-	-	2,461,572	91,348	-	-	-
- positive fair value	-	-	32,799	1,492	-	-	-
- negative fair value	-	-	29,164	1,610	-	-	-
4) Other values							
- notional value	-	-	1,908	-	-	-	-
- positive fair value	-	-	209	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: banking portfolio – notional values, positive and negative gross fair values by counterparty - contracts not included in netting agreements

Contracts not included in netting agreements *(in thousands of euro)*	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Debt securities and interest rates							
- notional value	**-**	**-**	**6,230,107**	**11,092**	**-**	**-**	**191,089**
- positive fair value	-	-	39,738	2	-	-	-
- negative fair value	-	-	1,543	26,543	-	-	-
- future exposure	-	-	3,888	500	-	-	955
2) Equity instruments and share indices							
- notional value	-	-	1,439,218	36,000	-	-	1,978,829
- positive fair value	-	-	16,076	139	-	-	-
- negative fair value	-	-	17,108	139	-	-	-
- future exposure	-	-	134,783	14,869	-	-	3,200
3) Currencies and gold							
- notional value	-	-	452,142	-	-	-	544
- positive fair value	-	-	1,692	-	-	-	-
- negative fair value	-	-	7,220	-	-	-	-
- future exposure	-	-	3,581	-	-	-	-
4) Other values							
- notional value	-	-	924,806	5,000	-	-	-
- positive fair value	-	-	9,002	147	-	-	-
- negative fair value	9,002	147	-	-	-	-	-
- future exposure	-	-	53,185	300	-	-	-

A.8 OTC financial derivatives: banking portfolio – notional values, positive and negative gross fair values by counterparty - contracts included in netting agreements

Contracts included in netting agreements *(in thousands of euro)*	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other subjects
1) Debt securities and interest rates							
- notional value	-	-	15,255,803	1,696,000	-	-	-
- positive fair value	-	-	172,099	9,735	-	-	-
- negative fair value	-	-	163,860	60,562	-	-	10
2) Equity instruments and share indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currencies and gold							
- notional value	-	-	6,011	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	201	-	-	-	-
4) Other values							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	109
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlying assets / Residual life *(in thousands of euro)*		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.	**Regulatory trading portfolio**	**44,529,352**	**116,542,889**	**36,981,197**	**198,053,438**
A.1	Financial derivatives on debt securities and interest rates	36,711,143	102,831,945	36,975,381	176,518,469
A.2	Financial derivatives on equity instruments and share indices	3,281,172	13,561,503	5,000	16,847,675
A.3	Financial derivatives on exchange rates and gold	4,535,129	149,441	816	4,685,386
A.4	Financial derivatives on other values	1,908	-	-	1,908
B.	**Banking portfolio**	**6,942,595**	**17,151,808**	**4,132,239**	**28,226,642**
B.1	Financial derivatives on debt securities and interest rates	5,205,265	14,052,599	4,126,228	23,384,092
B.2	Financial derivatives on equity instruments and share indices	1,057,582	2,396,465	-	3,454,047
B.3	Financial derivatives on exchange rates and gold	452,520	166	6,011	458,697
B.4	Financial derivatives on other values	227,228	702,578	-	929,806
	31/12/2010	**51,471,947**	**133,694,697**	**41,113,436**	**226,280,080**
	31/12/2009	**37,993,561**	**115,849,504**	**50,079,426**	**203,922,491**

A.10 OTC financial derivatives: counterparty risk/financial risk - Internal models

The Banco Popolare Group does not use EPE internal models validated by supervisory authorities to calculate the capital requirement for the counterparty risk.
For management and capital adequacy assessment (ICAAP process), it uses a model to estimate the risk related to over the counter (OTC) derivative trading.
This model makes use of internal market risk estimate methods to determine the potential short term evolution of the fair value of positions, and it incorporates the benefits of market correlations and the impacts of guarantee agreements. Internal PD and LGD estimates and the IRB-related weighting formulas for credit risks are then applied to the resulting future exposures.
In the face of counterparty risk, in the second half of 2010, a maximum risk level at overall Group level was introduced on an experimental basis, in accordance with the above metric, which is monitored on a monthly basis.

B. CREDIT DERIVATIVES

B.1 Credit derivatives: year-end notional and average values

Types of transactions *(in thousands of euro)*	Regulatory trading portfolio		Banking portfolio	
	On a single subject	On several subjects (basket)	On a single subject	On several subjects (basket)
1. Protections bought				
a) Credit default products	165,500	-	111,219	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31/12/2010	**165,500**	**-**	**111,219**	**-**
Average values	**208,045**	**-**	**127,367**	**-**
Total 31/12/2009	**143,589**	**-**	**269,533**	**-**
2. Protection sales				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total Rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31/12/2010	**-**	**-**	**-**	**-**
Average values	**-**	**-**	**-**	**-**
Total 31/12/2009	**-**	**-**	**-**	**-**

B.2 OTC credit derivatives: positive gross fair value - breakdown by products

Portfolios / Types of derivatives *(in thousands of euro)*	Positive fair value	
	31/12/2010	31/12/2009
A. Regulatory trading portfolio	**1,131**	**-**
a) Credit default products	1,131	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
B. Banking portfolio	**413**	**1,508**
a) Credit default products	413	1,508
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
Total	**1,544**	**1,508**

B.3 OTC credit derivatives: negative gross fair value - breakdown by products

Portfolios / Types of derivatives *(in thousands of euro)*	Negative fair value	
	31/12/2010	31/12/2009
A. Regulatory trading portfolio	**536**	**4,057**
a) Credit default products	536	4,057
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
B. Banking portfolio	**15**	**718**
a) Credit default products	15	718
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Others	-	-
Total	**551**	**4,775**

B.4 OTC credit derivatives: positive and negative gross fair values by counterparty - contracts not included in netting agreements

Contracts not included in netting agreements *(in thousands of euro)*	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial businesses	Other subjects
Regulatory trading							
1) Protection bought	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- notional value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Protection sale	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Banking portfolio							
1) Protection bought	**-**	**-**	**-**	**101,633**	**-**	**-**	**-**
- notional value	-	-	-	101,219	-	-	-
- positive fair value	-	-	-	413	-	-	-
- negative fair value	-	-	-	1	-	-	-
2) Protection sale							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.5 OTC credit derivatives: positive and negative gross fair values by counterparty - contracts included in netting agreements

Contracts included in netting agreements *(in thousands of euro)*		Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial businesses	Other subjects
	Regulatory trading							
1)	**Protection bought**	**-**	**-**	**152,065**	**15,102**	**-**	**-**	**-**
	- notional value	**-**	**-**	**150,500**	**15,000**	**-**	**-**	**-**
	- positive fair value	-	-	1,029	102	-	-	-
	- negative fair value	-	-	536	-	-	-	-
2)	**Protection sale**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	- notional value	-	-	-	-	-	-	-
	- positive fair value	-	-	-	-	-	-	-
	- negative fair value	-	-	-	-	-	-	-
	Banking portfolio							
1)	**Protection bought**	**-**	**-**	**10,014**	**-**	**-**	**-**	**-**
	- notional value	-	-	10,000	-	-	-	-
	- positive fair value	-	-	-	-	-	-	-
	- negative fair value	-	-	14	-	-	-	-
2)	**Protection sale**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	- notional value	-	-	-	-	-	-	-
	- positive fair value	-	-	-	-	-	-	-
	- negative fair value	-	-	-	-	-	-	-

B.6 Residual life of OTC credit derivatives: notional values

Underlying assets / Residual life *(in thousands of euro)*		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.	**Regulatory trading portfolio**	**65,500**	**100,000**	**-**	**165,500**
A.1	Credit derivatives with "qualified reference obligation"	-	-	-	-
A.2	Credit derivatives with "unqualified reference obligation"	65,500	100,000	-	165,500
B.	**Banking portfolio**	**10,926**	**94,706**	**5,587**	**111,219**
B.1	Credit derivatives with "qualified reference obligation"	10,926	72,254	5,587	88,767
B.4	Credit derivatives with "unqualified reference obligation"	-	22,452	-	22,452
	31/12/2010	**76,426**	**194,706**	**5,587**	**276,719**
	31/12/2009	**67,000**	**346,122**	**-**	**413,122**

B.7 Credit derivatives: counterparty risk/financial risk - Internal models

The internal model used for estimating the counterparty risk of derivative instruments for management purposes is not applied to credit derivatives.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparties

	(in thousands of euro)	Governments and Central Banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial businesses	Other subjects
1)	**Financial derivatives - bilateral agreements**							
	- positive fair value	-	-	620,948	117,579	-	-	109
	- negative fair value	-	-	262,280	141,905	-	-	10
	- future exposure	-	-	309,766	75,655	-	-	-
	- net counterparty risk	-	-	36,790	-	-	-	-
2)	**Credit derivatives - bilateral agreements**							
	- positive fair value	-	-	-	102	-	-	-
	- negative fair value	-	-	14	-	-	-	-
	- future exposure	-	-	-	1,500	-	-	-
	- net counterparty risk	-	-	-	-	-	-	-
3)	**"Cross product" agreements**							
	- positive fair value	-	-	216,914	-	-	-	-
	- negative fair value	-	-	36,487	-	-	-	-
	- future exposure	-	-	206,127	-	-	-	-
	- net counterparty risk	-	-	-	-	-	-	-

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods of the liquidity risk

Liquidity risk is generated by the time mismatch between expected cash in- and out-flows in a very short time horizon. In addition to the difficulty/impossibility of hedging such mismatches, the liquidity risk can also entail an interest rate risk caused by the need to raise/lend funds at unknown rates that could be potentially unfavourable.
In 2010, the liquidity risk management and control system of the Banco Popolare Group became fully operational. The Bank was also involved in the QIS 2010 questionnaire. The survey conducted by the Bank of Italy led, at the end of the year, to the issue by the central bank of a new supervisory regulation on the same, which will come into force in stages. 2011 will see the Group involved in the conclusion of the full implementation of the changes introduced by new Community regulations.
The first line of defence against liquidity risk is the daily monitoring and control system of the cumulated operating liquidity mismatch, generated by transactions with interbank and institutional counterparties, over timeframes of overnight, 14 days, 1 month, 3 months and 6 months.
The ALM and Asset Backed Funding Function of the Group Finance Service is in charge of monitoring operating liquidity risk limits as a first line control; the Transformation and Operational Risk Function of the Risk Management Service is in charge of the second line control.
The second line of defence against the liquidity risk is the monitoring of any structural liquidity mismatch, generated by operations of the entire banking portfolio, in the following time frames: 14 days, 1 month, 3 months and 6 months.
The Transformation and Operational Risk Function of the Risk Management Service is in charge of monitoring structural liquidity risk limits.
The third line of defence against the liquidity risk is the measurement and management of the structural liquidity risk by the ALM & Asset Backed Funding Function of the Group Finance Service.
The measurement of the structural liquidity risk, that is the availability of the necessary monetary resources to cover financial outflows, is carried out by using the spreadsheets supplied by the Operational Asset & Liability Management (ALMO) procedure, in particular the simulation module, used also to measure the interest rate risk.
The measurement of the structural liquidity risk is carried out on a static basis, by measuring the liquidity requirement based on the liquidity gap in the single time frames (difference between loans and funding falling due) and on a dynamic basis, by determining the liquidity requirement in different scenarios, characterised by the change in some key financial elements that can affect the liquidity time profile.
The daily, precise and constant measurement of the counterbalancing capacity plays an important role in assessing the Group's liquidity risk. The counterbalancing capacity is a reserve of rapidly available liquidity, corresponding to the securities eligible for refinancing with the European Central Bank, after the required haircuts have been applied. The Group's definition of its counterbalancing capacity is restrictive, as it includes only positions on single securities exceeding euro 5 million.
During 2010, the Group has incorporated the companies of the former Banca Italease group and that entry has changed,

albeit not substantially, the liquidity profile.
In the month of January 2010, the Covered Bond program was set up under which in March 2010 the opening issue was carried out under the terms of the cover pool of residential mortgage loans originating from the dismantling of two originated securitisations BPL mortgages series 1 and BPL Mortgages series 2. This transaction has enabled the transformation of short-term funding, carried out by the refinancing of the ABS securities on the interbank market, into medium/long-term stable funding. During the year, other covered bond issues were carried out under the terms of portfolios of residential mortgage loans of new origination that, along with new issues of EMTN bond loans, allowed the refinancing of part of the institutional funding falling due.
The liquidity profile was improved, in a context of persisting tension of the financial markets, by increasing the bonds of Banco Popolare placed on the commercial network of the Group.
Thanks to the adoption of these measures, the Group's liquidity profile was maintained above the set limits and always on positive values.

QUANTITATIVE INFORMATION

1. Time distribution of financial assets and liabilities by residual contract maturity

Currency of denomination: Euro *(in thousands of euro)*	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undefined term
Cash assets	**28,064,609**	**730,267**	**645,841**	**2,205,472**	**4,097,783**	**5,587,468**	**7,345,293**	**32,165,916**	**37,546,768**	**661,332**
A.1 Government securities	164	-	75,989	-	954,945	451,591	937,300	5,786,258	874,556	-
A.2 Other debt securities	6,908	-	325	46,446	114,045	273,343	253,048	1,761,364	8,179,432	1,134
A.3 UCIT units	874,364	-	-	-	-	-	-	-	-	-
A.4 Loans:	27,183,173	730,267	569,527	2,159,026	3,028,793	4,862,534	6,154,945	24,618,294	28,492,780	660,198
- Banks	1,489,306	293,835	94,976	415,914	175,607	1,713,669	215,643	251,090	34,076	590,495
- Customers	25,693,867	436,432	474,551	1,743,112	2,853,186	3,148,865	5,939,302	24,367,204	28,458,704	69,703
Cash liabilities	**42,021,668**	**5,221,363**	**1,955,835**	**4,648,373**	**7,259,367**	**2,991,372**	**4,000,208**	**36,377,332**	**12,692,832**	**144,150**
B.1 Deposits	39,087,827	1,615,866	141,943	1,574,294	2,897,955	192,073	92,426	126,336	108,522	-
- Banks	1,644,158	1,278,131	-	1,174,496	2,672,523	61,604	6,199	66,134	69,317	-
- Customers	37,443,669	337,735	141,943	399,798	225,432	130,469	86,227	60,202	39,205	-
B.2 Debt securities	73,672	35,987	64,698	301,405	770,488	1,743,160	3,351,400	33,232,603	8,318,044	144,107
B.3 Other liabilities	2,860,169	3,569,510	1,749,194	2,772,674	3,590,924	1,056,139	556,382	3,018,393	4,266,266	43
"Off-balance sheet" transactions	**8,549,337**	**1,917,558**	**76,626**	**932,182**	**1,452,610**	**980,647**	**845,208**	**1,517,258**	**764,708**	**237,737**
C.1 Financial derivatives with exchange of capital	-	1,634,830	74,699	903,961	1,260,465	725,668	514,253	422,808	70,162	21,886
- Long positions	-	821,302	45,980	579,990	634,406	431,466	255,421	287,923	46,934	12,386
- Short positions	-	813,528	28,719	323,971	626,059	294,202	258,832	134,885	23,228	9,500
C.2 Financial derivatives without exchange of capital	4,994,777	6,353	-	179	15,014	9,618	20,211	22,464	3,681	-
- Long positions	2,807,560	15	-	2	5,595	8,110	11,256	192	447	-
- Short positions	2,187,217	6,338	-	177	9,419	1,508	8,955	22,272	3,234	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	3,108,358	276,344	1,916	27,966	167,725	241,686	303,977	1,062,905	678,801	197,290
- Long positions	342,404	276,344	1,916	27,885	167,124	237,805	276,452	1,061,687	675,180	98,645
- Short positions	2,765,954	-	-	81	601	3,881	27,525	1,218	3,621	98,645
C.5 Financial guarantees given	446,202	31	11	76	9,406	3,675	6,767	9,081	12,064	18,561

Currency of denomination: US Dollar *(in thousands of euro)*		On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undefined term
Cash assets		**237,679**	**58,108**	**31,381**	**102,706**	**179,024**	**82,936**	**70,947**	**256,408**	**228,534**	**12,185**
A.1	Government securities	-	-	-	-	5	-	-	21,956	6,954	-
A.2	Other debt securities	-	-	-	271	1,328	327	3,216	1,673	1,722	-
A.3	UCIT units	1,382	-	-	-	-	-	-	-	-	-
A.4	Loans:	236,297	58,108	31,381	102,435	177,691	82,609	67,731	232,779	219,858	12,185
	- Banks	35,003	23,484	6,000	3,886	11,678	1,373	10,786	16,840	4,150	-
	- Customers	201,294	34,624	25,381	98,549	166,013	81,236	56,945	215,939	215,708	12,185
Cash liabilities		**696,085**	**277,793**	**13,900**	**39,850**	**168,476**	**57,292**	**4,504**	**667**	**113**	**-**
B.1	Deposits	630,340	277,345	13,279	38,518	162,551	56,941	4,389	667	113	-
	- Banks	2,308	88,241	7,857	4,490	136,208	7,484	972	1	-	-
	- Customers	628,032	189,104	5,422	34,028	26,343	49,457	3,417	666	113	-
B.2	Debt securities	7	448	486	891	4,704	351	115	-	-	-
B.3	Other liabilities	65,738	-	135	441	1,221	-	-	-	-	-
"Off-balance sheet" transactions		**100,159**	**1,434,777**	**366,991**	**624,556**	**742,990**	**526,502**	**602,229**	**246,278**	**27,426**	**24,586**
C.1	Financial derivatives with exchange of capital	35	1,004,794	58,758	597,673	736,805	512,136	600,803	239,904	6,110	21,535
	- Long positions	26	424,270	15,561	204,481	316,655	238,800	335,440	108,692	67	9,355
	- Short positions	9	580,524	43,197	393,192	420,150	273,336	265,363	131,212	6,043	12,180
C.2	Financial derivatives without exchange of capital	36,845	429,234	308,203	26,807	2,771	412	-	112	-	-
	- Long positions	18,715	195,876	308,203	1,184	1,387	337	-	112	-	-
	- Short positions	18,130	233,358	-	25,623	1,384	75	-	-	-	-
C.3	Deposits and loans to be received	-	749	-	-	748	-	-	-	-	-
	- Long positions	-	749	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	748	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds	46,290	-	30	76	2,666	13,954	1,426	6,262	21,316	3,028
	- Long positions	471	-	30	76	2,666	13,929	1,312	6,210	21,316	1,514
	- Short positions	45,819	-	-	-	-	25	114	52	-	1,514
C.5	Financial guarantees given	16,989	-	-	-	-	-	-	-	-	23

Currency of denomination: Japanese yen *(in thousands of euro)*	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undefined term
Cash assets	**40,875**	**6,768**	**3,400**	**5,832**	**16,053**	**9,943**	**11,112**	**11,040**	**998**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	249	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans:	40,875	6,768	3,400	5,832	16,053	9,943	11,112	11,040	749	-
- Banks	8,510	6,351	2,162	1	8	253	-	-	-	-
- Customers	32,365	417	1,238	5,831	16,045	9,690	11,112	11,040	749	-
Cash liabilities	**54,347**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	54,347	-	-	-	-	-	-	-	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	54,346	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions	**8,477**	**167,019**	**1,711**	**87,435**	**127,007**	**53,950**	**11,114**	**6,042**	**835**	**-**
C.1 Financial derivatives with exchange of capital	-	164,770	1,711	62,933	126,396	53,670	11,114	6,042	835	-
- Long positions	-	112,518	372	14,834	26,599	18,774	5,373	2,298	820	-
- Short positions	-	52,252	1,339	48,099	99,797	34,896	5,741	3,744	15	-
C.2 Financial derivatives without exchange of capital	8,060	2,249	-	24,502	307	167	-	-	-	-
- Long positions	4,378	-	-	24,502	307	87	-	-	-	-
- Short positions	3,682	2,249	-	-	-	80	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	417	-	-	-	304	113	-	-	-	-
- Long positions	-	-	-	-	304	113	-	-	-	-
- Short positions	417	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Swiss franc *(in thousands of euro)*		On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undefined term
Cash assets		**78,922**	**10,979**	**2,489**	**9,338**	**9,274**	**14,057**	**105,152**	**43,011**	**22,819**	**-**
A.1	Government securities	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	-	6,558	23,980	2,811	-	-
A.3	UCIT units	-	-	-	-	-	-	-	-	-	-
A.4	Loans:	78,922	10,979	2,489	9,338	9,274	7,499	81,172	40,200	22,819	-
	- Banks	27,899	6,662	1,600	570	1	1,980	76,062	7,997	-	-
	- Customers	51,023	4,317	889	8,768	9,273	5,519	5,110	32,203	22,819	-
Cash liabilities		**55,420**	**20,956**	**2**	**12,788**	**195**	**6,291**	**874**	**74**	**-**	**-**
B.1	Deposits	55,409	20,956	2	2	195	711	874	74	-	-
	- Banks	1,440	20,795	-	-	-	-	-	1	-	-
	- Customers	53,969	161	2	2	195	711	874	73	-	-
B.2	Debt securities	2	-	-	12,786	-	5,580	-	-	-	-
B.3	Other liabilities	9	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions		**40,771**	**260,841**	**207,933**	**47,710**	**99,273**	**9,754**	**38,858**	**3,897**	**83**	**4,003**
C.1	Financial derivatives with exchange of capital	86	4,352	-	47,710	71,639	9,595	38,858	3,633	-	3,920
	- Long positions	86	3,041	-	25,397	15,193	7,813	24,369	1,287	-	1,960
	- Short positions	-	1,311	-	22,313	56,446	1,782	14,489	2,346	-	1,960
C.2	Financial derivatives without exchange of capital	11,467	150,923	207,933	-	-	-	-	-	-	-
	- Long positions	5,219	78,619	-	-	-	-	-	-	-	-
	- Short positions	6,248	72,304	207,933	-	-	-	-	-	-	-
C.3	Deposits and loans to be received	-	105,566	-	-	-	-	-	-	-	-
	- Long positions	-	52,783	-	-	-	-	-	-	-	-
	- Short positions	-	52,783	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds	29,218	-	-	-	27,634	159	-	264	83	83
	- Long positions	581	-	-	-	27,634	159	-	264	-	83
	- Short positions	28,637	-	-	-	-	-	-	-	83	-
C.5	Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Currency of denomination: Croatian Kuna *(in thousands of euro)*		**On demand**	**Between 1 and 7 days**	**Between 7 and 15 days**	**Between 15 days and 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Undefined term**
Cash assets		**7,956**	**869**	**133**	**3,019**	**7,731**	**12,897**	**11,034**	**18,821**	**8,068**	**-**
A.1	Government securities	-	-	-	-	-	1,997	4,717	-	125	-
A.2	Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3	UCIT units	-	-	-	-	-	-	-	-	-	-
A.4	Loans:	7,956	869	133	3,019	7,731	10,900	6,317	18,821	7,943	-
	- Banks	82	860	100	734	680	1,516	956	1,199	153	-
	- Customers	7,874	9	33	2,285	7,051	9,384	5,361	17,622	7,790	-
Cash liabilities		**654**	**10,497**	**1,142**	**9,053**	**7,527**	**17,299**	**9,542**	**2,417**	**1,923**	**-**
B.1	Deposits	654	10,497	1,142	9,053	7,527	17,299	9,542	2,417	1,923	-
	- Banks	-	50	-	-	1,755	7,654	-	-	-	-
	- Customers	654	10,447	1,142	9,053	5,772	9,645	9,542	2,417	1,923	-
B.2	Debt securities	-	-	-	-	-	-	-	-	-	-
B.3	Other liabilities	-	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions		**1,156**	**-**	**-**	**-**	**8**	**3**	**6**	**30**	**-**	**-**
C.1	Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.2	Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds	1,156	-	-	-	-	-	6	12	-	-
	- Long positions	578	-	-	-	-	-	3	6	-	-
	- Short positions	578	-	-	-	-	-	3	6	-	-
C.5	Financial guarantees given	-	-	-	-	8	3	-	18	-	-

Currency of denomination: GB pound *(in thousands of euro)*		On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Undefined term
Cash assets		**18,538**	**39**	**485**	**13,259**	**4,171**	**3,898**	**919**	**68,507**	**108,239**	**-**
A.1	Government securities	-	-	-	-	-	-	-	-	-	-
A.2	Other debt securities	-	-	-	-	1,559	3,465	-	-	5	-
A.3	UCIT units	-	-	-	-	-	-	-	-	-	-
A.4	Loans:	18,538	39	485	13,259	2,612	433	919	68,507	108,234	-
	- Banks	14,379	-	-	-	-	-	-	-	-	-
	- Customers	4,159	39	485	13,259	2,612	433	919	68,507	108,234	-
Cash liabilities		**80,456**	**55,705**	**362**	**8,848**	**119,169**	**198**	**241**	**-**	**-**	**-**
B.1	Deposits	79,926	55,705	362	8,848	2,935	198	5	-	-	-
	- Banks	455	27,222	-	5,083	2,160	-	-	-	-	-
	- Customers	79,471	28,483	362	3,765	775	198	5	-	-	-
B.2	Debt securities	423	-	-	-	116,234	-	236	-	-	-
B.3	Other liabilities	107	-	-	-	-	-	-	-	-	-
"Off-balance sheet" transactions		**22,620**	**83,586**	**106,760**	**61,233**	**240,457**	**90,575**	**15,309**	**11,840**	**9**	**558**
C.1	Financial derivatives with exchange of capital	-	60,142	2,200	57,745	240,204	89,950	15,309	52	9	-
	- Long positions	-	6,433	2,162	34,011	163,434	52,188	13,110	-	9	-
	- Short positions	-	53,709	38	23,734	76,770	37,762	2,199	52	-	-
C.2	Financial derivatives without exchange of capital	10,934	23,444	104,560	3,488	-	622	-	368	-	-
	- Long positions	4,242	23,339	-	2,311	-	367	-	256	-	-
	- Short positions	6,692	105	104,560	1,177	-	255	-	112	-	-
C.3	Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
	- Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds	11,676	-	-	-	253	3	-	11,420	-	558
	- Long positions	-	-	-	-	253	3	-	11,420	-	279
	- Short positions	11,676	-	-	-	-	-	-	-	-	279
C.5	Financial guarantees given	10	-	-	-	-	-	-	-	-	-

Currency of denomination: other currencies *(in thousands of euro)*	**On demand**	**Between 1 and 7 days**	**Between 7 and 15 days**	**Between 15 days and 1 month**	**Between 1 and 3 months**	**Between 3 and 6 months**	**Between 6 months and 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Undefined term**
Cash assets	**47,858**	**87,627**	**18,422**	**5,797**	**34,235**	**9,734**	**13,320**	**25,840**	**36,696**	**-**
A.1 Government securities	-	-	-	-	-	-	1,089	-	-	-
A.2 Other debt securities	-	17,989	14,375	743	-	-	116	201	-	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans:	47,858	69,638	4,047	5,054	34,235	9,734	12,115	25,639	36,696	-
- Banks	32,031	68,153	-	2,804	8,305	1	-	1	20	-
- Customers	15,827	1,485	4,047	2,250	25,930	9,733	12,115	25,638	36,676	-
Cash liabilities	**165,089**	**19,015**	**14,559**	**24,447**	**27,945**	**15,811**	**19,374**	**10,463**	**1,213**	**664**
B.1 Deposits	165,089	19,015	14,559	24,447	27,945	15,811	19,374	10,442	1,213	-
- Banks	1,491	2,164	-	549	-	4	10	528	922	-
- Customers	163,598	16,851	14,559	23,898	27,945	15,807	19,364	9,914	291	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	21	-	664
"Off-balance sheet" transactions	**23,721**	**22,303**	**10,581**	**69,539**	**92,032**	**91,214**	**15,983**	**17,127**	**600**	**15,717**
C.1 Financial derivatives with exchange of capital	4	13,728	10,581	69,462	91,626	88,339	12,212	10,214	600	-
- Long positions	3	5,903	9,987	40,094	51,267	23,058	7,913	5,403	63	-
- Short positions	1	7,825	594	29,368	40,359	65,281	4,299	4,811	537	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions										
- Short positions										
C.3 Deposits and loans to be received	-	8,575	-	-	1	-	-	-	-	-
- Long positions	-	4,288	-	-	-	-	-	-	-	-
- Short positions	-	4,287	-	-	1	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	19,648	-	-	18	195	2,843	3,350	6,534	-	15,708
- Long positions	1,925	-	-	9	151	1,422	1,675	3,267	-	15,699
- Short positions	17,723	-	-	9	44	1,421	1,675	3,267	-	9
C.5 Financial guarantees given	4,069	-	-	59	210	32	421	379	-	9

As described in Part E – Section 1 – Risks of the Banking Group – 1.1 Credit Risk - C. Securitisations and asset sales, as a result of "originated securitisations" generated by Banks or Group Companies, Banco Popolare and Banca Italease subscribed securities eligible for refinancing with the ECB or for repurchase agreements with market counterparties. Described below are the originated securitisations outstanding on 31 December 2010.

Originated securitisations

BPL Mortgages 4 (July 2009)

On 16 June 2009, the Originator Banks (Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Novara S.p.A., Banca Popolare di Lodi S.p.A., Credito Bergamasco S.p.A., Cassa di Risparmio di Lucca, Pisa e Livorno S.p.A., Banca Popolare di Cremona S.p.A. and Banca Popolare di Crema S.p.A.) sold a portfolio of performing residential and commercial mortgage loans and loans backed by voluntary mortgages on residential and commercial property for a total nominal amount of 3,990.4 million to the SPE BPL Mortgages S.r.l.; on 30 July 2009, two classes of bonds were issued (Class A Senior and Class B Junior). The Originator Banks acted as Servicers and managed the loan collection.

Loan breakdown by Originator

Bank	Value at 31/12/2010 (1)	Portfolio % at 31/12/2010	Residual debt at 31/12/2009	Portfolio % at 31/12/2009	Residual debt at 13/06/2009	Portfolio % at 13/06/2009
Banca Popolare Verona - SGSP	1,051,155	32.87%	1,210,553	32.98%	1,318,820	33.05%
Banca Popolare Novara	564,996	17.67%	635,222	17.31%	677,499	16.98%
Banca Popolare Lodi	533,476	16.68%	614,930	16.75%	668,100	16.74%
Credito Bergamasco	521,445	16.31%	602,071	16.40%	656,061	16.44%
Cassa di Risparmio Lucca Pisa Livorno	281,110	8.79%	325,742	8.88%	356,859	8.94%
Banca Popolare di Cremona	138,865	4.34%	160,612	4.38%	180,250	4.52%
Banca Popolare di Crema	106,889	3.34%	121,184	3.30%	132,885	3.33%
Total	**3,197,936**	**100.00%**	**3,670,314**	**100.00%**	**3,990,474**	**100.00%**

(1) The value as at 31 December 2010 refers to mortgage loans inclusive of instalments, amortised cost, gross of relevant write-downs.

Issue characteristics

Senior bonds listed on the Irish Stock Exchange and entirely subscribed by Banco Popolare, and unrated junior bonds, subscribed on a pro-rata basis by the Originator Banks. The securities had the following features: - Class A Securities (senior): bonds with yield linked to the 6-month Euribor plus 80 basis points spread per annum, issued at par for a nominal amount of 3,411.8 million (rating AAA Standard & Poor's, six-month coupon, due May 2055); - Class B Securities (junior): bonds with yield equal to Additional Return, issued at par for a nominal amount of 578.6 million (unrated, due May 2055), subscribed on a pro-rated basis by the assigning banks.

Accessory financial transactions

Upon issuing the securities, the SPE signed an "Interest Rate Swap" agreement with a third counterparty, to hedge against the risk of mismatch between the rates of the securitised mortgage loans and the yield of the issued bonds. Banco Popolare subscribed with each Originator Bank a contract called "Total Return Swap" to transfer to the latter the credit risk of the sold portfolio referring to the senior bonds subscribed by the parent company. To hedge against the risk of illiquidity periods, the SPE set aside a Cash Reserve, which on 31 December 2010 amounted to 57.6 million; at each Interest Payment Date, the Cash Reserve shall be fed until the target amount of 119.7 million is reached. Banco Popolare, the Originator Banks, Banca Popolare di Lodi and the SPE signed a First and Second Demand Guarantee agreement with which Banco Popolare guarantees the duties deriving from the role of Servicer covered by the Originator Banks and the role of Interim Account Bank assigned to Banca Popolare di Lodi (the maximum secured amounts are: - 47.5 million Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A. - 17.9 million Banca Popolare di Novara S.p.A. - 107.6 million Banca Popolare di Lodi S.p.A - 11.6 million Cassa di Risparmio Lucca Pisa Livorno S.p.A.- 6.2 million Banca Popolare di Cremona - 4.3 million Banca Popolare di Crema).

BPV Mortgages S.r.l. (June 2009)

Since the end of 2007, some Banks of the Banco Popolare Group (Banca Popolare di Novara S.p.A., Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Lodi S.p.A. and Credito Bergamasco S.p.A.) sold some portfolios of performing residential mortgage loans to the SPE BPV Mortgages S.r.l.; at the end of the warehousing phase, which started in December 2007, the transaction was restructured in order to obtain a public rating that ended on 16 June 2009. Upon finalising the transaction, the portfolios sold by each bank totalled 1,044.9 million. The Originator Banks acted as Servicers and managed the loan collection.

Loan breakdown by Originator

Bank	Value at 31/12/2010 (1)	Portfolio % at 31/12/2010	Residual debt at 31/12/2009	Portfolio % at 31/12/2009	Residual debt at 16/06/2009	Portfolio % at 16/06/2009
Banca Popolare Novara	489,003	53.66%	532,994	54.53%	566,754	54.24%
Banca Popolare Verona - SGSP	251,829	27.63%	264,276	26.98%	284,203	27.20%
Banca Popolare Lodi	105,540	11.58%	114,447	11.69%	121,632	11.64%
Credito Bergamasco	64,921	7.12%	67,584	6.90%	72,302	6.92%
Total	**911,293**	**100.00%**	**979,301**	**100.00%**	**1,044,891**	**100.00%**

(1) The value as at 31 December 2010 comprises mortgage loans inclusive of instalments, the amortised cost, gross of relevant write-downs.

Issue characteristics

On 16 June 2009, two classes of ABS securities were issued: senior securities listed on the Irish Stock Exchange and entirely subscribed by Banco Popolare, and unrated junior securities, subscribed on a pro-rata basis by the Originator Banks. The securities had the following features: - Class A Securities (senior): bonds with yield linked to the 6-month Euribor plus 60 basis points spread per annum, issued at par for a nominal amount of euro 1,027.9 million (rating AAA Standard & Poor's, six-month coupon, due July 2054); on 24 January 2011, on the basis of the availability of the SPE, and being received within 18 months from the date of issue, the senior security was redeemed for an amount of euro 270.8 million. - Class B Securities (junior): bonds with yield equal to Additional Return, issued at par for a nominal amount of euro 128.4 million (unrated, due December 2054), subscribed on a pro-rated basis compared to the sold portfolios by the assigning banks.

Accessory financial transactions

Upon issuing the securities, the SPE signed an "Interest Rate Swap" agreement with a third counterparty, to hedge against the risk of mismatch between the rates of the securitised mortgage loans and the yield of the issued bonds; Banco Popolare subscribed with each Originator Bank a contract called "Total Return Swap" to transfer to the latter the credit risk of the sold portfolio. To hedge against the risk of possible illiquidity periods, the SPE set aside a Cash Reserve; on 31 December 2010 the cash reserve amounted to 7.9 million; the Credit Reserve of 20 million previously established has been used in relation to an increase in default mortgage loans occurred during the period. Banco Popolare, the Originator Banks, Banca Popolare di Lodi and the SPE signed a First and Second Demand Guarantee agreement with which Banco Popolare guarantees the duties deriving from the role of Servicer and the role of Interim Account Bank carried out by the Originator Banks (the maximum secured amounts are: - 9.2 million Banca Popolare di Novara S.p.A. - 4.5 million Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A. - 2 million Banca Popolare di Lodi S.p.A.).

BPL Mortgages 3 (March 2009)

On 9 February 2009, the Originator Banks (Banca Popolare di Lodi S.p.A., Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., Banca Popolare di Novara S.p.A., Cassa di Risparmio di Lucca, Pisa e Livorno S.p.A., Credito Bergamasco S.p.A. and Banca Caripe S.p.A.) sold a portfolio of residential mortgage loans for a total nominal amount of 3,002 million to the SPE BPL Mortgages and on 16 March 2009 two classes of bonds were issued (Class A Senior and Class B Junior). The Banking Originators acted as Servicers and managed the loan collection.

Loan breakdown by Originator

Bank	Value at 31/12/2010 (1)	Portfolio % at 31/12/2010	Residual debt at 31/12/2009	Portfolio % at 31/12/2009	Residual debt at 06/02/2009	Portfolio % at 06/02/2009
Banca Popolare Verona - SGSP	626,293	27.49%	715,703	27.21%	818,415	27.26%
Banca Popolare Lodi	624,029	27.39%	730,713	27.78%	830,922	27.69%
Banca Popolare Novara	360,849	15.84%	413,507	15.72%	473,814	15.78%
Cassa di Risparmio Lucca Pisa Livorno	289,699	12.72%	337,341	12.82%	387,611	12.91%
Credito Bergamasco	269,612	11.83%	306,221	11.64%	347,649	11.58%
Caripe (2)	107,666	4.73%	126,884	4.82%	143,386	4.78%
Total	**2,278,148**	**100.00%**	**2,630,369**	**100.00%**	**3,001,799**	**100.00%**

(1) The value as at 31 December 2010 comprises mortgage loans inclusive of instalments, the amortised cost, gross of relevant write-downs. (2) On 31 December, Banca Caripe left the Banco Popolare Group.

Issue characteristics

On 16 March 2009, two classes of ABS securities were issued: senior securities listed on the Irish Stock Exchange and entirely subscribed by Banco Popolare, and unrated junior securities, subscribed on a pro-rata basis by the Originator Banks. The securities had the following features: - Class A Securities (senior): bonds with yield linked to the 6-month Euribor

plus 80 basis points spread per annum, issued at par for a nominal amount of 2,799.1 million (rating AAA Standard & Poor's, six-month coupon, due October 2054); as at 31 December 2010, the securities were redeemed for 615 million, therefore the residual nominal value of the securities amounted to 2,184.2 million; - Class B Securities (junior): bonds with yield equal to Additional Return, issued at par for a nominal amount of 202.6 million (unrated, due October 2054), subscribed on a pro-rated basis by the assigning banks.
On 20 February 2011, the mortgage loans underlying the securitisation transaction were repurchased by the Originator Banks; a share of the mortgage loans repurchased by the same Banks (except for Banca Caripe S.p.A) was transferred at the same time to the SPE BP Covered Bond for an amount of approximately euro 1.8 billion; the SPE will carry out the early redemption option of the securities issued on 31 March 2011.

Accessory financial transactions

Upon issuing the securities, the SPE signed an "Interest Rate Swap" agreement with a third counterparty to hedge against the risk of mismatch between the rates of the securitised mortgage loans and the yield of the issued bonds. Banco Popolare subscribed with each Originator Bank a contract called "Total Return Swap" to transfer to the latter the credit risk of the sold portfolio referring to the senior bonds subscribed by the Parent Company. To hedge against the risk of illiquidity periods, the SPE set aside a Cash Reserve, which on 31 December 2010 amounted to 28.8 million; at each Interest Payment Date. Banco Popolare, the Originator Banks, Banca Popolare di Lodi and the SPE signed a First and Second Demand Guarantee agreement with which Banco Popolare guarantees the duties deriving from the role of Servicer carried out by the Originator Banks and the role of Interim Account Bank, entrusted to Banca Popolare di Lodi (the maximum secured amounts are: 60.8 million Banca Popolare di Lodi S.p.A., 31.9 million Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A., 12.9 million Banca Popolare di Novara S.p.A., 7.4 million Cassa di Risparmio Lucca Pisa Livorno S.p.A. and 2.9 million Banca Caripe S.p.A.).
In 2011, these accessory financial transactions will be closed since the transaction for which they were structured no longer exists.

Italease Group originated securitisations not derecognised and derecognised from the financial statements

Banca Italease and Mercantile Leasing have a number of outstanding securitisations in which, upon issuance, the overall liabilities issued by the SPE were subscribed by the originator companies. These transactions refer to securitisations carried out through the following special purpose entities: Italfinance Securitisation Vehicle 2 S.r.l. (assignee/issuer) for the transactions called "ITA 10" and "ITA 11"; Pami Finance S.r.l. for the transaction called "Quicksilver"; Italfinance RMBS S.r.l. for the transaction called "Italfinance RMBS 1".

2010 main events

On 7 September 2010, the restructuring process of the ITA 10 and ITA 11 was concluded by signing the relevant documents. On the basis of this process, the Originators undertake to restore the collateralisation condition at each interest payment date by means of the repurchase of default loans or the drawing of a credit line made available to the SPE. Following this restructuring, on the same date Moody's removed the "review for downgrade" placed on the ITA 10 transaction on 18 September 2009.

Trigger events

In addition to what was already indicated in the same section of part E, Section 1, Part C. Securitisations, the columns of the following table list, by transaction, the performance indicator to which the threshold refers while the rows list the related trigger events as already defined.

	ITA 10	QUICKSILVER	TALFINANCE RMBS 1	ITA 11
Overcollateralisation Trigger Ratio	N/A	N/A	N/A	N/A
Cash Trapping Trigger	Net Cumulative Default Ratio	N/A	N/A	Net Cumulative Default Ratio
Mezzanine Trigger Ratio	N/A	N/A	N/A	N/A
Cumulative Default Trigger Ratio	Net Cumulative Default Ratio	N/A	N/A	Net Cumulative Default Ratio
Series Trigger Ratio	N/A	N/A	N/A	N/A

1.4 BANKING GROUP - OPERATIONAL RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods of the operational risk

Type of risk

Operational risk is the risk of suffering losses caused by inadequacy or failure attributable to procedures, human resources and internal systems, or caused by external events.
The strategic and reputational risks do not belong to this type of risk, while the legal risk is, considered as the risk of infringing laws and other regulations in force, of failing to comply with contract and extra-contract liabilities, as well as other litigations that may arise with counterparties in the course of business activities.

Risk sources

The main sources of operational risk are: the low reliability of operational processes - in terms of effectiveness/efficiency - internal and external frauds, operational mistakes, the qualitative level of physical and logical security, inadequate IT structure compared to the size of operations, the growing recourse to automation, the outsourcing of corporate functions, a limited number of suppliers, changes in strategies, incorrect personnel management and training policies and finally social and environmental impacts.

Risk management model and organisational structure

The Banco Popolare Group adopted a risk management model that illustrates the management methods and the people involved in risk identification, measurement, monitoring, mitigation and reporting. The contents of the model have been included in a Group Regulation, approved by the Corporate Bodies in 2008.
In order to set up adequate risk management policies, and in compliance with the relevant regulations, specific functions were identified in charge of governing, managing and controlling the operational risk model.
For the operational risk identification and measurement phases, the Banco Popolare Group defined an internal method based on a quantitative and qualitative analysis along a VaR logic.
The quantitative assessment is based first of all on internal loss data, registered and filed in a dedicated software application, in compliance with rules codified in specific regulations that prescribe processes linked to the operational procedure followed for the accounting recording of the losses under examination: to this end, a system was developed that makes it possible to automate the loss collection process and to take account of commercial refunds and operational losses for the commercial networks. The loss collection process also includes a verification and certification system for the operational risk database that ensures the completeness, quality and correctness of the single loss identifications.
Secondly, also external loss data available to the Group are used for the quantitative assessment, in particular the inbound flows of the DIPO consortium, set up by the major Italian Banking Groups within ABI, which the Group joined since its formation.
The qualitative risk assessment is carried out to complement the available quantitative data, in particular in case no historical loss data exist that may indicate the risk level associated with specific events (primarily related to low frequency and high impact events) or when the corporate business is being revised in such a way as to change its risk exposure, and in general a prospective outlook is assigned to the global assessments. Risk Assessment data is collected periodically through a structured process involving the heads of the various organisational structures.
The Banco Popolare Group implemented a capital requirement calculation model compliant with the standardised approach prescribed by the new Supervisory Regulations.
The internal VaR calculation model for the operational risk, completed in 2008, was further enhanced in 2010 in terms of functional methodological analysis, fine-tuning and gauging. The model's Group results are used at management level.
The Banco Popolare Group implemented a reporting model, featuring:

a) a directional information system with analysis and assessments of all the main issues concerning operational risk (in particular material losses – and the associated recoveries, the overall assessment of the risk profile, capital absorption and the implemented and/or planned risk management policies);
b) an operational reporting system, that is, a tool for the operating structures that take part in loss collection processes, for an adequate risk management in the various areas.

Thanks to the operational risk actions planned and implemented by the Group, the standardised method was adopted in concomitance with the Supervisory instructions of 30 June 2008, along the combined method, which is adopted only by Group companies that combined together do not exceed the size thresholds provided by the Supervisory regulations (the companies of the former Italease Group, which were consolidated by the Banco Popolare Group on 31 December 2010, adopt this method).
In order to implement the standardised model, the Group organisational model provides for specific Parent Company structures to be in charge of the centralised risk management. Said structures act directly on behalf of the subsidiaries, and in case of companies adopting the standardised method, they shall resort to decentralised functions in charge of local risk management.

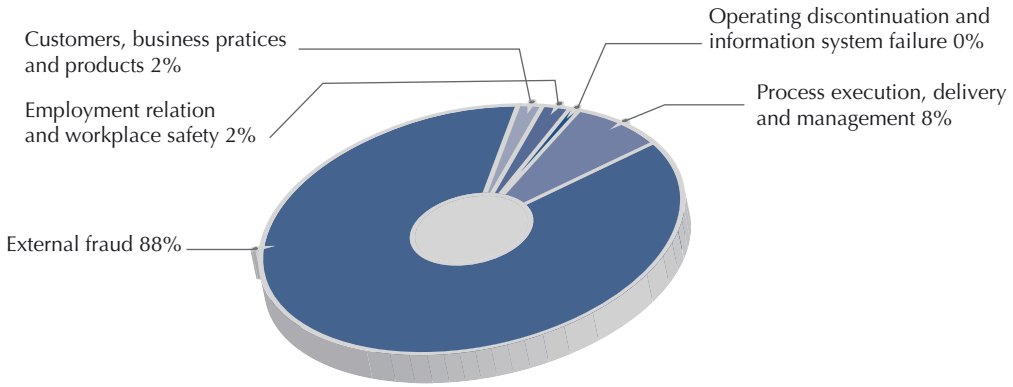
Pending legal actions

The description of the main pending legal actions and the possible related losses are illustrated in "Part B - Information on Liabilities - Section 12 Provisions for risks and charges".

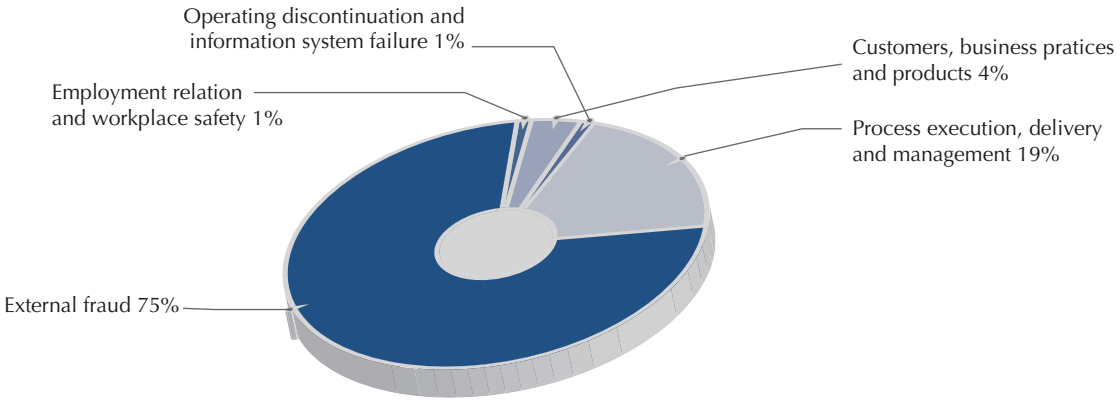
QUANTITATIVE INFORMATION

With regard to sources of operational risk, an analysis was conducted covering pure operational risk events, with gross losses through profit or loss greater or equal to euro 5,000 and occurred on or after 1 January 2010, collected in the Group Loss collection file. Loss data have been broken down by type of event, with views on impact and frequency, in line with the event classification scheme prescribed by the New Supervisory Regulations.

Breakdown of gross loss



Breakdown of frequency



The pie charts show that the main impacts and frequencies are associated with external frauds, with particular reference to the economic impacts of cases relating to robberies, theft at ATM locations and fraud on innovative channels. Among the other categories, worth reporting are the single events having a medium-high impact referring to specific workplace litigations and errors or inadequacies occurring in order placement/collection procedures on securities and derivatives.

Section 2 - Insurance company risks

The Group has a 50% stake in the insurance companies AviPop Assicurazioni and Popolare Vita, given the bancassurance agreements signed during the year with the Aviva Group and the Fondiaria SAI Group.
Said shareholdings fall within the consolidations scope of companies valued at net equity and are shown in the consolidated assets under Investments in associates and companies subject to joint control.
Banco Popolare has the joint control with the Aviva Group also of the insurance companies Eurovita and Aviva Previdenza, by way of the holding company Finoa, owned 50% and classified under discontinued operations.

With regard to this type of risks, the weight of the above companies on total consolidated assets is of little significance.

Section 3 - Other company risks

No significant additional risks are reported for the remaining companies falling within the consolidation scope that are neither part of the Banking Group nor of insurance companies.
In particular, with regard to the Group's real estate companies, most investments are related to Group operating properties that were recognised in the balance sheet at values that do not exceed those reported by specific surveys conducted at the end of 2010 on the overall real estate assets.

PART F - INFORMATION ON CONSOLIDATED EQUITY

Section 1 - Consolidated equity

A. Qualitative information

Company shareholders' equity is made up of the sum of the balances of the following balance sheet liabilities:

- Capital net of repurchased treasury shares
- Share premium reserve
- Reserves
- Valuation reserves
- Equity instruments, including financial instruments under Article 12 of Italian Law Decree no. 185/2008 ("Tremonti Bond")
- Net income for the period.

The information concerning the methods followed by the Group to pursue its asset management objectives is provided in the following sub-section 2.3.

B. Quantitative information

The consolidated shareholders' equity as at 31 December 2010 totalled 11,940.4 million (of which 11,527.5 million pertaining to the Group and 412.9 million pertaining to minority shareholders) reporting a net decrease of 171.8 million compared to the consolidated shareholders' equity as at 31 December 2009 amounting to 12,112.2 million (of which 11,532.8 pertaining to the Group and 579.4 pertaining to minority shareholders).

B.1 Consolidated shareholders' equity: breakdown by type of company

(in thousands of euro)	Banking group	Insurance companies	Other companies	Netting and adjustments on consolidation	31/12/2010
1. Share capital	2,354,496	-	4,584	-	2,359,080
2. Equity instruments	1,483,103	-	-	-	1,483,103
3. Share premium reserve	4,896,424	-	87	-	4,896,511
4. Reserves	3,032,495	-	(108,719)	(6,911)	2,916,865
5. (Treasury shares)	(31,349)	-	-	-	(31,349)
6. Valuation reserves	(15,847)	-	505	-	(15,342)
Financial assets available for sale	(1,042)	-	-	-	(1,042)
Property and equipment	-	-	1,414	-	1,414
Intangible assets	-	-	-	-	-
Foreign investment hedges	-	-	-	-	-
Cash flow hedges	5,015	-	(909)	-	4,106
Exchange rate differences	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-
Actuarial gains (losses) on defined benefit pension plans	-	-	-	-	-
Share of valuation reserves from investments carried at equity	(22,134)	-	-	-	(22,134)
Special revaluation laws	2,314	-	-	-	2,314
7. Income (loss) for the year attributable to the Group and to minority interests	295,778	-	31,299	4,450	331,527
Shareholders' equity	**12,015,100**	**-**	**(72,244)**	**(2,461)**	**11,940,395**

B.2 Valuation reserves of financial assets available for sale: breakdown

(in thousands of euro)	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		31-Dec-2010	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	7,861	(92,153)	-	-	-	-	-	-	7,861	(92,153)
2. Equity instruments	93,913	(11,518)	-	-	-	-	-	-	93,913	(11,518)
3. UCIT units	4,602	(3,747)	-	-	-	-	-	-	4,602	(3,747)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total	**106,376**	**(107,418)**	**-**	**-**	**-**	**-**	**-**	**-**	**106,376**	**(107,418)**
Total t-1	**135,870**	**(85,495)**								

B.3 Valuation reserves of financial assets available for sale: annual changes

(in thousands of euro)	Debt securities	Equity instruments	UCIT units	Loans
1. Opening balance	**(21,624)**	**77,406**	**(5,407)**	**-**
2. Positive changes	**51,639**	**62,743**	**13,443**	**-**
2.1 Fair value increases	16,577	51,055	12,436	-
2.2 Transfer of negative reserves to the income statement:	105	8,399	-	-
- due to impairment	-	2,973	-	-
- on disposal	105	5,426	-	-
2.3 Other changes	34,957	3,289	1,007	-
3. Negative changes	**(114,307)**	**(57,754)**	**(7,181)**	**-**
3.1 Fair value decreases	(107,797)	(52,864)	(2,580)	-
3.2 Losses on impairment	-	(240)	-	-
3.3 Transfer of positive reserves to the income statement: on disposal	(32)	(849)	(558)	-
3.4 Other changes	(6,478)	(3,801)	(4,043)	-
4. Closing balance	**(84,292)**	**82,395**	**855**	**-**

Section 2 - Regulatory capital and capital adequacy ratios

2.1 Scope of application of regulations

The consolidated regulatory capital and ratios are calculated in compliance with the instructions issued by the Bank of Italy with Circular no. 263 of 27 December 2006 ("New prudential regulatory provisions for banks") and with Circular no. 155 of 18 December 1991 ("Instructions for preparing reports on regulatory capital and prudential ratios"), and following amendments.
In 2009, the Community institutions have approved several measures (directives 2009/27/EC, 2009/83/EC and 2009/111/EC, known, taken together, as "CRD II") for strengthening, on the one hand, the European prudential regulations in some of the profiles whose weaknesses were pointed out by the 2007-2008 financial crisis and, on the other hand, for resolving the uncertainties of interpretation emerged in the early years of application of the law itself (directives 2006/48/EC and 2006/49/EC).
With the recent updates of Circular 263, some of these innovations are applied in Italy for aspects concerning banks and banking groups, including also the related guidelines subsequently issued by the Committee of European Banking Supervisors (CEBS).

As required by Circular no. 155, sect. 2, sub-section 1.2, since the consolidation scope considered for financial reporting purposes is wider than the one considered for the consolidated regulatory capital, only data referring to banking, financial and operating companies belonging to the Banking Group were taken into account to calculate the consolidated regulatory capital.

2.2 Bank regulatory capital

A. Qualitative information

In keeping with Circular no. 263, the regulatory capital is the sum of the Tier 1 capital – included in the calculation with no limits – and the Tier 2 capital, included within the maximum core capital limit. Investments in associates and companies subject to joint control, innovative non-innovative equity instruments, hybrid capitalisation instruments and subordinated

assets, held in other banking and financial companies not belonging to the Group, are deducted.
Also equity investments in insurance companies and subordinated liabilities issued by the same companies are deducted, if calculated by the issuer for regulatory capital purposes.
As an exception to general provisions (50% deducted from Tier 1 capital and 50% from Tier 2 capital), until 31 December 2012 the above elements issued by insurance companies, purchased by the banks before 20 July 2006, are deducted from the total amount of Tier 1 capital and of Tier 2 capital.

Specific prudential filters are applied to both Tier 1 and Tier 2 capital to safeguard the quality of the regulatory capital and to reduce its potential volatility as a result of the adoption of the new international accounting standards IFRS/IAS.

Communication regarding the prudential filters of the "Assets available for sale" portfolio

With effect from 30 June 2010, the Group has adopted the approach envisaged by the Measure of the Bank of Italy dated 18 May 2010, which allows to exclude from the calculation of the regulatory capital the share of valuation reserves relating to debt securities issued by the central government authorities of countries belonging to the European Union, held in the "Financial assets available for sale" portfolio.
In detail, in alternative to the "asymmetrical" approach (complete deduction of net losses from Tier 1 capital and partial inclusion (50%) of net losses in Tier 2 capital) already envisaged by Italian legislation, the said Measure acknowledged the possibility of fully neutralising the gains and losses recorded in the revaluation reserves ("symmetrical" approach). This option must be extended to all the securities of the type held in the aforementioned portfolio, it must be applied consistently by the Group and maintained constant over time.
As at 31 December 2010, the change in the reserves of the securities issued by central government authorities of countries belonging to the European Union is negative by 66.8 million; in the absence of such an approach, the said change would result in a corresponding reduction of the Tier 1 capital, in the presence of overall negative reserves on debt securities.

Each Tier 1 and Tier 2 capital item includes both the share belonging to the Banking Group and the minority interest.

1. Tier 1 capital

As at 31 December 2010, the Tier 1 capital was primarily made up of paid-up capital, reserves (including share premiums) and net income for the period (according to the distribution proposal), net of intangible assets, recognised under item 130 of the balance sheet assets, as well as treasury shares.
The Tier 1 capital, in "other positive filters", incorporates the financial instruments under Article 12 of Italian Law Decree no. 185/2008 ("Tremonti Bond").
The core capital also includes among its positive elements the allowed portion of 6 innovative and non-innovative equity instruments of the "preference share" type.
An early redemption option is present in all 6 equity instruments, after 10 years of the issuance, subject to the prior authorisation of the Bank of Italy.
Among them, 3 innovative capital instruments were issued by foreign subsidiaries set-up "ad hoc" (Special Purpose Entities). The latter have signed special agreements with the Parent Company (on-lending) for the transfer of the collected sums, in similar conditions and with the same subordination constraints of placed securities.

The 5th update of 22 December 2010 to Circular no. 263 introduced more restrictive methods for calculating the share capital and innovative and non-innovative instruments. However, transitional regulations have been provided for calculating in the Tier 1 capital, until 31 December 2020, the securities representing the capital share (shares) and innovative and non-innovative equity instruments - issued before 31 December 2010 - which do not meet the new criteria envisaged under paragraphs 3 and 4 of Heading I, Chapter 2, section II, respectively.

All the innovative and non-innovative instruments of the Banco Popolare Group, existing as at 31 December 2010, are not subject to transitional regulations.

2. Tier 2 capital

The Tier 2 capital mainly comprises valuation reserves and subordinated liabilities issued (Lower Tier 2) and the hybrid capitalisation instruments (Upper Tier 2), (the allowed portion under the above mentioned regulation), as well as the "preference shares" that cannot be included in Tier 1.

3. Tier 3 capital

No Tier 3 elements were reported
For all the above mentioned loans, subordination requires that, in the event of liquidation or receivership, the holders of these securities be repaid only after all other creditors with higher claim have been repaid.
Repayments upon maturity of "hybrid instruments" and early repayment for all subordinated liabilities are subject to the prior authorisation of the Bank of Italy.
The main contract characteristics of the above mentioned instruments are described in the following tables.

Illustrated below is a detailed listing of equity instruments included in the Tier 1 capital calculation:

ISIN	Issuer	Type	Issue date	Maturity	Currency	Interest rate	Issued amount *(in mln €)*	Contribution to regulatory capital *(in mln €)*	Method of repayment	Current coupon
XS0304963373	Banco Popolare Soc.Coop.	pref. shs.	21-Jun-07	21-Jun-2100	euro	6.756% fixed yearly until June 2017 then 3m Euribor + 188 bp	300.00	300.00	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance.	Yearly
XS0304963290	Banco Popolare Soc.Coop.	pref. shs	21-Jun-07	21-Jun-2100	euro	6.156% fixed yearly until June 2017 then 3m Euribor + 228 bp	350.00	350.00	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance.	Yearly
IT0004596109	Banco Popolare Soc.Coop.	pref. shs	29-Mar-10	29-Mar-2049	euro	9% fixed yearly until March 2020 then 3m Euribor + 100 bp	25.00	25.00	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance.	Yearly
XS0122427940	Banca Popolare di Lodi Investors Trust 2	pref. shs	29-Dec-00	29-Dec-2049	euro	Floating 3m Euribor + 300 bp until December 2010 then 3m Euribor + 450 bp	75.00	75.00	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance.	Quarterly
XS0223454512	Banca Popolare di Lodi Investors Trust 3	pref. shs	30-Jun-05	30-Jun-2049	euro	6.742% fixed yearly until June 2015 then 3m Euribor + 525 bp	500.00	498.30	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance.	Yearly
XS0255673070	Banca Italease Capital Trust	pref. shs	6-Jun-06	6-Jun-2049	euro	Floating 3m Euribor + 130 bp until June 2016 then 3m Euribor + 230 bp	150.00	145.00	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance.	Quarterly

Illustrated below is a detailed listing of subordinated liabilities included in the Tier 2 capital calculation:

ISIN	Issuer	Type	Issue date	Maturity	Currency	Interest rate	Issued amount *(in mln €)*	Contribution to regulatory capital *(in mln €)*	Method of repayment	Coupon
XS0256368050	Banco Popolare Soc.Coop.	Sub	15-Jun-06	15-Jun-16	euro	3m Euribor + 40 bp until June 2011 then 3m Euribor + 100 bp	500.00	474.85	Early redemption option from 15/6/2011 after prior approval of the Bank of Italy	Quarterly
XS0276033510	Banco Popolare Soc.Coop.	Sub	22-Nov-06	22-Nov-16	euro	3m Euribor + 45 bp until November 2011 then 3m Euribor + 105 bp	250.00	232.65	Early redemption option from 22/11/2011 after prior approval of the Bank of Italy	Quarterly
XS0284945135	Banco Popolare Soc.Coop.	Sub	8-Feb-07	8-Feb-17	euro	3m Euribor + 35 bp until February 2012 then 3m Euribor + 95 bp	550.00	497.20	Early redemption option from 8/2/2012 after prior approval of the Bank of Italy	Quarterly
XS0215451559	Banco Popolare Soc.Coop.	Hybrid	23-Mar-05	23-Mar-15	euro	4.625% fixed on a yearly basis	300.00	298.96	Bullet repayment upon maturity	Yearly
IT0004328230	Banco Popolare Soc.Coop.	Sub	31-Mar-08	31-Mar-18	euro	3m Euribor + 25 bp until March 2013 then 3m Euribor + 85 bp	455.00	427.36	Early redemption option from 31/3/2013 after prior approval of the Bank of Italy	Quarterly
XS0451531346	Banco Popolare Soc.Coop.	Sub	9-Sep-09	9-Sep-16	euro	5.7% fixed on a yearly basis	50.00	50.00	Bullet repayment upon maturity	Yearly
XS0456106912	Banco Popolare Soc.Coop.	Sub	7-Oct-09	7-Oct-14	euro	4.5% fixed on a yearly basis	50.00	40.00	Bullet repayment upon maturity	Yearly
XS0464464964	Banco Popolare Soc.Coop.	Sub	12-Nov-09	12-Nov-16	euro	5.473% fixed on a yearly basis	340.00	338.71	Bullet repayment upon maturity	Yearly
XS0481740438	Banco Popolare Soc.Coop.	Sub	26-Jan-10	26-Jan-15	euro	4.4% fixed on a yearly basis	53.00	53.00	Bullet repayment upon maturity	Yearly
XS0504893701	Banco Popolare Soc.Coop.	Sub	28-Apr-10	28-Apr-17	euro	4.75% fixed on a yearly basis	100.00	99.41	Bullet repayment upon maturity	Yearly
XS0555834984	Banco Popolare Soc.Coop.	Sub	5-Nov-10	5-Nov-20	euro	6% fixed on a yearly basis	1000.00	986.73	Bullet repayment upon maturity	Yearly
IT0004230378	CR Lucca Pisa Livorno	Sub	7-May-07	7-May-12	euro	Refi rate 6m Euribor +37 bp cap 5.25% floor 2.75%	40.00	16.00	Four-year straight-line redemption plan	Six-monthly
IT0003209969	Banca Popolare di Lodi (former Reti Bancarie)	Hybrid	14-Dec-01	14-Dec-11	euro	5.75% fixed on a yearly basis	50.00	45.26	Bullet repayment upon maturity	Six-monthly
IT0003210017	Banca Popolare di Lodi (former Reti Bancarie)	Hybrid	14-Dec-01	14-Dec-11	euro	3m Euribor + 100 bp	68.25	67.32	Bullet repayment upon maturity	Quarterly
IT0003411821	Banca Popolare di Lodi	Hybrid	27-Dec-02	27-Dec-12	euro	5.3% fixed on a yearly basis	95.00	90.22	Bullet repayment upon maturity	Six-monthly
IT0003411847	Banca Popolare di Lodi	Hybrid	27-Dec-02	27-Dec-12	euro	6m Euribor + 75 bp	173.42	137.92	Bullet repayment upon maturity	Six-monthly
XS0203156798	Banca Italease	Sub	15-Oct-04	15-Oct-14	euro	3m Euribor + 50 bp until October 2009 then 3m Euribor + 110 bp	150.00	62.23	Early redemption option from 15/10/2009 after prior approval of the Bank of Italy	Quarterly
XS0259400918	Banca Italease	Sub	28-Jun-06	28-Jun-16	euro	3m Euribor + 55 bp until June 2011 then 3m Euribor 115 bp	125.00	81.94	Early redemption option from 28/06/2011 after prior approval of the Bank of Italy	Quarterly

B. Quantitative information

The Group complies with the minimum capital requirement of 8% of risk-weighted assets.

In accordance with Chapter 2, paragraph 7, part F, of Circular 262 ("Bank financial statements: layout and compilation rules"), in case of standardised methods, the "unweighted amounts" correspond to the value of the exposure including prudential filters, risk mitigation techniques and credit conversion factors (E* in supervisory reports times the credit conversion factors in case of guarantees and commitments).

Regulatory capital		Total	
		31/12/2010	31/12/2009
A.	**Tier 1 capital before the application of prudential filters**	**6,467,170**	**6,555,670**
B.	Tier 1 capital prudential filters:		
B.1	Positive IAS/IFRS prudential filters (+)	1,450,000	1,450,000
B.2	Negative IAS/IFRS prudential filters (-)	486,495	257,585
C.	**Tier 1 capital gross of elements to be deducted (A + B)**	**7,430,675**	**7,748,085**
D.	Items to be deducted from Tier 1 capital	637,481	623,300
E.	**Total TIER 1 capital (C – D)**	**6,793,194**	**7,124,785**
F.	**Tier 2 capital before the application of prudential filters**	**4,109,751**	**3,563,584**
G.	Tier 2 capital prudential filters:		
G.1	Positive IAS/IFRS prudential filters (+)	-	-
G.2	Negative IAS/IFRS prudential filters (-)	50,892	47,113
H.	**Tier 2 capital before items to be deducted (F + G)**	**4,058,859**	**3,516,471**
I.	items to be deducted from Tier 2 capital	637,481	623,300
L.	**Total Tier 2 capital (H - I)**	**3,421,378**	**2,893,171**
M.	Items to be deducted from total Tier 1 and 2 capital	60,000	60,000
N.	**Regulatory capital (E + L - M)**	**10,154,572**	**9,957,956**
O.	Tier 3 capital	-	-
P.	**Regulatory capital including Tier 3 (N+O)**	**10,154,572**	**9,957,956**

The unweighted exposure to securitisations is the sum of the nominal amounts of all junior, mezzanine and senior securities held in the portfolios of the Group companies.
The shown amount includes the senior tranches purchased by the Parent Company in originated securitisations.
The decrease over the prior year is justified by the return of some securitisations in favour of disposals for the issuance of Covered Bonds.

2.3 Capital Adequacy

A. Qualitative information

Under the prudential regulatory provisions, the total capital requirement is the sum of the capital requirements required as a result of the credit, counterparty, market and operational risks.
These requirements in turn are the result of the sum of the individual requirements of the companies belonging to the Supervisory Group, stripped of the intercompany relations on credit and counterparty risks.

For credit and counterparty risks and market risks, the Group adopted the "standard approaches".
With regard to operational risk, the Group adopted the "combined approach", as most Group companies used the "standard approach", but some minor Companies used the "base approach".

Under the "standard approach" to credit risks, the Group used the issued by External Credit Assessment Institutions (ECAI) recognised by the Bank of Italy.
In July 2010, the latter partially revised in a more restrictive way the mapping of the ratings to the weighting coefficients with effect from 31 December 2010. For this reason, weighted amounts being equal and rating values unchanged, there has been a significant increase in risk-weighted assets.

The capital management policies of the Banco Popolare Group aim, on the one side, at guaranteeing that the capital base be consistent with the total risk measure, with regulatory constraints, with the target rating and with corporate development plans, and, on the other side, at optimising the capital makeup, namely the set of elements making up regulatory capital, by selecting a mix of suited financial instruments to minimise the cost of capital.

B. Quantitative information

Categories/amounts		Unweighted amounts		Weighted amounts/requirements	
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
A.	**Risk assets**				
A.1	**Credit and counterparty risk**				
	1. Standardized methodology	203,641,831	197,392,624	96,305,082	93,674,444
	2. Methodology based on internal ratings				
	2.1 Basic	-	-	-	-
	2.2 Advanced	-	-	-	-
	3. Securitisations	7,385,494	11,159,502	3,213,561	4,921,159
B.	**Regulatory capital requirements**				
B.1	**Credit and counterparty risk**			**6,744,213**	**6,546,158**
B.2	**Market risk**				
	1. Standardized methodology			335,658	352,219
	2. Internal models			-	-
	3. Concentration risk			-	-
B.3	**Operating risk**				
	1. Basic methodology			46,305	41,349
	2. Standardized methodology			464,056	470,135
	3. Advanced methodology			-	-
B.4	**Other capital requirements**			**-**	**-**
B.5	**Other calculation elements**			**-**	**-**
B.6	**Total capital requirements**			**7,590,232**	**7,409,861**
C.	**Risk assets and capital ratios**				
C.1	Risk-weighted assets			94,877,901	92,623,263
C.2	Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			7.16%	7.69%
C.3	Regulatory capital including Tier 3/ Risk-weighted assets (Total capital ratio)			10.70%	10.75%

PART G – BUSINESS COMBINATIONS

Section 1 - Transactions achieved during the year

1.1 Business combinations

As described in the section of the Report on Operations dedicated to significant events during the year, as part of the agreements entered into with the Risanamento Group and exposed banks, including the Banco Popolare Group, a Framework Agreement was signed in March according to which Risanamento transferred to Bipielle Real Estate - which presented an exposure of a total of around euro 100.2 million for down payments and advances relating to the Milano Santa Giulia project - the holdings representing the share capital of Mariner S.r.l., Sviluppo Comparto 6 S.r.l., Sviluppo Comparto 8 S.r.l. and its subsidiary RI Investimenti Due S.r.l.
In accordance with the IFRS 3 reference accounting standard, the cost of the operation must be allocated, within the maximum period of twelve months from the date of acquisition, to assets, liabilities and potential liabilities of the acquired subject identifiable on the acquisition date and designated at the respective fair values.
In this case, the cost of acquisition of equity investments equals 20.1 million, attributable to the original value of the Mariner, Sviluppo Comparto 6 and Sviluppo Comparto 8 shares of 6.1 million, to the book value of the investment of RI Investimenti Due in Sviluppo Comparto 8 amounting to 6 million and to other expenses borne by Bipielle Real Estate by way of partial waiver of credit and shareholders' payments of 8 million; for completeness, it should be noted that the mentioned framework agreement also envisaged, in addition to the transfer of the shares in question, the lending to the same companies of a total of 94.1 million.
In connection with this cost, the book value of the shareholders' equity of the companies acquired amounts to 15.4 million. The difference of 4.7 million was allocated by 3.6 million to a property owned by the subsidiary Mariner, whose fair value was determined on the basis of an expert evaluation; the remaining amount of 1.1 million, since the conditions necessary to further allocate to assets, liabilities and potential liabilities of the acquired companies were lacking, was recognised in the income statement for the period under the item "other operating expenses".

As part of the credit collection activities regarding Cartiera Fenili S.r.l., subject to arrangement with creditors, on 14 October 2010, the subsidiary Cassa di Risparmio di Lucca Pisa Livorno acquired the entire equity investment held by Cartiera Fenili S.r.l. in the newly-established company called TT Toscana Tissue S.r.l., as *datio in solutum*. The value of the investment amounts to 7.8 million, corresponding to the shareholders' equity of the company.

In addition to the described operations, on 29 April 2010 the transaction between Banca Popolare di Lodi and Gianpiero Fiorani was finalised, described as among the significant events for the year. Based on these agreements, Banca Popolare di Lodi, as from 18 May 2010, date of filing with the competent Registry, became the holder of a series of equity investments in real estate companies, including the control of Liberty S.r.l. and S.I.A.L. S.r.l. in liquidation.
The fair value of equity investments acquired was determined, on the basis of external expert evaluations carried out on the real estate of the companies themselves, in euro 6 million, in connection with the book value of the shareholders' equity attributable to the Group of about -0.7 million.
In accordance with the IFRS 3 accounting standard, the fair values of the properties of the investee companies, Liberty and S.I.A.L., consolidated line-by-line, were expressed in the consolidated financial statements.
For completeness, it should be noted that the described transaction resulted also in the acquisition, by Banca Popolare di Lodi, of equity investments in some real estate companies carried at equity; for these companies, there were no differences between book values and fair values of assets and liabilities recorded in the financial statements.

The table below provides some details regarding the business combination. Note that the shown equity interest refers to the stake acquired upon completion of the Public Purchase Offer; the same is true for the cost of the business combination:

(in millions of euro)	Date of the business combination (1)	Cost of the business combination (2)	Total acquired equity interest (%) (3)	Total Group revenues (4)	Group net profit/loss for the year (5)
Mariner S.r.l.	23/07/2010	11.1	100%	0.4	3.8
Sviluppo Comparto 6 S.r.l.	01/03/2010	1.0	100%	-	(1.3)
Sviluppo Comparto 8 S.r.l.	01/03/2010	2.0	100%	28.7	0.6
RI Investimenti Due S.r.l.	01/03/2010	6.0	100%	-	(0.4)
TT Toscana Tissue S.r.l.	14/10/2010	7.8	100%	0.1	-
Liberty S.r.l.	18/05/2010	-	95%	-	(0.5)
S.I.A.L. Società Imm. Agricola Lodigiana S.r.l. in liquidation	18/05/2010	-	90%	0.1	-

(1) Date on which control was acquired
(2) Cost including already accounted for accessory charges
(3) Percentage of voting equity interests acquired
(4) Value of production in FY 2010
(5) Results in FY 2010

Other business combinations

As illustrated in Part A of these Explanatory notes, Section 3 – Consolidation scope and method, during the year a number of mergers were formalised under the Group's reorganisation plan. In particular, in July the merger by incorporation of Novara SIM into Compagnia Finanziaria Ligure Piemontese (Cofilp) took place, both of which in liquidation.
At the end of December, the Group formalised the mergers of Italease Network into Banca Italease, of Aletti Gestielle Alternative SGR into Aletti Gestielle SGR and of Aletti Fiduciaria into Nazionale Fiduciaria.
These business combinations were accounted for with continuity of values, since they were combinations among companies under joint control, as described in the accounting policies in Part A of these Explanatory Notes.

Section 2 - Business combinations after the reporting period

2.1 Business combinations

No business combinations were carried out after the reporting period.

Section 3 – Retrospective adjustments

Since the economic effects of the allocation of the cost of the business combinations carried out during the period described above were recognised at the moment of acquisition of control of the entities being combined, it is not necessary to carry out the restatement of the interim reports before the reporting date of these financial statements.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. Information on compensation to directors and executives with strategic responsibilities

The table below summarises the compensation paid to executives with strategic responsibilities, namely executives who, directly or indirectly, have the power and the responsibility to plan, manage and control the business activities of the Group companies (directors, statutory auditors, general managers and other executives meeting the above characteristics).
In total, 511 tasks entrusted to 408 people (including 73 executives with strategic responsibilities).

(in thousands of euro)			
Total gross compensation FY 2010			**40,883**
of which:		**(FY 2009)**	
Non-executive directors and Statutory auditors	13,666	(14,949)	
Non-employee executive directors	5,193	(5,520)	
Employees	22,024	(19,848)	
		(40,317)	
Share of profit FY 2010 (if any)			0
Short term benefits (e.g., car, lodging, accident insurance policy, medical assistance)			1,354
Post-employment benefits (e.g., pension fund, supplementary pension scheme)			363
Long-term benefits (if any)			0
Employee termination benefits (e.g., employee termination indemnities, other benefits)			5,110
Share-based payments (e.g., stock options/stock grants assigned during the year, share-based bonuses)			38

2. Information on transactions with related parties

Banco Popolare adopted the "Applicable regulations of the notion of related parties pursuant to international accounting standard IAS 24" – approved by the Management Board and the Supervisory Board – valid for said Bank and for all the Group companies.
The afore-mentioned "Applicable regulations" establish that within the sphere of the Banco Popolare Group the definition of "related party" envisaged by IAS 24 be used and define – above all else – the following operational criteria for identifying the related parties:

a) companies subject to significant influence and joint control: entities in which at least 20% of the voting rights that can be exercised during ordinary shareholders' meetings are held, directly or indirectly, or rather 10% of the shares are listed on regulated markets and any other company or body that can be qualified as a related party as per IAS 24 as indicated above;
b) executives with strategic responsibilities: both the members of the Supervisory Board and the Management Board of the Parent Company are qualified as such, along with the members of the Boards of Directors and the acting members of the Boards of Statutory Auditors of the Group companies, the General Manager or the General Managers, the heads of the Parent Company Divisions (currently Corporate – Retail – Loans – Finance, Corporate Centre and Shareholdings – Legal Affairs and Compliance – Operations – Human Resources divisions) and the Executives who cover senior roles as per the Articles of Association (for example the Manager responsible for the preparation of corporate accounting documents, the Head of the internal auditing division, the Head of the Compliance division); any additional structure heads can be identified by the Management Board/Board of Directors;
c) close family members: the following are presumed to be as such, unless otherwise declared in writing by the executive, under the latter's own responsibility and containing adequate and analytical justification of the reasons that exclude any influence: spouses, common law spouses (including cohabitants whose status is not revealed in the family status certificate), offspring of the party, of the spouse or common law spouse, individuals dependent on the party, the spouse or common law spouse. Any other individual which the party believes may influence them (or be influenced by them) in their dealings with the bank or the other Group companies is also a related party;
d) participative relations or strategic roles attributable to executives with strategic responsibilities and their close relatives: the following entities are considered to be related parties, those in which executives with strategic responsibilities or their close relatives: have control pursuant to Article 2359, paragraph 1, of the Italian Civil Code, or at least 20% of the voting rights that can be exercised during ordinary shareholders' meetings, or 10% if the company has shares listed on regulated markets, or they cover the office of Chairman of the Supervisory Board, Chairman of the Management Board, Chairman of the Board of Directors, Managing Director or representative endowed with powers of authority.
e) pension funds for employees of Banco Popolare: i.e. the pension funds for Group employees and any other related body;
f) holders of a significant equity investment: Mutual Investment Funds, or any other expressly authorised party, who hold the capacity of shareholder and who possess a shareholding greater than 2% in the share capital of Banco Popolare. Parties not belonging to the Group who hold a shareholding greater than 2% in other Group companies

are also considered to be related parties. The company's Board of Directors can change this percentage both upwards and downwards, providing justification in relation to the significance of the equity investment;

g) parties in a position, in themselves, to appoint members of the Supervisory Board or the Boards of Directors: i.e. the parties who, by virtue of Articles of Association or shareholders' agreements, are able to appoint, alone, one or more board directors of other companies.

Financial and commercial dealings between subsidiary companies and those subject to significant influence and joint control.

The financial and commercial dealings with related parties fall within the sphere of core operations and have been concluded under conditions essentially in line with the market.

The tables below show the P&L and financial relations as at 31 December 2010 with the companies subject to significant influence, the joint ventures, key managers (which include audit bodies) and other related parties.

(in thousands of euro)	Entities exercising significant influence (1)	Associates	Joint ventures	Executives with strategic responsibilities	Other related parties	Total	% of consolidated total
Financial assets held for trading	-	3,080	-	-	6,961	10,041	0.09%
Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	12,828	12,828	0.23%
Financial assets held to maturity	-	-	-	-	-	-	-
Receivables due from banks	-	141,571	-	-	388	141,959	1.88%
Loans to customers	-	1,142,749	-	17,179	762,585	1,922,513	2.04%
Hedging derivatives	-	-	-	-	-	-	-
Other assets	-	5,132	-	2	51	5,185	0.04%
Due to banks	-	28,844	-	-	1,390	30,234	0.32%
Due to customers	-	374,509	-	31,128	376,140	781,777	1.43%
Securities issued	-	102	-	822	60,764	61,688	0.26%
Financial liabilities held for trading	-	434,576	-	-	505	435,081	11.65%
Financial liabilities designated at fair value through profit and loss	-	-	-	463	32,096	32,559	0.12%
Hedging derivatives	-	-	-	-	-	-	-
Other liabilities	-	677	-	309	2,280	3,266	0.06%
Guarantees given and commitments	-	1,930	-	2,091	90,654	94,675	0.59%

(1) Funds or other authorised subjects holding the capacity of Shareholder and who possess a shareholding greater than 2% of the share capital.

(in thousands of euro)	Entities exercising significant influence (1)	Associates	Joint ventures	Executives with strategic responsibilities	Other related parties	Total	% of consolidated total
Interest margin	-	10,316	-	(38)	5,412	15,690	0.87%
Net fee and commission income	-	263,579	-	12	6	263,597	20.83%
Dividends and similar income	-	-	-	-	-	-	-
Administrative expenses	-	9,294	-	2,107	1,287	12,688	0.48%
Other costs / revenues	-	17,332	-	21	-	17,353	3.32%

(1) Funds or other authorised subjects holding the capacity of Shareholder and who possess a shareholding greater than 2% of the share capital.

Other transactions with other related parties

The table below discloses other transactions – supplies of goods and services and transactions on real estate property – entered into with related parties, shown in the above table under "executives with strategic responsibilities" and "other related parties".

(in thousands of euro)	Purchases and sales of goods and services	Leases (receivable)	Leases (payable)
a) Directors	0	0	0
b) Executives with strategic responsibilities	0	41	0
c) Close relatives of subjects as per letters a) and b)	0	0	0
d) Subsidiary, associated company or subject to significant influence by the parties as per letters a) and b)	1,174	1,016	45

Economic relations with Top Managers, Traders, Directors and Statutory Auditors

In compliance with Article 12 bis of the Ethical Code of Banco Popolare, illustrated below are the compensations paid to Top Managers[1], Traders, and members of the Administrative and Auditors Boards of Banco Popolare.

Compensation of members of the Supervisory Board and the Management Board of Banco Popolare

For a detailed illustration of compensations paid to the members of the management and supervisory boards of Banco Popolare, reference is made to section H of the Explanatory Notes to the separate financial statements.

Compensation of Top Managers of Banco Popolare

For detailed information on the compensation of top managers who are executive members of the Management Board - Mr. Franco Baronio (until 14 September 2010), Mr. Alfredo Cariello, Mr. Domenico De Angelis, Mr. Maurizio Di Maio, Mr. Maurizio Faroni, Mr. Giorgio Papa (until 26 April 2010), Mr. Bruno Pezzoni (since 01 July 2010), Mr. Guidetti Leonello (since 14 September 2010) - and of the executives with strategic responsibilities of Banco Popolare, namely the Managers of the 7 Divisions (Corporate – Retail – Loans – Finance, Corporate Centre and Shareholdings – Legal affairs and Compliance – Operations – Human Resources) and the heads of the Group Audit, Risk Management and Administration and Financial reporting Services, reference is made to section H of the Explanatory Notes to the separate financial statements.

The Top Managers of Banco Popolare other than those mentioned above are in charge of the Services reporting directly to the Managing Director: Corporate Secretary Office, Communications and External Relations.
The compensation of the above top managers are illustrated in the table below:

(in thousands of euro)	
Total gross compensation FY 2010	**485**
Total gross compensation deducted by the party concerned for offices held in the interest of the Group	**-**
Short-term benefits	
- car	25
- lodging	24
- personal accident insurance policy	-
- medical assistance	3
Post-employment benefits	
- pension fund	21
- supplementary pension scheme	
Employee termination benefits	
- employee severance indemnities	25
Share-based payments	
- company bonus in shares	2

Compensation of Top Managers of the main companies of the Banco Popolare Group

The table below summarises the compensations paid to Top Managers.[1], other than those identified in the previous paragraphs, of the main companies of Banco Popolare Group[2].
In total, 45 people fall under this category.
The amounts shown include all the activities carried out by the above persons in the Group.

(in thousands of euro)	
Total gross compensation FY 2010	**10,865**
Total gross compensation deducted by the party concerned for offices held in the interest of the Group	**924**
Short-term benefits	
- car	421
- lodging	201
- personal accident insurance policy	35
- medical assistance	74
Post-employment benefits	
- pension fund	230
- supplementary pension scheme	
Employee termination benefits	
- employee severance indemnities	529
Share-based payments	
- company bonus in shares	11

Compensation to Traders of the Banco Popolare Group

The table below shows the compensations of traders of the Banco Popolare Group; it does not include the compensation of those who also hold the office of "Top Mangers" in the main companies of the Banco Popolare Group and are already included in the above table.
Under Article 12 of the Ethical Code, the "Traders" category includes employees who received an all-inclusive annual compensation equal or above 200,000, totalling 10 people.

(in thousands of euro)	
Total gross compensation	**2817**
Total gross compensation deducted by the party concerned for offices held in the interest of the Group	
Short-term benefits	
- car	39
- lodging	40
- personal accident insurance policy	6
- medical assistance	18
Post-employment benefits	
- pension fund	48
- supplementary pension scheme	
Employee termination benefits	
- employee severance indemnities	108
Share-based payments	
- company bonus in shares	6

[1] Top Managers are Managing Directors, General Managers, Co-General Managers and Deputy General Managers of the companies of the Group and the managers reporting directly to the Managing Director of the Parent company

[2] Aletti & C. Banca d'Investimento Mobiliare SpA, Aletti Fiduciaria SpA, Aletti Gestielle SGR SpA, Auto Trading Leasing IFN S.A., Banca Aletti & C. (Suisse) SA, Banca Italease SpA, Banca Popolare di Crema SpA, Banca Popolare di Cremona SpA, Banca Popolare di Lodi SpA, Banca Popolare di Novara SpA, Banca Popolare di Verona - S.Geminiano e S.Prospero SpA, Banco Popolare Ceska Republika as., Banco Popolare Croatia dd, Banco Popolare Hungary Zrt, Banco Popolare Luxembourg SA, Bipielle Real Estate SpA, BP Property Management Soc.Cons. a r.l., B.P.L. International (UK) Ltd, Cassa di Risparmio di Lucca Pisa Livorno SpA, Credito Bergamasco SpA, Efibanca SpA, Italease Gestione Beni SpA, Itaca Service SpA, Immobiliare BP Srl, Holding di Partecipazioni Finanziarie BP SpA, Mercantile Leasing SpA, Release SpA, Società Gestione Crediti BP Soc.Cons.p.A., Società Gestione Servizi BP Soc.Cons.p.A.

PART I – SHARE-BASED PAYMENTS

1. Description of share-based payments

Stock option plan

QUALITATIVE INFORMATION

The Board of Directors of the former Banca Popolare di Verona – Banco S.Geminiano e S.Prospero on 23 October 2001 approved the general guidelines of the Stock Option Plan to be reserved for the management of the Bank and of the Group with the right of the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital on one or more occasions so as to serve the approved Plan.
Said decision was then approved by the extraordinary shareholders' meetings for the merger of Banca Popolare di Verona – Banco S.Geminiano e S.Prospero and Banca Popolare di Novara held on 9 March 2002 leading to the formation of Banco Popolare di Verona e Novara. The same shareholders' meetings had consequently granted the Board of Directors of Banco Popolare di Verona e Novara the right to proceed with a share capital increase, to exclusively serve the plan, for a maximum nominal amount of euro 26,431,362 through the issue of maximum 7,342,045 ordinary shares.
In compliance with the aforementioned powers, on 2 July 2002 the regulations of the aforesaid stock option plan were approved. The plan envisages the assignment of registered, personal and non transferable rights, for the subscription of ordinary, newly-issued Bank shares in favour of those executives that, at the Board's unquestionable discretion, may have a material impact on the success and the results of the bank and of the Group. The plan was divided up into three annual allocation cycles. The options assigned were exercised on a deferred basis after a period of three years from the moment of their assignment and within the following three years, provided that a subordinate employment relationship exists as of the date of exercise with any one of the Group companies. The option exercise price was not lower than the greater between the normal value (represented by the arithmetic average of the prices reported by the Milan Stock Exchange in the period running from the date of assignment of the options to the same day in the calendar month prior to said assignment) and the nominal value of the share.
On 2 July 2002, the Board of Directors decided to maintain a total of 2,668,000 options already assigned on 26 January 2002 by the Board of Directors of Banca Popolare di Verona - Banco S.Geminiano e S.Prospero, at an exercise price of euro 11.248 per share as well as the assignment of an additional 1,122,000 options whose exercise price is euro 13.4 per share.
In 2003, 1,241,000 new options were assigned at an average exercise price of euro 10.55, while 823,500 options were cancelled since the executives to which they were assigned have left the company.
During 2004, additional 2,572,000 options were assigned at an average exercise price of euro 13.73, while those cancelled, again following the resignation of executives to whom they were assigned, came to 21,000.
In 2005, a total of 1,020,500 rights had been exercised; during the year, 70,000 rights were cancelled and no new allocations were made.
In 2006, a total of 2,392,500 rights had been exercised. In relation to the rights exercised, on 3 July 2006 2,392,500 shares were issued. During 2006, a total of 28,000 rights were cancelled and no new allocations were made.
In 2007, a total of 1,086,250 rights were exercised and, in relation to the rights exercised, on 19 June 2007 1,086,250 shares were issued, no rights were cancelled and no new allocations were made.
With the approval of the merger project between Banco Popolare di Verona e Novara and Banca Popolare Italiana, by means of the formation of Banco Popolare Società Cooperativa, on 10 March 2007 the shareholders' meetings of BPVN and BPI assigned the Management Board authority to implement a share capital increase for the new Banco Popolare serving the Stock option plan for a maximum number of shares corresponding to the number of rights assigned and not yet exercised as of that date.
In June 2008, May 2009 and May 2010, no assignee of the outstanding stock options took steps to exercise the related rights and therefore it was not necessary to take steps to carry out any consequent share capital increase.
As a result of the above, in 2008 55,000 rights were cancelled, belonging to the first tranche and in 2009 a total of 647,500 rights were cancelled, belonging to the first and second tranches.
In May 2010, the last residual 1,458,750 rights were exercisable, belonging to the third tranche, referring to 49 registered rights, with an exercise price ranging from euro 13.590 to euro 14.210 (higher than the value of the stock on the market); these last rights were not exercised and consequently were cancelled. The Stock Option Plan has therefore concluded.

QUANTITATIVE INFORMATION

1. Annual changes

	31 December 2010			31 December 2009		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**1,458,750**	**13.781**	**5 months**	**2,106,250**	**12.988**	**5 months**
B. Increases	-	-		-	-	
B.1 new issues	-	-		-	-	
B.2 other changes	-	-		-	-	
C. Decreases	**1,458,750**	**13.781**		**647,500**	**11.198**	
C.1 cancelled	-	-		-	-	
C.2 exercised	-	-		-	-	
C.3 expired	1,458,750	13.781		647,500	11.198	
C.4 other changes	-	-		-	-	
D. Closing balance	**-**	**-**		**1,458,750**	**13.781**	**5 months**
E. Options exercisable at the end of period	**-**	**-**		**1,458,750**	**13.781**	**5 months**

2. Other information

The stock option plan described above is part of share-based payment transactions regulated with equity instruments. The associated cost has already been fully charged to income in the previous years.

	31 December 2010			31 December 2009		
	Number of shares	Average exercise price	Market prices	Number of shares	Average exercise price	Market prices
(1) Option rights outstanding at beginning of period	**(***) 1,458,750**	**13.781**	**5.273**	**(**) 2,106,250**	**12.988**	**4.985**
(2) New option rights assigned in the period	-	-	-	-	-	-
(3) Option rights exercised in the period	-	-	-	-	-	-
(4) Option rights expired in the period	(****) 1,458,750	13.781	4.486	(***) 647,500	11.198	5.923
(5) Option rights cancelled in the period	-	-	-	-	-	-
(6) Option rights outstanding at end of period	-	-	-	**1,458,750**	**13.781**	**5.273**
of which: exercisable	-	-	-	(****) 1,458,750	13.781	5.273

The market price is the average of the different dates, weighted for the amount of shares for (2), (3), (4) and (5), spot for (1) and (6). In case of assignment of free shares, options shall have an exercise price equal to zero.
(*) of which: 647,500 exercisable in 2009 and 1,458,750 exercisable in 2009 and 2010
(**) 1st and 2nd tranche option rights expired in May 2009
(***) 3rd tranche option rights exercisable in 2010
(****) option rights expired in May 2010

Banca Italease stock option plans

Banca Italease had two stock option plans in favour of employees, executives, executive directors and collaborators of Banca Italease and its subsidiaries, currently fallen from office.
In detail, the stock option plan approved on 6 May 2005 expired on 10 April 2010.
Subsequently, on 22 April 2010, the shareholders' meeting of Banca Italease approved the early cancellation of the stock option plan approved by the shareholders' meeting held on 9 November 2006, since the conditions on the basis of which the plan had been approved no longer applied.

2005 – 2010 stock option plan

The extraordinary shareholders' meeting held on 11 April 2005 resolved to assign the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, the right to increase the share capital against payment, with exclusion of the option right within five years as from the date of the shareholders' resolution, for a maximum nominal amount of euro 11,756,105 through the issue of maximum 2,278,315 ordinary shares serving the stock option plan.
On 6 May 2005, the Board of Directors of Banca Italease approved the stock option plan regulations, whose essential terms are described below.
The plan was intended for the executive directors, employees, executives and collaborators identified each time by the Board of Directors.
The plan set itself the aim of developing a culture highly oriented at creating value, understood as the achievement of increasing results that can be repeated over time.

The option exercise price for all the beneficiaries was equal to the normal value of the share, i.e. the market price of each one of the shares as determined to an extent corresponding to the arithmetic average of the prices struck on the Milan stock market in the period between the allocation date of the options and the same day in the previous calendar month.
The plan was structured by means of the allocation of options that grant the right to subscribe the shares issued at the time of the share capital increase serving the plan, at a ratio of one share per option exercised.
The plan term was from 11 April 2005 to 10 April 2010 The exercise of the options was subordinate to the existence of a dependent employment or on-going and co-ordinated collaboration relationship and/or a loan brokerage or financial activity agency relationship or, with regard to the directors, being a board member, of Banca Italease or one of its subsidiaries, at the time of effective exercise of the rights.
Between 2005 and 2006, the previous Board of Directors, subject to the favourable opinion of the Appointments and Emoluments Committee, allocated a total of 2,278,315 options to 19 beneficiaries (managers of the bank and its subsidiaries).
During 2007, following termination of the employment relationship, some beneficiaries lost every right to exercise the options assigned to them, for a total of 1,159,065 options. These options therefore became fully available to the Board of Directors for any subsequent allocation.
On 8 November 2007, the new Board of Directors, subject to the favourable opinion of the Appointments and Emoluments Committee, resolved to reassign part of the cancelled options, and in detail 1,090,000 options, to 8 new beneficiaries.
Following termination, in 2008, of the employment relationship with certain managers of Banca Italease and its subsidiaries, 398,500 options were cancelled. Of these, 114,375 options were definitively cancelled since, as of the termination date, the first tranche of the options assigned had already become exercisable. Therefore, the remaining 284,125 options became fully available to the Board of Directors of Banca Italease for any subsequent allocation; these options, added to the 69,065 options already available to the Board, led to a total amount of cancelled options re-assignable, totalling 353,190.
On 12 November 2009, the Board of Directors resolved the final cancellation of the 353,190 options available by said Board, since the conditions for any subsequent allocation no longer applied.
As from 1 January 2010, options were cancelled having been assigned to parties whose employment relationship with Banca Italease and/or with the related subsidiaries had terminated, and those who, on conclusion of the reorganisation transactions of the former Banca Italease Group, had become employees of the newly formed Alba Leasing S.p.A.
The stock option plan approved on 6 May 2005 expired on 10 April 2010.
During the stock option plan, no options were exercised by those with the right to do so.

2007 – 2013 stock option plan

On 9 November 2006, the extraordinary shareholders' meeting had approved as second stock option plan, resolving to grant authority to the Board of Directors as per Article 2443 of the Italian Civil Code, to increase the share capital against payment, with exclusion of the option right within five years as from the date of the shareholders' resolution, for a maximum nominal amount of euro 2,580,000 through the issue of maximum 500,000 ordinary shares serving the aforementioned plan.
The essential terms of the plan are described below.
The plan was intended for the executive directors, employees, executives and collaborators identified each time by the Board of Directors. The exercise of the options was subordinate to the existence of a dependent employment or on-going and co-ordinated collaboration relationship and/or a loan brokerage or financial activity agency relationship or, with regard to the directors, being a board member, of Banca Italease or one of its subsidiaries, at the time of effective exercise of the rights.
The plan set itself the aim of developing a culture highly oriented at creating value, understood as the achievement of increasing results that can be repeated over time.
The option exercise price for all the beneficiaries was equal to the normal value of the share, i.e. the market price of each one of the shares as determined to an extent corresponding to the arithmetic average of the prices struck on the Milan stock market in the period between the allocation date of the options and the same day in the previous calendar month.
The plan was structured by means of the allocation of options that grant the right to subscribe the shares issued at the time of the share capital increase serving the plan, at a ratio of one share per option exercised.
The duration of the plan was variable in relation to each tranche and with regard to the specific date of allocation within each tranche. In particular, the maximum theoretical duration of each tranche was understood as:

- for the first tranche: 30 June 2012,
- for the second and last tranche: 30 June 2013.

The plan regulations have envisaged two periods for allocation of the options: by 30 June 2007 for the first tranche and by 30 June 2009 for the second tranche.
On 8 November 2007, the new Board of Directors, subject to the favourable opinion of the Appointments and Emoluments Committee, resolved to assign 8 beneficiaries (coinciding with the beneficiaries of the reassignment of the options of the first stock option plan on the same date) all the 500,000 options, since the Board of Directors had not assigned options within the sphere of the first tranche.
The options allocated became exercisable as from 8 November 2009 and until 8 November 2011.
Also in relation to the second stock option plan, as from 1 January 2010, options were cancelled having been assigned to parties whose employment relationship with Banca Italease and/or with the related subsidiaries had terminated, and those who, on conclusion of the reorganisation transactions of the former Banca Italease Group, had become employees of the newly formed Alba Leasing S.p.A.

On 22 April 2010, the shareholders' meeting of Banca Italease approved the early cancellation of the stock option plan approved by the shareholders' meeting held on 9 November 2006, since the conditions on the basis of which the plan had been approved no longer applied.
During the stock option plan, no options were exercised by those with the right to do so.
As at 31 December 2010, Banca Italease had no more stock option plans outstanding.

Items/Number of options and exercise prices	31/12/2010			31/12/2009		
	Number of options	Average exercise prices	Average maturity	Number of options	Average exercise prices	Average maturity
A. Opening balance	**2,310,750**	**12.42**	**3**	**2,310,750**	**12.42**	**15**
B. Increases						
B.1 new issues						
B.2 other changes			X			X
C. Decreases	**2,310,750**	**12.42**	**-**			**-**
C.1 cancelled	2,310,750					
C.2 exercised			X			X
C.3 expired			X			X
C.4 other changes						
D. Closing balance	**-**	**-**	**-**	**2,310,750**	**12.42**	**3**
E. Options exercisable at the end of period	**-**	**-**	**X**	**500,000**	**11.779**	**X**

Stock grant plan

QUALITATIVE INFORMATION

Within the context of the finalisation of the merger between Banco Popolare di Verona e Novara and Banca Popolare Italiana via the establishment of Banco Popolare Società cooperativa and as an integral part of the same, it was envisaged that Banco Popolare be authorised, as per Articles 2357 and 2357 ter of the Italian Civil Code, to go ahead with the purchase, in observance of the limit set by Article 2357.1 of the Italian Civil Code, of a maximum of 660,000 ordinary shares, which represent around 0.10% of the initial share capital of the same, with authority to the legal representatives appointed, acting separately, to proceed with the purchase as per law. The authorisation to purchase the treasury shares was to have a duration of eighteen months as from 1 July 2007, date of efficacy of the merger.
The treasury shares could then be used within the sphere of an incentive plan (Stock Grant Plan) for executive directors, executives and employees of Banco Popolare and its subsidiaries pursuant to Article 2359 of the Italian Civil Code, by means of bonus allocations to the same.

The Stock Grant Plan envisages the bonus allocation of ordinary Banco Popolare outstanding shares in favour of those Beneficiaries who, at the unquestionable discretion of the Management Board, are deemed to be in the position to have a material impact on the success and results of the Bank and/or the Group.

The Stock Grant Plan is governed by specific Regulations that define the implementation criteria, approved by the respective shareholders' meetings held on 10 March 2007 of Banco Popolare di Verona e Novara and Banca Popolare Italiana.

The reasons and criteria based on which the Bank decided to set up a correlation between the assignment of stock grants and other fixed compensation components aim at building up loyalty, as mentioned above, and also at giving the beneficiaries a global benefit in line with the market practices of the Bank's business sector.

The aims pursued by the long-term incentive system can be summarised as follows:

- favour a "team building" approach among the management team, focusing the attention on Group strategic objectives, while closely correlating the total economic return extractable by top managers with the shareholders' value, hence with the share appreciation on the market;
- increase the retention capacity (handling of key resources) reducing the propensity of valuable managers to resign from the Group;
- improve the Group's competitiveness on the labour market, making it more appealing to the best talents on the market.

The duration of the Plan and, therefore, the period within which the Management Board has the power to identify the Beneficiaries and resolve the assignments, has been fixed in 5 years as from the date of establishment of the Bank, without prejudice to the possibility of additional extensions authorised by the bank's ordinary shareholders' meeting. This duration will make it possible to achieve the Plan objectives.
All this being stated, the Management Board – in compliance with the relevant authorisation conferred by the above mentioned Shareholders' Meetings pursuant to articles 2357 and 2357-ter of the Italian Civil Code – on 29 August 2008, subject to the favourable opinion of the Appointments and Emoluments Committee, launched the stock grant plan for the

executive directors, executives and employees of Banco Popolare and its subsidiaries:

- authorising the purchase of all the 660,000 ordinary shares of Banco Popolare (purchases were carried out until 19 November, at an average price of euro 8.43);
- assigning a total of 327,550 shares to 73 identified beneficiaries in December 2008.

The number of shares assigned to the individual beneficiaries was determined on the basis of several assessments:

- actual ability and key-role of the individual beneficiary in terms of actual contribution to the achievement of results, and to the growth and future outlook of the Bank and the Group companies;
- experience, competence and potentials;
- strategic importance of the role covered within the company;
- age and seniority, as the Plan aims at employee retention;

and, in some cases, on the basis of commitments undertaken with the employees concerned upon hiring them.

During 2009 and 2010, no additional stock grants were made. In the second half of 2010 2,500 shares were cancelled after the termination of the employment of an assignee and additional 2,500 shares were discharged from the constraint in compliance with the Regulations.

QUANTITATIVE INFORMATION

1. Annual changes

	31 December 2010			31 December 2009		
	Number of shares	Average prices	Average maturity	Number of shares	Average prices	Average maturity
A. Opening balance	**327,550**	**6.208**	**Dec. 2013**	**327,550**	**6.208**	**Dec. 2013**
B. Increases	**-**	-	**-**	**-**	-	**-**
B.1 new issues	-	-	-	-	-	-
B.2 other changes	-	-	-	-	-	-
C. Decreases	**5,000**	**6.208**	**Dec. 2013**	**-**	-	**-**
C.1 cancelled	5,000	6.208	Dec. 2013	-	-	-
C.2 exercised	-	-	-	-	-	-
C.3 expired	-	-	-	-	-	-
C.4 other changes	-	-	-	-	-	-
D. Closing balance	**322,550**	**6.208**	**Dec. 2013**	**327,550**	**6.208**	**Dec. 2013**
E. Options exercisable at the end of period	**322,550**	**6.208**	**Dec. 2013**	**327,550**	**6.208**	**Dec. 2013**

Supplementary Pension Scheme (S.I.PRE.) 2005-2007

In 2005, the Board of Directors of the former Banco Popolare di Verona e Novara resolved the adoption of a Supplementary Pension Scheme (S.I.Pre.), for the purpose of building up loyalty.
Under the plan, the company made payments into a collective insurance policy, made out to Banco Popolare, opened with an insurance company, which invested the assets exclusively in BP shares. The Managers who, besides complying with the Plan, shall remain with the Group until retirement, will therefore enjoy supplementary pension benefits whose amount will be commensurate to the growth in value over time of the Banco Popolare shares.
The Managers who are already benefiting from the Stock Option plan and who have also been identified as beneficiaries of the Sipre, in order to join the latter, have "locked up" the fact that they shall go on working with the Group with a number of Banco shares they own, corresponding to 80% of the net profit generated by exercising their stock options. This lock-up shall last for 5 years, scaling down by 1/5 every year, starting from the first year when the stock option tranche is exercisable, therefore the last lock-up shall expire in 2012.
In the event that they should resign or be dismissed, thus terminating their employment on a non-consensual basis, in addition to being disqualified from Sipre, managers shall also have to give Banco back at no charge their shares that are still bound by the above mentioned lock-up.
This system is linked to the share value appreciation over the Managers' entire career, and has been introduced in Italy for the first time.
The plan was closed in 2007.

Share allocation plan for employees of the Banco Popolare Group within the sphere of the 2009 and 2010 Company Bonus envisaged by the national collective labour agreement (C.C.N.L.)

The Management Board of Banco Popolare, in the sessions held on 30 March 2010 and 7 April 2010, approved the share allocation plan for Group employees as part of the company bonus envisaged by the national collective labour agreement (C.C.N.L.) for the years 2009 and 2010 as well as the treasury shares purchase program for the purposes of the Plan.
On 24 April 2010, the ordinary shareholders' meeting approved the aforementioned Plan, assigning the Management Board all the powers necessary for effectively implementing the same and authorised the purchase of treasury shares to serve the Plan.

By adopting the Plan, the Bank set itself the aim of enhancing the sense of belonging to the Group and commitment towards the corporate objectives, offering all the employees the possibility of receiving, in full or in part, the company bonus by means of allocation of ordinary Banco Popolare shares, for a maximum overall equivalent value of euro 2,065.83 in place of a monetary share in the bonus for the same amount. Furthermore, this decision was adopted on the basis of the consideration that, from a financial point of view, the plans based on financial instruments reserved for employees as things stand represent an advantageous opportunity both for the bank that adopts them and for the beneficiaries of the same.

By virtue of the authorisation resolved by the afore-mentioned shareholders' meeting, the Bank purchased treasury shares in the quantity identified on the basis of the requests of the beneficiaries and entrusted the individual Group companies with the task of allocating the right to receive said shares to each of their beneficiaries.
In detail, between 3 June and 15 June 2010, a total of 1,255,500 ordinary Banco Popolare shares were purchased, to serve the bonus in question, involving an overall investment of euro 5,511,218 (net of commission).

With reference to the 2009 bonus, 3,519 Group employees decided to participate in the Plan, and requested, by means of their express wish by 11 June 2010, to receive the whole company bonus or part of the same, by means of the assignment of a total of 1,218,745 shares for an equivalent value of euro 5,423,415.25. The allocation of the shares to the beneficiaries was carried out on 25 June 2010, taking the arithmetic average of the official prices of the share struck in the last month prior to 25 June 2010, equal to euro 4.450, as the unit reference price.
With regard to 2010 (2009 company premium), the maximum number of shares assigned to each beneficiary did not exceed 464 shares.

A similar procedure will be adopted at the time of the treasury shares purchase program serving the Plan as part of the 2010 Bonus; the number of shares that will be allocated in 2011 will be conditional on the rate of participation of the Group employees (and relevant contribution rates) and the value of the shares.

PART L – SEGMENT REPORTING

Disclosure on operating segments was prepared in compliance with IFRS 8, which requires the operating segments to be identified on the basis of the systems used by Top Management to make operating decisions. Therefore, the identification of the operating segments and the disclosure presented in this paragraph are based on the internal reporting used by the Top Management in order to allocate resources to the different segments and assess their performance.

Criteria for the identification and aggregation of the operating segments

In line with the matters identified as at 31 December 2009, as at 31 December 2010 the segments were as follows:

- Network Banks;
- Investment & Private Banking, Asset Management;
- Leasing and factoring;
- Corporate Centre and Other.

The breakdown of the segments is obtained by classifying the various Group companies in relation to the main activities carried out by each one. The results of each segment derive from the aggregation of the separate financial statements of the corporate bodies assigned to that specific segment, adjusted to account for consolidation entries considered influential on the result of each segment.
Cancellations among different segments are classified in the "Corporate Centre and Other" segment and separate indication of the infragroup balances is not provided, in accordance with the management reporting system used by the Group.

A brief illustration of the composition of the various segments is provided below, while for a more detailed information on the business activities they engage in and the offered products and services, please refer to the Report on operations - "Banking activities".

The **"Network Banks"** segment represents the cornerstone of the development of the Group's commercial activities throughout Italy and is the backbone of the entire organisational structure. This organisational model, centred on the Network Banks, which ensures a balanced coverage at national level, is instrumental to the development of a product and service offer in step with the customer needs characterising the different market territories of the banks.
The banks included within this segment are the following:

- Banca Popolare di Verona - S. Geminiano e S. Prospero S.p.A.
- Banca Popolare di Lodi S.p.A.
- Banca Popolare di Novara S.p.A.
- Credito Bergamasco S.p.A.
- Cassa di Risparmio di Lucca Pisa Livorno S.p.A.
- Banca Popolare di Crema S.p.A.
- Banca Popolare di Cremona S.p.A.

In comparison with the scope of consolidation of the previous year, Banca Caripe S.p.A. left the Group since it was transferred on 31 December 2010.

The business of this segment is represented by traditional loan brokerage activities in Italy and the offer of related financial services targeting both retail (private individuals and small businesses) and corporate customers.
With regard to retail customers, the Group's activities are focused on developing an offer in the following areas:

- Household products and services: in particular, current accounts, consumer credit, mortgage loans, payment instruments (credit and debit cards), protection products and on-line services;
- Investment/Savings products and services: for example, the offer of bonds issued by the Parent Company, Asset Management, Assurance, other investment/advisory instruments;
- Products and services for Small Businesses: in particular, current accounts, loan products, insurance products and payment instruments;
- "Direct Banking" products and services: home banking, Remote Banking, POS, "remote" services.

With regard to corporate customers in Italy and abroad, the primary objective pursued by the Group is a constant innovation/maintenance of the product and service portfolio and a constant regulatory compliance, both in the traditional commercial banking area and in the area of higher value added products and services, like those relating to commercial trades with foreign countries or derivative products to hedge against corporate risks.

The "**Investment & Private Banking, Asset Management**" segment includes the companies that carry out investment banking, merchant banking and asset management activities. The main subsidiaries included in this segment are:

- Aletti & C. Banca di Investimento Mobiliare S.p.A.
- Efibanca S.p.A.
- Aletti Gestielle SGR S.P.A.;
- Aletti Fiduciaria S.p.A.

The Aletti Gestielle Alternative SGR S.p.A. company present last year was merged through incorporation into Aletti Gestielle SGR S.p.A. on 31 December 2010.

The "**Leasing and Factoring**" segment is made up of Banca Italease and its subsidiaries. This segment was involved in a reorganisation and restructuring plan, as from the acquisition date (July 2009); with regard to the rationalisation and reorganisation transactions pursued during 2010, reference should be made to the information contained in the section "Significant events during the period" of the Report on operations to the consolidated financial statements. During the period, the policy pursued with respect to this segment was marked by a careful governance of the volumes disbursed, based on the launch of production associated with leases previously entered into, without however encouraging the signing of new leases. It should be noted that, subsequent to the sale of Factorit S.p.A., which occurred in July, the group not longer works in the field of factoring. Therefore, the segment, starting from 2011, will be renamed in "Lease", as there will be no financial and economic contribution to this activity.

The "**Corporate Centre and Other**" segment includes the Parent Company Banco Popolare, which carries out governance and support functions, ALM activities, the management of the corporate proprietary portfolio and of the investment portfolio, the centralised management of treasury and forex, bond issues, Capital Management and Wholesale Funding for the entire Group.
It also includes the service companies and the real estate companies, as well as foreign banks (Banco Popolare Česká Republika, Banco Popolare Croatia, Banco Popolare Hungary, Banco Popolare di Verona e Novara (Luxembourg) S.A.).
Finally, this residual segment also includes all the consolidation entries not specifically attributable to the above mentioned business segments.

Note that for the purpose of reconciling segment results with consolidated results:

- the segment reporting measurement criteria shown in this section are consistent with those used in internal reporting, as required by the relevant accounting standards, and are also consistent with the accounting standards used for preparing the financial statements, as they are considered the most appropriate to provide a true and fair view of the Group's balance sheet and income statement position. The only exception is the effect attributable to the change in the creditworthiness of the Bank's bonds valued at fair value, since it is not considered to be a factor attributable to the "Network Banks" segment and therefore it is not considered by management in the assessment of the performances of each segment. On 31 December 2010, this impact was producing a total profit of 395.5 million and was fully allocated to the "Corporate Centre and other" segment (-350.5 million was the negative effect booked to the same segment as at 31 December 2009);
- The effect of the purchase price allocation of business combinations referring to the acquisition of the former Banca Popolare Italiana Group and of Banca Italease are shown separately in a specific column called "PPA – Purchase Price Allocation".

Based on the above described identification and aggregation criteria, shown below is the 2010 operating segment reporting, compared with the previous year. The aggregates shown under the "Total" column correspond to the items posted in the Group's reclassified financial statements.

Segment results – income statement figures

31 December 2010 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	Total
Interest margin	1,877,424	80,305	106,354	(37,843)	(213,759)	**1,812,481**
Dividends and results from equity investments carried at equity	791	76	2	37,733		**38,602**
Financial margin	**1,878,215**	**80,381**	**106,356**	**(110)**	**(213,759)**	**1,851,083**
Net fee and commission income	1,338,285	77,986	7,899	(157,811)		**1,266,359**
Other net operating income	30,792	(637)	27,563	44,843	(40,003)	**62,558**
Net financial result	25,409	237,687	1,486	287,363	(12,408)	**539,537**
Other operating income	**1,394,486**	**315,036**	**36,948**	**174,395**	**(52,411)**	**1,868,454**
Operating income	**3,272,701**	**395,417**	**143,304**	**174,285**	**(266,170)**	**3,719,537**
Personnel expenses	(1,109,498)	(82,979)	(33,323)	(318,460)		**(1,544,260)**
Other administrative expenses	(937,549)	(76,154)	(48,262)	302,575		**(759,390)**
Net value adjustments on property and equipment and intangible assets	(41,642)	(3,084)	(23,726)	(75,815)	(4,016)	**(148,283)**
Operating expenses	**(2,088,689)**	**(162,217)**	**(105,311)**	**(91,700)**	**(4,016)**	**(2,451,933)**
Income (loss) from operations	**1,184,012**	**233,200**	**37,993**	**82,585**	**(270,186)**	**1,267,604**
Net value adjustments on loans (customers)	(669,918)	(59,177)	(41,141)	(887)		**(771,123)**
Net value adjustments on other assets	(23,585)	(6,781)	(31)	(65,839)		**(96,236)**
Net provisions for risks and charges	(3,189)	(8,484)	(223,456)	(1,190)		**(236,319)**
Net value adjustments on goodwill and equity investments	(978)	(23,491)	(23)	23,354		**(1,138)**
Gains (losses) on equity and other investments	3,241	418	104,448	(55,013)	(40,395)	**12,699**
Income (loss) before tax from continuing operations	**489,583**	**135,685**	**(122,210)**	**(16,990)**	**(310,581)**	**175,487**
Taxes on income from continuing operations	(238,112)	(52,385)	322,198	(14,468)	97,303	**114,536**
Income (loss) after tax from continuing operations	**251,471**	**83,300**	**199,988**	**(31,458)**	**(213,278)**	**290,023**
Profit (loss) after tax from merchant banking investments and discontinued operations	268	26,247	5,933	36,909	(27,853)	**- 41,504**
Minority interests	(21,905)	(7,787)	(10,037)	8,747	7,470	**(23,512)**
Income (loss) of segments gross of PPA effect	**229,834**	**101,760**	**195,884**	**14,198**		
Effect of P.P.A. on segments	**(109,564)**	**(17,727)**	**(96,502)**	**(9,868)**	**(233,661)**	
Net income for the period	**120,270**	**84,033**	**99,382**	**4,330**		**308,015**

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group

31 December 2009 adjusted (**) *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	Total
Interest margin	1,924,059	94,284	98,302	43,126	(206,456)	**1,953,315**
Dividends and results from equity investments carried at equity	(3,203)	(535)	-	107,517		**103,779**
Financial margin	**1,920,856**	**93,749**	**98,302**	**150,643**	**(206,456)**	**2,057,094**
Net fee and commission income	1,372,080	107,035	12,964	(280,749)		**1,211,330**
Other net operating income	3,988	(3,980)	10,244	29,588	150,023	**189,863**
Net financial result	15,634	248,871	(6,867)	(160)	(69,641)	**187,837**
Other operating income	**1,391,702**	**351,926**	**16,341**	**(251,321)**	**80,382**	**1,589,030**
Operating income	**3,312,558**	**445,675**	**114,643**	**(100,678)**	**(126,074)**	**3,646,124**
Personnel expenses	(1,065,002)	(92,480)	(33,727)	(306,711)		**(1,497,920)**
Other administrative expenses	(952,519)	(83,951)	(30,910)	306,693		**(760,687)**
Net value adjustments on property and equipment and intangible assets	(50,391)	(2,429)	(12,451)	(98,555)	2,843	**(160,983)**
Operating expenses	**(2,067,912)**	**(178,860)**	**(77,088)**	**(98,573)**	**2,843**	**(2,419,590)**
Income (loss) from operations	**1,244,646**	**266,815**	**37,555**	**(199,251)**	**(123,231)**	**1,226,534**
Net value adjustments on loans (customers)	(626,767)	(100,901)	(75,046)	62,535		**(740,179)**
Net value adjustments on other assets	(15,790)	(2,066)	-	(13,824)		**(31,680)**
Net provisions for risks and charges	(14,710)	(6,274)	(105,839)	(28,603)	100,000	**(55,426)**
Net value adjustments on goodwill and equity investments	(6,151)	(98,607)	(42,581)	140,879	(2,672)	**(9,132)**
Gains (losses) on equity and other investments	2,070	377	8,851	114,661	(9,818)	**116,141**
Income (loss) before tax from continuing operations	**583,298**	**59,344**	**(177,060)**	**76,397**	**(35,721)**	**506,258**
Taxes on income from continuing operations	(272,336)	(26,908)	5,301	(25,316)	79,107	**(240,152)**
Income (loss) after tax from continuing operations	**310,962**	**32,436**	**(171,759)**	**51,081**	**43,386**	**266,106**
Profit (loss) after tax from merchant banking investments and discontinued operations	2,867	(322)	7,619	(10,763)	(7,568)	**(8,167)**
Minority interests	(11,844)	(3,393)	13,573	(715)	11,478	**9,099**
Income (loss) of segments gross of PPA effect	**301,985**	**28,721**	**(150,567)**	**39,603**		
Effect of PPA on segments	**(101,779)**	**(22,867)**	**177,242**	**(5,300)**	**47,296**	
Net income for the period	**200,206**	**5,854**	**26,675**	**34,303**		**267,038**

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group.
(**) The figures have been adjusted in compliance with IFRS 5.

Segment results – balance-sheet figures

31 December 2010 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	Total
Loans to customers	78,973,380	4,050,865	9,624,663	1,721,956	91,041	94,461,905
Total assets	**95,667,344**	**24,150,162**	**12,477,303**	**3,451,117**	**(590,254)**	**135,155,672**

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group.

31 December 2009 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	Total
Loans to customers	75,844,525	4,131,892	12,640,929	2,487,631	245,248	95,350,225
Total assets	**97,613,974**	**27,732,301**	**17,012,287**	**(6,360,391)**	**(289,080)**	**135,709,091**

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group.

31 December 2010 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	Total
Due to customers, securities issued and financial liabilities designated at fair value	71,179,084	10,927,369	5,297,497	17,267,251	(147,452)	104,523,749
Total liabilities	**95,667,344**	**24,150,162**	**12,477,303**	**3,451,117**	**(590,254)**	**135,155,672**

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group.

31 December 2009 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	Total
Due to customers, securities issued and financial liabilities designated at fair value	77,541,859	15,063,782	8,542,079	4,265,966	(230,566)	105,183,120
Total liabilities	**97,613,974**	**27,732,301**	**17,012,287**	**(6,360,391)**	**(289,080)**	**135,709,091**

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group.

31 December 2010 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Consumer Credit	Other	Leasing	Total
Equity investments subject to significant influence	-	85,472	1,116,164	310,505	129,307	1,641,448

31 December 2009 *(in thousands of euro)*	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Consumer Credit	Other	Leasing and Factoring	Total
Equity investments subject to joint control	-	-	-	14,890	-	14,890
Equity investments subject to significant influence	-	91,224	1,079,539	325,697	125,871	1,622,331

The majority of the assets and the operating income were generated in Italy, confirming the deep-seated presence on the national territory, considered to be the Group's primary sphere of operations.
Shown below is the breakdown of operating income and assets by geographical area.

31 December 2010 *(in thousands of euro)*	Italy	Foreign operations	Other	Total
	3,629,565	95,317	(5,345)	3,719,537
Operating income	**3,629,565**	**95,317**	**(5,345)**	**3,719,537**

31 December 2009 adjusted *(in thousands of euro)*	Italy	Foreign operations	Other	Total
Operating income	**3,590,676**	**58,699**	**(3,251)**	**3,646,124**

31 December 2010 *(in thousands of euro)*	Italy	Foreign operations	Other	Total
	136,119,923	7,288,792	(8,253,043)	135,155,672
Total assets	**136,119,923**	**7,288,792**	**(8,253,043)**	**135,155,672**

31 December 2009 *(in thousands of euro)*	Italy	Foreign operations	Other	Total
Total assets	**135,096,262**	**9,375,927**	**(8,763,098)**	**135,709,091**

Armando Spadini, *The family at Villa Borghese (Family in the meadow)*, 1912/1913, oil on cardboard

Attachments

Statement of significant equity investments pursuant to Article 126 of Consob Regulation No. 11971 of 14 May 1999 (*)

(Shareholdings exceeding 10% of capital represented by shares or quotas with voting rights in listed companies, held directly or indirectly, for any reason)

Subsidiaries	Percentage		Holder	Type of ownership
	Direct	Indirect		
Applicomp (India) Ltd	43.20%		Partecipazioni Italiane	Ownership
Archimede 1 S.p.A.	15.00%		Banco Popolare	Ownership
Argo Real Estate SGR S.p.A.	19.00%		Banco Popolare	Ownership
Banca Network Investimenti S.p.A.	19.92%		Banco Popolare	Ownership
Banca della Nuova Terra S.p.A.	19.50%		Banco Popolare	Ownership
Biasi S.p.A.		10.60%	Efibanca	Ownership
Black & Blue GMBH (in bankruptcy)		24.82%	Efibanca	Ownership
Earchimede S.p.A.	11.92%		Banco Popolare	Ownership
Flashmallit S.p.A. (in bankruptcy)		15.60%	Efibanca	Ownership
Gruppo Operazioni Underwriting Banche Popolari S.r.l.		14.29%	Banca Aletti & C.	Ownership
Gruppo Stabila S.p.A.		12.13%	Efibanca	Ownership
H.D.C. S.p.A. (in bankruptcy)		15.14%	Efibanca	Ownership
Health Finance S.p.A.	31.59%		Banco Popolare	Ownership
LU.CEN.SE. S.p.A.		12.50%	Cassa di Risparmio di Lucca Pisa Livorno	Ownership
Nolitel Italy S.r.l. (in liquidation)		100.00%	Partecipazioni Italiane	Ownership
Nuova Foar S.r.l. (in bankruptcy)		29.97%	COFILP	Ownership
Ponte S.p.A.		10.80%	Efibanca	Ownership
Porto Industriale di Livorno S.p.A.		14.94%	Cassa di Risparmio di Lucca Pisa Livorno	Ownership
Tecnosistemi S.p.A. (under extraordinary receivership)		14.50%	Efibanca	Ownership
Tethys S.p.A.	16.67%		Banco Popolare	Ownership
Unione Fiduciaria S.p.A.	4.00%		Banco Popolare	Ownership
		11.00%	Banca Popolare di Crema	Ownership
		0.40%	Banca Italease	Ownership
United Business Holding S.p.A.	17.15%		Banco Popolare	Ownership
Albergo Basilea S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Aurelia 80 S.p.A.		50.00%	Banca Popolare di Verona - SGSP	Pledge
Aviongas S.r.l.		14.29%	Credito Bergamasco	Pledge
"		14.29%	Banca Popolare di Crema	Pledge
Avion Service S.r.l.		14.29%	Credito Bergamasco	Pledge
"		14.29%	Banca Popolare di Crema	Pledge
Bermugas S.r.l.		14.29%	Credito Bergamasco	Pledge
"		14.29%	Banca Popolare di Crema	Pledge
Bertani Holding S.p.A.		27.42%	Banca Popolare di Verona - SGSP	Pledge
Carlo Raimondi fu Rodolfo S.p.A. in liquidation		13.05%	Banca Popolare di Verona - SGSP	Pledge
Cartiera Fenili S.r.l.		16.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Castel Service S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
C.G.M. S.r.l.		11.11%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Consultinvest S.r.l.		12.01%	Banca Popolare di Verona - SGSP	Pledge
Deca S.r.l.		60.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Demiced S.r.l.		90.00%	Banca Popolare di Verona - SGSP	Pledge
EMC2 S.r.l.		99.00%	Banca Popolare di Lodi	Pledge
Eulip S.p.A.		40.00%	Banca Popolare di Lodi	Pledge
Farmigea S.p.A.		100.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
F.M.H. S.p.A.		25.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Fosber S.p.A.		30.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
G.A.G. Servizi Sanitari S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
G.F. Uno Real Estate S.r.l.		100.00%	Banca Popolare di Cremona	Pledge
G.M. Immobili S.r.l.		14.29%	Credito Bergamasco	Pledge
"		14.29%	Banca Popolare di Crema	Pledge
Gregory Servizi S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Gruppo Stabila Stabilimenti Italiani Laterizi S.p.A.		11.66%	Banca Popolare di Verona - SGSP	Pledge
Harbour S.r.l.		66.60%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge

Subsidiaries	Percentage		Holder	Type of ownership
	Direct	Indirect		
Hidrodesign S.r.l.		15.00%	Banca Popolare di Verona - SGSP	Pledge
Hotel Montecarlo S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Il Castello di Bevilacqua S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Immobiliare Futura S.r.l.		51.00%	Banca Popolare di Verona - SGSP	Pledge
I.T.N. S.p.A.		80.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Latin Spark Italy S.r.l.		49.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
MAE S.p.A. in liquidation		75.00%	Banca Popolare di Novara	Pledge
Ma-Fra S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Massa Graniti S.r.l.		11.11%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Misterday S.r.l.		80.00%	Banca Popolare di Verona - SGSP	Pledge
New Dieresin S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
O.M.P. S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Plastic Company S.p.A.		22.22%	Banca Popolare di Verona - SGSP	Pledge
Pneus 2000 S.p.A.		20.00%	Banca Popolare di Lodi	Pledge
Progetti Immobiliari S.r.l.		100.00%	Credito Bergamasco	Pledge
S.I.C. S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge
Starmond Holding S.r.l.		90.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Valdera Acque S.p.A.		23.04%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
Telma S.r.l.		52.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
TS EDE S.r.l.		100.00%	Cassa di Risparmio di Lucca Pisa Livorno	Pledge
TTL S.r.l.		100.00%	Efibanca	Pledge
Wemar 2002 S.r.l.		100.00%	Banca Popolare di Verona - SGSP	Pledge

(*) The list does not include consolidated companies.

Reconciliation between the items in the consolidated income statement and the reclassified consolidated income statement schedule as at 31 December 2010

Reclassified income statement items *(in thousands of euro)*		31/12/2010	Ricl. Investim. Merchant B.	Other Reclassifications	Reclassified schedule
10	Interest and similar income	3,762,889	(50)	-	
20	Interest and similar expense	(1,957,861)	6,643	860 a)	
	Interest margin				*1,812,481*
	Profits (losses) on investments in associates and companies subject to joint control			38,602 b)	
	Income/(loss) from equity investments carried at equity				*38,602*
	Financial margin				**1,851,083**
40	Fee and commission income	1,419,847	-		
50	Fee and commission expense	(154,123)	635		
	Net fee and commission income				*1,266,359*
220	Other expenses / income from operations	492,618	(226,079)	(203,981) c)	
	Other net operating income				*62,558*
	Interest and similar expense			(860) a)	
70	Dividend and similar income	374,222	-	-	
80	Profits (losses) on trading	(296,897)	-	-	
90	Fair value adjustments in hedge accounting	**11,293**	-		
100	Profits (losses) on disposal or repurchase	31,935	-	4,064 d)	
	Net losses / recoveries on impairment			(9,911) e)	
110	Profits (losses) on financial assets and liabilities designated at fair value	425,690	1		
	Net financial result				539,537
	Other operating income				**1,868,454**
	Operating income				**3,719,537**
180 a)	*Personnel expenses*	(1,679,375)	135,233	(118) c)	*(1,544,260)*
180 b)	*Other administrative expenses*	(945,966)	3,838	182,738 c)	*(759,390)*
200	Net adjustments to / recoveries on property and equipment	(128,661)	36,419		
210	Net adjustments to / recoveries on intangible assets	(78,312)	910	21,361 c)	
	Net value adjustments on property and equipment and intangible assets				*(148,283)*
	Operating expenses				**(2,451,933)**
	Income (loss) from operations				**1,267,604**
	Profits (losses) on disposal or repurchase			(4,064) d)	
130	Net losses / recoveries on impairment	(873,206)	-	9,911 e)	
	Net adjustments on loans to customers				*(771,123)*
	Net adjustments on receivables due from banks and other assets				*(96,236)*
190	*Net provisions for risks and charges*	(236,319)	-	-	*(236,319)*
	Profits (losses) on investments in associates and companies subject to joint control			(1,138) b)	
	Value adjustments on goodwill and equity investments				*(1,138)*
240	Profits (losses) on investments in associates and companies subject to joint control	42,190	-	(37,464) b)	
270	Profits (losses) on disposal of investments	7,973	-		
	Gains (losses) on the disposal of equity and other investments				*12,699*
	Income (loss) before tax from continuing operations			**-**	**175,487**
290	Taxes on income from continuing operations for the year	99,922	14,614	-	
	Taxes on income from continuing operations for the period				*114,536*
310	Income (loss) after tax from discontinued operations	13,668	27,836		
	Income (loss) after tax from merchant banking investments and non-current assets held for sale				*41,504*
330	Income (loss) for the year attributable to minority interests	(23,512)	-	-	
	Income (loss) for the period attributable to minority interests				*(23,512)*
	Parent Company's net income (loss) for the period	**308,015**	**-**	**-**	**308,015**

The letters shown beside the column "Other Reclassifications" have been included for the purpose of better understanding of the reclassifications carried out.

With regard to the statement of reconciliation shown above, the revenues and expenses of the investee companies relating to merchant banking activities carried out by the Group, which do not fall within the sphere of application of IFRS 5 but

which in essence represent assets held for sale, are recorded in the consolidated income statement in the item Income/(loss) after tax from discontinued operations (euro 27.8 million as at 31 December 2010). In quantitative terms, these reclassifications are shown in the table above in the column "Merchant Banking Investment Reclassifications".
In addition, it is noted that:

- the item **"Interest margin"** includes the items recognised for interest income and expense (items 10 and 20), adjusted by the figurative cost relating to the financing of the financial assets acquired for the achievement of structured financial products intended for trading, reclassified from the item interest expense to the net financial result, equal to euro 0.9 million;
- the item **"Income (loss) from equity investments carried at equity"** shows the portion of the economic results pertaining to investee companies carried at equity (included in item 240) for euro 38.6 million, and together with the interest margin, the aggregate is defined as the **"Financial margin"**;
- the item "**Other net operating income**" is represented by the balance sheet item "220 Other expenses/income from operations", with the recoveries on indirect taxes, legal fees and other expenses, totalling euro 182.7 million, separated out, which, for reclassification purposes are shown in the item "Other administrative expenses", which recognises the corresponding taxes and expenses, and by several costs related to personnel, recognised in the reclassified item "Personnel expenses" for euro 0.1 million. The item in question also does not include the amortisation charges on costs for improvements to third party assets of euro 19.9 million, and does include value adjustments to intangible assets with a definite useful life (client relationship) for euro 41.3 million. The effect of the aforementioned reclassifications was negative overall for euro 204 million;
- the income statement item **"Net financial result"** includes dividends on shares classified under financial assets available for sale and financial assets held for trading (item 70), the "Profits (losses) on trading" (item 80), the "Profits (losses) on hedging (item 90), and the "Profits (losses) on financial assets and liabilities designated at fair value" (item 110). It also includes "Profits (losses) on disposal or repurchase" (item 100), with the exception of the loss of euro 4.1 million relating to the disposal of loans not represented by debt securities, classified in the operational aggregate "Net value adjustments on loans to customers". The reclassified item also includes the value adjustments on debt securities in the "Loans" portfolio, equal to euro 9.9 million, recognised in the financial statements under item "130. Net losses / recoveries on impairment", and the figurative costs of 0.9 million for structured products as described in the item relating to the "Interest margin". Overall, the aforementioned reclassifications amount to a negative euro 6.7 million;
- the item "**Other net operating income**" is represented by the balance sheet item 180 b), net of recoveries on indirect taxes, legal fees and other expenses, totalling euro 182.7 million, included in the item "220 Other expenses/income from operations", as described above;
- the item "**Net value adjustments on property and equipment and intangible assets"** equals the balance sheet items 200 and 210, gross of the portion of amortisation on costs for improvements to third party assets, for euro 19.9 million, recognised in the item "220 Other expenses/income from operations" and net of the adjustments to intangible assets with definite useful lives (client relationship), grouped in the reclassified aggregate "Other net income from operations", for euro 41.3 million. The total effect of the aforementioned adjustments on the aggregate was a positive euro 21.4 million;
- Total "**Net adjustments on loans to customers**" and "**Net adjustments on receivables due from banks and other assets**" starts from the balance sheet item "130. Net losses / recoveries on impairment". Specifically, "Net adjustments on loans to customers" include the value adjustments on exposures classified in the portfolio of loans to customers, on guarantees, commitments and credit derivatives (included in the aforementioned item 130), and includes the loss on disposal of loans, amounting to euro 4.1 million (included in item 100). The aggregate "Net adjustments on receivables due from banks and other assets" includes the net adjustments for impairment of exposures classified in the portfolio "due from banks", "financial assets available for sale" and other transactions (included in item 130), excluding impairment recorded on debt securities classified in the loans portfolio, amounting to euro 9.9 million, which from an operational point of view is classified in the "Net financial result";
- the item "**Value adjustments on goodwill and equity investments**" includes impairment of investments in associates and companies subject to joint control, equal to euro 1.1 million, included in the income statement item "240 Profits (losses) on investments in associates and companies subject to joint control";
- "**Gains (losses) on the disposal of equity and other investments**" includes the corresponding items of the official income statement (240 and 270) net of the gains on investments in associates and companies subject to joint control carried at equity, amounting to euro 38.6 million, and the value adjustments on investments in associates and companies subject to joint control, equal to euro 1.1 million, as described above.

Reconciliation between the income statement schedules for 2009 and the same restated for comparative purposes

Income statement items *(in thousands of euro)*	31/12/2009	Reclassifications for Bank of Italy "Roneata"	IFRS 5 reclassifications	31/12/2009 restated
10 Interest and similar income	4,098,864		(47,385)	4,051,479
20 Interest and similar expense	(2,130,069)		9,464	(2,120,605)
30 Interest margin	**1,968,795**	**-**	**(37,921)**	**1,930,874**
40 Fee and commission income	1,361,451		(16,984)	1,344,467
50 Fee and commission expense	(133,876)		201	(133,675)
60 Net fee and commission income	**1,227,575**	**-**	**(16,783)**	**1,210,792**
70 Dividend and similar income	560,693		(8)	560,685
80 Profits (losses) on trading	(69,398)		(690)	(70,088)
90 Fair value adjustments in hedge accounting	(8,264)			(8,264)
100 Profits (losses) on disposal or repurchase of:	31,799	-	564	32,363
a) loans	1,426		495	1,921
b) financial assets available for sale	8,589			8,589
c) financial assets held to maturity	**6**			**6**
d) financial liabilities	21,778		69	21,847
110 Profits (losses) on financial assets and liabilities designated at fair value through profit and loss	*(308,301)*		*2,610*	*(305,691)*
120 Net interest and other banking income	**3,402,899**	**-**	**(52,228)**	**3,350,671**
130 Net losses / recoveries on impairment of:	(872,144)	-	8,348	(863,796)
a) loans	(823,050)		8,377	(814,673)
b) financial assets available for sale	(29,251)			(29,251)
c) financial assets held to maturity	-			-
d) other financial transactions	(19,843)		(29)	(19,872)
140 Net income from banking activities	**2,530,755**	**-**	**(43,880)**	**2,486,875**
180 Administrative expenses:	(2,604,945)	-	36,515	(2,568,430)
a) personnel expenses	(1,624,672)	(26,733)	24,300	(1,627,105)
b) other administrative expenses	(980,273)	26,733	12,215	(941,325)
190 Net provisions for risks and charges	33,730		1,143	34,873
200 Net adjustments to / recoveries on property and equipment	(109,978)		409	(109,569)
210 Net adjustments to / recoveries on intangible assets	(109,556)		2,502	(107,054)
220 Other operating income (expenses)	564,154		7,545	571,699
230 Operating expenses	**(2,226,595)**	**-**	**48,114**	**(2,178,481)**
240 Profits (losses) on investments in associates and companies subject to joint control	76,236			76,236
270 Profits (losses) on disposal of investments	112,487			112,487
280 Income before tax from continuing operations	**492,883**	**-**	**4,234**	**497,117**
290 Taxes on income from continuing operations	(229,099)		123	(228,976)
300 Income after tax from continuing operations	**263,784**	**-**	**4,357**	**268,141**
310 Income (loss) after tax on non-current assets held for sale	(5,845)		(4,357)	(10,202)
320 Net income (loss) for the period	**257,939**	**-**	**-**	**257,939**
330 Income (loss) for the period attributable to minority interests	9,099			9,099
340 Parent Company's net income (loss) for the period	**267,038**	**-**	**-**	**267,038**

Reconciliation between the income statement for 2009 and the same restated for comparative purposes

Reclassified income statement items *(in thousands of euro)*	31/12/2009	IFRS 5 Reclassifications	31/12/2009 restated
Interest margin	1,991,236	(37,921)	1,953,315
Income/(loss) from equity investment carried at equity	103,779		103,779
Financial margin	**2,095,015**	**(37,921)**	**2,057,094**
Net fee and commission income	1,228,113	(16,783)	1,211,330
Other net operating income	181,669	8,194	189,863
Net financial result	185,856	1,981	187,837
Other operating income	**1,595,638**	**(6,608)**	**1,589,030**
Operating income	**3,690,653**	**(44,529)**	**3,646,124**
Personnel expenses	(1,522,758)	24,838	(1,497,920)
Other administrative expenses	(773,865)	13,178	(760,687)
Net value adjustments on property and equipment and intangible assets	(161,744)	761	(160,983)
Operating expenses	**(2,458,367)**	**38,777**	**(2,419,590)**
Income (loss) from operations	**1,232,286**	**(5,752)**	**1,226,534**
Net adjustments on loans to customers	(749,022)	8,843	(740,179)
Net adjustments on receivable due from banks and other assets	(31,680)		(31,680)
Net provisions for risks and charges	(56,569)	1,143	(55,426)
Profits (losses) on fair value valuation of property and equipment and intangible assets	-		-
Value adjustments on goodwill and equity investments	(9,132)		(9,132)
Gains (losses) on the disposal of equity and other investments	116,141		116,141
Income (loss) before tax from continuing operations	**502,024**	**4,234**	**506,258**
Taxes on income from continuing operations	(240,275)	123	(240,152)
Income (loss) after tax on merchant banking investments and non-current assets held for sale	(3,810)	(4,357)	(8,167)
Net income (loss) for the period attributable to minority interests	9,099		9,099
Parent Company's net income (loss) for the period	**267,038**	**-**	**267,038**

SUPPLEMENTARY PENSION FUND BANCA ITALEASE GROUP

Defined contribution section - statement as at 31 December 2010

GUARANTEED SUB-FUND STATEMENT

Explanatory notes

General information

The Board of Directors of the Banca Centrale per il Leasing delle Banche Popolari – Italease S.p.A. on 7 February 1986, resolved to establish the "Supplementary pension fund for the personnel of Banca Italease S.p.A.", which takes the name of "Banca Italease Group Supplementary Pension Fund".

The Fund, set up within the assets of "Italease", is not a legal entity; it is intended to achieve the pension purpose established by the regulations and should therefore not be diverted from this.

The financial instruments and the values of the "Fund" represent separate and autonomous assets compared both with the assets of "Italease" and those of the members.

The "Fund" has the exclusive purpose of providing the entitled members benefits in addition to the public compulsory system, in order to ensure higher levels of pension cover.
The registered office of the "Fund" coincides with that of "Italease" and is located in Milan, via Cino del Duca no. 12.
The period of validity of the "Fund" coincides with that of "Italease". There is no prejudice to acquired rights acquired and whatever provided by Article 15 of Italian Legislative Decree no. 252 of 5 December 2005.

The Banca Italease Group Supplementary Pension Fund is entered in the register of Pension Funds with number 9065.
The administrative service (Accenture Insurance Services) supports the Fund in all accounting and administrative businesses.
The main activity of the custodian bank (Istituto Centrale Banche Popolari Italiane) is to safeguard the assets of the Fund and to ensure that the management is carried out according to the correct terms of law.

The financial operators use of the Fund's assets in accordance with the instructions provided by the Board of Directors.

Main activities carried out

The main activities carried out during the period are related to the collection and investment of contributions, and to the supply of some benefits.
The Fund operates an umbrella fund through 2 sub-funds:

- Balanced sub-fund: its aim is to increase gradually over time the value of the capital seizing investment opportunities offered by the Italian and foreign money and bond market, with a medium level of risk; currently the sub-fund is not active.
- Guaranteed sub-fund: its aim is to achieve a return in line with the short-term rates to which a guarantee of repayment of the total capital paid into the Fund is associated; the guarantee operates within the limits and under the terms set forth in the agreement concluded with the Pioneer Operator.

As from 1 July 2007, only the Guaranteed sub-fund is active.

As at 31 December 2010, the overall statement includes the balance of current account CC0016732000 contributions amounting to euro 445,611
This balance is broken down as follows:

- euro 434,276 referring to collected contributions, combined and waiting to be granted to the financial management on 31 December 2010;
- euro 11,335 referring to current account interest income, net of commissions and fees of the custodian bank.

As at 31 December 2010, the overall statement includes the balance of current account CC0016732100 repayments amounting to euro 66,977. This balance is for settling the benefits valued as at 31 December 2010.

Measurement bases:

This document has been prepared in accordance with the provisions laid down by the Supervisory Commission on Pension Funds, published in the supplement to the Official Journal of 14 July 1998 as amended. The accounting standards issued by the National Council of Professional Accountants, as updated by the Italian Accounting Body, were used to complement,

where necessary and where applicable. In the absence of the latter, those prepared by the International Accounting Standard Board (I.A.S.B.) were complied with.

The asset items of this document are entered at nominal value except for financial investments, for which the market value of the last day of valuation of the period was adopted.

Income statement items are shown according to the principles of prudence and on an accrual basis.
Income statement formats do not show the comparison with the figures of the previous year since it is not possible in that the management of the Guaranteed sub-fund was launched on 1 July 2007.

In accordance with guidelines issued by the Supervisory Commission on pension funds, contributions are not recorded on an accrual basis but on a cash basis.

Taxation was applied in accordance with the innovations introduced by Italian Legislative Decree no. 47 of 18 February 2000 , which qualify the Pension Funds as "lordist" subjects, therefore no longer subject to the levy at source of capital gains received but 11% on net income accrued (for tax purposes) in each tax period.

Explanatory notes - guaranteed sub-fund

General information

For general information and basis of presentation of the statement, refer to the beginning of the explanatory notes of the Fund, of which the present document constitutes an integral part.
It must firstly be shown how the valuation of individual positions has considered the share method only as from 1 July 2007, by assuming an agreed value of euro 10.000.

The table for the share calculation as at 31 December 2010 is set below:

Items of the table	2010	2009
Direct investments	-	-
Managed investments	23,376,722	22,850,758
Assets of the administrative management	-	-
Accrued and not collected income	259,393	325,834
Total assets	**23,636,115**	**23,176,592**
Liabilities of pension management	(434,276)	(476,784)
Liabilities of financial management	(25,088)	(57,358)
Accrued and not settled expenses	-	-
Total liabilities	**(459,364)**	**(534,142)**
Tax asset/liability	**(15,503)**	**(80,238)**
Net assets for benefits	**23,161,248**	**22,562,212**
Number of outstanding shares	**2,095,291.237**	**2,052,145.327**
Unit value of the share	**11.054**	**10.994**

The table of share valuation as at 31 December 2010, as reclassified in accordance with the financial statement items, is prepared in compliance with what is required by the COVIP.

Share trend

A table showing the trend of shares issued and cancelled from the Fund is set below:

2009	Number	Value
Outstanding shares as at 1 January 2009	**2,103,718.415**	**22,464,727.83**
Shares issued	303,690.637	3,300,261.60
Shares cancelled	355,263.725	3,851,973.42
Outstanding shares as at 31 December 2009	**2,052,145.327**	**22,562,211.75**

2010	Number	Value
Outstanding shares as at 1 January 2010	**2,052,145.327**	**22,562,211.75**
Shares issued	274,186.945	3,026,226.32
Shares cancelled	231,041.035	2,552,620.22
Outstanding shares as at 31 December 2010	**2,095,291.237**	**23,161,248.14**

The value of issued and cancelled shares is a function of the value they had at the time of purchase and cancellation.

Balance sheet - guaranteed sub-fund

		Balance as at 31/12/2010		Balance as at 31/12/2009	
		Subtotal	Total	Subtotal	Total
	Assets				
10	**Direct investments**				
20	**Managed investments**		**23,636,115**		**23,176,592**
a)	Current bank accounts	50,207		211,183	
b)	Repurchase agreements	-		-	
c)	Securities issued by States or international organisations	22,892,239		22,162,791	
d)	Listed debt securities	-		-	
e)	Listed equity instruments	-		-	
f)	Unlisted debt securities	-		-	
g)	Unlisted equity instruments	-		-	
h)	Units of undertakings for collective investment in transferable securities	-		-	
i)	Purchased options	-		-	
l)	Accrued income and prepayments	259,393		325,834	
m)	Guarantee of repayment of capital	-		-	
n)	Other assets of financial management	434,276		476,784	
30	**Result guarantees acquired on individual positions**		**-**		**-**
40	**Assets of administrative management**		**-**		**-**
a)	Cash and bank deposits	-		-	
b)	Intangible fixed assets	-		-	
c)	Property and equipment	-		-	
d)	Other assets of administrative management	-		-	
e)	Accrued income and prepayments	-		-	
50	**Tax credit**		-		-
a)	Substitute tax	-		-	
	Total assets		**23,636,115**		**23,176,592**
	Liabilities				
10	**Liabilities of pension management**		**(434,276)**		**(476,784)**
a)	Payables of pension management	(434,276)		(476,784)	
30	**Result guarantees recognised on individual positions**		**-**		**-**
20	**Liabilities of financial management**		**(25,088)**		**(57,358)**
a)	Payables for repurchase agreements	-		-	
b)	Issued options	-		-	
c)	Accrued liabilities and deferred income	-		-	
d)	Other liabilities of financial management	(25,088)		(57,358)	
40	**Liabilities of administrative management**		**-**		**-**
a)	TFR (employee severance indemnities)	-		-	
b)	Other liabilities of administrative management	-		-	
c)	Deferred income for membership fees deferred to the next financial year	-		-	
50	**Substitute tax**		**(15,503)**		**(80,238)**
a)	Substitute tax	(15,503)		(80,238)	
	Total liabilities		**(474,867)**		**(614,380)**
100	**Net assets for benefits**		**23,161,248**		**22,562,212**
	Assets from previous year		22,562,212		22,464,728
	Change in shareholders' equity for the year		599,036		97,484

Income statement for the year - guaranteed sub-fund

	2010		2009	
	Subtotal	Total	Subtotal	Total
10 Margin of pension management		**473,606**		**(551,711)**
a) Contributions for benefits	3,026,226		3,300,262	
b) Advances	(329,966)		(179,713)	
c) Transfers and redemptions	(2,222,654)		(3,672,260)	
20 Results of direct financial management		**-**		**-**
30 Results of indirect financial management		**195,251**		**781,315**
a) Dividends and interests	582,363		752,962	
b) Profits and losses from financial transactions	(387,112)		28,353	
c) Commissions on securities lending	-		-	
d) Income and expenses for repurchase transactions	-		-	
40 Operating expenses		**(54,318)**		**(51,882)**
a) Management companies	(46,730)		(44,724)	
b) Custodian bank	(7,588)		(7,158)	
50 Margin of financial management (20) + (30) + (40)		**140,933**		**729,433**
60 Administration expenses		**-**		**-**
70 Change in net assets for benefits (10)+(50)+(60) before tax		**614,539**		**177,722**
80 Substitute tax		**(15,503)**		**(80,238)**
a) Substitute tax	(15,503)		(80,238)	
Change in net assets for benefits (70)+(80)		**599,036**		**97,484**

Analysis of balance sheet items

ASSETS

10. Direct investments

As at 31 December 2010, direct investments amount to zero. The fund does not invest directly its resources.

20. Managed investments

As at 31 December 2010, managed investments amount to euro 23,636,115 and refer to the resources entrusted to the Financial operator and to the available funds in the Euro c/a of the operator:

		Balance as at 31/12/2010		Balance as at 31/12/2009	
		Subtotal	Total	Subtotal	Total
20)	**Investments**		**23,636,115**		**23,176,592**
a)	Current bank accounts	50,207		211,183	
c)	Securities issued by States or international organisations	22,892,239		22,162,791	
l)	Accrued income and prepayments	259,393		325,834	
n)	Other assets of financial management	434,276		476,784	

The items:
b) Repurchase agreements;
c) Listed debt securities
e) Listed equity instruments;
f) Unlisted debt securities;
g) Unlisted equity instruments;
h) Units of undertakings for collective investment in transferable securities;
i) Purchased options;
m) Guaranteed result issued to the pension fund;
amount to zero.

Financial management started on 1 July 2007.
The following table describes the salient characteristics of the asset allocation principles of the operator entrusted with the financial management of the sub-fund, as established by the management agreements drawn up by the Fund:

Operator	managed resource %	Type of portfolio	Investment types
Pioneer Investment Management SGR	100%	100% short-term bond	- debt securities-max 40% of the assets of the line - liquidity-max 90% of the assets of the line

During 2010, the operator was entrusted with total resources of euro 1,159,836.

Operator	Liquidity	Total granted
Pioneer Investment Management SGR	1,159,836	1,159,836

Bank deposits used by the operator

Current bank accounts	Currency	31/12/2010	% over total 2010 assets	31/12/2009	% over total 2009 assets
Operator EURO accounts	EUR	50,207	0.21%	211,183	0.91%
Total		**50,207**	**0.21%**	**211,183**	**0.91%**

Information on portfolio securities

The following table shows the portfolio securities related to total assets.

Type of security	31/12/2010	% over total 2010 assets	31/12/2009	% over total 2009 assets
Securities issued by States or international organisations				
Italian government securities	14,608,682	61.81%	20,541,351	88.63%
Government securities of other EU countries.	8,283,557	35.04%	1,621,440	7.00%
Total	**22,892,239**	**96.85%**	**22,162,791**	**95.63%**

Indication of the top 50 portfolio securities compared to total assets

The table shows the 12 securities held in the portfolio as at 31 December 2010.

No.	Currency	Type	ISIN	Description	Quantity	Value	% over assets
1	EUR	O	DE0001137271	BUNDESSCHATZANWEISUNGEN	2,700,000	2,712,663	11.48%
2	EUR	O	DE0001141497	BUNDESOBLIGATION	2,400,000	2,453,880	10.38%
3	EUR	O	IT0004509219	CCT (TREASURY BILLS)	2,200,000	2,126,962	9.00%
4	EUR	O	IT0004634124	CCT (TREASURY BILLS)	2,200,000	2,090,884	8.85%
5	EUR	O	IT0004404973	BTP (LONG-TERM TREASURY BILL)	2,000,000	2,028,220	8.58%
6	EUR	O	IT0004572910	CCT (TREASURY BILLS)	2,050,000	1,964,815	8.31%
7	EUR	O	IT0004605090	CCT (TREASURY BILLS)	2,000,000	1,909,820	8.08%
8	EUR	O	IT0004467483	BTP (LONG-TERM TREASURY BILL)	1,850,000	1,861,026	7.87%
9	EUR	O	DE0001137289	BUNDESSCHATZANWEISUNGEN	1,800,000	1,811,034	7.66%
10	EUR	O	IT0003080402	BTP (LONG-TERM TREASURY BILL)	1,600,000	1,629,632	6.89%
11	EUR	O	DE0001137297	BUNDESSCHATZANWEISUNGEN	1,300,000	1,305,980	5.53%
12	EUR	O	IT0004536931	CCT (TREASURY BILLS)	1,030,000	997,322	4.22%
				Total		**22,892,238**	**96.85%**

Key
A - shares
O - bonds
F - mutual investments funds

Amounts relating to purchase and sale transactions of securities not yet settled

As at 31 December 2010, there are no purchase and sale transactions of securities to be settled.

Information on the geographical breakdown of investments

Items/Countries	Italy	Other EU Countries	Total	% over total assets
Italian government securities	14,608,682	-	14,608,682	61.80%
Government securities of other EU countries.	-	8,283,557	8,283,557	35.05%
Total	**14,608,682**	**8,283,557**	**22,892,239**	**96.85%**

Information on the breakdown of investments by currency

Currency	Portfolio	Equivalent value in Euro
EUR	22,892,239	22,892,239
Total		**22,892,239**

Information on the breakdown of investments by duration

Type of security	ISIN Code	Description	Quantity	Duration	Average	% over total assets
1-GOV. SEC. -Other EU Countries					**0.78**	**35.05%**
	DE0001137271	BUNDESSCHATZANWEISUNGEN	2,700,000	0.63		
	DE0001137289	BUNDESSCHATZANWEISUNGEN	1,800,000	0.88		
	DE0001137297	BUNDESSCHATZANWEISUNGEN	1,300,000	1.11		
	DE0001141497	BUNDESOBLIGATION	2,400,000	0.71		
1-GOV. SEC. - Italy					**0.90**	**61.81%**
	IT0003080402	BTP (LONG-TERM TREASURY BILL)	1,600,000	0.49		
	IT0004404973	BTP (LONG-TERM TREASURY BILL)	2,000,000	0.57		
	IT0004467483	BTP (LONG-TERM TREASURY BILL)	1,850,000	1.05		
	IT0004509219	CCT (TREASURY BILLS)	2,200,000	0.42		
	IT0004536931	CCT (TREASURY BILLS)	1,030,000	0.66		
	IT0004572910	CCT (TREASURY BILLS)	2,050,000	1.06		
	IT0004605090	CCT (TREASURY BILLS)	2,000,000	1.23		
	IT0004634124	CCT (TREASURY BILLS)	2,200,000	1.55		
		Total			**0.86**	**96.85%**

The overall average duration of the bond portfolio amounts to 0.86.

Equivalent value of purchases and sales of financial instruments

Type of security	Description	Purchases	Sales
Government securities	Other EU countries	8,332,320	1,619,048
Government securities	Italy	16,522,500	22,119,212
Total		**24,854,820**	**23,738,260**

Breakdown of "Accrued income and prepayments"

Managed investments include accrued income as in the following table:

	31/12/2010	31/12/2009
Accrued income and prepayments	**259,393**	**325,834**
Accrued income on coupons	257,977	314,778
Financial accrued income on contributions account	1,416	11,056

Breakdown of "Other assets of financial management"

	31/12/2010	31/12/2009
Other assets of financial management	**434,276**	**476,784**
Contributions receivable	434,276	476,784

"Contributions receivable" represents the contributions collected and assigned to the sub-fund waiting to be granted in management.
This amount consists of the contributions paid by Banca Italease and other Group Companies on the deposits account and relating to the month of December 2010. These contributions will be valued with the share of 31 December 2010.

30. Result guarantees acquired on individual positions

As at 31 December 2010, the amount of the result guarantees acquired on individual positions amounts to Euro zero.

40. Assets of administrative management

As at 31 December 2010, assets of administrative management amount to zero.

50. Tax credits

As at 31 December 2010, there is no tax credit.

LIABILITIES

10. Liabilities of pension management

a) Payables of pension management:

As at 31 December 2010, the amount of payables of the pension management is equal to euro 434,276.

		31/12/2010	31/12/2009
a)	**Payables of pension management**	**(434,276)**	**(476,784)**
	Payables to members for contributions awaiting to be granted	(434,276)	(476,784)

- "Payables to members for contributions awaiting to be granted" refers to combined contributions in December and that will be valued with the share of 31 December 2010.

b) Other liabilities of pension management

The item amounts to zero.

20. Liabilities of financial management

As at 31 December 2010, liabilities of financial management, amounting to euro 25,088 consist of:

		31/12/2010	31/12/2009
d)	**Other liabilities of financial management**	**(25,088)**	**(57,358)**
	Payables to Pioneer for fee and commission to be paid	(23,364)	(55,688)
	Payables to Custodian Bank for fee and commission to be paid	(1,724)	(1,670)

The items:
a) Payables for repurchase agreements;
b) Issued options;
c) Accrued liabilities and deferred income;
amount to zero.

30. Result guarantees recognised on individual positions

As at 31 December 2010, the amount of the result guarantees recognised on individual positions is equal to euro zero.

40. Liabilities of administrative management

In accordance with the regulatory provisions, under which the administrative management expenses of the positions existing with the Defined contribution Section of the Fund are fully borne by the Parent Company, the liabilities of administrative management amount to zero as at 31 December 2010.

50. Tax liabilities

a) As at 31 December 2010, the item Substitute tax DL 47/2000 amounts to 15,503; this amount represents the amount due to tax authorities due to the net operating result accrued during the year.

100. Net assets for benefits

Net assets for benefits amounts to euro 23,161,248 divided in 2,095,291.237 shares of euro 11.054 each.

INCOME STATEMENT

10. Margin of pension management

As at 31 December 2010, the balance of the pension management amounts to euro 473,606.

It is the result of the algebraic sum of the following items:

a) Contributions for benefits

Includes contributions received in respect of which the relating shares have been assigned:

		2010	2009
a)	**Contributions for benefits**	**3,026,226**	**3,300,262**
	Combined contributions	3,026,226	3,300,262

During 2010, the overall amount of contributions paid by the Companies and combined on 31 December 2010 amount to Euro 3,026,226.

b) Advances

The item includes the amount of contributions paid to members following the request for advance of their position to pay. During the period, advances consisted in Euro 329,966.

c) Transfers and redemptions

The item includes the amount of contributions paid to members following the request for redemption or transfer to other Fund. During the period, transfers and redemptions consisted in Euro 2,222,654.

		2010	2009
c)	**Transfers and redemptions**	**(2,222,654)**	**(3,672,260)**
	Redemptions to members	(1,299,195)	(2,802,351)
	Transfers to other funds	(923,459)	(869,909)

The items:
d) Changes in annuity;
e) Disbursements in terms of capital;
f) Premiums for invalidity and death insurance;
amount to zero.

20. Results of direct financial management

The direct financial management amounts to 0.

30. Results of indirect financial management

The item amounts to euro 195,251 and it is the result of the algebraic sum of the following items:

a) Dividends and interests

The item amounts to euro 582,363 and it is broken down as follows:

		2010	2009
a)	**Dividends and interests**	**582,363**	**752,962**
	Interests on coupons	580,044	747,655
	Interests on Custodian Bank c/a	1,490	4,326
	Interests on Financial Operator Euro c/a	829	981

b) Profits and losses from financial transactions

The amount of Euro - 387,112 mainly consists in the following capital gains and losses:

		2010	2009
b)	**Profits and losses from financial transactions**	**(387,112)**	**28,353**
	Profits on Securities	72,661	308,206
	Losses on Securities	(130,135)	(148,341)
	Expected profits and losses	(329,638)	(131,512)

Items a) Dividends and interests and b) Profits and losses from financial transactions are broken down as follows:

Items/Values	Dividends and interests	Profits and losses from financial transactions
Securities issued by States or international organisations	580,044	(387,112)
Current bank accounts	2,319	-
Total	**582,363**	**(387,112)**

As at 31 December 2010:
c) Commissions on securities lending;
d) Income and expenses for repurchase transactions;
e) Differential on guaranteed result issued to the pension fund

amount to zero.

40. Operating expenses

a) Management companies

		2010	2009
a)	**Management companies**	**(46,730)**	**(44,724)**
	Pioneer operator fee and commission	(46,730)	(44,724)

The commission charged by the Operator on the average assets of the sub-fund is equal to 0.20%.

b) Custodian bank

		2010	2009
b)	**Custodian bank**	**(7,588)**	**(7,158)**
	Custodian bank commissions	(7,588)	(7,158)

The Commission charged by the Custodian Bank on the average assets of the sub-fund is equal to 0.029%.

50. Margin of financial management

Determined by the algebraic sum of the margin of pension management, margin of financial management and operating expenses.

		2010	2009
50	**Margin of financial management**	**140,933**	**729,433**
20	Results of direct financial management	-	-
30	Results of indirect financial management	195,251	781,315
40	Operating expenses	(54,318)	(51,882)

60. Administration expenses

As at 31 December 2010, administration expenses amount to zero.

70. CHANGE IN NET ASSETS FOR BENEFITS BEFORE SUBSTITUTE TAX

Determined by the algebraic sum of the margin of pension management, margin of financial management and administration expenses.

	2010	2009
70. Change in net assets for benefits before substitute tax	**614,539**	**177,722**
10. Margin of pension management	473,606	(551,711)
50. Margin of financial management	140,933	729,433
60. Administration expenses	-	-

80. Substitute tax

The item of euro 15,503 represents the provision for substitute tax for the year 2010 in accordance with Article 7 paragraph 2 of Italian Legislative Decree No. 252/05. The tax was paid in terms of law and has been calculated as shown in the following table.

	2010
End-of-year assets before substitute tax (a)	23,176,751
Disbursements made for redemptions and transfers (b)	2,552,620
Contributions paid and credited (c)	3,026,226
Exempt income not subject to tax (d)	-
Assets at the beginning of the period (e)	22,562,212
Taxable income (a + b – c – d - e)	140,933
Substitute tax 11%	15,503

100. Change in net assets for benefits

		2010	2009
	Change in net assets for benefits (70)+(80)	**599,036**	**97,484**
70	Change in net assets for benefits before substitute tax	614,539	177,722
80	Substitute tax	(15,503)	(80,238)

SUPPLEMENTARY PENSION FUND CASSA DI RISPARMIO DI LUCCA

2010 statement of the pension fund of the Cassa di Risparmio di Lucca personnel

As from 23 February 2000, the Pension Fund of the Personnel (hereinafter Fund) is registered with no. 9183 in the III Special Section of the Register of Pension Funds that includes previously existing pension funds supervised by authorities other than Covip.

The Fund is divided in two separate sections from the legal, financial and accounting viewpoint:
- Defined benefit section: for persons retired as at 6 August 1999;
- Defined contribution section: for active workforce.

The Fund is not an autonomous legal entity. The related financial statement item faces up with the contribution in perspective for pension support of the members of the Defined benefit section and the pension-earmarked portion of shareholders' equity, pursuant to and for the purposes of Article 2117 of the Italian Civil Code, relating to the Defined contribution section.

As from 1 April 2005, the financial management of the Fund was entrusted to Bipitalia Gestioni Sgr S.p.A and as from 1 September 2007 to Banca Aletti.

The defined contribution fund is broken down as follows:

Defined contribution section
(figures in euros)

Line	Assets	No. of shares	Value of shares	% yield on share value	Prev. S. V.
Liquidity	11,071,602.54	859,864.198	12.876	0.39%	12.826
Prudential Balanced	9,984,101.61	784,267.649	12.730	2.55%	12.414
Balanced	8,947,303.04	740,978.079	12.075	3.42%	11.676
Share	7,733,080.79	787,133.935	9.824	4.00%	9.446
Guaranteed	977,326.85	91,662.310	10.662	-0.08%	10.671
Total	**38,713,414.83**	**3,263,906.171**			
Liquidity	**628,058.17**				
Solidarity Account	**19,438.67**				
Total Lucca Pension Fund	**39,360,911.67**				

Changes in the fund	
Amounts as at 31/12/2009	**35,290,943.35**
Increases	
Contributions charged to the Company	1,839,888.24
Contributions charged to the staff member	595,015.87
Transfer of positions from other operators	52,464.66
Transfer from severance indemnity fund	1,855,506.95
Liquidity	-
Solidarity Account	
Positive yield of assets	2,312,617.24
Decreases	
Advances and redemptions	(989,607.05)
Transfer of positions to other operators	(146,634.97)
Negative yield of assets	(1,449,282.45)
Share rounding-off	(0.17)
Amounts as at 31/12/2010	**39,360,911.67**

Defined benefit section	
Amounts as at 31/12/2009	**8,879,266.00**
Increases	
Provisions for the year	528,166.81
Decreases	
Use for payment of pensions	(1,229,118.63)
Withdrawal for paying off	
Amounts as at 31/12/2010	**8,178,314.18**

2010 statement of the pension fund of the Cassa di Risparmio di Lucca personnel: defined contribution section settlement former Cassa di Risparmio di Pisa and former Cassa di Risparmio di Livorno

Due to the merger by incorporation of Cassa di Risparmio di Pisa S.p.A. and Cassa di Risparmi di Livorno S.p.A. into Cassa di Risparmio di Lucca S.p.A. occurred on 31 December 2003 with accounting and tax effects as from 1 January 2003, the ordinary and capitalisation section of the Pension Fund of Cassa di Risparmio di Pisa S.p.A. and Cassa di Risparmi di Livorno S.p.A. converged to the assets of Cassa di Risparmio di Lucca S.p.A.; the capitalisation section was zeroed in 2004 through the use of redemptions and transfers. The defined contribution section was liquidated by passing the individual positions to an open pension fund.
The Fund of former CR Livorno still includes, at the end of the reporting period, no. 2 active workers and no. 1 worker member of the Solidarity Fund and no. 4 terminated former employees entitled to the benefit of the Fund but not entitled to the pension to the charge of INPS (deferred), who will receive the benefit of the Fund upon accrual of the right to old-age pension of INPS.

The following changes were registered in 2010:

Former CR Pisa **Defined benefit section** ***(figures in euros)***	
Amounts as at 31/12/2009	**3,828,900.00**
Increases	
Provisions for the year	
Decreases	(39,131.11)
Use for payment of pensions	(374,177.39)
Withdrawal for paying off	
Amounts as at 31/12/2010	**3,415,591.50**

Former CR Livorno **Defined benefit section** ***(figures in euros)***	
Amounts as at 31/12/2009	**9,529,211.03**
Increases	
Provisions for the year	475,745.08
Actuarial reserve awaiting a posting - past Actuarial reserve	
Decreases	
Use for payment of pensions	(664,068.56)
Withdrawal for paying off	
Amounts as at 31/12/2010	**9,340,887.55**
In the Pension Fund of the former Livorno, euro **176,823.34** are earmarked for active workers on the date of transformation of the fund awaiting a posting	**176,823.34**
Total amounts as at 31/12/2010	**9,517,710.89**

Front cover, from top left:
Armando Spadini, La famiglia a Villa Borghese (Famiglia nel prato), 1912/1913, oil on cardboard
Giovanni Andrea De Ferrari, Pace, around 1630, oil on canvas
Ettore Beraldini, Ritorna il sereno, 1929/1930, oil on panel
Giovanni Antonio Pellegrini, Erminia, 1720/1730, oil on canvas
Bartolomeo Passerotti, Ritratto di gentiluomo con cane, around 1585, oil on canvas
Carlo Carrà, Nevicata all'Aprica, 1937, oil on canvas panel

Back cover, from top left:
Gennaro Favai, Chiesa della Salute (Mattino dall'Accademia), 1910 circa, oil on cardboard
Ercole Calvi, Veduta di piazza Brà a Verona, 1883 post, oil on canvas
Attributed to Plinio Nomellini, Paesaggio di palude, 1902-1908, oil on canvas
Casimiro Jodi, La svolta del Naviglio alla Bastiglia, 1927, oil on canvas
Alessandro Milesi, Autunno, 1911-1912, oil on canvas
Giuseppe Vailetti, La mietitura, around 1943, oil on panel

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