

CONSOLIDATED HALF-YEARLY REPORT

AS AT JUNE 30TH 2011



BANCO POPOLARE
BANKING GROUP

Consolidated half-yearly financial report
as at 30 june 2011

Banco Popolare Società Cooperativa

Registered office and General headquarters: Piazza Nogara, 2 - 37121 Verona
Fully paid up share capital as at 30 June 2011: euro 4,293,663,199.08
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 30 JUNE 2011

Supervisory Board

Chairman
Acting Deputy Chairman
Deputy Chairman
Directors

Carlo Fratta Pasini
Guido Castellotti
Maurizio Comoli ⁽¹⁾
Giuliano Buffelli ⁽¹⁾
Pietro Buzzi ⁽¹⁾
Gabriele Camillo Erba ⁽¹⁾
Gianni Filippa ⁽¹⁾
Dino Piero Giarda
Andrea Guidi ⁽¹⁾
Pietro Manzonetto ⁽¹⁾
Maurizio Marino ⁽¹⁾
Enrico Perotti
Gian Luca Rana ⁽¹⁾
Claudio Rangoni Machiavelli ⁽¹⁾
Fabio Ravanelli ⁽¹⁾
Alfonso Sonato ⁽¹⁾
Angelo Squintani ⁽¹⁾
Sandro Veronesi ⁽¹⁾
Tommaso Zanini ⁽¹⁾
Cristina Zucchetti ⁽¹⁾

⁽¹⁾ Independent directors as per Article 6 of the Code of Best Practice adopted by Banco Popolare

Management Board

Chairman
Managing Director and Deputy Chairman
Directors

Vittorio Coda
Pier Francesco Saviotti
Alfredo Cariello
Aldo Civaschi ⁽²⁾
Luigi Corsi ⁽²⁾
Domenico De Angelis
Maurizio Di Maio
Maurizio Faroni
Leonello Guidetti
Bruno Pezzoni
Roberto Romanin Jacur ⁽²⁾
Andrea Sironi ⁽²⁾

⁽²⁾ Independent directors as per Article 6 of the Code of Best Practice adopted by Banco Popolare

Ethics and Disciplinary Committee

Standing

Marco Cicogna
Luciano Codini
Giuseppe Bussi

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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Gruppo Banco Popolare

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

**Banca Popolare di Verona -
S.Geminiano e S.Prospiero**
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 Croatia
Banco Popolare Hungary
Banco Popolare Luxembourg

Core commercial banks

Investment & Private Banking, Asset Management

Leasing

Others



GROUP FINANCIAL HIGHLIGHTS

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

<i>(in millions of euro)</i>	30/Jun/2011	30/Jun/2010 (*)	Change
Income statement figures			
Financial margin	909.1	944.8	(3.8%)
Net fee and commission income	653.9	642.5	1.8%
Operating income	1,884.7	1,893.2	(0.5%)
Operating expenses	1,202.7	1,193.4	0.8%
Income (loss) from operations	682.0	699.8	(2.5%)
Income (loss) before tax from continuing operations	315.4	275.0	14.7%
Net income (loss) for the period	191.4	436.9	(56.2%)
<i>(*) The figures have been adjusted in compliance with IFRS 5. The attachments contain a statement of reconciliation between the income statement schedule published in the consolidated financial report as at 30 June 2010 and that restated in this schedule.</i>			

<i>(in millions of euro)</i>	30/Jun/2011	31/Dec/2010	Change
Balance sheet figures			
Total assets	138,238.1	135,155.7	2.3%
Loans to customers (gross)	100,639.1	98,559.6	2.1%
Financial assets and hedging derivatives	19,537.0	17,726.3	10.2%
Shareholders' equity	12,100.1	11,527.5	5.0%
Customers' financial assets			
Direct deposits	107,660.5	104,523.7	3.0%
Indirect deposits	73,479.0	76,235.9 (*)	(3.6%)
- Asset management	29,768.4	31,444.6	(5.3%)
- Mutual funds and Sicavs	8,003.2	9,205.2	(13.1%)
- Securities and fund management	8,684.9	9,445.0	(8.0%)
- Insurance policies	13,080.3	12,794.4	2.2%
- Administered assets	43,710.6	44,791.3	(2.4%)
Information on the organisation			
Average number of employees and other staff (**)	19,345	19,872	
Number of bank branches	2,104	2,119	
<i>(*) Adjusted figures to enable a like-for-like comparison with the first six months.</i>			
<i>(**) 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.</i>			

Financial and economic ratios and other Group figures

	30/Jun/2011	31/Dec/2010
Profitability ratios (%)		
Annualized ROE	3.2%	2.7%
Financial margin / Operating income	48.2%	49.8%
Net fee and commission income / Operating income	34.7%	34.0%
Operating expenses / Operating income	63.8%	65.9%
Operational productivity figures (000s of euro)		
Loans to customers (gross) per employee	5,202.3	4,959.7
Annualized operating income per employee	194.8	187.2
Annualized operating expenses per employee (*)	124.3	123.4
Credit risk ratios (%)		
Net doubtful loans / Loans to customers (net)	3.42%	3.05%
Net substandard loans / Loans to customers (net)	4.37%	4.59%
Net doubtful loans / Shareholders' equity	27.22%	24.98%
Banco Popolare stock		
Number of outstanding shares	1,763,532,594	640,484,006
Official closing prices of the stock		
- Maximum	2.75	4.10
- Minimum	1.50	2.30
- Average	2.16	3.28
Annualized basic EPS	0.217	0.346
Annualized diluted EPS	0.215	0.247

(*) 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.



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

HALF-YEARLY
REPORT
ON OPERATIONS



ECONOMIC SCENARIO

The international scenario

In the first half of the year, compared to 2010, global economic growth slowed down in both industrialised economies, which showed limited levels of inflation and rates of development, and developing economies, where growth was more sustained and inflation was higher. The degree of economic expansion was affected on one hand, by the generally less expansive nature of monetary policies, which in the main emerging countries have certainly become more restrictive, accompanied by the widespread use of administrative instruments, and on the other hand, by the extensive use of corrective fiscal manoeuvres, seeking to curb public deficits, which have risen sharply in the past few years of crisis.

In the first quarter, the above factors were compounded by the serious consequences of the nuclear disaster in Fukushima, which brought production activity in Japan virtually to a standstill for several weeks. The second quarter was characterised instead by the renewed deterioration of the Euro crisis, the repercussions of which were felt by all industrialised economies.

In contrast, after a short burst at the beginning of the year, from the second half of the period in question, the prices of several raw materials settled down, partially offsetting the economic slowdown and making many production inputs less onerous. The prices of oil, in particular, lost a significant portion of the rises resulting from the outburst of social tensions in the first few months of the year in various Middle East and North African nations. The rates of inflation in Western industrialised nations rose further in the six-month period, although stabilising towards the end of the half year, due to a recovery in growth and the above-mentioned fall in raw material prices.

During the half year, it was abundantly clear that imbalances in public finances and the related problems with managing public debt are not just restricted to European countries. In the USA, the lack of funds to pay public sector employees risked temporarily closing down several federal offices and the partial, temporary standstill of public administration activities.

More specifically, the US GDP is expected to grow by 1.3%, on an annualised basis, in the second quarter of 2011, following an increase of 0.4% in the first quarter of 2011 and 3.1% in the fourth quarter of 2010. Overall, these figures show the worst six-monthly GDP trend since the end of the recession. In terms of components, the latest quarterly figures show lower public spending, as well as a rise in imports compared to the previous quarter, although not offset by the upward trend in exports, fixed non-residential investments and federal spending. Private consumption, which had made a significant contribution to growth in the first quarter, fell sharply in the second quarter, as a result of the continuing weakness of the labour market, which is not showing the improvements typical of similar periods of economic expansion. Lastly, the upward trend of inflation towards the end of the period is causing some concern: the price consumer index for June recorded a figure of 3.6%, compared to 2.7% in March.

As a result of the above-cited disaster in Japan, growth recorded a fall of 0.7% in the same period. Moreover, the nuclear accident further worsened the already difficult situation of Japan's public finances: estimates of the Japanese deficit/GDP ratio for 2011 at the end of the half-year period were 9.9%, compared to 3.9% for Italy and 2.3% for Germany.

In China, the restrictive monetary policy manoeuvre and the strict measures adopted to limit excess liquidity and credit have started to (at least partially) demonstrate the results sought by authorities in Peking. Although growth continues to be fairly steady, it has started to slow down, and after the GDP trend of 9.7% in the first quarter, in the second quarter, initial estimates point to an increase of around 9.5%.

The Euro Zone and Italy

The economy of the Euro Zone was impacted by the weak economic cycles of both Japan and the USA, however, boosted by foreign demand, it actually slowed down less with respect to the other major industrialised nations in the period in question. After a very positive start to the first quarter (+0.8% compared to the end of 2010 and +2.5% compared to the same period of the previous year), GDP for the Zone slowed down in the following three months: initial estimates show an increase of 0.2% compared to the previous quarter and 1.7% compared to the same period of the previous year. Germany widely benefited in the first part of the period (+1.3% in the first quarter) from the healthy export trend, due to the extensive penetration of the major emerging markets, and an upturn in investments in construction and capital goods. In the second quarter, however, following the winter *exploit*, expansion fell sharply to 0.1% on a quarterly basis.

The growth of the German economy, in turn, continued to boost the recovery of both GDP and the number of hours worked in the majority of its European partners (particularly France and Italy), in line with the situation in 2010. Consumer prices in the Euro Zone showed an upward trend in the half year, closing the period at 2.7% compared to the previous quarter, against 1.5% recorded a year ago.

As the Euro crisis deteriorated, difficulties in handling the sovereign debt of peripheral countries led to the intensification of austerity measures aimed to balance public accounts, exacerbating the already considerable growth issues of said economies.

The Italian economy got off to a weak start in the first half of 2011: at the end of March, growth was 0.1% compared to the previous quarter and 1.0% compared to the same period of the previous year, under the European average. Expansion was sustained by the positive contribution of exports, which counterbalanced the immobility of domestic demand. The latter suffered from the weak trend of retail customer consumption, the fall in corporate investments and of stock. In the second quarter, the increase of GDP was slightly higher, with a rate of 0.3% compared to the previous quarter, although only a modest 0.8% for the year, on the basis of preliminary estimates.

The tone of the recovery underway, however, continues to be fragile and uncertain: the confidence of enterprises started to deteriorate in the second quarter, along with the purchasing index, reflecting - although with a greater intensity - a trend that

has spread to the majority of European countries. Industrial production, which had shown signs of slowing down in the first quarter, improved slightly in the following period, contributing to the relative upward trend of GDP.

The above factors as a whole did not result in lower inflation: Italy's consumer price index at the end of June rose by 2.7% compared to the same month last year, against an increase of 2.5% in March and 1.9% in December 2010. However, the same was accompanied by further sluggishness and segmentation of the labour market. The weakness of the latter and prospects of restrictive budget policies for the next three years are the main factors that significantly conditioned retail customer spending in the half year period.

On terms of public finances, given the growing tensions in the financial markets, at the end of the period, the Executive launched a corrective manoeuvre entailing euro 25 billion in spending cuts, envisaged in the Decree Law of 30 June 2011, and euro 15-17 billion envisaged by the tax and social security delegation in terms of income. In August the widening differential between German government bonds and Italian ones in August and the turbulence that hit the share prices of the banking industry, drove the Government to reinforce the fiscal manoeuvre by bringing forward the measures envisaged for structural reform, with the objective of balancing the budget in 2013.

The financial markets and monetary authority and fiscal measures

In April, the European Central Bank raised the base rate by a quarter of a percentage point, bringing it to 1.25%; European monetary policy was therefore able to be more neutral, although it still cannot be defined as restrictive. In July, the Central Bank decided to make a further rise of 25 b.p., bringing the base rate to 1.50%.

With regard to the sovereign debt crisis in peripheral European countries, at the end of March, the European Council launched a package of measures to resolve the problem and to facilitate sustainable growth in the countries belonging to the area by strengthening the economic governance of the Union and setting stricter standards for the management of public budgets. The effective capacity of the ESM (European Stability Mechanism, which in mid 2013 will replace the EFSF, European Financial Stability Facility), to disburse loans was therefore increased to euro 500 billion, while in the meantime the capacity of the latter was increased euro 440 billion, as a result of the increase of the guarantees provided by individual Member States. Furthermore, collateral guarantees in excess of 165% are now envisaged, against the previous 120%.

The financial markets reacted badly to fears of default of the peripheral European countries, to signs of a slowdown of the international economy and the deficit crisis in the USA. After remaining in a fairly limited range for the majority of the half year period, share prices started to fall towards the end, dropping sharply between July and August, accompanied by a brusque rise in volatility. The prices of shares of the banking industry were the worst hit, particularly in Italy. Considerable tension was also triggered in the government bonds markets of the peripheral countries of the Euro Zone, also impacting Italy. The spread between the ten-year BTP and Bund, the main indicator of the different sovereign credit risks recorded a minimum for the period in mid April of around 121 b.p., rising to around 199 b.p. towards the end of June, reflecting the public debt difficulties experienced by Greece, Portugal, Ireland and Spain, while the Bund increasingly enjoyed its status as "safe haven" compared to the government bonds of most of its European partners. At the end of the month, the spread had settled slightly, closing at 176 b.p., but at the beginning of July, it started to increase again. The situation deteriorated rapidly, despite the corrective manoeuvre for public accounts launched at the end of June by the Italian Executive, in the wake of the overall financial and international situation, and speculative attacks, encouraged by the lower levels of trade due to the summer absence of domestic operators. This turbulence obviously involved Spanish bonds, and at the height of market tension, even French bonds were affected. After having steadily risen to over 200 b.p. in just a few weeks, the BTP/Bund spread rose to over 300 b.p. on several occasions, peaking for a moment at over 400 b.p. at the beginning of August, before the announcement by the ECB regarding the purchase of Italian and Spanish government bonds tranquillised the markets. The tension on government bonds triggered a general rise in the cost of funding on securities markets for Italian banks.

In the meantime, in the USA, to avoid a clamorous default, debate between the Congress and the Administration continued until the last possible moment on raising the ceiling of US public debt and on the fiscal measures to implement to re-balance accounts. The compromise, reached at the last hour at the beginning of August, is based on a mix of an increase of public debt and spending cuts, without immediate tax increases, although the same were considered insufficient by the rating agency Standard & Poor's, which, as it had been threatening to do for some time, downgraded the country's creditworthiness rating from triple A (the highest possible rating) to double A+.

The Italian banking system

Italian bank credit continued to grow at a faster pace than its Euro Zone counterparts in the period in question. The lively loans trend contrasted with the very stable trend shown by funding.

More significantly, loans to retail customers and non-financial companies at the end of June rose 5.5% compared to the same period last year; overall progress is mainly due to loans maturing before year end, which rose 9.1% yoy (as well as due to a higher corporate contribution).

During the half year period, total funding showed a progressive and continuous slowdown in the growth rate, especially in terms of deposits, with an upswing in June: the annual change in funding in June was +1.0%, while deposits fell by -0.8%. The weak trend in funding was due, on one hand, to a fall in current account balances, -3.6% in May compared to the same period of the previous year (latest available figure), and on the other hand to the less positive performance of repurchase agreements, which as at May had risen by 18.6% compared with the same period of the previous year, against the figure of

28.1% recorded in March. Instead, bonds showed an upward trend, sustaining overall funding with an increase of 4.1% in June compared to the same period of the previous year.

The return to a more neutral profile in the monetary policy of the European Central Bank encouraged a rise in short-term market rates, triggering a similar trend in bank rates. The average rate on Euro loans to retail customers and non-financial businesses rose from 3.5% in June 2010 to 3.9% in June 2011. The average rate on bank deposits of retail customers and non-financial business customers rose from 1.36% in June 2010 to 1.8% in June 2011. In June 2011, the spread between interest income and interest expense rates was around 2.1% against 2.2% in June 2010.

The mark-up, given by the difference between the average interest rate on loans in Euro to retail customers and non-financial businesses and the 3-month Euribor worsened, recording a figure of 240 b.p. in June 2011 against 281 b.p. at the end of June 2010, while the mark-down given by the difference between the average rate on bank deposits of private customers and the 3-month Euribor improved, recording -28 b.p. in June 2011 against -63 b.p. at the end of June 2010.

The asset management segment closed the first half of 2011 with a fall of net deposits in Italian and foreign mutual funds amounting of over euro 10 billion. Total mutual funds as at June 2011 amounted to euro 441.3 billion, marking an annual fall of 1.1%. In a situation of this nature, bank profitability is dependent on careful cost management and the correct and accurate pricing of credit risk.

SIGNIFICANT EVENTS DURING THE PERIOD

The main events which occurred during the first half of the year are described below.

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 to subscribe a total of 1,889,188 shares for an equivalent value of euro 3,343,862.76) were all 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 amounted to euro 4,293,417,736.68 and was 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. At the same time, the final balance of the interest accrued from 1 July 2010 to 14 March 2011, equal to euro 86.4 million was paid, recognised in the accounts as a balancing entry of the debiting of equity reserves.

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 retail customers and small and medium-sized enterprises.

Exchange offer on subordinated bonds of Banco Popolare

On 18 May 2011, Banco Popolare launched an Exchange Offer on the entire amount of three subordinated floating rate “Lower Tier II” bonds, amounting to euro 1.3 billion (the “Existing Securities”), through the exchange of the same with new liabilities (the “New Securities”) with the same level of subordination, in order to optimise its capital structure, also with a view to Basel III. It was also envisaged that new subordinated liabilities with the same characteristics of the New Securities and belonging to the same series, could be placed with parties other than those subscribing to the offer (the “Additional Securities”).

The offer period, which ended on 25 May 2011, was concluded with the allocation under the Exchange Offer of Existing Securities with a total nominal value of euro 659.1 million (50.7% of the overall nominal value), of which euro 48.9 million regarded securities held by Group companies. More specifically, the Lower Tier II callable Step-Up 2016 loan, originally for a nominal value of euro 500 million, yielded euro 242.2 million (exchange price 97.75%); the Lower II Callable Step-Up 2016, originally for a nominal value of euro 250 million, yielded euro 65.6 million (exchange price 97.25%); the Lower II Callable Step-Up 2017 loan, originally for a nominal value of euro 550 million, yielded euro 351.3 million (exchange price 96.25%).

On the basis of this outcome, effective 31 May 2011, Banco Popolare issued, under the EMTN Programme, a new Lower Tier II subordinated bond at a price of 99.259%, with a ten year term that cannot be called before maturity, with a fixed annual coupon of 6.375%, listed on the Luxembourg Stock Market. The nominal value of the New Securities was euro 660,693,000, including euro 40,722,000 of Additional Securities and euro 47,660,000 of securities issued following subscription from Group companies.

The settlement, which took place on 31 May 2011, also envisaged the payment of a cash sum of euro 24.5 million, for fractions and interest matured on securities.

The profit resulting from the repurchase of the liabilities conferred under the Exchange Offer, corresponding to the difference between the offer price and the book value of the liabilities, was euro 17.6 million; transaction costs, recognised in the income statement on the date the transaction was finalised, amounted to around euro 3 million.

Banco Popolare’s 2011-2013/2015 Business Plan is approved

At the end of June, the Management Board and the Supervisory Board of Banco Popolare approved the Group’s Business Plan for 2011-2013/2015.

The guidelines of the Business Plan are based on growth, confirming and reinforcing the Group’s focus on areas in which it has historic presence and envisage important projects to optimise the central offices, territorial presence and commercial models to strengthen the network, to improve commercial effectiveness, to increase the customer base and the Group’s profitability.

The main areas for improvement are:

- the reduction of head office resources, and the increase of network resources;
- the elimination of overlaps between the Parent Company and local offices;

- measures to simplify the company structure and the network structure;
- the improvement of network performance, entailing a significant increase in the number of managers, as well as measures to rationalise local presence and innovate service models;
- the increase of the customer base, with exclusive focus of the core segments of retail customers and SMEs.

More specifically, the initiatives envisaged by the Plan for the retail segment seek to maximise network capacity and to expand the customer base, analysing the various reference contexts and also exploiting innovative channels.

Projects focused on growth entail: reviewing the threshold for Small Business-Mid Corporate segmentation; increasing the number of resources dedicated to small business and to the management of affluent customers; introducing a specific Internet product "YouBanking"; cross-selling initiatives with Banca Aletti.

The results of these programmes will lead to the transfer of around 15 thousand business customers to branches, as well as a new service model, following the allocation of companies with a turnover of up to euro 5 million to the small businesses segment (up until now the threshold was euro 2.5 million).

The addition of 600 new small business managers and of 300 new affluent customer managers to the network will enable said changes to be adequately managed, as well as sustaining the growth of the branches in the relative socio-economic scenario.

The management of capital and of risk is a fundamental chapter of the Plan. Banco Popolare has already implemented important measures as regards capital adequacy: the issue of a soft mandatory convertible loan of euro 1 billion, the euro 2 billion capital increase, the assignment of non-core assets (Factorit, Caripe, foreign banks and other smaller banks); the Plan also envisages a series of transactions that seek to further improve the ratios with a view to reaching and sustaining the level required by European supervisory regulations, set by the parameters established by Basel III.

In an economic scenario which, although slowly improving, continues to show areas of weakness, the economic-financial performance envisaged in the Plan will benefit from higher operating income, tight control of administrative expenses and the improvement of the cost of credit.

These objectives, as illustrated in the section regarding subsequent events, to which readers are referred for further details, are also confirmed by the plan to incorporate Banco Popolare in Verona, Novara and Lodi and the Cassa di Risparmio di Lucca Pisa Livorno into the Parent Company, launched in mid-July, which will lead to the creation of a new larger cooperative bank (*banca popolare*).

The disposal of Banco Popolare Ceska Republika

On 20 June 2011, following receipt of authorisations from the Central Bank of the Czech Republic and the approval of Banco Popolare's Management Board, the entire share capital of Banco Popolare Ceska Republika was sold to Equa Group Limited (a company registered in Malta, controlled by Private Equity Funds managed by AnaCap Financial Partners LLP), for around euro 48 million. On the same date, at an Extraordinary Shareholders' Meeting, the name of Banco Popolare Ceska Republika was changed to Equa Bank.

The above transaction had a positive impact on the half-yearly consolidated income statement, and the amount of euro 10.4 million was recorded under income after tax from discontinued operations, which includes the result recorded by the investee company at the time of the sale.

Disposal of Bormioli Rocco & Figlio

On 20 May 2011, Banco Popolare finalised the agreement to sell the investment (95.4%) held in Bormioli Rocco & Figlio - through the subsidiaries Efibanca (14.3%) and Partecipazioni Italiane (81.1%) - to the private equity fund Vision Capital.

The value of the transaction, approved by Banco Popolare's Management Board was equal to an equity value of euro 250 million.

As a result of the above transaction, the direct subsidiaries of Bormioli Rocco & Figlio will no longer be consolidated, as better illustrated in the paragraph regarding changes in the scope of consolidation.

After obtaining the authorisations required from the competent authorities, the transaction was finalised on 30 June.

This transaction reflects Banco Popolare's strategy and operational objectives, which entail disposing of non-core assets and simplifying Group structure, and had a positive impact on the half-yearly consolidated income statement of euro 13.3 million, which includes the result recorded during the half year by the investee company and the impact of the disposal. In accordance with accounting standard IFRS 5, this amount has been recognised under income (loss) after tax from discontinued operations.

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 a cash settlement.

In a meeting held on 25 March 2011, the Management Board of the Parent Company also approved the proposal for the merger by incorporation of Efibanca into Banco Popolare. The transaction will be finalised in the last quarter of the year and will take place according to a simplified procedure insofar as, following the transfer of the Efibanca shares held by Credito Bergamasco to Banco Popolare on 20 June 2011, Efibanca's capital is entirely held by the incorporating company.

The aim of the transaction, which will have accounting and fiscal effect from 1 January 2011, is to simplify the corporate structure of the Banco Popolare Group, and will result in lower corporate and administrative expenses, as well as achieving synergies in terms of personnel and strengthening the management of the Group's structured finance and merchant banking activities.

To this end, an organisation and IT integration project is underway, the aim of which is to enable the Parent Company to manage the assets acquired from Efibanca with a view to business continuity, and, at the same time, to enjoy the potential synergies resulting from the transaction; Efibanca's offices and activities will therefore be reallocated to similar Parent Company departments.

Given the transformation of the Parent Company into an "operational" holding company as regards customers, and the consequent repercussions on the organisational structure, the organisational model and the operational and control processes of the Parent Company will be adequately supplemented and updated.

Following the integration of the former Efibanca offices into the Parent Company, additional synergies can be achieved through further measures to rationalise the offices themselves and due to the gradual reduction of the number of positions managed.

Furthermore, as already mentioned in the previous quarterly report, as regards the guidelines of the 2011-2013 Business Plan approved and submitted to the market, at the end of June proposals for the mergers by incorporation of Banca Popolare di Cremona and Banca Popolare di Crema into Banca Popolare di Lodi were approved.

This corporate and organisational simplification enables significant benefits to be obtained from: the improvement in commercial effectiveness by reducing competitive phenomena within the same local area, the rationalisation of the costs of the distribution network, better integration of central supervision and control, carried out in full concert with the identities and values of local brands.

As will be illustrated in more detail in the chapter below regarding the subsequent events, on 15 July 2011, Banco Popolare's Supervisory Board and Management Board approved the guidelines for a wide-reaching project aimed to create a new model for a great people's bank (*banca popolare*), which envisages the merger of the Network Banks (with the exception of Credito Bergamasco) into Banco Popolare, therefore the afore-mentioned incorporations of Banca Popolare di Crema and Banca Popolare di Cremona into Banca Popolare di Lodi will be redirected into Banco Popolare, maintaining, and even improving on the expected benefits.

Reorganisation of the branch network

The guidelines of the 2011-2013 Business plan also approved a project to reorganise the commercial networks of Network Banks, by reorganising the distribution network at municipal level.

The project entailed the transfer of 161 branches between network Banks, and is due to be completed by the end of this year, by means of a complex series of disposals, conferrals and separations of business segments (the latter under a simplified procedure) between group Banks.

The purpose of regrouping branches under a single brand name at municipal level is to obtain immediate and future benefits, including the elimination of commercial overlaps (for example neighbouring branches belonging to different Group banks), the elimination of inconsistencies in the pricing of similar products and services and a more incisive and competitive sales drive due to the compactness of the distribution network and full brand recognition within the various communities covered.

The project also envisaged the closure of around 85 branches, which represented overlaps at local level.

As already mentioned in the paragraph above, the guidelines of the proposed merger of the Network Banks into Banco Popolare (with the exception of Credito Bergamasco) approved by the Management Board on 15 July have rendered transactions between the companies to be incorporated by Banco Popolare incompatible and no longer necessary.

Instead, the transfer of the following business segments to Credito Bergamasco, effective 1 August 2011, is fully in line with the objectives of the business plan:

- a) transfer of a business segment comprised of 8 branches of Banca Popolare di Crema to Credito Bergamasco;
- b) transfer of a business segment comprised of 21 branches of Banca Popolare di Cremona to Credito Bergamasco;
- c) transfer of a business segment comprised of 18 branches of Banca Popolare di Lodi to Credito Bergamasco;
- d) transfer of a business segment comprised of 4 branches of Banca Popolare di Verona-SGSP to Credito Bergamasco;
- e) transfer of a business segment comprised of 1 branch of Banca Popolare di Novara to Credito Bergamasco.

Sale of Istituto Centrale delle Banche Popolari Italiane shares

Following a resolution of Banco Popolare's Management Board, in the first quarter of 2011, the Parent Company completed three separate transactions regarding the partial sale of shares held in Istituto Centrale delle Banche Popolari Italiane (ICBPI). More specifically, in the first sale transaction, which took place on 15 February 2011, Banco Popolare sold 3.36% to Banca Popolare di Cividale for a total price of euro 28.8 million; the second transaction was finalised on 25 February 2011 with the sale of 1.046% to Banca Sella Holding for a total price of euro 9.5 million; lastly, on 30 March 2011, Banco Popolare sold 1.129% of the capital of the investee company to Veneto Banca for a total figure of euro 10.2 million. In all of the above transactions, the countervalue of the transaction includes the 2010 dividend distributed in 2011.

Following the above sales, the Banco Popolare Group holds 15.397% of the share capital of ICBPI.

As a result of the above-described transactions, the Group then deconsolidated the investment previously carried at equity and recorded the residual interest at fair value under financial assets available for sale. The positive impact on the income statement for the first half of the year was euro 47.2 million, before tax (euro 41.3 million of which is attributable to the interests held). Said impact corresponds to the difference between *i*) the sum of the consideration received for the sale and the fair value of the interests held and *ii*) the consolidated book value of the entire investment.

Winding-up of Group companies

Following the completion of winding-up procedures, on 12 May 2011, Assipromos S.r.l. was cancelled from the Livorno Company Register. The associated company therefore is no longer in the scope of consolidation of companies valued at net equity.

Due to the early redemption of innovative equity instruments issued by Banca Popolare di Lodi Investor Trust II, a US trust company wholly owned by the special purpose vehicle, Banca Popolare di Lodi Capital Company II LLC, both the Trust company and the special vehicle company specifically established for the issue of these securities were wound-up. Following the above, the subsidiary Banca Popolare di Lodi Capital Company II LLC is no longer part of the Banco Popolare Banking Group and no longer falls within the scope of line-by-line consolidation.

Covered bond transactions

In the first half of 2011, Banco Popolare successfully concluded the third and fourth issues of Covered Bonds (CB), as part of the long-term programme in place since February 2010. 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.

Euro 300 million of the third issue of euro 1,250 million, with fixed rate of 3.875% and maturity on 31 March 2014, was subscribed by Banco Popolare, which used it for a REPO transaction, while euro 950 million was subscribed by institutional investors; the security has been confirmed a rating of "AAA" by Fitch and "Aaa" by Moody's. Furthermore, on 24 January 2011, a registered covered bond was issued with a notional value of euro 100 million, subscribed by a foreign counterparty. On 14 March 2011, the fourth series was issued for a notional amount of euro 1,250 million, at a fixed rate of 4.75%, which matures on 31 March 2016; the securities were entirely placed with institutional investors, while the rating was confirmed. Furthermore, the second series was re-opened with the issue of a third tranche of euro 300 million, subscribed by Banco Popolare, which used it for a REPO transaction.

In February, in relation to the unwinding of the 2009 BPL Mortgages ("Residential 2009") transaction, one-fourth of the portfolio of receivables of the Vehicle Company BP Covered Bond was transferred by the Group's assigning banks for an amount of about euro 1.8 billion. On 8 May 2011, one fifth of the portfolio of receivables of the Vehicle Company was transferred by the Group's assigning banks for an amount of about euro 2.9 billion.

Overall, the securities issued by Banco Popolare under the Covered Bond issue programme amounted to euro 5,250 million as at 30 June 2011.

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 Tax Authority 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 settled 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. More specifically, the sole reason for the decision lies in the objective to eliminate 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.

The out-of-court settlement of the above disputes did not lead to additional allocations in the first half of 2011, insofar as already envisaged in the consolidated financial statements as at 31 December 2010 to the item "provisions for risks and charges" (item 120 b) of balance sheet liabilities), in compliance with accounting standard IAS 10 "Events occurring after the date of the financial statements".

For further details, please refer to the section on Group risk.

Banca Italease – Organisational rationalisation and corporate simplification

Further measures to rationalise the organisation as regards the sub-group Italease are almost complete. These will be followed by measures to simplify the corporate structure next year.

More specifically, the guidelines for the merger by incorporation of Mercantile Leasing into Banca Italease were defined; the merger should take place in the second quarter of 2012.

Furthermore, negotiations for the assessment of several operating companies of the sub-group Italease are at an advanced stage.

Lastly, the organisational integration of the Parent Company continued. In particular, at the beginning of 2011, Security and Safety activities and the management of company vehicles were centralised into SGS-BP, while several administrative functions (supplier accounting, tax consulting and operating company accounting) were centralised within Banco Popolare.

The centralisation of other functions (e.g. Administration and Budget, Superintendency etc.) is currently being assessed, with the objective of strengthening the appropriate control mechanisms of the Parent Company.

These reorganizations have enabled Banca Italease and its subsidiaries to benefit from the increased efficiency of the services provided by the support and control functions integrated into the Group system, as well as achieving significant synergies and cost savings.

Banca Italease - Derisking process

Negotiations with the leading debtors continue, aimed at closing the default positions or restoring them to performing status. In the first half of 2011, in particular, the following events took place:

- the disposal of a package of substandard and doubtful non-real estate loans each of which valued at under euro 25,000;
- the transfer of a leasing contract previously held by the Coppola Group to a new counterparty, which entailed the reclassification of the exposure from substandard to performing (euro 39 million) and subsequent full redemption;
- the repossession, by means of *Datio in solutum*, of a property previously owned by a counterparty of the Coppola Group (Marcus), recognised under property and equipment for a value of around euro 13.6 million;
- the reclassification to restructured (from substandard) of a group whose exposure, partly assigned to Alba, was then retransferred to Banca Italease through an exchange of receivables on 30 September 2010, for a total amount of around euro 170 million;
- the sale of a property located in Milan, Via Manzoni, that Banca Italease regained possession of in June 2010 following a very complex agreement to restructure exposure towards the group led by Giuseppe Statuto, which resulted in gains of euro 13.1 million.

Again with regard to the derisking process, as mentioned previously, on 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Tax Authority for the full settlement of almost all of the disputes, through the payment of a total amount of around euro 210 million.

Revision of Banco Popolare's management structure

At a meeting held on 27 April 2011, Banco Popolare's Management and Supervisory Boards approved the proposed revision of Banco Popolare's organisational structure. With a view to enhancing overall risk management and giving a further boost to the implementation and organisational governance of the business plan, the positions of Chief Risk Officer (CRO) – in charge of the Risks Department - which oversees risk management in the narrow sense, legislative compliance and legal risk - and Chief Operating Officer (COO) – in charge of the Operations Department - whose task is to ensure that results are achieved in terms of cost synergies and excellence in terms of the service level offered, were introduced.

For the same reason, and to establish a more balanced and effective relationship with the other Parent Company Departments and with Network Banks, the Group Audit, Administration & Budget and Group Organisation Services have been promoted to Department level; the former two will continue to report to the Managing Director, while the latter will report to the COO.

The new organisation therefore has a top management structure in which the three Chief Officers - the two newly appointed positions plus the Chief Financial Officer - and the other Departments (Corporate, Retail, Credit, Human Resources, Audit, Administration & Budget) cover the most important functions, at the same time reducing the number of direct reports to the Managing Director and giving further impulse to organisational governance with regard to the requirements related to implementing the Business Plan.

Purchase of treasury shares

At the Shareholders' Meeting of the Parent Company held on 30 April 2011, amongst other resolutions, the same approved the proposal submitted by the Management Board regarding the purchase of treasury shares, in accordance with the timing and procedures envisaged by legislation in force, in order to sustain the liquidity of the shares and to facilitate smooth trading based on permitted market practices recognised by Consob.

The resolution regarded the purchase, in one or more tranches, of treasury shares, limited to a maximum amount of available reserves corresponding to euro 50 million and for a number of shares in the portfolio that does not exceed 2% of the shares representing share capital. Authorisation to purchase treasury shares, granted without any time constraint, is effective until approval of the 2011 financial statements.

As at the date of this half-yearly financial report, no treasury share purchases have been made to sustain the liquidity of the same.

Remuneration policies pertaining to executive members of the Management Board and executives

The Shareholders' Meeting of the Parent Company held on 30 April 2011 also approved the proposal submitted by the Supervisory Committee made in accordance with recent provisions of the Bank of Italy regarding remuneration policies and practices pertaining to Management Board Members; as well as a share allocation plan addressed to executive members of the Management Board and to executives that are particularly important to the Group. The Plan envisages the assignment of ordinary shares to the afore-mentioned employees and executives of the Banco Popolare Group to the extent of at least 50% of the bonus accrued following the results of the 2011 incentive system.

The Shareholders' Meeting therefore authorised the Management Board to purchase, in accordance with the limitations imposed by art. 2357, paragraph 1 of the Italian Civil Code and therefore to the extent of the available reserves resulting from the last approved financial statements, and within 18 months from the date of the resolution, up to a maximum of 1,400,000 ordinary Banco Popolare shares.

The purchases of the treasury shares will be made according to the terms and procedures prescribed by current legislation.

Allocation of shares to Banco Popolare Group employees

Following the resolution of the Shareholders' Meeting of the Parent Company held on 24 April 2011, on 13 June 2011 Banco Popolare launched a programme to purchase treasury shares to be used for the company bonus for financial year 2010 envisaged by the CCNL (national collective labour agreement), in accordance with the limitations imposed by legislation in force.

As illustrated in more detail in the section on share-based payment agreements, between 13 and 22 June 2011, 1,439,413 ordinary Banco Popolare shares were purchased for a total investment of euro 2.3 million.

Changes in corporate offices

The Shareholders' Meeting of the Parent Company held on 30 April elected the five members of the Supervisory Board whose term of office expired with the approval of the financial statements for the year.

The following were elected: Gian Luca Rana, Angelo Squintani, Fabio Ravanelli, Cristina Zucchetti and Alfonso Sonato.

Furthermore, in June, Fabrizio Fiorini was appointed as the new Director of Direct Investments of Aletti Gestielle SGR; lastly, the Management Board of Banca Popolare di Verona, at a meeting held on 30 June, resolved to appoint Leonello Guidetti, previously joint general manager, as General manager, effective 1 July 2011.

RISK MANAGEMENT

The measurement of risk and the integrated control of financial, credit, counterparty and operational risk, as well as the assessment of capital adequacy (ICAAP process), are performed centrally for all Group companies by the Parent Company Risks Department (CRO), and specifically by the Risk Management Service. The Department, established in May 2011, coordinates legal and compliance risk management, ensuring the internal validation of risk assessment models.

With reference to the first half of 2011, this section illustrates the dynamics of the Group's main risks, the evolution of the relative monitoring and control system, as well as second pillar and disclosure activities (including therein the results of the stress exercises promoted by the European Banking Authority) and information on the foreseeable evolution of corporate risks.

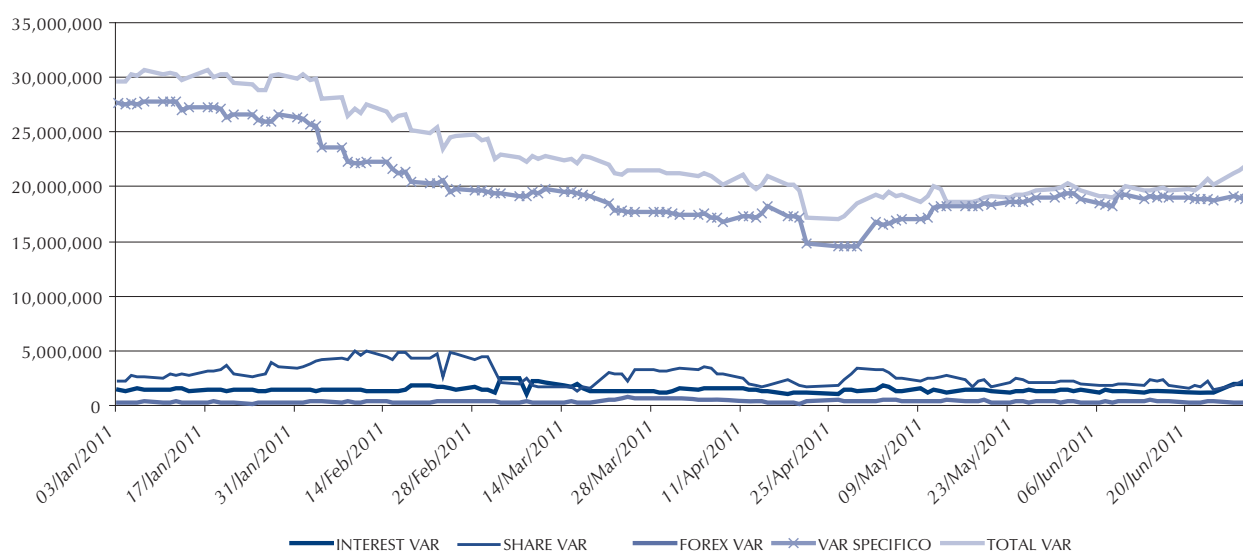
Financial risks

The VaR (Value at Risk) measurements indicated below regard the Group's market risk; the estimates were made using the historical simulation method, applied to the regulatory trading portfolio. The maximum potential loss which can be measured over a period of 1 business day is estimated, with a statistical confidence interval of 99% and the application of a Lambda (decay factor) of 0.99, so as to render the estimate more reactive to the most recent changes in the market parameters. An equiweighted VaR is also calculated, which, if higher than the VaR calculated with the above decay factor, is used for risk estimates. Note that, as of 2 May 2011, the overall VaR, including both generic and specific risk components, takes the respective correlations into account.

In the period under examination, changes in risk mostly depend on the specific component, relating, in particular to Italian government bonds.

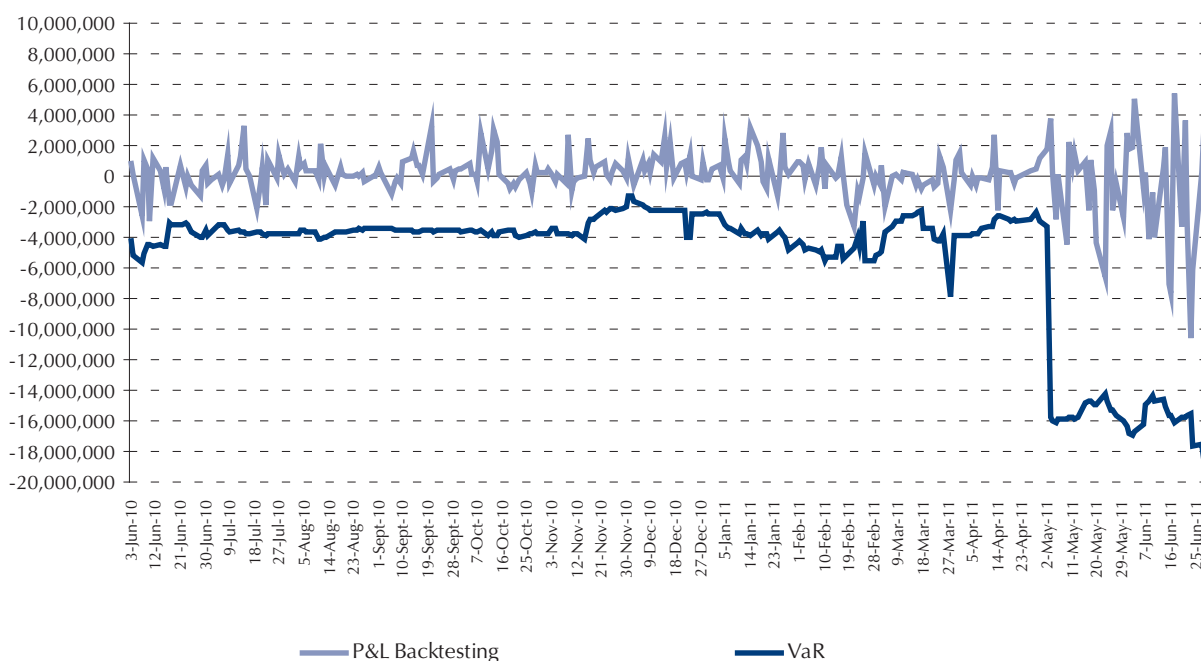
Regulatory trading portfolio (in millions of euro)	1st half of 2011			
	30 June	average	maximum	minimum
Interest rate risk	2.00	1.45	2.52	1.02
Exchange rate risk	0.27	0.36	0.85	0.11
Equity risk	2.43	2.77	4.95	1.34
Specific risk	18.86	20.23	27.85	14.49
Total uncorrelated	23.56			
Diversification effect	-1.56			
Combined Risk	21.99	22.95	30.71	17.04

Daily VaR and VaR by risk factor
BANCO POPOLARE GROUP: Regulatory trading portfolio



The following paragraphs describe the backtesting of VaR estimates, namely the comparison with the corresponding profit and loss data, relating to the performance of the regulatory trading portfolio of the Parent Company Banco Popolare from June 2010 to June 2011. No "exceptions" to forecasting capacity of VaR have been found.

Note that the sharp changes in the first few days of May are of a technical nature insofar as from that date both the P&L and the VaR also include the specific risk component.



The **interest rate risk of the banking book** of the Group, monitored by means of the sensitivity indicators (in the event of an instantaneous, single and parallel shift of the interest rate curve by +/-100 b.p.) recorded the levels shown in the table below.

The medium-long term indicator, represented by the economic value at risk, continues to show limited sensitivity to changes in interest rates. The short-term indicator, represented by the margin at risk, shows a reduced sensitivity to changes in interest rates, also due to the inclusion of companies belonging to the former Italease group in the scope monitored, whose financial structure has a bearish risk profile, which mitigates the bullish position of the Network Banks and the group as a whole.

In the light of recent bullish trends, which emerged and were consolidated through two increases of the official base interest rate by the ECB, a fall of 100 b.p. is unlikely. Therefore, the Group's bullish risk profile may turn into an opportunity for improving the interest margin.

Risk ratios (%)	2011 (first 6 months)				2010 (first 6 months)	
	30 June	average 2011	maximum	minimum	30 June	average 2010
For shift of + 100 bp						
Financial margin at risk / Financial margin	3.8%	6.1%	7.5%	3.8%	7.2%	7.5%
Economic value at risk / Economic value of capital	-1.9%	-1.6%	-1.2%	-1.9%	-1.5%	-1.3%
For shift of - 100 bp						
Financial margin at risk / Financial margin	-7.1%	-9.8%	-7.1%	-11.5%	-14.3%	-15.7%
Economic value at risk / Economic value of capital	2.5%	2.3%	2.7%	1.8%	3.6%	2.1%

As regards **liquidity risk**, at aggregate level, the Group applies a liquidity monitoring system - of both treasury and structural - that also entails the use of models to estimate behavioural and/or optional parameters. This system is flanked by internal operating thresholds based on stringent levels, monitored on a daily (treasury) and ten-day (structural) basis.

In the first half of 2011, in addition to remaining substantially always above the minimum thresholds established internally, from March onwards, the Group's liquidity profile improved considerably, due, amongst other things, to a focus on medium-long term stable funding (placement of Covered Bonds and bond issues in the wholesale market).

Credit risk

As part of the Basel II Programme, during the first half of 2011, the Group continued to work towards obtaining authorisation from the Supervisory Body to use Internal Rating Based (IRB) methods to calculate minimum capital requirements against credit risk.

The above entailed both developing and updating internal models to estimate risk factors (particularly Probability of Default -PD and Loss Given Default -LGD) as well as work in organisational, operating and IT areas.

In terms of development, we draw attention, in particular, to a complex project to update PD and LGD models, also in terms of the “thresholds” used for corporate customer segmentation (for model estimates) as well as the “definition of default”.

Furthermore, the model used to estimate the probability of default of counterparties in situations of macroeconomic stress was updated by simplifying and optimising the same from a computational perspective. In addition, the relative time series have been updated and extended, and the relative macroeconomic indicators have been updated; the same are now aligned with those used in EBA-Bank of Italy stress tests.

The trend of credit risk - meaning the risk of unexpected losses, measured using a credit portfolio model - VaR (performing loans of resident customers) or through standard regulatory requirements (other loans) - was substantially stable in the period in question. In fact, a slight fall in the risk associated with performing loans offset a moderate rise in the risk associated with other loans (particularly on defaulting customers). Average PD and LGD were also stable - with only slight fluctuations - as was the concentration level of the loan portfolio.

Counterparty Risk

For operating purposes and to provide support for capital adequacy assessment processes (ICAAP process), the Group adopted an internal method to estimate unexpected losses resulting from the possible default of counterparties in OTC derivative transactions (the most significant source of risk for the Group).

This method is mostly based on statistical-quantitative approaches, partially linked to the techniques used for VaR (Value at Risk) estimates, which assesses the impact that market and credit risk factors may have in terms of unexpected losses on the positive future market value of the overall portfolio of positions in derivatives.

Following a period in which the method was finetuned and revised, monthly management reporting processes are now in place, as well as the experimental monitoring of an overall Group risk limit, with a view to extending the same, in the very near future, to the definition and monitoring of the risk exposure limits of individual counterparties, as well as setting up daily checks.

When the ICAAP 2011 process was carried out, several stress tests on credit risk factors that impact counterparty risk (probability of default and LGD) were also conducted.

Operating Risks

As regards **operating risk** as of the date of the Supervisory Reports of 30 June 2008, the Group has adopted the standardized regulatory approach envisaged by supervisory provisions (in use together with the basic method for companies not significant in size), and has continued with the development of a model for calculating the equity absorption according to the value at risk logics, with an operational and regulatory purpose, in relation to the envisaged adoption over the mid-term of the advanced methods.

In this regard, all the infrastructures pertinent to the management of operating risk were implemented, with particular reference to:

- definition of the Group’s risk policy;
- integration and implementation of the processes for identifying and assessing the risk, as well as the new integrated model for calculating the capital requirement;
- creation of reporting and assessment models on risk exposure;
- creation of annual self-assessment sessions on the risk management system.

Furthermore, method-based analysis activities continued for the development of models and instruments for calculating the capital requirement with more advanced internal methods (so-called Advanced Measurement Approach – A.M.A.), which led to a consolidation of the current model, whose results at Group level were used at the time of second pillar reporting to the Supervisory Body, as well as for the implementation of a system of VaR limits on the risk.

The half year in question saw the performance of activities for handling the risk model, on a consistent basis with the regulatory approach adopted.

The activities carried out specifically concerned:

- a) the updating of the calculation of the capital requirement using the standard method, valid for the reports up until the end of September 2011;
- b) the reporting of the Supervisory Body of statistical indicators on the losses from operating risks in the second half of 2010, on a consistent basis with the rules envisaged in the supervisory layouts for the companies which adopt the standardized method;
- c) the reports to the DIPO Consortium on the loss figures for the second half of 2010;
- d) the drawing up and publication of integrated reporting on the Group operating risk and on the Standardised companies, addressing the corporate bodies and the heads of the Organisational Divisions concerned;
- e) the drawing up and publication of the annual forecast appraisal on the Group’s exposure to risk and of the relative proposals regarding mitigation policies;
- f) the annual self-assessment of the operating risk management system;
- g) the updating of the VaR figures on the Banco Popolare Group, produced by the internal AMA model, used for operating purposes;
- h) the creation of an integrated self-risk assessment session for the Group’s main companies.

ICAAP Process and Pillar II risks

During the half year, the annual report to the Bank of Italy was drawn up on the internal process for determining the Group's capital adequacy (ICAAP), including indications regarding the main companies belonging to the same.

The document refers to the date of 31 December 2010 (current assessment) and is supplemented, as envisaged by legislation, by the forecast appraisal as at 31 December 2011. This document contains formalization of the mapping of the significant risks, the description of the models for the measuring, integration and stress of the risks quantifiable, the assessment of the capital adequacy, the outcome of the performance of stress tests for assessing the vulnerability to exceptional but plausible events, as well as the analysis and evaluation of the organisational safeguards in place.

The ICAAP report discloses a satisfactory level of capital adequacy for the Group in both actual and forecast terms, capable of dealing with the impacts of stress and the additional risks assessed according to the forecasts of the Second Pillar.

Annual report of the risk management function to Consob

In the first half of the year, in compliance with the provisions of art. 13, paragraph 2 of the joint Bank of Italy-Consob Regulations, the Risk Management Service submitted the annual report of the risk management function on the control activities carried out in 2010, regarding enterprise risk associated with the provision of services and investment activities, as well as collective funds management.

This report provides a general description and analysis of the internal control system (with a special focus on the responsibilities of the Parent Company and, within the same, of the risk management function, represented by the Risk Management Service, and of the main Committees involved) and of the monitoring and control activities conducted with regard to all significant risks and to capital adequacy, with a focus on risks (market, counterparty, operational and reputational). The report concludes with an overall assessment of the risk management system and the measures planned for 2011.

As envisaged in the "Manual of compulsory disclosures of supervised parties" which came into force on 1 July 2010, the report was approved by the management bodies of the Group's main companies and sent to Consob.

The governance of risks via the system of limits

Within the Group, 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 functions/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, counterparty, 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 the liquidity risk, verifying the exposure limits is performed by means of the maturity ladder instrument, where the future cash flows generated by the expiry of the financial and loan brokerage transactions are placed within the corresponding time brackets, measuring the liquidity imbalances and ensuring sustainability, via adequate liquidity reserves (securities available and possible borrowings from the European Central Bank).

The metrics used to measure risk for the ICAAP process and, more specifically, to monitor the risk limits system, were adopted in the first half of the year to introduce maximum thresholds and risk objectives in line with the propensity to risk and the capital strengthening objectives pursued by the Group to the top management incentive scheme for 2011 and to supplement traditional objectives (e.g. volumes, income, cost of credit, service quality).

Market disclosures

In April 2011, the public disclosure document was published on the Parent Company's website, as per the so-called Third Pillar of Basel II, containing qualitative and quantitative information relating to the Group's capital adequacy, its exposure to risks, as well as the general characteristics of the systems used to identify, measure, manage and control risk.

Outcome of the stress test exercises arranged by EBA

During the first half of 2011, the European Banking Authority (EBA) and national Supervisory Authorities launched a stress test exercise on a sample of 90 European banks, representing, overall, 65% of the European banking sector's assets.

The Banco Popolare Group was also present among the five Italian banks which made up the sample.

The objective of the stress test was to assess the solidity of the European banking system, estimating the future level of capital adequacy of each bank (Core Tier 1 reached in a time horizon of two years) in different circumstances, such as:

- credit and market risk shocks resulting from adverse changes in macroeconomic variables, of share prices, exchange rates or interest rates;
- unchanged balance sheet, namely zero growth in terms of the banking business, together with higher costs for all forms of bank funding;
- higher sovereign risk for each European Union Member State dependent on public finances and the risk perceived by the markets.

The impact of the envisaged shock on the Core Tier 1 ratio of the Banco Popolare Group, estimated on a consolidated basis, would be 5.7% at the end of 2012, above the minimum threshold of 5% established by the authorities as reference to assess the need for recapitalisation.

During the stress test exercise, Banco Popolare considered the effect of the recent capital increase of euro 2 billion and of the redemption of "Tremonti Bonds", but did not consider, given the prescribed method, any further planned measures or those available in any event to improve the Core Tier 1 ratio, including:

- the possible disposal of non-strategic assets;
- the potential conversion of the soft mandatory loan;
- the adoption of internal models to calculate capital requirements.

Compared to the stress test conducted last year, which Banco Popolare also passed with flying colours, the recent stress test was distinguished by more severe scenarios and the timeframe (two years) of the condition of stress. The scenarios, by definition, are considered extreme and implausible, and therefore not comparable to those expected and considered in company forecasts.

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.

The Group will continue to adopt strict policies 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.

As regards credit risk, in line with the statements made during the presentation of the 2011/2013 Business Plan to analysts, the Group will focus its efforts on expanding the retail customer and SME segments, maintaining a high presence in the Group's historic areas, but above all pursuing high credit portfolio fragmentation. Sovereign risk will mainly be undertaken with regard to business requirements, given continuing uncertainty as to the development of the international macroeconomic scenario.

The Group's objective is to maintain its image as a commercial bank, confirming financial risk as a marginal component compared to the overall risks the same is exposed to. In any event, it will continue to fine-tune the methods used to measure market risk, also given the increasing complexity of products and continuing market volatility.

With regard to liquidity risk, in addition to pursuing the constant improvement of the control instruments available to it, also adopting internal models so as to simulate the effects of extreme scenarios on liquidity, the Group puts together management activities which on one hand, favour the balance of the financial maturities, and on the other, the growing balance of liquidity reserves in order to guarantee stability and operating capacity even in the event of a sudden and significant fall in the liquidity of the system.

The Risk Management Service will continue to monitor the risks resulting from the introduction of new products and services and to make proposals and checks on the control systems in place.

Of the changes that will be taking place in 2011, we draw attention to the establishment, within the Risks Department, of a new organisational unit, which will supervise the risks of customers to whom the Group provides investment services, collective fund management and distribution of financial products, to improve the monitoring of operational and reputational risk.

Other risk factors

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.

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 minority shareholders of Area S.p.A..

In the first proceedings, 42 plaintiffs requested that the defendants be ordered to pay compensation of euro 13.15 million, on the assumption of an alleged agreement between Banca Popolare di Lodi S.c.a r.l. and Banca Intesa S.p.A., which would have led among other things to the exclusion of Area S.p.A.'s minority shareholders, without 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..

In the second proceedings, 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 alleged 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.

As the claims of the plaintiffs are retained to be groundless, no allocations have been made to provisions.

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. for the compensation of damages (euro 10 million) which are alleged to have been suffered by the plaintiffs by the conduct of Banca Popolare di Lodi S.p.A. in 2005 – 2007, in relation to unfounded accusations, also widely covered by the press, against Mr. Aiello.

In a ruling dated 25 August 2010, the Court of Rome stated territorial lack of jurisdiction, referring the case to the Court of Lodi. Furthermore, the counterparty was ordered to pay legal expenses.

On 4 March 2011, the proceedings resumed before the Court of Lodi. 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 S.c. a r.l.;
- 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 S.p.A. within the criminal proceedings.

The settlement only regarded the claims of the Extraordinary Receiver and not those of the civil parties.

On 4 July 2011, the Court of Rome issued a ruling fully acquitting all of the accused former executives, rejecting, at the same time, all requests of compensation made by civil parties (Cirio shareholders and bondholders) against the civil representatives of Banco Popolare and Banca Popolare di Lodi that were not covered by the above settlement.

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 and 2449 of the Italian Civil Code, as well as for contractual liability, or tortious liability pursuant to Article 2043 of the Italian Civil Code), claiming that they were responsible for Parmalat's difficulties. This led to the request for damages of euro 2.63 billion by Parmalat and euro 9.273 billion by Parmalat Finanziaria. During the legal proceedings, the undertaker of the creditor agreements reached (the new Parmalat S.p.A.) also brought legal action.

By means of third party summons, the lawyer Mr. Zini called a series of parties before the court, including the then BPI, on the basis of joint and several liability.

On 4 January 2005, the then BPI 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 were groundless with regard to fact and law.

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. Therefore, 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 S.p.A. 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 S.p.A., Parmalat S.p.A. 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 S.p.A. in Extraordinary Receivership and Parmalat Finanziaria S.p.A. 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 by the Court of Appeal of Bologna to imprisonment of six years and 2 months, and the ruling has been challenged before the Supreme Court, where we are awaiting the date of the hearing.

Without prejudice to the above regarding the defence of BPI, it is not possible to assess the possible outcome of the proceedings: therefore, the Bank’s Board of Directors has decided not to make any allocation to the provisions.

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.

The Plan and the restructuring agreement under art. 182 bis of Italian Bankruptcy Law, mainly envisage: (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).

Following the finalisation at the end of 2010 of the ISP’s offer regarding the purchase by the same of the above-indicated assets, in the first quarter of 2011, the final restructuring plan was submitted to the banking system along with the agreement under art. 182 bis of the Bankruptcy Law; On 3 May 2011, Banco Popolare’s Board of Directors resolved to approve the plan. The restructuring plan was filed with the Court and filed in the Company register in June 2011.

As at 30 June 2011, the banks in the Banco Popolare Group were exposed to the Delta Group for a total of euro 132 million. Within the sphere of these uses, the following are of note:

- two loans under art. 2447-decies of the Italian Civil Code of euro 37 million (Efibanca);
- a credit facility in favour of the group parent Delta of euro 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. More specifically, 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 legal action contesting claims made by Banca Popolare di Lodi against him, amounting to euro 27.5 million.

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, also confirming the ruling-injunction under art. 186 bis of the Italian Code of Civil Procedure, ordering Mr. Conca to pay a further amount of euro 2 million, plus interest.

On 22 February 2011, Mr. Conca challenged the ruling of the court of first instance before the Court of Appeal of Milan. The proceedings have been postponed to 31 March 2015, when conclusions will be drawn.

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 had not 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

In criminal proceedings no. 31638/07 (so-called II TRONCONE accused Faenza + others) for corporate offences, on 3 November 2010, Banca Italease was ordered to pay a fine of euro 1.9 million and a sum of euro 64.2 million plus interest was confiscated for administrative liability under Italian Legislative Decree no. 231/2001; both the fine and the confiscation cannot be enforced until the ruling has been sentenced by the court.

The Bank has appealed.

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.

Again with regard to the same criminal proceedings, Banca Italease has been summoned as civilly liable party and called to answer for the actions of defendants following claims for compensation of numerous shareholders, claiming equity damages estimated to be worth around euro 25 million. At the hearing on 20 July 2011, the request for a plea bargain made by Mr. Faenza was upheld; the claims for compensation of the former shareholders, which were acting as the civil party in the criminal proceedings, may only be submitted in civil proceedings.

On 12 April 2011, the Prosecutor's Office of Milan recorded the names of Banca Italease's Executive Committee members on the roll of suspects, regarding the approval in August 2008 of the Bank's half-yearly report, on the assumption of the Bank's liability under Italian law 231/01. We are confident that based on the correct understanding of the facts of the case, the proceedings (at the moment in an embryonic stage) will not go any further.

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 euro 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 79,853,059.31 as damages, also ordering the same to pay legal expenses of euro 495,000.

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.

The Court of Appeal approved Banca Italease's request to admit a court-appointed expert witness, whose statement must be submitted before 30 November 2011.

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.

Wheelrent Car Rental

By means of a summons dated 5 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 February 2005 and December 2006. 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, based on the stated grievances, claimed compensation for all alleged damages incurred, quantified as over euro 38 million.

Banca Italease appeared as requested before the court. The hearing has been postponed to 14 March 2012.

Potential risk profiles are currently being assessed with the assistance of external legal counsel.

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 euro 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 doubtful loans 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 comprehensive Restructuring Plan under Article 182-bis of the Italian Bankruptcy Law. Negotiations to reach said agreement were suspended as in May 2011, the Bankruptcy Court in Rome declared a series of companies bankrupt, which the Public Prosecutor's Office retains to regard the businessman in question.

As at 30 June 2011, the total exposure of the Banca Italease Group towards the Lombardi Stronati Group was euro 154.9 million, euro 152.3 million of which relating to Release and the remainder to Banca Italease; the position continues to be classified as doubtful.

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.

Bankruptcy of Niccodemi S.r.l.

On 9 June 2011, a summons was served with relation to the bankruptcy petition of Niccodemi S.r.l..

The claim seeks to establish the nullity of the sale agreement signed on 30 November 2005 by Niccodemi srl (seller) and Banca Italease regarding the property known as the Bufalotta Shopping Centre in Rome, and therefore, to order Banca Italease to return the property to the plaintiff as well as the returns enjoyed on the same. The price paid for the sale of the property was euro 108,000,000.00 including VAT.

On 28 July 2011, Banca Italease, again with relation to the bankruptcy petition of Niccodemi S.r.l., was served another summons regarding a request for the payment of a cash amount for the property in question, on the assumption that the return requested in the first summons is not possible, as well as a claim for compensation of damages corresponding to tax debts payable by the bankrupt company as a consequence of the alleged unlawful loan disbursed, of euro 51,945,847.31, as well as a claim for further amounts paid in violation of the *par condicio creditorum* using the proceeds of the sale.

The rulings will be made by the Court of Rome; hearings have been set for 30 November and 20 December 2011.

Whilst awaiting proceedings, potential risk profiles are currently being assessed with the assistance of external legal counsel.

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 1, letter a) of Italian Legislative Decree 58/1998 (CFL). As things stand, the company believes that the initiative may reasonably be deemed as non prosecutable.

Risks associated with current disputes with the Tax Authority

As at 31 December 2010, the largest share of the disputes in question referred 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 amounted to euro 603 million (additional taxes assessed and relative fines), while those resulting from formal reports on assessment findings amount to euro 810 million (additional taxes and fines, the latter only where shown in the report).

As illustrated in the 2010 Annual report, on 15 March 2011, Banco Popolare, Banca Italease and its subsidiaries signed an agreement with the Tax Authority for the full settlement of almost all of the above-cited 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 against 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 the second quarter of the year, in accordance with the provisions of the Agreement signed on 15 March, the documents that enabled all of the disputes regarding Mercantile Leasing and the majority of those regarding Banca Italease were finalised. To cover the charges resulting from the above, specific allocations to provisions were made at the time of the financial statements for the year ending 31 December 2010.

As at 31 December 2010, a dispute involving the subsidiary Banca Italease regarding notices of assessment relating to 1995, 1996 and 1997 had not been settled; these notices which fully encompass the charges contained in the formal report on assessment findings served on 22 July 1999 by the Tax Police, regard disputes on the accrual accounting of lease instalments paid on signature of contracts (so-called maxi-instalments) and on the commissions paid to the banks backing the lease transactions. The potential liability was euro 64.8 million (higher IRPEG and ILOR taxes ascertained of euro 32.4 million plus administrative fines of an equal amount). Even though the ruling of the Regional Tax Commission on 16 September 2005 was fully in favour of Banca Italease, at the end of the last financial year, the appeal submitted by the General Prosecutor of the State against the above-cited ruling was still pending in the Supreme Court. In a ruling dated 8 March 2011, the Supreme Court definitively rejected the above appeal and therefore the relative potential liability was extinguished.

As a consequence of the above events, the potential liabilities relating to outstanding disputes against Banca Italease and the companies directly controlled by the same are considerably lower. The Tax Authority claims resulting from the notices of assessment actually amount to euro 14.3 million (additional taxes assessed and relative fines), while those resulting from formal reports on assessment findings amount to euro 5.7 million (only additional taxes, as fines are not shown). The most important claims regard the following proceedings:

- Notice of assessment served to Banca Italease regarding IRPEG and ILOR taxes for tax year 1998 - the claim amounts to a total of euro 8.8 million. Following a ruling in Banca Italease's favour in the court of first instance, the Regional Tax Commission partially admitted the appeal of the Tax Authority. Therefore, an appeal has been presented before the Supreme Court by both the parties to the proceedings.

- Liquidation notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006 - the amount claimed totals euro 3.2 million. The Regional Tax Commission has also admitted the appeal submitted by Banca Italease.
- A formal report on assessment findings served to Mercantile Leasing regarding the application of direct taxes for 2007 and VAT for 2005, 2006 and 2007 - was served in October 2010. In December 2010, a notice of assessment was served with regard to the aforementioned formal report on assessment findings, for 2005. The total claim amounts to euro 7.1 million.

As regards the other Banco Popolare Group companies, in the first half of 2011, the following significant changes were recorded with respect to the series of disputes illustrated in detail in the 2010 Annual Report:

- Banca Popolare di Novara S.p.A. - was served a notice of assessment in May 2011 regarding VAT for tax year 2006. 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 1.9 million and the fines amount to euro 1.5 million.
- Aletti Gestielle SGR - In June 2011, the same received a formal notice of assessment issued by the Tax Authority - Regional Headquarters for Lombardy - Large Taxpayers Office, following inspections regarding tax year 2007 for IRES and IRAP, and tax years 2006, 2007, 2008 and 2009 for VAT.
The main subject of the assessment notice was the fees paid by the company to several group banks for custodian bank services for mutual investment funds and pension funds, fees which the bank considered to be exempt of VAT, but which the Tax Authorities consider to be taxable at ordinary rates. As regards tax years 2006, 2007, 2008 and 2009, the company is accused of failing to pay tax on taxable amounts pursuant to Italian Legislative Decree 471/1997, which may lead to fines of euro 10.5 million.
- Banco Popolare - As regards the ongoing IRAP dispute with the Veneto Regional Authority for tax year 2005, on 10 March 2011, the Regional Tax Commission partially admitted our appeal and declared that the fines requested were not due. In June 2011, the collection agency Equitalia Nomos S.p.A. arranged for the partial cancellation from the taxpayers' roll, organising the reimbursement of the additional amount paid of euro 1.5 million;
- Cassa di Risparmio di Lucca Pisa Livorno S.p.A. - In June 2011, the same received a formal notice of assessment issued by the Tax Authority - Regional Headquarters for Tuscany - Large Taxpayers Office, following inspections regarding tax years 2006 to 2009 for IRES and IRAP. More specifically, the assessment notice contained a single finding relating to the relevance of several losses on receivables. With a view to reducing the outstanding dispute, the Tax Authority claims amounting to euro 0.3 million in total have been defined as per Article 5-bis of Italian Legislative Decree No. 218/97 presenting a motion for compliance with the formal notice of assessment.
- Banco Popolare - As regards the ongoing IRAP dispute with the Veneto Regional Authority for tax year 2006, on 17 May 2011, the Regional Tax Commission partially admitted our appeal against the tax demand issued pending a ruling and declared that the fines requested were not due.
- Banco Popolare - In June 2011, the same received a formal notice of assessment issued by the Tax Authority - Regional headquarters of the Tax Police of Verona, following inspections regarding tax years 2005, 2006, 2007, 2008 and 2009 onwards regarding specifically economic transactions between the former Banca Popolare Italiana and the Magiste Group.

The findings contained in the assessment notice refer to professional and advisory charges and to the writedown of receivables, which the inspectors claim to be related to offences committed in the attempt to take over Banca Antonveneta by the top management of Banca Popolare Italiana in office at that time, and as such must be considered non-deductible pursuant to paragraph 4-bis of art. 14 of Italian Law 537/93. The disputed amounts are as follows:

- for IRES purposes, euro 52.5 million for 2005, euro 1.6 million for 2006, euro 3.8 million for 2007, euro 0.8 million for 2008 and 2009;
- for IRAP purposes, euro 4.5 million

amounting to a total of euro 64 million.

Said findings are considered illegitimate and objectively groundless, both in fact and in law. The proposed tax demands for tax year 2005 regard, inter alia, a tax year with relation to which the Tax Authority's power of assessment has lapsed; in Banco Popolare's opinion, the doubling of the term for the assessment envisaged by art. 43, third paragraph of Italian Presidential Decree no. 600 of 29 September 1973 cannot be applied in this case. With reference to the law which establishes the non-deductibility of the costs related to the offences, it should also be noted that verification of its constitutional legitimacy is still pending following the ruling for referral to the Constitutional Court no. 27 issued on 11 April 2011 by the Regional Tax Commission for Veneto. Lastly, it should be noted that according to the prevailing doctrine, the referrability of the offence, and thus the tax non-deductibility does not apply to costs that are instrumental to a legitimate business activity such as the purchase, in this case, of shares of another bank corresponding to a controlling package, or to the legal costs that have been incurred.

On the basis of the above, the Tax Authority claims resulting from the notices of assessment, as at 30 June 2011, actually amount to euro 139.9 million (additional taxes assessed and relative fines), while those resulting from formal reports on assessment findings amount to euro 89.8 million (additional taxes and fines only where indicated).

The most important claims regard the following proceedings:

- Banco Popolare - tax demands regarding IRAP tax paid to the Regional headquarters for Veneto and to that for Tuscany by Banco Popolare di Verona e Novara in tax years 2003, 2004, 2005 and 2006 – The claims refer to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto, and for 2004 only in Toscana, instead of the higher rate of 5.25% and amount to a total of euro 19.4 million. With regard to the various tax years, the dispute is at different stages of progress and different rulings have been made. As regards tax years 2003 and 2004, a ruling of the Provincial Tax Commission totally in favour of Banco Popolare was then followed by a ruling of the Regional Tax Commission, which partially admitted the claims of the Tax Authority, retaining a rate of 4.75% to be applicable. The outcome is still pending, awaiting the ruling of the Supreme Court. With regard to tax year 2005, the Provincial Tax Commission rejected Banco Popolare's appeal, while in a ruling dated 10 March 2011, the Regional Tax Commission partially admitted the appeal and declared that the fines requested were not due. With regard to the tax demand for tax year 2006, the Provincial Tax Commission partially admitted the appeal regarding the tax demand received and declared that the fines requested were not due.
- Banco Popolare - notice of correction regarding the registration tax applicable to the disposal of a business segment in 2004 between Banca Erosistemi S.p.A. (later incorporated into Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop. The claim resulting from the correction of the value of the business segment amounts to euro 7.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare - notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa (now Cassa di Risparmio di Lucca Pisa Livorno) and Banca Popolare Italiana as a business segment disposal. The claims amount to euro 14.5 million. The Provincial Tax Commission rejected the appeal. We are awaiting the decision of the Regional Commission.
- Banco Popolare - formal report of assessment findings regarding the non-deductibility in terms of direct taxation of negative income components retained to be related to offences committed by the top management of Banca Popolare Italiana with regard to the attempt to acquire Banca Antonveneta. The claim amounts to a total of euro 64 million in additional taxes.
- Bipielle Real Estate - settlement notices for registration tax regarding the reclassification of a series of property conferrals. The claim amounts to euro 21.4 million. The appeals submitted to the Provincial and Regional Commissions have been rejected. Whilst awaiting the Supreme Court appeal, the tax demands have been paid.
- Bipielle Real Estate - settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding (later incorporated into Banca Popolare Italiana Soc. Coop.). The claim amounts to euro 13.6 million. The rulings of the Provincial and Regional Commissions have been in favour of the subsidiary company Bipielle Real Estate.
- Bipielle Real Estate - formal report on assessment findings regarding IRES, IRAP and VAT for tax year 2007. The claims amount to euro 2.3 million.
- Bipielle Real Estate - notices of assessment regarding VAT and IRAP taxes for tax year 2005 served to Basileus S.r.l., (a subsidiary company sold in 2008, for which Bipielle Real Estate is fiscally liable for the years prior to the disposal). The claims amount to euro 11.3 million.
- Mariner S.r.l. (a subsidiary company of Bipielle Real Estate) - formal report on assessment findings regarding tax years 2005 and 2006 for IRES, IRAP and VAT. The claims amount to euro 7 million.
- Banca Popolare di Novara - notice of assessment regarding tax year 2004 for IRES and IRAP tax. The claims amount to euro 27.8 million and regard alleged legal infringement relating to the tax treatment of a carrying-over transaction on shares. The notices of assessment were followed by tax demands. Appeals have been submitted against all of the above, and are still pending.
- Banca Popolare di Novara - notice of assessment regarding the failure to apply VAT to custodian bank fees in tax years 2005 and 2006. The claim amounts to euro 7.3 million.
- Aletti Fiduciaria - notice to recover taxes due by the fiduciary company pursuant to the personal liability of the shareholder under art. 36, paragraph 3, of Italian Presidential Decree no. 602/1973. The claim amounts to euro 7.9 million.

The potential liabilities classified as probable in relation to the notices of assessment and the formal reports on assessment findings received to date amount in total to approximately euro 26 million and are fully covered by the provisions allocated. The remaining potential liabilities have been classified as possible given the favourable rulings of the courts of first instance and/or the existence of valid grounds on which to challenge the claims of the Tax Authority with regard to proceedings already underway.

As at 30 June 2011, Tax Authority inspections were in progress as regards:

- Banca Aletti, with regard to tax years 2006, 2007, 2008 and 2009 regarding the share of profits distributed under art. 89 ITCL;
- Banca popolare di Novara S.p.A., with regard to a general inspection for direct tax and VAT purposes for tax year 2008;
- Efibanca S.p.A. with regard to a general inspection for direct tax and VAT purposes for tax year 2008.

At present, in the daily inspection reports, no findings have been recorded by the inspectors.

Group exposure in debt securities and loans to Sovereign States

The market situation

At the beginning of the year, from the start of the Spring, sovereign debt tensions regarding the peripheral countries of the Euro Zone, namely Greece, Portugal, Ireland and to a lesser extent, Spain, returned more aggressively than before. This new turbulence in European sovereign state markets, which continued for the remainder of the period, also involved Italy; the spread between the ten-year BTP and Bund, which indicates the perception of the different sovereign credit risks, after recording a minimum in mid April of around 121 b.p., rose to around 199 b.p. towards the end of June, reflecting to a certain extent the renewed tensions on the public debts of Greece, Portugal, Ireland and Spain, while the Bund increasingly enjoyed its status as “safe haven” compared to the government bonds of most of its European partners. At the end of the month, the spread had settled slightly, closing at 176 b.p.

In particular, the crisis was its most acute in May, when Greece was experiencing difficulties in refinancing its public debt, combined with a phase of higher political stability in the same. The tensions temporarily died down only in June following the Greek Executive’s approval of an austerity plan dictated by the European Community as conditional to its continued support and conditional to the release of a part of the tranche of loans granted worth euro 110 billion. The tension in Greece also overlapped the difficulties that Portugal was once again experiencing, with regard to which on 16 May, European leaders approved a rescue plan worth euro 78 billion jointly with the International Monetary Fund. In exchange, the Portuguese Government eliminated the golden share in Portugal Telecom to pave the way for its privatisation.

In July, due to the poor credibility expressed by the markets of the measures taken by the Greek Government, the spreads of the government bonds of the peripheral countries with respect to the Bund started to widen again, even considerably: the spread of ten-year Greek government bonds against the ten-year Bund exceeded 1,500 b.p., that of public Portuguese securities with the same maturity 1050 b.p., while as regards ten-year Spanish Bonos, the same spread was over 350 b.p. This turbulence, which also affected Italy and the government bond market, pushed the BTP-Bund spread to in excess of 300 b.p.

Disclosures on Group exposures pursuant to Consob Communication 11070007 of 5 August 2011

On 5 August 2011, by means of Communication no. DEM/11070007, CONSOB referred to document no. 2011/266 of the European Securities and Markets Authority (ESMA), published on 28 July 2011, regarding disclosures to be made in financial reports regarding exposures of listed companies in sovereign debt securities. The term “sovereign debt” is intended to mean the bonds issued by central and local governments and by government bodies as well as loans disbursed to the same.

As at 30 June 2011, the balance sheet value of the sovereign debt exposures of the Group amounted to euro 11,831.5 million. The following table shows the breakdown of the exposure by country.

Countries	Debt securities	Loans	Total
Italy	11,374,399	51,998	11,426,397
Spain	198,707	-	198,707
Greece	59,770	-	59,770
Germany	81,583	-	81,583
France	42	-	42
Austria	2	-	2
Total EU Countries	11,714,503	51,998	11,766,501
USA	26,837	-	26,837
Switzerland	25,020	-	25,020
Croatia	7,216	-	7,216
Argentina	33	-	33
Brazil	-	5,851	5,851
Bahrain	-	66	66
Total other countries	59,106	5,917	65,023
Total	11,773,609	57,915	11,831,524

The exposure is represented by:

- loans granted to government of euro 57.9 million, euro 52 million of which regard loans granted to the Italian State;
- debts titles issued by central and local government and subscribed by the Group of euro 11,773.6 million, euro 11,714.5 million of which were issued by EU Member States.

Overall, the exposure towards EU member States amounts to euro 11,766.5 million (over 99% of total exposure), almost all of which is represented by debt securities (euro 11,714.5 million).

The tables below provide more detailed information on the breakdown of the exposure in debt securities by accounting portfolio, residual life, method used to calculate fair value.

Financial assets held for trading

Country	Matures by 2011	Matures between 2011 and 2016	Matures between 2017 and 2021	Matures beyond 2021	Total fair value as at 30.Jun11	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy	772,437	3,599,494	36,495	59	4,408,485	4,352,947	55,534	4
Greece	-	44,517	-	-	44,517	44,517	-	-
Other EU Countries	12	57,087	4	1	57,104	57,104	-	-
Total	772,449	3,701,098	36,499	60	4,510,106	4,454,568	55,534	4

Financial assets available for sale

Country	Matures by 2011	Matures between 2011 and 2016	Matures between 2017 and 2021	Matures beyond 2021	Total fair value as at 30.Jun.11	Net AFS Reserve	Total fair value by hierarchy			Value adjustments
							LEVEL 1	LEVEL 2	LEVEL 3	
Italy	-	5,123,885	769,760	979,518	6,873,163	(32,673)	6,873,163	-	-	-
Spain	-	198,707	-	-	198,707	(6,433)	198,707	-	-	-
Greece	-	6,298	8,955	-	15,253	-	6,298	8,955	-	(15,341)
Other EU Countries	-	24,523	-	-	24,523	14	-	24,523	-	-
Total	-	5,353,413	778,715	979,518	7,111,646	(39,092)	7,078,168	33,478	-	(15,341)

Investments held to maturity

Country	Matures by 2011	Matures between 2011 and 2016	Matures between 2017 and 2021	Matures beyond 2021	Book value as at 30.Jun.11	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy	65,953	26,797	-	-	92,750	93,414	93,414	-	-
Total	65,953	26,797	-	-	92,750	93,414	93,414	-	-

Investments in sovereign debt securities of EU Member States totalling euro 11,714.5 million, in terms of book value, represent around 76% of the Group's total portfolio invested in debt securities, 97% of which regards investment in securities issued by the Italian Government. Around 38.5% of said investments have been allocated to the trading portfolio and 60.7% to the financial assets available for sale portfolio; a marginal share of 0.8% has been classified as investments held to maturity.

Around 83% of the total exposure has a residual duration of less than 5 years.

The valuation method adopted as at 30 June 2011 can be defined as "market oriented" insofar as almost the entire securities portfolio (over 99%) has been priced on the basis of level 1 of the fair value hierarchy, namely on the basis of quotations obtained from the markets, without the need for any corrective factor to take the contingent situation of the markets into account, characterised by a general widening of credit spreads.

Exposures towards Greece, Portugal, Spain and Ireland

The European nations that have experienced difficulties such as to warrant the financial support of the European Union and of the International Monetary Fund are Greece, Portugal and Ireland.

As at 30 June 2011, the Banco Popolare Group only have exposures towards the Greek "sovereign debt" amounting to euro 59.8 million in terms of corresponding book value, and a total nominal value of euro 96 million.

The investment is wholly represented by debt securities that mature before 2020, euro 44.5 million of which is classified for accounting purposes in the financial assets held for trading category and euro 15.3 million of which under financial assets available for sale. Note that the Group does not hold Greek government securities classified under investments held to maturity or under receivables and loans.

All of the securities, both those recognised under financial assets held for trading and those recognised under financial assets available for sale have been measured at fair value on the basis of market quotations as at 30 June 2011. The fair value measurement of the securities classified under financial assets held for trading has resulted in a charge to the income statement for the half year of losses of euro 10.4 million. With specific reference to securities classified as financial assets available for sale, given the deterioration of the crisis and the approval on 21 July 2011 of a complex plan of aid for the Greek Government, which also involves private institutional investors, the conditions for the recognition of an impairment were retained to exist. Therefore the negative reserves of shareholders' equity resulting from the measurement of the

securities in question has been zeroed, with the simultaneous charge to the half year income statement of value adjustments amounting to euro 15.3 million.

Market developments after the end of the half year period

In July, despite the approval of the new austerity manoeuvre by the Greek Parliament (28 June), the financial markets returned to requesting higher levels of returns to offset the risk of holding the financial instruments of Nations belonging to the “peripheral” Euro Zone.

In particular, the yields on Italian government bonds and the share prices of the major banks underwent significant tension in July, mainly due to the difficulty encountered by European leaders in reaching agreement on tangible measures that could be implemented immediately to slow down the growing lack of confidence in the sovereign debt of peripheral Euro Zone countries. In the period between the beginning of July and the first half of August, both the levels of returns and the yield spreads of Italian government bonds against German government bonds recorded record levels and daily fluctuations since the introduction of the single currency. In particular, between 8 and 11 July, a peak in the daily fluctuation was recorded, followed by a steady rise in both yields and spreads, which reached the absolute maximums on 5 August, as shown in the table below.

	Yield of Italian government securities			Italy - Germany spread (in bps)		
	Btp 2yr	Btp 5yr	Btp 10yr	2yr	5yr	10yr
30-Dec-10	2.9%	3.9%	4.8%	202.0	203.9	186.2
31-Mar-11	2.5%	3.9%	4.8%	71.4	121.4	146.8
30-Jun-11	3.1%	4.1%	4.9%	148.5	185.1	185.7
8-Jul-11	3.5%	4.6%	5.3%	205.3	256.0	244.2
11-Jul-11	4.2%	5.2%	5.7%	294.3	333.8	301.1
<i>Change between 8 and 11 July (in bps)</i>	<i>69.70</i>	<i>58.70</i>	<i>41.20</i>	<i>89.0</i>	<i>77.8</i>	<i>57.0</i>
5-Aug-11	4.5%	5.5%	6.1%	375.1	400.3	374.0
8-Aug-11	3.5%	4.5%	5.3%	281.7	311.2	302.6
<i>Change between 5 and 8 August (in bps)</i>	<i>-97.60</i>	<i>-95.20</i>	<i>-79.80</i>	<i>-93.3</i>	<i>-89.1</i>	<i>-71.4</i>
23-Aug-11	3.4%	4.3%	5.0%	269.7	304.0	287.6

Source of data: Bloomberg

In the period in question, the perimeter of the confidence crisis in sovereign debt expanded, also impacting the yields of bonds of countries considered core (e.g. France) and, across the Atlantic, even US sovereign debt, whose long-term creditworthiness was downgraded by rating agency Standard & Poor's from AAA to AA+ on 5 August.

The day the US sovereign debt was downgraded coincided with the peak of the confidence crisis in Italy's sovereign debt: in the morning, the spread between the ten-year BTP and the German Bund exceeded 400 b.p., with the yield of the traded ten-year bond well over 6%, a higher value than that offered by the Spanish equivalent.

The end of the week following S&P's decision was characterised by international intervention seeking to prevent the financial crisis from deteriorating any further: in the Euro Zone, this led to the decision of the ECB's executive board to use the Securities Markets Programme, to purchase Spanish and Italian government bonds, whilst waiting for the EFSF fund to become operational in the secondary market. At the same time, the Italian Government implemented a series of measures to improve the economic situation, with specific focus on balancing the budget sooner than the timeframe envisaged.

The intervention of the ECB in purchasing Italian government bonds on the secondary market through SMP, generated a daily yield fluctuation between 5 and 8 August that was even larger than that recorded between 8 and 11 July, triggering a gradual downward trend of both returns and spreads.

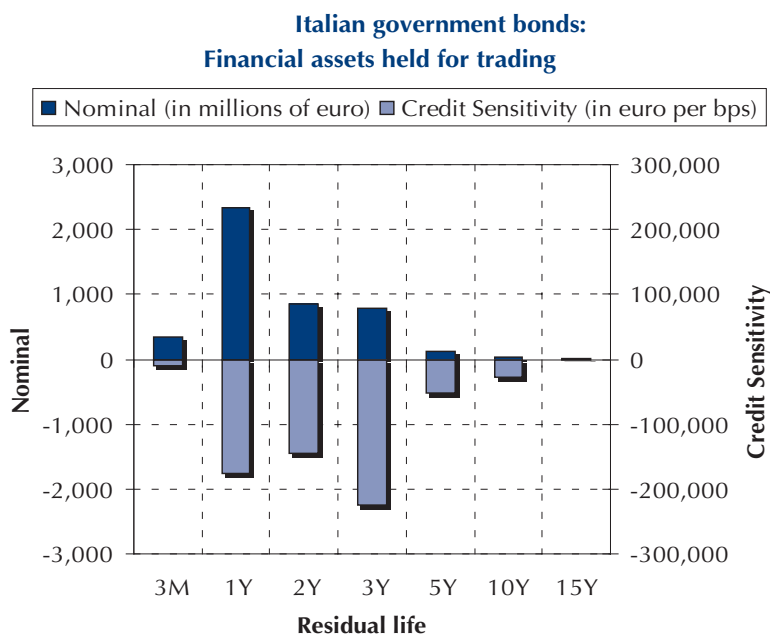
Evolution of the Group's exposure to sovereign risk after the end of the half year period

After 30 June 2011, the Group's exposure to sovereign risk did not undergo any significant changes. The valuation of the debt securities on the other hand, was impacted by the market dynamics illustrated above.

As regards the marked volatility shown by credit spreads, additional information is provided below on the results of credit sensitivity analyses conducted on the portfolios in question. Credit sensitivity is an indicator that shows how the portfolio value changes if the credit spread of the position held on each issuer changes by 1 basis point, and the results of the analysis are illustrated in the table below:

	Credit sensitivity (in thousands of euro per basis-point) Financial assets held for trading
Germany	-11
Greece	-13
Italy	-634
Total	-658

If we focus on Italian government bonds, we can see that the credit sensitivity is limited due to the net prevalence of securities with short-term maturities: in particular, securities with a residual life of close to one year represent over 50% of the whole portfolio, 96% of which will mature within 3 years.



The Banco Popolare Group is tackling the current market situation by adopting substantially the same strategy, with respect to 30 June, as regards the government bonds portfolio.

This decision was taken as part of its strategy, embarked upon from the second half of last year, to gradually reduce the risk of the same to a level retained appropriate even in a situation of high market stress such as the current one. As regards this portfolio (excluding bonds for treasury purposes), rather than seeking to dispose of short-term securities, or to benefit from differences in purchase and selling prices, exploiting fluctuations in market prices, the approach currently adopted seeks, even more so than in the past, to maintain positions with a medium-term horizon, with a view to contributing to the Group’s interest margin, assessing opportunities, where future market conditions permit, to make disposals. As already mentioned, the average residual life of the portfolio of government bonds is very limited and therefore it is highly likely that these securities will be held to maturity.

As regards the other accounting categories, investment strategies have been based on a medium-term time horizon, therefore hopefully beyond the duration of the current situation of crisis.

DISCLOSURE ON STRUCTURED CREDIT PRODUCTS AND ON EXPOSURES TO SPECIAL PURPOSE ENTITIES

The crisis of the financial markets has increased the need of the same to obtain information regarding the type and the extent of the risks undertaken by financial intermediaries through the trading of structured credit products carried out directly or via 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 30 June 2011, 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) were represented by ABSs and CDOs, mainly attributable to products acquired prior to the financial market crisis.

The overall exposure vis-à-vis these products, in terms of equivalent book value, amounted to euro 88.3 million, limited exposure with respect to the overall portfolio represented by debt securities (lower than 0.6% in percentage terms). The related fair value comes to euro 82.9 million.

Almost all the securities belong to the senior class, or the securities category with contractual right of priority with regard to the principal and interest payments.

The underlying instruments are generally represented by Italian residential mortgage loans and those of other European countries, as well as by Italian government receivables.

More specifically, the ABSs, with a total book value amounting to euro 88.1 million, are represented by securities of euro 63.6 million reclassified as at 30 September 2008 from the “Financial assets held for trading” to the “Loans to customers” portfolio, as described in the section regarding “Fair value disclosures” in this report. The remaining position of euro 24.5 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 30 June 2011, in terms of book value, was entirely marginal (euro 0.2 million).

Exposures to Special Purpose Entities (SPE) – for securitisations and covered bond issues

The exposures to Special Purpose Entities (SPE), companies established *ad hoc* to achieve a specific objective, ensue from securitisation transactions on receivables of Group companies and the Covered Bond transaction.

As a result of the securitisation transactions, the Group’s receivables are assigned to a special purpose entity, established in accordance with Article 3 of Italian law no. 130 dated 30 April 1999, which, in order to finance the acquisition, issues public or private securities. The commitments undertaken by the entity vis-à-vis the subscribers of the securities are fulfilled exclusively by means of cash flows generated by the assigned receivables.

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 the contents of the consolidated financial statements as at 31 December 2010 (Part E– Information on risks and relative hedging policies).

DISCLOSURE ON TRANSACTIONS WITH RELATED PARTIES

The information on transactions with related parties is included in the notes to the half-yearly condensed consolidated financial statements, to which reference is made.

OUTLOOK FOR BUSINESS OPERATIONS

The current economic scenario is highly influenced by the sovereign debt crisis, which is affecting both the USA and Europe, with considerable repercussions on the state of the world's financial markets.

In the United States, although agreement was reached *in extremis* to raise the legal ceiling of the debt - avoiding the technical risk of default of the world's leading economy - the solutions and the means by which the White House and the Congress found a compromise were not seen in a positive light, insofar as they do not have a significant impact on the trend or the sustainability of US debt, which will therefore require further intervention. This, together with the fraught political climate in which the negotiations took place, enhanced financial market uncertainty, which was further exacerbated by the decision of the leading rating agency not to confirm its triple A rating of US debt for the first time in over 70 years.

In Europe, the perception of a possible precipitation of Greek debt towards default triggered renewed fears that the crisis would spread to other minor countries, such as Ireland and Portugal, which had already been the subject of financial aid programmes, and to countries with the highest exposures in terms of public debt, namely Belgium, Spain and Italy.

In the wake of these fears and the speculation that the same triggered, the interest rate spreads between our ten-year government bonds and the German Bund rose to record levels, dragging share prices down.

An important milestone in the management of the crisis, which appears to have reached a global scale, was the agreement reached on 21 July by the EuroGroup, which approved a second plan of aid for Greece and the extension of the powers of the so-called State rescue fund, the EFSF, launched last May.

For its part, the Central European Bank maintained the official interest rates at 1.5% (following the rise of 25 b.p. last June), and re-introduced unconventional instruments, such as the purchase of the public debt securities of Euro Zone countries on the secondary market and its willingness to intervene again to sustain market liquidity.

These high financial tensions and the extreme volatility of share prices are taking place in an economic scenario that continues to be characterised by a moderate real product growth. This situation continues to influence economic forecasts, which are therefore characterised by very high uncertainty. In Italy, the objectively better position of public finance indicators and of many economic factors with respect to other peripheral economies, combined with the Government's commitments to bring forward measures to balance the budget and reinforce fiscal regulation, should contribute to a return to a more stable situation in the medium term.

On the other hand, it is worth noting that if the national economy is broken down geographically, the Northern regions - where the Group's operations are traditionally located - show growth and productivity rates that are considerably higher than the national average, in line, if not above, the more developed areas of the Euro Zone, especially due to the contribution of exports.

As regards the domestic banking market, private sector lending continues to rise at a steady rate, around 6% per year. Loans to retail customers reflect the trend in mortgages for the purchase of residential accommodation; corporate loans continue to reflect the demand to fund stock and working capital. The most recent figures indicate that the flow of new doubtful loans is slowing down, even though the stock of problem loans is at record levels. In terms of funding, the trend for the first few months of the year indicated a rise of just under 2%, associated to the trend recorded for bonds, which at times of high tension in the market, have proven able to rouse the interest and confidence of investors.

In this economic and financial scenario dominated by a high level of complexity and uncertainty, where the risk of a new recession is higher than in the recent past, the Banco Popolare Group recently laid the foundations for future growth by approving the three year Plan for 2011/2013-2015 and launching an extensive process of internal reorganisation, which is illustrated in more detail in other sections of this Report.

After having focused on strengthening capital and reducing risk in recent years, the Business Plan now concentrates on recovering efficiency (by simplifying the company structure, rationalising the head office, eliminating local overlaps and reducing head office resources while increasing those of the network, rationalising the property portfolio) and on growth (by acquiring 250 thousand customers, increasing the number of resources dedicated to the development of small corporate and affluent customers and transferring the management of 15 thousand companies from business centres to branches), adopting an approach based on the balanced management of capital and risk.

The plan therefore lays the foundations for a new model of a local cooperative bank: it will be further enhanced by the incorporation of the Banca Popolare di Verona, Lodi, Novara and of the Cassa di Risparmio di Lucca Pisa Livorno into the

Parent Company Banco Popolare, a transaction finalised recently, and fully in line with the objectives of the Business Plan to simplify the organisation and strengthen commercial activities.

Together with this corporate reorganisation, which will see Banco Popolare take on the role of operational bank, structured on the basis of a territorial model that envisages the creation of Divisions in the Group's traditional historic areas and boosting the structures and the resources serving customers, the guidelines for an overall review of Banco Popolare's governance model have also been approved. More specifically, the Shareholders' Meeting will have to vote on the proposal to adopt a traditional management and control system.

The remainder of the year will therefore see the Group's structures and resources highly involved in the implementation of these fundamental projects, which entail an extremely detailed and complex process: conditional to obtaining the necessary authorisations, the mergers should be finalised by the end of this year, while in accounting and fiscal terms, the same will be backdated to 1 January 2011.

This is to give the overall restructuring project effectiveness and substance, where the measures which seek to increase revenues, curb spending and improve risk profiles should start to show results.



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

Interim condensed
Consolidated financial
statements





FINANCIAL STATEMENTS

Consolidated balance sheet

Assets (in thousands of euro)	30/Jun/2011	31/Dec/2010
10 Cash and cash equivalents	533,548	639,932
20 Financial assets held for trading	10,158,249	11,613,306
30 Financial assets designated at fair value through profit and loss	177,335	178,931
40 Financial assets available for sale	8,888,613	5,591,176
50 Investments held to maturity	108,821	140,926
60 Due from banks	7,012,908	7,565,103
70 Loans to customers	96,366,083	94,461,905
80 Hedging derivatives	203,959	201,969
90 Fair value change of financial assets in macro fair value hedge portfolios	10,975	12,337
100 Investments in associates and companies subject to joint control	1,565,990	1,641,429
120 Property and equipment	2,240,927	2,444,749
130 Intangible assets	5,128,975	5,171,742
<i>of which: goodwill</i>	<i>4,375,060</i>	<i>4,408,665</i>
140 Tax assets	2,426,686	2,513,363
a) current	86,281	99,481
b) deferred	2,340,405	2,413,882
150 Non-current assets held for sale and discontinued operations	240,837	371,890
160 Other assets	3,174,222	2,606,914
Total	138,238,128	135,155,672

Liabilities and shareholders' equity (in thousands of euro)	30/Jun/2011	31/Dec/2010
10 Due to banks	8,120,512	9,492,950
20 Due to customers	52,735,005	54,574,209
30 Debt securities issued	28,760,460	23,435,479
40 Financial liabilities held for trading	3,253,252	3,734,134
50 Financial liabilities designated at fair value through profit and loss	26,165,071	26,514,061
60 Hedging derivatives	201,406	235,364
70 Fair value change of financial liabilities in macro fair value hedge portfolios	627	7,701
80 Tax liabilities	556,544	609,730
a) current	47,534	36,559
b) deferred	509,010	573,171
90 Liabilities associated with non-current assets held for sale and discontinued operations	84,406	159,407
100 Other liabilities	4,756,916	3,004,120
110 Employee termination indemnities	351,889	394,985
120 Provisions for risks and charges	757,856	1,053,137
a) retirement benefits and similar commitments	244,531	254,656
b) other provisions	513,325	798,481
140 Valuation reserves	(1,473)	(17,385)
160 Equity instruments	33,089	1,483,103
170 Reserves	2,765,603	2,598,882
180 Share premium reserve	4,848,962	4,880,069
190 Share capital	4,293,663	2,305,742
200 Treasury shares (-)	(31,171)	(30,944)
210 Minority interests	394,115	412,913
220 Net income (loss)	191,396	308,015
Total	138,238,128	135,155,672

Consolidated income statement

Income statement (in thousands of euro)	1st half 2011	1st half 2010 (*)
10 Interest and similar income	1,980,114	1,881,296
20 Interest and similar expense	(1,097,193)	(958,390)
30 Interest margin	882,921	922,906
40 Fee and commission income	703,402	705,210
50 Fee and commission expense	(49,546)	(62,719)
60 Net fee and commission income	653,856	642,491
70 Dividends and similar income	40,770	308,822
80 Profits (losses) on trading	143,093	(337,637)
90 Fair value adjustments in hedge accounting	(1,353)	82
100 Profits (losses) on disposal or repurchase of:	61,637	2,570
a) loans	1,717	5,799
b) financial assets available for sale	40,398	787
c) investments held to maturity	-	(9)
d) financial liabilities	19,522	(4,007)
110 Profits (losses) on financial assets and liabilities designated at fair value	45,371	305,455
120 Net interest and other banking income	1,826,295	1,844,689
130 Net losses / recoveries on impairment of:	(426,275)	(416,315)
a) loans	(396,546)	(386,602)
b) financial assets available for sale	(22,692)	(19,846)
d) other financial activities	(7,037)	(9,867)
140 Net income from banking activities	1,400,020	1,428,374
170 Net income from banking and insurance activities	1,400,020	1,428,374
180 Administrative expenses:	(1,226,198)	(1,221,547)
a) personnel expenses	(760,529)	(731,301)
b) other administrative expenses	(465,669)	(490,246)
190 Net provisions for risks and charges	(2,259)	(22,795)
200 Net adjustments to / recoveries on property and equipment	(43,234)	(34,526)
210 Net adjustments to / recoveries on intangible assets	(37,025)	(38,860)
220 Other operating income (expenses)	137,991	131,043
230 Operating expenses	(1,170,725)	(1,186,685)
240 Profits (losses) on investments in associates and companies subject to joint control	70,351	24,945
270 Profits (losses) on disposal of investments	15,229	7,535
280 Income (loss) before tax from continuing operations	314,875	274,169
290 Taxes on income from continuing operations	(138,042)	144,538
300 Income (loss) after tax from continuing operations	176,833	418,707
310 Income (loss) after tax from discontinued operations	22,526	24,125
320 Net income (loss)	199,359	442,832
330 Minority interests	(7,963)	(5,909)
340 Parent Company's net income (loss)	191,396	436,923

(*) The figures have been adjusted in compliance with IFRS 5. The attachments contain a statement of reconciliation between the income statement published in the half year financial report as at 30 June 2010 and that restated in this statement.

Statement of consolidated comprehensive income

Items <i>(in thousands of euro)</i>	30/Jun/2011	30/Jun/2010
10 Net income (loss)	199,359	442,832
Other comprehensive income after tax		
20 Financial assets available for sale	10,616	(63,823)
30 Property and equipment	(1,036)	-
50 Foreign investment hedges	-	198
60 Cash flow hedges	5,572	(2,229)
100 Share of valuation reserves related to investments in associates carried at equity	916	(3,871)
110 Total other comprehensive income after tax	16,068	(69,725)
120 Comprehensive Income (Items 10+110)	215,427	373,107
130 Consolidated comprehensive income attributable to minority interests	(8,119)	(5,450)
140 Consolidated comprehensive income attributable to the Parent Company	207,308	367,657

Statement of changes in consolidated shareholders' equity

30 June 2011 (in thousands of euro)	Balances as at 31/Dec/2010	Changes in opening balance	Balances as at 1/Jan/2011	Allocation of net income from previous year		Changes in the year							Shareholder s' equity as at 30/Jun/2011	Group shareholders ' equity as at 30/Jun/2011	Minority interests as at 30/Jun/2011	
				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				Comprehen- sive income for the period
Share Capital:	2,359,080	-	2,359,080	-	(3,546)	1,987,921	-	-	-	-	-	-	-	4,343,455	4,293,663	49,792
a) ordinary shares	2,358,953	-	2,358,953	-	(3,546)	1,987,921	-	-	-	-	-	-	-	4,343,328	4,293,663	49,665
b) other shares	127	-	127	-	-	-	-	-	-	-	-	-	-	127	-	127
Share premium reserve	4,896,511	-	4,896,511	-	(2,824)	(31,107)	-	-	-	-	-	-	-	4,862,580	4,848,962	13,618
Reserves:	2,916,865	-	2,916,865	254,122	(84,840)	-	-	-	-	-	-	-	-	3,086,147	2,765,603	320,544
a) retained earnings	2,669,125	-	2,669,125	254,122	(92,300)	-	-	-	-	-	-	-	-	2,830,947	2,516,019	314,928
b) other	247,740	-	247,740	-	7,460	-	-	-	-	-	-	-	-	255,200	249,584	5,616
Valuation reserves	(15,342)	-	(15,342)	-	-	-	-	-	-	-	-	-	16,068	726	(1,473)	2,199
Equity instruments	1,483,103	-	1,483,103	-	-	-	-	-	-	(1,450,014)	-	-	-	33,089	33,089	-
Treasury shares	(31,349)	-	(31,349)	-	-	-	-	177	-	-	-	-	-	(31,172)	(31,171)	(1)
Net income (loss) for the period	331,527	-	331,527	(254,122)	(77,405)	-	-	-	-	-	-	-	199,359	199,359	191,396	7,963
Shareholders' equity	11,940,395	-	11,940,395	-	(77,405)	1,956,814	-	177	-	(1,450,014)	-	-	215,427	12,494,184	12,100,069	394,115
- Group	11,527,482	-	11,527,482	-	(63,654)	1,956,814	-	(227)	-	(1,450,014)	-	-	207,308	12,100,069	12,100,069	394,115
- minority interests	412,913	-	412,913	-	(13,751)	-	-	404	-	-	-	-	8,119	394,115	-	-

Net income for 2010 was euro 331.5 million, of which euro 308 million pertaining to the Group and euro 23.5 million to minority interests. Euro 77.4 million was distributed, of which:

- euro 52.9 million of a dividend of the Parent Company (euro 0.03 per share) as distribution of net income approved by the Shareholders' Meeting held on 30 April 2011, and
- euro 10.8 million as donations by subsidiaries;
- euro 13.7 million distributed by Group companies to minority interests (euro 12.9 million in dividends and euro 0.8 million in donations).

Euro 0.8 million of "Changes in Reserves - other" refers to the impact of increasing shareholdings in subsidiaries, recognised in the accounts in compliance with IAS 27 as "transactions between shareholders".

30 June 2010 (in thousands of euro)	Balances as at 31/Dec/2009	Changes in opening balance	Balances as at 1/Jan/2010	Allocation of net income from previous year		Changes in the year							Shareholders' equity as at 30/Jun/2010	Group shareholders' equity as at 30/Jun/2010	Minority interests as at 30/Jun/2010	
				Reserves	Dividends and other allocations	Changes in reserves	Operations on shareholders' equity									
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options				Comprehen sive income for the period
Share Capital:	2,448,912	-	2,448,912	-	-	(53,205)	52,431	-	-	-	-	-	2,448,138	2,305,736	142,402	
a) ordinary shares	2,448,783	-	2,448,783	-	-	(53,205)	52,431	-	-	-	-	-	2,448,009	2,305,736	142,273	
b) other shares	129	-	129	-	-	-	-	-	-	-	-	-	129	-	129	
Share premium reserve	4,919,723	-	4,919,723	-	-	(39,528)	36,564	-	-	-	-	-	4,916,759	4,880,038	36,721	
Reserves:	3,026,569	-	3,026,569	174,310	-	(290,887)	(88,995)	-	-	-	-	-	2,820,997	2,569,112	251,885	
a) retained earnings	2,458,909	-	2,458,909	174,310	-	(27,510)	-	-	-	-	-	-	2,605,709	2,357,104	248,605	
b) other	567,660	-	567,660	-	-	(263,377)	(88,995)	-	-	-	-	-	215,288	212,008	3,280	
Valuation reserves	37,749	-	37,749	-	-	-	-	-	-	-	-	(69,725)	(31,976)	(33,546)	1,570	
Equity instruments	1,452,534	-	1,452,534	-	-	-	-	-	30,642	-	-	-	1,483,176	1,483,176	-	
Treasury shares	(31,214)	-	(31,214)	-	-	-	-	-	(161)	-	-	-	(31,349)	(31,151)	(198)	
Net income (loss) for the period	257,939	-	257,939	(174,310)	(83,629)	-	-	-	-	-	-	442,832	442,832	436,923	5,909	
Shareholders' equity	12,112,212	-	12,112,212	-	(83,629)	(383,618)	24	-	(161)	-	-	373,107	12,048,577	11,610,288	438,289	
- Group	11,532,839	-	11,532,839	-	(62,127)	(258,586)	24	-	(161)	-	-	367,657	11,610,288	11,610,288	438,289	
- minority interests	579,373	-	579,373	-	(21,502)	(125,032)	-	-	-	-	-	5,450	438,289	-	-	

(*) The figures published in the previous year were restated in order to represent - in the lines from "Share capital" to "Net income/loss for the period" - 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

<i>(in thousands of euro)</i>	30/Jun/2011	30/Jun/2010
A. OPERATING ACTIVITIES		
1. Cash flow from operations	533,477	473,567
2. Cash flow from / used in financial assets	(3,721,872)	(2,110,505)
3. Cash flow from / used in financial liabilities	2,426,451	1,872,643
<i>Net cash flow from / used in operating activities</i>	(761,944)	235,705
B. INVESTING ACTIVITIES		
1. Cash flow from	328,107	132,818
2. Cash flow used in	(115,466)	(112,398)
<i>Net cash flow from / used in investing activities</i>	212,641	20,420
C. FINANCING ACTIVITIES		
<i>Net cash flow from / used in financing activities</i>	442,919	(359,474)
CASH FLOW FROM / USED IN DURING THE PERIOD	(106,384)	(103,349)

RECONCILIATION	30/Jun/2011	30/Jun/2010
Cash and cash equivalents at the beginning of the period	639,932	580,798
Net increase/decrease in cash and cash equivalents	(106,384)	(103,349)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	533,548	477,449

EXPLANATORY NOTES

Statement of compliance with international accounting standards

This interim condensed consolidated financial statements, drawn up pursuant to art. 154 ter of Italian Legislative Decree no. 58 dated 24 February 1998 (CFL) and subsequent updates, have been prepared in accordance with the international accounting standards (IAS/IFRS) validated by the European Union, in force at the time of its approval. More specifically, the interim condensed consolidated financial statements are compliant with the international accounting standard applicable to interim financial reporting - IAS 34 - in condensed form.

This interim condensed consolidated financial statements aim to promptly provide indications regarding the trend in the Group's general performance based on the economic-financial data rapidly and easily determined.

The interim condensed consolidated financial statements, as envisaged by the afore-mentioned article of the CFL, comprise the condensed financial statements – subjected to a limited audit by the independent auditors Reconta Ernst & Young S.p.A. -, the half-yearly report on operations, the declaration of the manager envisaged by Article 154 bis, section 5 of the same CFL, and are accompanied by the independent auditors' report.

On a consolidated basis, the interim condensed financial statements reflect the balance sheet and income statement situations of Banco Popolare and the subsidiary companies. The accounting statements used for drafting the interim condensed consolidated financial statements are those drawn up by the subsidiary companies with reference to 30 June 2011 (or, in the absence thereof, the most recent accounts approved) and adjusted, where necessary, to adapt them to the IAS/IFRS; as envisaged by IAS 34; the afore-mentioned accounting statements have also been drawn up using estimation procedures different to those normally adopted for the preparation of the annual accounts. In more detail, with reference to certain commission items as well as administrative expenses, given the impossibility of determining the entity of the revenues and expenses associated respectively with services provided and those received but not yet invoiced by means of the usual methods, some companies have drawn up their accounting statements using the forecast data taken from the respective budgets.

General preparation principles

The interim condensed 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.

The financial statements provide not only the accounting data as at 30 June 2011, but also the comparative balances relating the same period in the previous year, with the exception of the balance sheet which is compared with the last set of financial statements approved as at 31 December 2010.

The interim financial report is drawn up clearly and provides a true and fair view of the balance sheet, financial situation and economic result for the period. 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 contain an explanation of the reasons for any departure and its influence on the representation of the balance sheet, financial situation and economic result.

The interim condensed financial statements have been drawn up in observance of the following general principles:

Going concern: the interim condensed financial statements have been drawn up with a view to the Group's business activities as a going concern.

Accrual accounting: the interim condensed 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 interim condensed financial statements are consistent from one period 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, disclosures are 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 financial statements are compliant with those established by the Bank of Italy in Circular No. 262 dated 22 December 2005 and the subsequent amendment dated 18 November 2009. Additional items can be added to the afore-mentioned financial statements if their content is not attributable to any of the items already envisaged by the same and only if the amounts involved are significant. The sub-items envisaged by the statements can be grouped together when one of the following two conditions applies:

- a) the amount of the sub-items is immaterial;
- b) the grouping together improves the clarity of the report.

Items which do not have amounts that refer to the period to which the financial statements refer or the previous year/period 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 by provisions of Bank of Italy regulations.

Comparative information: is provided for each balance sheet item relating to the previous year, while for each income statement item, comparative information relating to the same period of the previous year is provided. The figures relating to the previous year/period can be appropriately adjusted, where necessary, to ensure the comparability of the information relating to the period underway. Any non-comparability, adaptation or impossibility of the latter are reported and commented on in the report.

Specifically, it is noted that, as required by IFRS 5, the income statement figures as at 30 June 2010, originally published, have been re-stated for comparative purposes to retroactively reflect the effects of:

- the disposal of business segments relating to the investments held in Bormioli Rocco & Figlio (sold in 2011) and Banca Caripe (sold on 31 December 2010);
- the business segments currently being sold, relating to investments held in Banco Popolare Hungary Zrt. and in its subsidiary BP Service Kft and in Bio Energy International S.A.

More specifically, the economic contribution and the net income from the disposal of these investments is shown in income statement item "310. Income (loss) after tax from discontinued operations"; both for the first half of 2011 and for that of 2010.

The attachments contain a statement of reconciliation between the income statement for the first half of 2010, originally published, and the same re-stated for comparative purposes, to take into consideration the reclassifications required by the application of IFRS 5.

The amounts indicated in this interim condensed financial statements, unless specified otherwise, are stated in thousands of euro.

The attachments include a section dedicated to the Parent Company Banco Popolare containing the separate interim condensed financial statements as at 30 June 2011.

Uncertainties with regard to the use of estimates for drawing up the interim condensed financial statements

The application of certain accounting standards necessarily involves the use of estimates and assumptions which affect the values of the assets and liabilities recorded in the financial statements and the disclosures made on 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 interim condensed financial statements, as well as the assumptions considered reasonable in the light of past experience and the current state of the financial markets. In this regard, note that the situation caused by the current economic and financial crisis has made it necessary to make assumptions concerning future performance characterised by significant uncertainty.

Precisely in consideration of the uncertain situation, it cannot be excluded that the assumptions made, 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 interim condensed 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 situations of uncertainty are represented by amounts receivable, financial assets, investments/investments in associates, intangible assets, deferred tax assets, financial liabilities designated at fair value through profit and loss, provisions for risks and charges and taxation. For further details on the valuation processes which require estimates and assumptions to a greater extent, reference is made to the content of the 2010 consolidated financial report of the Banco Popolare Group, with the exception of that illustrated in the paragraphs below regarding the impairment estimate on intangible assets, investments in associates and some investments classified in the financial assets available for sale portfolio.

With regard to the estimation processes represented by the valuations of the losses on goodwill, on investments in associates, as well as on financial assets available for sale, a description is provided below of the activities carried out for the purpose of drawing up this interim condensed financial statements.

Impairment estimate on intangible assets and investments in associates

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.

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 lines with that prescribed by accounting standards, the Banco Popolare Group takes steps at least once a year to fully and analytically assess the estimated impairment losses in relation to intangible assets and investments in associates when drawing up the annual consolidated financial statements.

With regard to checking the values assigned to the Cash Generating Unit (CGU), at the time of the business combination transactions, the IAS 36 standard establishes, in fact, that impairment testing can be carried out at any time during the accounting period, provided that it is done so with reference to the same period for all the years involved. In addition, the standard establishes that the annual analytical calculation may be considered valid for the purposes of the subsequent check for impairment of the CGU, provided that the probability that the current calculation of the recoverable value is less than the book value of the CGU is considered remote. This opinion may be based on the analysis of the events which have occurred and the circumstances which have changed subsequent to the most recent annual impairment test.

As analytical impairment testing is carried out when the annual financial statements are prepared, the impairment tests to be conducted for the purpose of this interim condensed financial statements could therefore entail simply identifying any critical factors that have arisen after the end of the previous year, that lead us to retain that the recoverable value could be lower than the book value of the cash flow generating unit, on a similar basis to the procedure followed as at 30 June 2010. However, as of this report, the Group has a Business Plan approved for 2011/2013-2015, which we refer to in order to estimate the value in use of the cash flow generating units. In consideration of the above, combined with the high volatility of the markets, characterised by a steady fall in share prices, the group decided, for the situation as at 30 June 2011, to make a formal assessment of the recoverable value of the main cash flow generating units on the basis of the value in use of the same.

Specifically, the Network Banks and Private and Investment Banking CGUs were examined, as illustrated below:

- a CGU including all the Network Banks: Banca Popolare di Verona-S.Geminiano e S.Prospiero, 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: Banca Aletti and subsidiaries Aletti Fiduciaria and Aletti Trust.

Unlike the approach adopted for the 2010 financial statements, CGUs characterised by goodwill amounts of lesser significance (e.g. Asset management) were excluded, or those for which, within the Group Business Plan no specific forecasts were made as not within the scope of consolidation (Bancassurance). Analyses of these CGUs were conducted in any event in order to ascertain the absence of any critical factors with respect to 31 December 2010, therefore it is reasonable to state that their recoverable value is higher than their book value, as ascertained as at 31 December 2010.

The following table provides a summary of the total intangible assets outstanding as at 30 June 2011, broken down by the relevant CGU:

C.G.U. <i>(in millions of euro)</i>	Goodwill	Trademarks	Total	Impairment
Network Banks	3,276	222	3,498	-
Private & Investment Banking	897	-	897	-
Asset Management	14	-	14	-
Bancassurance	179	-	179	-
Other	9	-	9	-
Total	4,375	222	4,597	-

In line with the content of financial statements from 2008 onwards, 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;
- optimisation of the sales network;
- strengthening of the Parent Company structures in order to achieve better coordination of lending policies and credit monitoring;
- set up of an internal reporting and control system to guarantee the 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.

As further confirmation of the above, on 15 July 2011, Banco Popolare's Management and Supervisory Boards approved the proposed company reorganisation, which seeks to incorporate the individual Network Banks, with the exception of Credito Bergamasco, into the Parent Company.

The Private & Investment Banking CGU includes Banca Aletti and the wholly-owned companies (Aletti Fiduciaria and Aletti Trust) as the activities carried out by these companies are ancillary to the controlling company's activities.

Criteria used to determine the recoverable value of CGUs

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.

Based on international accounting standards, the amount of any impairment is determined based on the difference between the book value of the CGU and its recoverable value, if lower. Recoverable value is defined as the higher between:

- Value in Use, namely the present value of future cash flows that are envisaged to result from the continuous use of a specific asset or from a CGU;
- Fair Value, less selling costs, namely the amount that could be obtained from the sale of an asset, in an arm's length transaction between informed and willing parties.

Furthermore, these standards envisage that the calculation of both values is not necessary if one of the same has a value exceeding the book value.

In the light of the presentation of Banco Popolare's 2011-2015 Business Plan and of the proposed incorporation of the Network Banks into the Parent Company, it was retained appropriate to conduct Impairment Testing for the purposes of this 2011 Interim Condensed Consolidated Financial Statements.

More specifically, these impairment tests were conducted, given the availability of forecasts, with reference to the Value in Use of the assets under analysis; this approach differs from Fair Value estimates, based on market multiples/comparable transactions, the approach adopted up until the financial statements for 2010 (given the lack of Business Plans for the Parent Company and Network Banks).

The valuations were therefore developed applying the Dividend Discount Model ("DDM") based on economic-capital Plans relating to the CGUs under analysis.

According to the Dividend Discount Model, 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 assumes that the economic value of a company is equal to the sum of the present value of future cash flows (Expected Dividends) 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 the perpetual capitalisation of the normalised dividend for the last year of the Plan, based on a payout ratio depending on profitability at full operation. The application of the DDM entails the use of the following formula:

$$W = \sum_{k=1}^n \frac{D_k}{(1+i)^k} + TV + SA$$

where:

W = General value of economic capital.

i = Cost of own capital (Ke).

Dk = Dividends expected in an explicit period with a level of capitalisation in line with current regulations.

n = number of years of the explicit period.

TV = Residual value or Terminal value calculated as the present value of a perpetual yield represented by the average sustainable Dividend for the years subsequent to the explicit planning period.

SA = Value of any surplus assets.

The Terminal Value is calculated as follows:

$$TV = \frac{D_{n+1}}{i-g} (1+i)^{-n}$$

where:

D_{n+1} = Average sustainable dividend expected after the explicit planning period.

g = Expected long-term growth rate of the dividend after the explicit planning period. This growth rate should refer to the nominal long-term growth rate of the economy. In fact, it is prudentially assumed that in the long term, each sector and each company in the sector will converge towards a growth rate equal to that of the economy as a whole.

i = Cost of own capital (Ke).

The Dividends Expected in the explicit period (D_k) are calculated on the basis of 2011-2015 forecasts for balance sheet-income statement figures of the CGU, taking into account a minimum level of capital estimated on the basis of two different scenarios:

- Common Equity/Core Tier 1 target of 7% applied in line with the requirements of new Basel III supervisory regulations, also with regard to the calculation of Regulatory Capital and of RWA (Basel III scenario);
- Core Tier 1 target of 8% defined also on the basis of the level of capitalisation of comparable companies, applied in line with current Basel II supervisory regulations with regard to the calculation of Regulatory Capital and of RWA (Basel II scenario).

In both scenarios, the expected RWA and regulatory capital figure include the effects associated with the introduction of Advanced internal models (AIRB) to estimate capital requirements relative to credit risk.

The average sustainable Dividend after the explicit period (D_{n+1}) is calculated as a function of a sustainable payout, determined as a function of long-term sustainable profitability and the long-term growth rate of the business.

These flows are then discounted on the basis of a Cost of Capital consistent with the return required of investments with characteristics similar to those of the asset under analysis. The Cost of Capital (Ke) was calculated on the basis of the Capital Asset Pricing Model (CAPM), according to which the returns on a high-risk business must be equal to the sum of a no-risk rate and a risk premium:

$$K_e = R_f + \beta \times (R_m - R_f)$$

More specifically, the no-risk component (R_i), which encompasses in any event the so-called "Country Risk" is calculated using the 2-year average yield of 10-year Italian government bonds (BTP). We decided to use an average value given the increasing volatility shown by this indicator in the markets over the past six months.

The beta (β) coefficient measures the risk of the specific business or of the operating sector in terms of the correlation between the effective yield of a share and the overall yield of the reference market.

In the case in question, we used the following: a) for the Network Bank CGU, the indicator for Banco Popolare estimated by Bloomberg over a two year time horizon; b) for the Private and Investment Banking CGU, the average indicator of a sample of investment banks estimated by Bloomberg over a two year time horizon.

A market risk premium (R_m-R_i) of 5% was calculated, in line with measurement practices.

In order to establish the value in use of the CGUs in question, economic-financial forecasts of the Network Banks and Private & Investment Banking CGUs were used, consistent with Banco Popolare's Business Plan presented to the financial

community on 30 June 2011. These forecasts were then changed on the basis of the results of the previously-mentioned company reorganisation project, which entails an amendment of the income and the expenses of the Network Banks CGU.

Following impairment testing conducted in compliance with IAS 36, there was no impairment in the book values of the assets of the Group in both scenarios (Basel II and Basel III), specifically with regard to strategic and core assets such as the Network Banks.

Sensitivity analyses and Stress Tests

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 parameters used for the valuation, in order to verify changes in the recoverable values of both the Basel II and Basel III scenarios. In particular, steps were taken to:

- i) change the cost of capital by +/- 50 basis points;
- ii) change the long-term growth rate by +/- 50 basis points.

Furthermore, for the Network Banks CGU, several Stress Tests were conducted to verify the impact of the main assumptions underlying the valuation. More specifically, the following were assumed:

- i) a change in the time horizon of the risk-free rate (1 year - 6 months) to calculate the cost of capital;
- ii) the elimination of the benefits resulting from the introduction of internal valuation methods (AIRB models);
- iii) a reduction of 50 basis points of the Euribor interest rates underlying the economic-financial Plan.

For the Private & Investment Banking CGU, a linear reduction of between 5% and 25% of expected net income was assumed.

All of the analyses confirmed the resilience of goodwill and did not find any reduction of the recoverable value to below book value.

Intrinsic signs of impairment

There is a misalignment between the listings of the Banco Popolare Group expressed by the financial markets and the book values, as already indicated in the 2010 financial statements. In detail, the listings of the main Italian banks emerge as discounted with respect to the book value of the shareholders' equity; furthermore, the ratio between the market capitalisation and shareholders' equity also emerges as lower with respect to the average of the last ten years.

Banco Popolare's share price (just as the banking sector in general) reflects the continuing depressed and highly volatile conditions of the financial markets; the same is therefore penalised by uncertainty as to the solvency of sovereign credit; the volatility necessarily impacts bank securities, as banks and insurance companies are the traditional purchasers of government bonds. In this regard, it is worth recalling how, prior to the financial crisis that is still having a significant impact on the banking industry, the valuations expressed by the financial markets were, in contrast to the present situation, abundantly higher than shareholders' equity and more in line with the historic average.

Contrary to market valuations, the methods used to establish value in use consider the business as a direct expression of the cash flows it is able to generate during the period of its use. In calculating said value, the internal expectations of the enterprise in question must be considered, for the purpose of this valuation, as well as the 2011-2015 Economic-Financial Plan and the synergies that the enterprise in question is able to achieve.

Market values are the result of the assessments of the financial community, assessments which, due to their very nature, have different objectives from the valuations stated by board directors for the purpose of this financial report, and, as focused on the short-term, do not fully reflect the company's medium/long term growth potential.

In conclusion, the in-depth assessment activities conducted for the purpose of this report have confirmed the quality of the values of the goodwill recorded in the financial statements for the Group's main CGUs.

Impairment testing on financial assets available for sale

For this interim condensed financial statements, the Group conducted an in-depth valuation of its portfolio of financial assets available for sale (AFS), to identify any impairment indicators, which would then lead to write-downs on the income statement corresponding to the difference between the fair value and the book value of the financial assets. The above exercise has become increasingly critical, and is characterised by growing uncertainty, due to the continuing crisis, which extended to the whole of the first six months of 2011.

The impairments found in the first half of 2011 on financial assets available for sale totalled euro 22.7 million (against euro 19.8 million as at 30 June 2010).

As regards debt securities, note the write-down made on Greek securities due to issuer risk, of euro 15.3 million, following the alignment of the book value to market prices as at 30 June 2011. Exposure in Greek securities classified in the AFS category amounted to euro 15.3 million in terms of book value; for further details, please refer to the paragraph entitled "Group exposure in debt securities and loans to Sovereign States".

As regards “equity instruments”, the Group’s impairment policy, introduced from the financial statements as at 31 December 2009, envisaged thresholds representing a significant reduction of fair value of over 30% compared to book value or a prolonged reduction for an uninterrupted period exceeding 24 months. If said thresholds were exceeded, the instrument would be written down, unless exceptional circumstances prevailed.

As of this interim condensed financial statements, the above policy has been reviewed, to take into account the specific nature of some types of investment that have been categorised as “equity instruments”. These are private equity funds and similar investment vehicles: more specifically, this category includes UCIT units, SICAV, investments in associates and companies subject to joint control or other similar structures whose mission is to invest directly and/or through other private equity funds and other corporate vehicles. Said assets are characterised by a medium-long term time horizon: the underlying investments are actually made, on average, over a five/seven year period and the relative divestments require three years.

The Group has therefore introduced an *ad hoc* policy for the cited investments, on the basis of which, surpassing one of the following thresholds is considered evidence of impairment:

- a reduction of fair value exceeding 40% with respect to the original book value;
- a persistent decrease for an uninterrupted period exceeding 60 months;
- a reduction of fair value exceeding 30% and lasting for an uninterrupted period exceeding 36 months.

The thresholds introduced as of the 2009 financial statements, as indicated above, continue to be applied to investments in shares.

Overall, as at 30 June 2011, the exposure held in the portfolio of “Financial assets available for sale” in private equity funds and similar investment vehicles, in terms of book value, amounted to euro 150.2 million, and the relative valuation reserves, before tax, amounted to euro -10.7 million (corresponding to the imbalance formed by negative reserves of euro 13.1 million and positive reserves of euro 2.4 million).

The following table contains a breakdown of the main investments which, as at 30 June 2011, recorded negative reserves with an indication of the sustainability and significance thresholds.

<i>(in thousands of euro)</i> Investments	30.Jun.2011		Thresholds	
	Book value	Negative reserves before tax	Sustainability (*)	Significance (**)
Palladio Finanziaria Spa	45,050	(10,692)	24 months	19.18%
ILP3 - SCA, SICAR Cl. A	13,893	(856)	30 months	5.80%
Mandarin Capital Part SCA, SICAR Cl B	8,448	(541)	30 months	6.02%
Fondo GATE quota A	1,807	(445)	30 months	19.76%
Fondo IdEA FoF quota A	2,451	(310)	30 months	11.23%
Total	71,649	(12,844)		
<i>(*) meaning a persistent decrease for an uninterrupted period exceeding x months</i>				
<i>(**) meaning a reduction of fair value exceeding x% with respect to the original book value</i>				

Note that the persistent nature of the financial crisis has meant a decrease of fair value below the original value for a period of 24 months (sustainability threshold). For said investments, the policy revision did not however reveal any impairment: in fact, the Group believes that the right thresholds to automatically identify an “impairment loss” are represented by a lower fair value than the book value for an uninterrupted period of over 60 months or over 36 months if combined with a fair value decrease exceeding 30%, insofar as, for the investments in question, these scenarios are not simply retained to be the result of market volatility or of a specific stage of the economic situation, but actually show evidence of impairment.

On the basis of the thresholds introduced as of this interim condensed financial statements and the qualitative analyses conducted on the remaining investments, no significant impairment losses have been found for individual positions held in private equity funds and similar investment vehicles.

Accounting standards

The accounting standards used to draw up the interim condensed financial statements are those adopted for the preparation of the annual financial statements as at 31 December 2010, to which the reader should therefore refer, supplemented by the amendments approved and in force as of 2011, illustrated below.

The table below lists all of the amendments to standards and interpretations approved in 2011 or in previous years, whose application has become mandatory from financial year 2011, with regard to which, however, no significant impact on these interim condensed financial statements has emerged.

Accounting standards and interpretations (*)	Comments	Validating EC Regulations	In force from the years starting:
Amendments to existing standards			
IAS 32 – Classification of rights issues	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 regarding related party transactions	EC Reg. no. 632 of 19 July 2010	1 January 2011
Improvements to the IFRS (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 32, IAS 34, IAS 39, IFRIC 13)	Minor amendments mainly regarding disclosures	EC Reg. no. 149 of 18 February 2011	1 January 2011 1 July 2011 (for amendments to IFRS 3)

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

More specifically, the improvements made to IAS 34 "Interim financial statements" through EC regulation no. 149/2011, regard the disclosures to be made on significant transactions and events: it draws attention to the principle according to which the disclosures to be made in interim financial statements, regarding significant transactions and events, must update that contained in the most recent annual financial report; furthermore, it is clarified how to apply IAS 34 to financial instruments and to their fair value. With regard to the latter aspect, points (b), (h), (k) and (l) introduced in paragraph 15B are of note, as they require disclosure:

- of losses due to the impairment of financial assets and on the reversal of said losses;
- of changes in business and economic circumstances that affect fair value;
- of transfers between the various levels of the fair value hierarchy;
- of changes in the classification of financial assets.

For the sake of completeness, note that there no standards or interpretations approved by the European Commission up until 30 June 2011 that envisage the option of early application for financial year 2011.

Fair value disclosures

Transfers between portfolios

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 assets held for trading or the category of financial assets available for sale, as described in the 2010 consolidated financial statements, to which reference is made for further information.

On the basis of the afore-mentioned legislative changes:

- during the meeting held on 28 October 2008, Banco Popolare's Management Board resolved to reclassify certain financial assets not listed on active markets held by the Bank for trading purposes, taking into account that the crisis situation which characterised the world financial markets would not have permitted it to reasonably pursue the objectives which had justified the recognition of said financial instruments in the category of financial assets held for sale, forcing the same to be held for 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;

- during 2009, Efibanca's 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. This reclassification was carried out on a similar basis to other investments of this type held, which Efibanca had already placed in item "40 – Financial assets held for sale", given the stability of this type of investment, also taking into account that the world financial market crisis would not have made it possible for these instruments to be traded in 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.

During the first half of 2011, no further reclassifications of the portfolio took place.

The following table shows the book value of the reclassified assets remaining as at 30 June 2011, the relative fair value, the income components recorded in the period and the economic impact that would have been recorded in the same period if the transfer had not been carried out.

Type of financial instrument	Source portfolio	Target portfolio	Book value as at 30.Jun.2011	Fair value as at 30.Jun.2011	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)	Due from banks (item 60)	23,241	19,394	2,461	151	-	318
Debt securities	Financial assets held for trading (item 20)	Loans to customers (item 70)	182,528	177,925	1,438	2,079	-	2,952
UCIT units	Financial assets held for trading (item 20)	Financial assets available for sale (item 40)	8,392	8,392	-	-	-	-
Total			214,161	205,711	3,899	2,230	-	3,270

Debt securities

As at 30 June 2011, the reclassified portfolio represented by "Debt securities" comprised 8 securities from corporate issuers (9 as at 31 December 2010) – mainly banks and financial institutions – and 10 Asset Backed Securities (ABS) (12 as at 31 December 2010).

The change in the reclassified securities portfolio refers to the natural changes resulting from the redemption on maturity or early redemption of several ABS securities, as well as the subscription of the buyback launched by Allied Irish Bank in the first quarter of 2011 of its own subordinated bonds.

Securities redeemed or sold in total during the first half of 2011 amounted to euro 22.1 million in terms of nominal value.

The book value of the position in debt securities as at 30 June 2011 amounted to euro 205.8 million (euro 215.3 million as at 31 December 2010) and their fair value comes to euro 197.3 million (euro 204 million as at 31 December 2010).

In detail, with regard to the ABS securities, the reclassified positions, for an equivalent book value as of 30 June 2011 of euro 63.6 million (NV 64.6), represent almost all (72%) the Group's positions in structured credit products. All the ABS belong to the senior class, namely the category of securities with contractual right of priority for the payment of the principal and interest. The underlying instruments are generally represented by Italian residential mortgage loans and those of other European countries.

With reference to positions in corporate securities, with a nominal value of euro 170.5 million, corresponding to a book value of euro 142.2 million, the same mainly comprise issues of leading banks and financial institutions in the US (50%), Europe (35%), and Italy (15%); there is no position in structured credit securities. More specifically, around 71% of these securities are represented by plain vanilla issues (namely non-structured issues subject to only interest rate/counterparty risk) while the remainder represented by subordinated issues of European and Italian banks.

The cumulative effect as at 30 June 2011 following the reclassification was a positive balance of euro 8.5 million, against euro 11.3 million as at 31 December 2010 (as shown from the difference between the "Book value as at 30 June 2011" column and the "Fair value as at 30 June 2011"), as detailed below:

- failure to recognise net losses due to the adjustment to fair value of euro 23.8 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 of euro 15.3 million.

In terms of the income statement, the reclassification resulted in the recording of:

- additional interest income due to the application of amortised cost of 1.3 million;

- lower net gains from valuation and trading that would have been recorded if the transfer had not taken place, of euro 4.2 million.

Therefore, the income statement result as at 30 June 2011 is euro 2.9 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 recorded in the period" column and the "Income items in the absence of transfer" column).

UCIT units

As at 30 June 2011, the book value of the UCIT units transferred was euro 8.4 million; the euro 0.7 million increase compared to the book value as at the end of financial year 2010, is due to the net effect of the cash calls and the partial repayments made in the first half of 2011 on the reclassified funds.

Fair value hierarchy

Accounting portfolios: breakdown by fair value levels

The growing complexity of financial instruments and the turbulence on the financial markets has increasingly drawn attention to the need to provide complete and transparent disclosures on the methods used to determine fair value, both in qualitative and quantitative terms.

To this end, this section provides a breakdown of the financial asset and liability portfolios measured at fair value, based on the fair value hierarchy envisaged by IFRS 7.

The afore-mentioned hierarchy which gives maximum priority to the official prices available on active markets and lower priority to the use of inputs which cannot be observed, since they are more discretionary, envisages the following levels:

1. Listed prices taken from active markets (Level 1)

The valuation was carried out on the basis of the market price of the same instrument (or rather without changes or re-compositions of the same 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;

2. Valuation methods based on observable market parameters (Level 2)

The valuation of the financial instrument is based on prices which can be taken from market listings 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.

For a more detailed description of the methods for determining the fair value, reference should be made to the section dedicated to Accounting standards contained in the consolidated financial statements as at 31 December 2010.

Fair value financial assets/liabilities (in thousands of euro)	30/Jun/2011				31/Dec/2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	6,947,274	3,203,708	7,267	10,158,249	7,602,922	4,001,835	8,549	11,613,306
Financial assets designated at fair value through profit and loss	170,953	1,380	5,002	177,335	173,256	2,016	3,659	178,931
Financial assets available for sale	7,868,071	412,825	607,717	8,888,613	4,498,060	492,397	600,719	5,591,176
Hedging derivatives	-	203,959	-	203,959	-	201,969	-	201,969
Total	14,986,298	3,821,872	619,986	19,428,156	12,274,238	4,698,217	612,927	17,585,382
Financial liabilities held for trading	223,257	3,029,124	871	3,253,252	194,040	3,538,409	1,685	3,734,134
Financial liabilities designated at fair value through profit and loss	16,284,483	9,880,588	-	26,165,071	17,912,599	8,601,462	-	26,514,061
Hedging derivatives	-	201,406	-	201,406	-	235,364	-	235,364
Total	16,507,740	13,111,118	871	29,619,729	18,106,639	12,375,235	1,685	30,483,559

Financial assets

The financial instruments valued on the basis of prices pertaining to active markets (Level 1) or determined on the basis of observable market parameters (Level 2) represent 96.8% of total financial assets designated at fair value through profit and loss, essentially in line with the percentage recorded as at 31 December 2010 (96.5%).

The instruments valued significantly on the basis of non-observable parameters (Level 3) represent a marginal share (3.2%) and are mainly comprised of financial assets available for sale (98%). These financial assets are represented by the following types of investment:

- Equity instruments valued on the basis of internal models (income, equity or mixed methods), of euro 453.2 million;
- UCIT units of euro 137.7 million, mostly represented by private equity funds, real estate and hedge funds characterised by a certain level of illiquidity and/or whose fair value has been determined from sources not available to the public;
- Debt securities of euro 29.1 million. More specifically, these are securities issued by Icelandic banks, classified under "Financial assets available for sale" following the public offer of exchange launched by Banco Popolare, 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: the relative book value as at 30 June 2011 was euro 20.8 million. We also draw attention to securities originating from securitisations of euro 8.2 million, almost fully attributable to the transactions conducted by Group companies prior to 1 January 2004, for which we used the option of not recognising loans derecognised in the financial statements based on the previous national accounting standards.

Financial assets include euro 2,986 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 make predominant use of observable market parameters or those 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.

Creditworthiness effect (in thousands of euro)	30/Jun/2011	31/Dec/2010	30/Jun/2010
Net income from change in creditworthiness	38,650	395,497	258,919
Net accumulated gains	457,831	419,181	282,603

It should be noted that the net cumulative gains recorded as at 30 June 2011 due to the changes in the Bank's creditworthiness, which led to a lower book value of liabilities, are expected to have a negative impact on future income statements to the extent that the liabilities will not be repurchased at prices in line with the recorded book value.

Scope of consolidation and methods

The interim condensed 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 companies considered as associated on the basis of international accounting standards IAS 28 and 31 are also included.

The concept of control is not limited to the mere absolute majority of 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 and companies subject to joint control held for sale have been recorded in compliance with international accounting standard IFRS 5 which regulates the recording of non-current assets held for sale.

For consolidation purposes, shares received as collateral have not been considered since they are not related to the exercise of control or influence over the companies' management policies, so as to enjoy economic benefits.

The reference date of the interim condensed financial statements coincide with the end date of the Parent Company's interim condensed financial statements. The companies which end the period on a date other than that of the Parent Company, also draw up a balance sheet and income statement as of the reference date.

The assets, liabilities, revenues and expenses between consolidated companies are eliminated in full. The amounts in this document are stated, unless otherwise specified, in thousands of euro.

Investments in subsidiary companies exclusively consolidated on a line-by-line basis are listed below; there are no companies consolidated proportionally.

Name	Registered offices	Type of relationship (a)	Investment relationship		Availability % of votes (b)
			Holder	% held	
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	99.646%	
Banca Popolare di Lodi S.p.A.	Lodi	(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.Prospiero S.p.A.	Verona	(1)	Banco Popolare	100.000%	
Banco Popolare Croatia d.d.	HR - Zagreb	(1)	Banco Popolare	98.130%	98.431%
Banco Popolare Hungary Zrt. (*)	H - Budapest	(1)	Banco Popolare	100.000%	
Banco Popolare Luxembourg S.A.	L - Luxembourg	(1)	Banco Popolare	100.000%	
BP 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. (in liquidation)	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%	
BP Property Management Soc. Consortile a r.l.	Verona	(1)	Banco Popolare	27.309%	
			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%	
			Efibanca	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%	
Efibanca S.p.A. (****)	Lodi	(1)	Banco Popolare	100.000%	96.697%
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%	

Name	Registered offices	Type of relationship (a)	Investment relationship		Availability % of votes (b)
			Holder	% held	
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%	
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	100.000%	
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	17.000%	
			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	20.500%	
			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%	
			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	99.859%	
Verona e Novara (France) S.A. (in liquidation)	F – Paris	(1)	BP Luxembourg	99.686%	
Banca Italease Capital Trust	Delaware	(4)	Banca Italease Funding LLC	100.000%	

Name	Registered offices	Type of relationship (a)	Investment relationship		Availability of votes (b)
			Holder	% held	
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	55.123%	
Gestielle Hedge Long Short World	Milan	(4)	Banco Popolare	85.721%	
Gestielle Hedge Multi Strategy	Milan	(4)	Banca Aletti & C.	9.121%	
			Banco Popolare	55.529%	
Glass Italy B.V.	NDL - Amsterdam	(4)	Banca Aletti & C.	6.442%	
			Stichting Glass Italy	94.999%	
Italfinance RMBS S.r.l.	Trento	(4)	Efibanca	5.001%	
			-	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) Type of relationship

(1) Control pursuant to Article 2359 of the Italian Civil Code, paragraph 1, no. 1 (majority of voting rights in ordinary shareholders' meeting)

(4) Other forms of control

(b) The availability of effective votes during ordinary shareholders' meetings is only indicated if it differs from the percentage of investment in the share capital.

(*) Company undergoing disposal in accordance with 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 votes, treasury shares have been considered since these shares are included in the share 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.).

Changes in the scope of consolidation

The changes in the scope of consolidation with respect to the situation as at 31 December 2010 are shown in the table below:

Companies consolidated line-by-line

Companies no longer consolidated due to disposal:

Name

1. Banco Popolare Česká Republika A.S.
2. Bormioli Rocco & Figlio S.p.A.
3. Bormioli Rocco (Spain) S.A.
4. Bormioli Rocco Glass Co. Inc. S.C.
5. Bormioli Rocco International S.A.
6. Bormioli Rocco France S.A.
7. Bormioli Rocco Valorisation S.A.S.
8. Decoro Fidenza S.r.l.
9. Verreries de Masnières S.A.

Companies no longer consolidated due to mergers:

Name of merged company

1. Italfortune International Advisors S.A.

Name of merging company

Banco Popolare Luxembourg S.A.

Companies no longer consolidated due to company liquidation:

Name

1. Banca Popolare di Lodi Capital Company LLC
2. Banca Popolare di Lodi Investor Trust II

Companies consolidated at equity	
Companies no longer consolidated due to disposal	
Name	
1. Istituto Centrale delle Banche Popolari Italiane	
2. CO.GE.VI. S.A.	
Companies no longer consolidated due to company liquidation	
1. Assipromos S.r.l.	
Companies no longer consolidated due to the dilution of the investment %:	
1. G.I. Holding S.p.A.	

For further details on the transactions described, please refer to the section that illustrates the significant events that occurred during the half year.

Furthermore, note that, as of this interim condensed financial statements, the investments Banco Popolare Hungary Zrt., its subsidiary BP Service Kft and Bio Energy International S.A., previously consolidated on a line-by-line basis, summarily contribute to the interim condensed consolidated financial statements in asset item 150 (Non-current assets held for sale and discontinued operations), liability item 90 (Liabilities associated with discontinued operations) and income statement item 310 (Income/loss after tax from discontinued operations), as held for sale, pursuant to IFRS 5.

Similarly, also merchant banking investments in associates, previously carried at equity, Bertani Holding S.p.A., Pantex International S.p.A. and Trieria Power S.p.A. are classified as discontinued operations as of this interim condensed financial statements. Pursuant to the provisions of Bank of Italy Circular no. 262, the relative economic impact is booked to income statement item "240. Profits (losses) on investments in associates and companies subject to joint control", as they refer to individual assets.

Lastly, note that in July, the subsidiary Bipielle International Holding S.A. went into voluntary liquidation.

Reclassified financial statements

Reclassified consolidated balance sheet

Reclassified asset items (in thousands of euro)	30/Jun/2011	31/Dec/2010	Changes	
Cash and cash equivalents	533,548	639,932	(106,384)	(16.6%)
Financial assets and hedging derivatives	19,536,977	17,726,308	1,810,669	10.2%
Due from banks	7,012,908	7,565,103	(552,195)	(7.3%)
Loans to customers	96,366,083	94,461,905	1,904,178	2.0%
Investments in associates and companies subject to joint control	1,565,990	1,641,429	(75,439)	(4.6%)
Property and equipment	2,240,927	2,444,749	(203,822)	(8.3%)
Intangible assets	5,128,975	5,171,742	(42,767)	(0.8%)
Non-current assets held for sale and discontinued operations	240,837	371,890	(131,053)	(35.2%)
Other assets	5,611,883	5,132,614	479,269	9.3%
Total	138,238,128	135,155,672	3,082,456	2.3%

Reclassified liabilities and shareholders' equity (in thousands of euro)	30/Jun/2011	31/Dec/2010	Changes	
Due to banks	8,120,512	9,492,950	(1,372,438)	(14.5%)
Due to customers, debt securities issued and financial liabilities designated at fair value through profit and loss	107,660,536	104,523,749	3,136,787	3.0%
Financial liabilities and hedging derivatives	3,454,658	3,969,498	(514,840)	(13.0%)
Liability provisions	1,109,745	1,448,122	(338,377)	(23.4%)
Liabilities associated with non-current assets held for sale and discontinued operations	84,406	159,407	(75,001)	(47.1%)
Other liabilities	5,314,087	3,621,551	1,692,536	46.7%
Minority interests	394,115	412,913	(18,798)	(4.6%)
Shareholders' equity:	12,100,069	11,527,482	572,587	5.0%
- Capital and reserves	11,908,673	11,219,467	689,206	6.1%
- Income (loss) for the period	191,396	308,015	(116,619)	(37.9%)
Total	138,238,128	135,155,672	3,082,456	2.3%

The reclassified balance sheet is a simple aggregation of the items to be included in balance sheets set forth in 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”, “Investments 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 treasury shares held (financial statement items 140, 160, 170, 180, 190 and 200).

Reclassified consolidated income statement

Reclassified income statement items (in thousands of euro)	1st half 2011	1st half 2010 (*)	Change
Interest margin	886,175	923,612	(4.1%)
Income (loss) from investments in associates carried at equity	22,882	21,205	7.9%
Financial margin	909,057	944,817	(3.8%)
Net fee and commission income	653,887	642,510	1.8%
Other net operating income	34,437	29,897	15.2%
Net financial result	287,286	275,996	4.1%
Other operating income	975,610	948,403	2.9%
Operating income	1,884,667	1,893,220	(0.5%)
Personnel expenses	(755,302)	(744,499)	1.5%
Other administrative expenses	(377,329)	(386,700)	(2.4%)
Net value adjustments on property, equipment and intangible assets	(70,032)	(62,175)	12.6%
Operating expenses	(1,202,663)	(1,193,374)	0.8%
Income (loss) from operations	682,004	699,846	(2.5%)
Net adjustments on loans to customers	(399,934)	(386,631)	3.4%
Net adjustments on receivables due from banks and other assets	(27,108)	(26,925)	0.7%
Net provisions for risks and charges	(2,259)	(22,593)	(90.0%)
Value adjustments on goodwill and investments in associates and companies subject to joint control	-	(983)	
Profits (losses) on disposal of investments in associates and other investments	62,698	12,258	411.5%
Income (loss) before tax from continuing operations	315,401	274,972	14.7%
Taxes on income from continuing operations for the period	(138,045)	144,534	
Income (loss) from merchant banking investments and non-current assets undergoing divestiture, net of taxes	22,003	23,326	(5.7%)
Minority interests	(7,963)	(5,909)	34.8%
Parent Company's net income for the period	191,396	436,923	(56.2%)

(*) Figures adjusted in compliance with that envisaged by IFRS 5.

The main reclassifications made with respect to the balances present in the items of the official income statement schedule are illustrated below:

- the figurative cost relating to the financing of the financial assets acquired to create structured financial products for trading purposes, has been reclassified from the interest expense item (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 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 discontinued operations, are recorded in the reclassified income statement under 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 the first half of 2011 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 30 June 2011 resulting from the recognition of adjustments to the results recorded by the cash generating units acquired by the Group to which Banca Italease belongs are illustrated below:

- interest margin: the impact on the income statement for the first half of 2011 was euro -22.7 million, and is attributable to the lower value recognised at the time of PPA for the financial liabilities issued by Banca Italease. The negative impact results 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. In the first half of 2010, the impact was euro -42.8 million;
- net financial result: the impact is euro -4.2 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 repurchases of the above-mentioned financial liabilities made in the period. As at 30 June 2010, the effect of said repurchases was euro -3.7 million.

The following impacts were seen on the aggregates presented below:

- operating income: euro -26.8 million as at 30 June 2011 and euro -46.5 million in the first half of 2010;
- income (loss) from operations: euro -26.8 million and euro -46.5 million as at 30 June 2010;
- income (loss) before tax: euro -26.8 million and euro -74.3 million for the first half of 2010;
- income taxes: euro +8.5 million and euro +24 million as at 30 June 2010;
- minority interests: euro +0.1 million as at 30 June 2011 and euro +0.2 million as at 30 June 2010.

The overall effect on the consolidated net result was therefore euro -18.3 million at the end of the half year period, compared with euro -50.2 million in the same period of 2010.

It should also be noted that the income statement of the Banco Popolare Group also includes the economic effects resulting 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 the first half of 2011 was euro -44.9 million (euro -81.9 million as at 30 June 2010, rendered comparable) and was essentially attributable to the greater value recognised at the time of PPA of the receivables acquired as part of the combination transaction;
- other operating income: the effect on the first half of 2011 was euro -22.4 million (euro -20 million in the corresponding period of 2010), represented by the amortisation charges on intangible assets with a specified useful life recorded at the time of PPA (euro -18.8 million) and to the disposal of several minority investments revalued at the time of PPA (euro -3.6 million);
- value adjustments on property and equipment: the impact on the income statement as at 30 June 2011 was euro -1.9 million (in line with the figure as at 30 June 2010) 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 investments in associates and other investments: the income statement for the first half of 2011 was affected by the recognition of lower gains of euro 6.7 million, resulting from the disposal of properties revalued at the time of PPA. In the same period of the previous year, the impact was euro -5.6 million.

The following impacts were seen on the aggregates presented below:

- operating income: euro -67.4 million in the first six months of 2011 and euro -101.8 million in the same period of 2010, rendered comparable);
- income (loss) on operations: euro -69.3 million as at 30 June 2011 and euro -103.9 million as at 30 June 2010,

- rendered comparable;
- income (loss) before tax: euro -76 million at the end of the first half of 2011 and euro -109.5 million as at 30 June 2010, rendered comparable;
- income taxes: euro +20.7 million in the first half of 2011 and +34.7 million in the same period of the previous year, rendered comparable;
- minority interests: euro +0.3 million as at 30 June 2011 and euro +6.4 million as at 30 June 2010.

The overall effect on the consolidated net result was therefore euro -54.9 million at the end of the first half of 2011, compared with euro -72.4 million in the same period of 2010.

Adding together the effects of the PPA relating to the former Banca Popolare Italiana Group and the group led by Banca Italease, the net result in the income statement for the first half of 2011 had a negative impact of euro 73.1 million in total, compared to euro -122.5 million as at 30 June 2010.

In compliance with the instructions contained in Consob Communication no. DEM/6064293 of 28 July 2006, the following paragraphs provide information on the effects that non-recurrent events or transactions had on the consolidated economic result of the periods compared.

For the purposes of identifying the non-recurrent components, the following criteria are used:

- the results of disposal transactions relating to all fixed assets (investments in associates and companies subject to joint control, property and equipment, investments held to maturity and portfolios of doubtful loans) are considered to be non-recurrent;
- gains and losses on non-current assets held for sale and discontinued operations 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, impairments of fixed assets, effects associated with legislative changes, exceptional results, etc.) are considered to be non-recurrent;
- impacts on the income statement, as long as significant, resulting from valuatational aspects and/or changes in parameters in the application of the valuation methods applied on an on-going basis are instead considered to be recurrent.

In the light of the above criteria, in addition to the amounts already included in items that are per se non-recurrent (e.g. profit (loss) on assets held for sale), the main non-recurrent components that influenced the Group's net result as at 30 June 2011 are as follows:

- the impact of euro +38.6 million on the **net financial result**, deriving from the reduction in the book value of the financial liabilities issued by the Group, measured at fair value, due to the deterioration of the issuer's creditworthiness (in the first half of the previous year, the impact was euro +258.9 million);
- the gains, totalling euro 62.7 million recorded under **gains (losses) on the disposal of investments in associates and other investments**, resulting from the disposal of the interest held by the Group in Istituto Centrale Banche Popolari and from the revaluation at fair value of the interest held of euro 47.2 million and euro 15.3 million from disposals of property and equipment made Group companies during the half year the figures for the corresponding period of 2010 was euro +12.3 million.

Note that the income statement of the corresponding period of last year had benefited from the extension of the scope of the "tax consolidation" scheme of Banco Popolare to Banca Italease and its subsidiaries. Thanks to the exercise of the option for group taxation, Banca Italease was able to recognise euro 285.8 million of prepaid tax receivables in its financial statements.

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 income statement into quarters. The figures shown 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 30 June 2011.

Reclassified income statement items (in thousands of euro)	2011		2010 (*)			
	Q2	Q1	Q4	Q3	Q2	Q1
Interest margin	441,734	444,441	443,756	439,755	447,655	475,957
Income (loss) from investments in associates carried at equity	13,867	9,015	7,455	9,942	8,229	12,976
Financial margin	455,601	453,456	451,211	449,697	455,884	488,933
Net fee and commission income	320,169	333,718	309,113	312,809	325,558	316,952
Other net operating income	25,768	8,669	16,128	16,539	35,915	(6,018)
Net financial result	219,990	67,296	141,240	122,248	162,552	113,444
Other operating income	565,927	409,683	466,481	451,596	524,025	424,378
Operating income	1,021,528	863,139	917,692	901,293	979,909	913,311
Personnel expenses	(378,686)	(376,616)	(418,244)	(376,059)	(371,829)	(372,670)
Other administrative expenses	(188,476)	(188,853)	(181,414)	(187,704)	(197,731)	(188,969)
Net value adjustments on property, equipment and intangible assets	(38,031)	(32,001)	(51,609)	(33,683)	(24,197)	(37,978)
Operating expenses	(605,193)	(597,470)	(651,267)	(597,446)	(593,757)	(599,617)
Income (loss) from operations	416,335	265,669	266,425	303,847	386,152	313,694
Net adjustments on loans to customers	(192,704)	(207,230)	(162,384)	(221,387)	(211,019)	(175,612)
Net adjustments on receivables due from banks and other assets	(25,525)	(1,583)	(60,802)	(8,291)	(15,261)	(11,664)
Net provisions for risks and charges	(7,677)	5,418	(223,356)	9,778	(24,796)	2,203
Value adjustments on goodwill and investments in associates and companies subject to joint control	-	-	(83)	136	(983)	-
Profits (losses) on disposal of investments in associates and other investments	14,891	47,807	238	204	13,635	(1,377)
Income (loss) before tax from continuing operations	205,320	110,081	(179,962)	84,287	147,728	127,244
Taxes on income from continuing operations for the period	(88,490)	(49,555)	8,886	(38,881)	199,368	(54,834)
Income (loss) after tax from discontinued operations (**)	16,413	5,590	22,578	(8,213)	14,264	9,062
Minority interests	(1,883)	(6,080)	(10,565)	(7,038)	(1,532)	(4,377)
Parent Company's net income (loss) for the period	131,360	60,036	(159,063)	30,155	359,828	77,095

(*) Figures adjusted in compliance with that envisaged by IFRS 5.

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

Results

The trends in the main balance sheet and income statement items as at 30 June 2011, are illustrated below, compared with the figures as at 31 December 2010 and with the same period of the previous year.

Note that, in order to understand the contribution of Banca Italease and its subsidiaries, the analysis of the loans component at the end of the half year is also shown without the contribution of the Banca Italease group of companies ("Banco Popolare stand-alone") as well as the figure for just the companies that are part of the former Banca Italease Group, compared with the figures of the previous years, rendered comparable. Both the aggregates have been stated before the effects of the infragroup transactions which took place with the Banco Popolare stand-alone Group companies and those of the former Banca Italease Group.

Furthermore, with regard to the income statement, in order to guarantee a like-for-like comparison, the figures relating to the first half of the previous year have been appropriately reclassified in order to retroactively reflect the impact of:

- the disposal of business segments relating to the investment held in Banca Caripe, sold on 31 December 2010;
- the business segments currently being sold, relating to investments held in Banco Popolare Hungary Zrt. and in its subsidiary BP Service Kft and in Bio Energy International S.A.

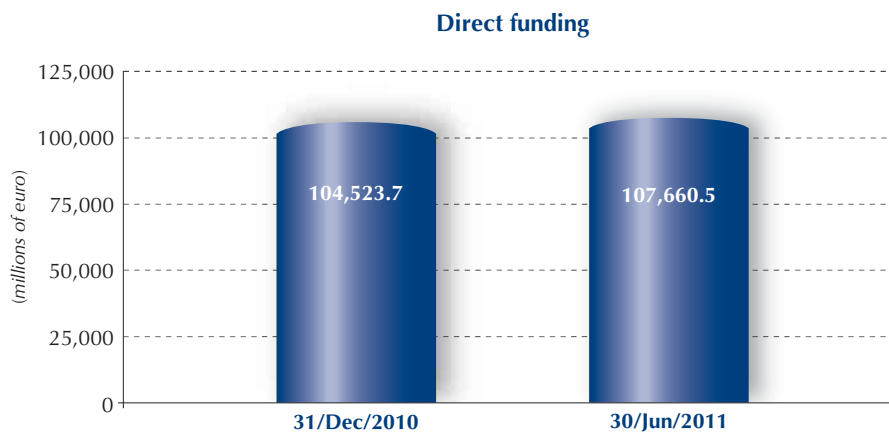
With regard to the investment held in Bormioli Rocco & Figlio, which was sold during the six-month period, note that no adjustment was needed to the balances of the reclassified income statement of the previous half year insofar as the criteria used to prepare reclassified financial statements envisage that the revenues and expenses of investee companies relating to merchant banking activities, which in essence represent discontinued operations, such as Bormioli Rocco & Figlio, are recorded under Income/(loss) after tax from merchant banking investments and from discontinued operations"

More specifically, the contribution to the income statement and the profit (loss) from the sale of the investments are shown under "Income (Loss) after tax from discontinued operations"; both for the first half of 2011 and for that of 2010.

The attachments to this interim condensed financial statements contain a statement of reconciliation between the reclassified income statement published in the interim condensed financial statements as at 30 June 2010 and the same restated for comparative purposes.

Loan brokering activities

Direct funding



As at 30 June 2011, direct funding presented a balance of 107,660.5 million, compared to 104,523.7 million as at 31 December 2010, showing a 3% increase (against a rise of 5% compared to 30 June 2010). As regards the different types of funding, a significant increase in the bonds segment was recorded, which rose from euro 49,855.7 million to euro 54,533 million (+9.4%), mainly due to the issue, in the first six months, of covered bonds worth a total of euro 2.9 billion, mostly relating to the third and fourth tranches of the Covered Bonds Programme illustrated previously, addressed to institutional investors.

Note also that the item "bonds" includes liabilities relating to securitisation transactions conducted by the Italease Group of euro 570.9 million and other bonds related to the Banca Italease group of euro 3,352.4 million, as well as a Preferred Securities transaction, issued by the Banca Italease Group, worth euro 149.2 million (nominal value of euro 150 million), recognised under other securities.

In contrast, a marked downturn in more traditional direct funding was recorded (current accounts and deposits), namely a decrease of euro 1,445.7 million (-3.7%) compared to the end-of-year figure; repurchase agreement, instead were stable (+0.1% compared to 31 December 2010).

Funding from retail customers and small businesses recorded a 5% rise compared to 30 June 2010 and a 3.6% increase from the beginning of the year.

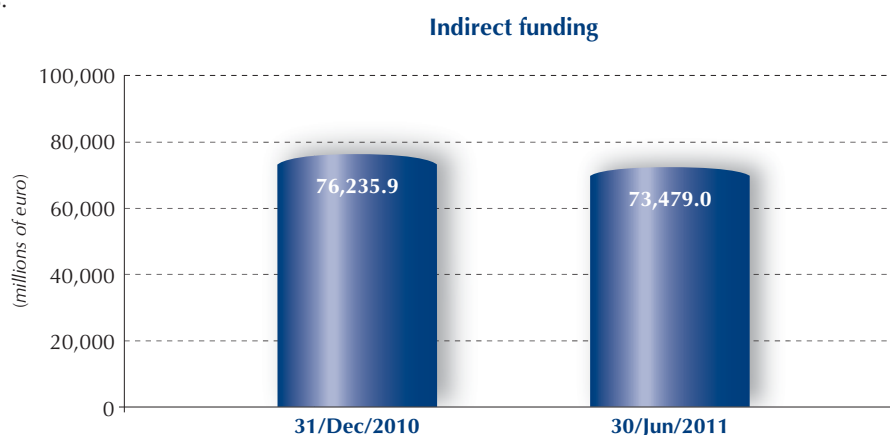
<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Traditional funding	40,164,312	41,718,430	(1,554,118)	(3.7%)
- current accounts and demand deposits	38,156,305	39,602,043	(1,445,738)	(3.7%)
- time deposits	968,069	1,311,718	(343,649)	(26.2%)
- certificates of deposit and other securities	1,039,938	804,669	235,269	29.2%
Repurchase agreements	12,963,225	12,949,653	13,572	0.1%
Bonds	54,532,999	49,855,666	4,677,333	9.4%
Total direct funding	107,660,536	104,523,749	3,136,787	3.0%

Indirect funding

The first six months of 2011 closed with a figure for indirect funding from retail and institutional customers of 73,479.0 million, down 3.6% compared to the adjusted figure as at 31 December 2010, when indirect funding of 76,235.9 million was recorded. This aggregate includes inflows from Arca Previdenza from the retail customers of Network Banks.

Within the same, managed assets accounted for euro 29,768.4 million, a -5.3% fall compared to the end of the previous year, with volumes of life insurance policies going against the trend. More specifically, customers tended to favour placements of Index Linked and Unit Linked Lawrence Life policies, the Irish Company of the Fondiaria – SAI group, with which the Banco Popolare Group signed a placement agreement. The rise of euro 1,335.5 million in Lawrence Life stock compared to the end-of-year figure, brings the total of said policies to euro 4,436.1 million. The Parent Company issued bonds against these placements, which at the end of the first half of 2011 amounted to euro 3,552.4 million, and which were recorded under direct funding. The downturn regarded the bond segment and low-yield funds and managed cash assets in particular.

Administered assets fell from euro 44,791.3 million at the end of 2010 to euro 43,710.6 million at the end of the first half of 2011, down 2.4%.



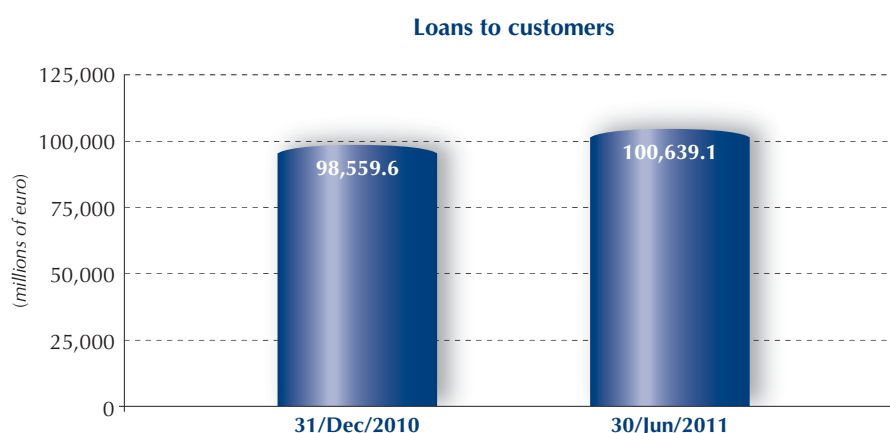
<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Managed assets	29,768,401	31,444,632	(1,676,231)	(5.3%)
- mutual investment funds and SICAVs	8,003,226	9,205,233	(1,202,007)	(13.1%)
- securities and fund management	8,684,876	9,444,966	(760,090)	(8.0%)
- insurance policies	13,080,299	12,794,433	285,866	2.2%
<i>of which: Lawrence Life policies</i>	<i>4,436,056</i>	<i>3,100,522</i>	<i>1,335,534</i>	<i>43.1%</i>
Administered assets	43,710,646	44,791,293	(1,080,647)	(2.4%)
Total indirect funding	73,479,047	76,235,925	(2,756,878)	(3.6%)

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 56,024.5 million, down euro 985.5 million compared to the figure recorded as at 31 December 2010 rendered comparable (57,010.1 million).

Total administered assets, both in the form of direct and indirect funding, amounted to euro 177,587.3 million, net of the direct funding underlying the insurance policies placed by the Group, down with respect to the balance as at 31 December 2010 (adjusted) by -0.45%.

Loans to customers

As at 30 June 2011, total gross loans had reached the figure of euro 100,639.1 million, up 2.1% compared to the figure of euro 98,559.6 million recorded as at 31 December 2010.



The following tables show the breakdown of net loans by loan type.

Banco Popolare Group

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Current accounts	17,089,325	16,555,686	533,639	3.2%
Repurchase agreements	3,653,298	1,763,763	1,889,535	107.1%
Mortgage loans	46,497,887	45,473,741	1,024,146	2.3%
Credit cards, personal loans and salary-backed loans	372,234	366,125	6,109	1.7%
Financial leases	5,993,127	6,434,242	(441,115)	(6.9%)
Factoring	63,764	38,373	25,391	66.2%
Other loans	21,897,147	22,917,111	(1,019,964)	(4.5%)
Debt securities	799,301	912,864	(113,563)	(12.4%)
Total net loans to customers	96,366,083	94,461,905	1,904,178	2.0%

Banco Popolare Group (stand-alone)

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Current accounts	17,152,840	16,589,363	563,477	3.4%
Repurchase agreements	3,653,298	1,763,763	1,889,535	107.1%
Mortgage loans	45,163,639	44,038,323	1,125,316	2.6%
Credit cards, personal loans and salary-backed loans	372,234	366,125	6,109	1.7%
Financial leases	3,139	4,583	(1,444)	(31.5%)
Factoring	63,764	38,373	25,391	66.2%
Other loans	23,342,847	24,290,138	(947,291)	(3.9%)
Debt securities	239,578	245,078	(5,500)	(2.2%)
Total net loans to customers	89,991,339	87,335,746	2,655,593	3.0%

Net of the total value adjustments and the contribution of the Banca Italease group, loans reached euro 89,991.3 million, showing a rise of 3% with respect to euro 87,335.7 million recorded as at 31 December 2010. In the first half of the year, the rise in loans mostly regarded core segments (retail customers and small business operators), which rose respectively by 12.6% and 9.2% compared to the beginning of the year (+6.3% and +1.9% yoy).

Note the significant rise in mortgage loans, which increased from euro 44,038.3 million to euro 45,163.6 million (+2.6%), and that of repurchase agreements, which increased by euro 1,889.5 million (+107.1%). The current account trend is also worth noting (+3.4%); in contrast other loans fell by euro 947.3 million (-3.9%).

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

Banca Italease Group

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Current accounts	280	519	(239)	(46.1%)
Mortgage loans	1,401,924	1,498,814	(96,890)	(6.5%)
Financial leases	6,107,089	6,584,754	(477,665)	(7.3%)
Other loans	760,546	872,814	(112,268)	(12.9%)
Debt securities	559,723	667,786	(108,063)	(16.2%)
Total net loans to customers	8,829,562	9,624,687	(795,125)	(8.3%)

Net loans to customers as at 30 June 2011 amounted to euro 8,829.6 million, down 8.3% compared to the end of December 2010.

More specifically, as at 30 June 2011, euro 6,107.1 million refers to receivables for lease contracts, euro 1,401.9 million refers to mortgage loans, euro 760.5 million to other receivables, which include, amongst other things, assets under construction and those awaiting finance leases (corresponding to euro 266.4 million) and euro 559.7 million relating to debt securities, euro 558.5 million of which relating to junior and senior notes not placed on the market, corresponding to the portfolio transferred to Alba Leasing by means of the Agreement on securitised receivables; these securities remain the property of Banca Italease.

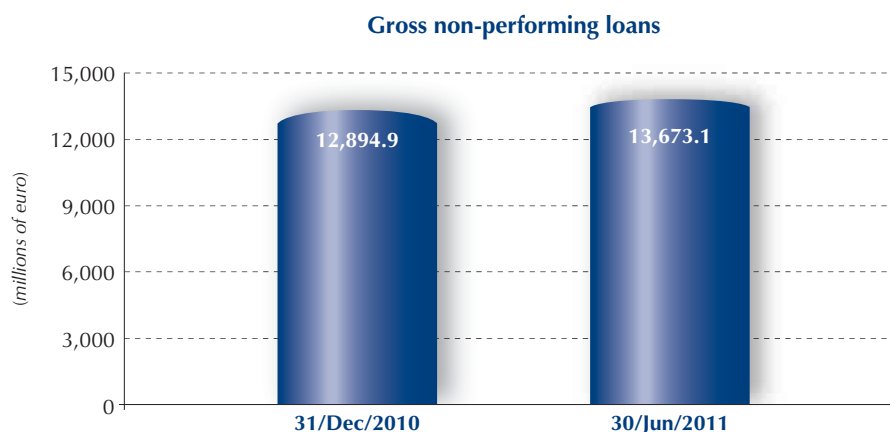
The fall in net receivables for lease contracts and mortgage loans is linked to consensual terminations of loan agreements with large customers with loans classified as doubtful or substandard loans, to the amortisation of existing loans given the reduced value of new disbursements and to the assignment of doubtful loans.

The following tables provide a breakdown of cash loans to customers as at 30 June 2011 compared with the same balances as at 31 December 2010.

Banco Popolare Group

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Gross non-performing loans	13,673,111	12,894,887	778,224	6.0%
Doubtful loans	5,778,032	5,156,666	621,366	12.0%
Substandard loans	5,074,392	5,264,795	(190,403)	(3.6%)
Restructured loans	2,265,346	2,008,217	257,129	12.8%
Past due loans	555,341	465,209	90,132	19.4%
Gross performing loans	86,965,958	85,664,735	1,301,223	1.5%
Total gross exposure	100,639,069	98,559,622	2,079,447	2.1%
Adjustments on non-performing loans	(3,700,907)	(3,540,785)	160,122	4.5%
Doubtful loans	(2,484,321)	(2,277,289)	207,032	9.1%
Substandard loans	(859,402)	(927,810)	(68,408)	(7.4%)
Restructured loans	(326,808)	(299,404)	27,404	9.2%
Past due loans	(30,376)	(36,282)	(5,906)	(16.3%)
Adjustments on performing loans	(572,079)	(556,932)	15,147	2.7%
Total adjustments	(4,272,986)	(4,097,717)	175,269	4.3%
Net non-performing loans	9,972,204	9,354,102	618,102	6.6%
Doubtful loans	3,293,711	2,879,377	414,334	14.4%
Substandard loans	4,214,990	4,336,985	(121,995)	(2.8%)
Restructured loans	1,938,538	1,708,813	229,725	13.4%
Past due loans	524,965	428,927	96,038	22.4%
Net performing loans	86,393,879	85,107,803	1,286,076	1.5%
Total net exposure	96,366,083	94,461,905	1,904,178	2.0%

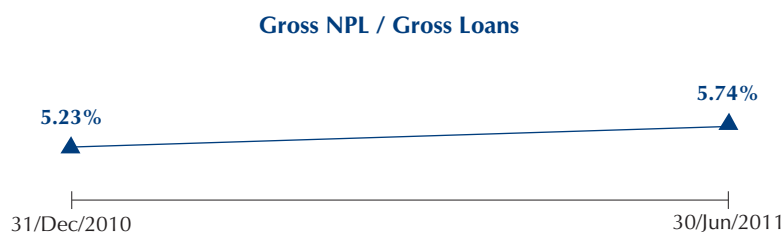
Gross non-performing loans (doubtful, substandard, restructured and past due) amounted to euro 13.7 billion as at 30 June 2011 and recorded a 6% rise with respect to the beginning of the year. The aggregate includes, as more fully specified further on, receivables originated by Banca Italease of euro 4.1 billion mainly represented by leasing agreements guaranteed by properties (up 6.8% with respect to the beginning of the year), while those attributable to the rest of the group came to euro 9.6 billion (up 5.7% with respect to the beginning of the year).



In greater detail, doubtful loans amounted to euro 5,778 million (+12% compared to 31 December 2010), substandard loans were euro 5,074.4 million (-3.6% with respect to the start of the year), while restructured loans amounted to euro 2,265.3 million (+12.8%) and those past due to euro 555.3 million (+19.4%).

The ratio of non-performing loans to total loans to customers – before adjustments – as at 30 June 2011 was 13.6%, slightly down on the figure recorded as at 31 December 2010 (13.1%). Net of adjustments, the ratio in question rose from 9.9% as at 31 December 2010 to 10.3% at the end of June 2011.

Looking at doubtful loans only, the ratio of these to total loans, before value adjustments, was 5.74%, compared with 5.23% as at 31 December 2010. Net of value adjustments, the ratio in question rose to 3.42% compared with 3.05% as at 31 December 2010. The percentage of total loans represented by substandard loans fell instead from 4.59% to 4.37%.



Value adjustments to non-performing loans as at 30 June 2011, represented 27.1% of their total gross amount compared to 27.5% as at 31 December 2010. More specifically, value adjustments to doubtful loans as at the end of June, represented 43% of their total gross amount (44.2% as at 31 December 2010).

Banco Popolare Group (stand-alone)

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Gross non-performing loans	9,535,788	9,020,782	515,006	5.7%
Doubtful loans	4,289,579	3,878,581	410,998	10.6%
Substandard loans	3,665,432	3,807,350	(141,918)	(3.7%)
Restructured loans	1,110,316	997,304	113,012	11.3%
Past due loans	470,461	337,547	132,914	39.4%
Gross performing loans	83,666,817	81,363,614	2,303,203	2.8%
Total gross exposure	93,202,605	90,384,396	2,818,209	3.1%
Adjustments on non-performing loans	(2,714,538)	(2,565,234)	149,304	5.8%
Doubtful loans	(1,864,442)	(1,729,224)	135,218	7.8%
Substandard loans	(630,278)	(638,915)	(8,637)	(1.4%)
Restructured loans	(194,005)	(174,254)	19,751	11.3%
Past due loans	(25,813)	(22,841)	2,972	13.0%
Adjustments on performing loans	(496,728)	(483,416)	13,312	2.8%
Total adjustments	(3,211,266)	(3,048,650)	162,616	5.3%
Net non-performing loans	6,821,250	6,455,548	365,702	5.7%
Doubtful loans	2,425,137	2,149,357	275,780	12.8%
Substandard loans	3,035,154	3,168,435	(133,281)	(4.2%)
Restructured loans	916,311	823,050	93,261	11.3%
Past due loans	444,648	314,706	129,942	41.3%
Net performing loans	83,170,089	80,880,198	2,289,891	2.8%
Total net exposure	89,991,339	87,335,746	2,655,593	3.0%

As at 30 June 2011, total non-performing loans (doubtful, substandard, restructured and past due/overrun), before value adjustments and excluding the contribution of the Italease Group, amounted to euro 9,535.8 million, up 5.7% with respect to euro 9,020.8 million as at 31 December 2010. Under non-performing loans, gross doubtful loans (euro 4,289.6 million) recorded a rise of 10.6% compared to 31 December 2010. On the contrary, substandard loans recorded a fall of euro 141.9 million, dropping from euro 3,807.3 million as at 31 December 2010 to euro 3,665.4 million as at 30 June 2011. However, note that 92% of the gross amount of doubtful loans was written down as a whole, either written off or covered by guarantees.

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

Banca Italease Group

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Gross non-performing loans	4,138,061	3,875,404	262,657	6.8%
Doubtful loans	1,488,453	1,278,085	210,368	16.5%
Substandard loans	1,408,960	1,457,445	(48,485)	(3.3%)
Restructured loans	1,155,030	1,010,913	144,117	14.3%
Past due loans	85,618	128,961	(43,343)	(33.6%)
Gross performing loans	5,753,258	6,798,415	(1,045,157)	(15.4%)
Total gross exposure	9,891,319	10,673,819	(782,500)	(7.3%)
Adjustments on non-performing loans	(986,406)	(975,616)	10,790	1.1%
Doubtful loans	(619,879)	(548,065)	71,814	13.1%
Substandard loans	(229,124)	(288,895)	(59,771)	(20.7%)
Restructured loans	(132,803)	(125,150)	7,653	6.1%
Past due loans	(4,600)	(13,506)	(8,906)	(65.9%)
Adjustments on performing loans	(75,351)	(73,516)	1,835	2.5%
Total adjustments	(1,061,757)	(1,049,132)	12,625	1.2%
Net non-performing loans	3,151,655	2,899,788	251,867	8.7%
Doubtful loans	868,574	730,020	138,554	19.0%
Substandard loans	1,179,836	1,168,550	11,286	1.0%
Restructured loans	1,022,227	885,763	136,464	15.4%
Past due loans	81,018	115,455	(34,437)	(29.8%)
Net performing loans	5,677,907	6,724,899	(1,046,992)	(15.6%)
Total net exposure	8,829,562	9,624,687	(795,125)	(8.3%)

With regard to the Italease Group, consolidated gross non-performing loans rose from euro 3,875.4 million as at 31 December 2010 to euro 4,138.1 million as at 30 June 2011.

In the first half of the year, the following transactions are of note:

- the disposal of a package of substandard and doubtful non-real estate loans each of which valued at under euro 25,000;
- the transfer of a leasing contract previously held by the Coppola Group to a new counterparty, which entailed the reclassification of the exposure from substandard to performing (euro 39 million) and subsequent full redemption;
- the reclassification to restructured (from substandard) of a group whose exposure, partly assigned to Alba Leasing, was then retransferred to Banca Italease through an exchange of receivables on 30 September 2010, for a total amount of around euro 170 million;
- the declaration of bankruptcy of the Di Mario Raffaele Group, which led to the reclassification of said company's loans from restructured to doubtful, amounting to around euro 84 million;
- the inclusion under substandard loans of an exposure previously classified as performing, worth around euro 180 million, which, as part of the derisking programme, is currently being restructured, and the inclusion under doubtful loans (from substandard) of an exposure of euro 52 million relating to the Ramondetti group, due to criminal charges brought against the shareholders.

The high level of concentration of non-performing positions continues; in fact, as at 30 June 2011, around 51% of gross doubtful loans was represented by 30 economic groups with agreements mainly pertaining to the real estate sector and around 59% of gross substandard loans was represented by 30 economic groups with agreements mainly pertaining to the real estate sector, while gross restructured loans were represented by 17 economic groups (of which the top 3 represent 83% of the exposure), and around 82% of gross past due positions was represented by 30 economic groups.

As at 30 June 2011, the ratio of gross doubtful loans to total gross loans to customers was 15%, up compared to the 12% recorded as at 31 December 2010. The percentage represented by gross substandard loans was 14.2%, also slightly up on the figure recorded as at 31 December 2010 (13.6%).

The rate of coverage of doubtful loans fell from 42.9% at the end of December 2010 to 41.6% at the end of June 2011, while that relating to substandard loans was 16.3% (19.8% as at 31 December 2010). The rate of coverage of restructured loans fell from 12.4% to 11.5%, while that on past due loans fell from 10.5% to 5.4%.

Overall, value adjustments to non-performing loans as at 30 June 2011 represented 23.8% of their total gross amount (25.2% as at 31 December 2010).

The fall in the rate of coverage is mostly due to the increasingly larger share of doubtful loans represented by the real estate sector which, benefiting from consistent sale values of the underlying guarantees, reduces the entity of value adjustments. Also considering the presumed sale value of said guarantees, the overall rates of coverage are around 102%.

Financial assets

The Group's financial assets as at 30 June 2011 amounted to euro 19,537 million and recorded an increase of 10.2% with respect to euro 17,726.3 million as at 31 December 2010, mainly attributable to the portfolio of financial assets available for sale. The aggregate broke down as follows:

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Financial assets held for trading	10,158,249	11,613,306	(1,455,057)	(12.5%)
Financial assets designated at fair value through profit and loss	177,335	178,931	(1,596)	(0.9%)
Financial assets available for sale	8,888,613	5,591,176	3,297,437	59.0%
Investments held to maturity	108,821	140,926	(32,105)	(22.8%)
Hedging derivatives	203,959	201,969	1,990	1.0%
Total	19,536,977	17,726,308	1,810,669	10.2%

The breakdown by type of assets is as follows:

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Debt securities	14,527,573	11,924,364	2,603,209	21.8%
Equity instruments	1,060,443	954,480	105,963	11.1%
UCIT units	963,101	1,273,519	(310,418)	(24.4%)
Derivative trading and hedging instruments	2,985,860	3,573,945	(588,085)	(16.5%)
Total	19,536,977	17,726,308	1,810,669	10.2%

The assets held for trading as at 30 June 2011 represented 52% of the Group's total financial assets and disclosed an increase of 12.5%. The breakdown by type of financial asset instrument held for trading is presented below.

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Debt securities	6,401,227	7,025,443	(624,216)	(8.9%)
Equity instruments	379,985	329,138	50,847	15.4%
UCIT units	595,136	886,749	(291,613)	(32.9%)
Financial and lending derivatives	2,781,901	3,371,976	(590,075)	(17.5%)
Total	10,158,249	11,613,306	(1,455,057)	(12.5%)

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).

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Debt securities	4	4	-	-
Equity instruments	1,416	2,069	(653)	(31.6%)
UCIT units	175,915	176,858	(943)	(0.5%)
Total	177,335	178,931	(1,596)	(0.9%)

The breakdown of financial assets available for sale is shown below.

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Debt securities	8,017,521	4,757,991	3,259,530	68.5%
Equity instruments	679,042	623,273	55,769	8.9%
UCIT units	192,050	209,912	(17,862)	(8.5%)
Total	8,888,613	5,591,176	3,297,437	59.0%

The significant rise in debt securities available for sale is mostly due to the increase of the Parent Company's portfolio.

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

<i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010	Absolute change	% change
Debt securities	108,821	140,926	(32,105)	(22.8%)
Total	108,821	140,926	(32,105)	(22.8%)

Investments in associates and companies subject to joint control

Investments in associates and companies subject to joint control as at 30 June 2011 amounted to euro 1,566 million, compared with 1,641.4 million as at 31 December 2010.

The reduction recorded in the half-year period of euro 75.4 million is due to the positive contribution of payments to the share capital increase account for associated companies Popolare Vita (euro 50 million) and Avipop Assicurazioni (euro 5 million) and to the negative contribution of the partial disposal of the interest held in Istituto Centrale delle Banche Popolari Italiane and to the transfer of the residual portion to financial assets available for sale.

The following table lists investments in companies subject to joint control (carried at equity) and in companies subject to significant influence.

Name	Registered offices	Type of relationship (a)	Investment relationship		Availability % of 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 Mercantile Leasing	32.790% n.s.	
Alfa Iota 2002 S.r.l.	Milan	(8)	Efibanca	35.000%	
Aosta Factor S.p.A.	Aosta	(8)	Banco Popolare Banca Italease	13.793% 6.897%	
Arca SGR S.p.A.	Milan	(8)	Banco Popolare Holding di Partecipazioni Banca Pop. di Cremona Banca Pop. di Crema	10.280% 7.568% 5.310% 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%	
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%	
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 C.R. Lucca Pisa Livorno	20.795% 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%	
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%	
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 Holding di Partecipazioni	25.612% 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. (arrangement with creditors)	Rome	(8)	Efibanca	20.000%	
Triera Power S.p.A. (*)	Rovigo	(8)	Bio Energy	30.000%	

(a) Type of relationship

(7) Joint control

(8) Associated company

(b) The availability of effective votes during ordinary shareholders' meetings is only indicated if it differs from the percentage of investment in the share capital.

(*) Company undergoing disposal in accordance with IFRS 5.

Lastly, note that the book value of investments in associates and companies subject to joint control held for sale is shown under "Non-current assets held for sale and discontinued operations"; as at 30 June 2011, this item also included the consolidated book value of the investments in Finoa, (euro 60 million), Bertani Holding (euro 5.7 million), Pantex International (euro 5 million) and Trieria Power (euro 1.8 million).

Property and equipment

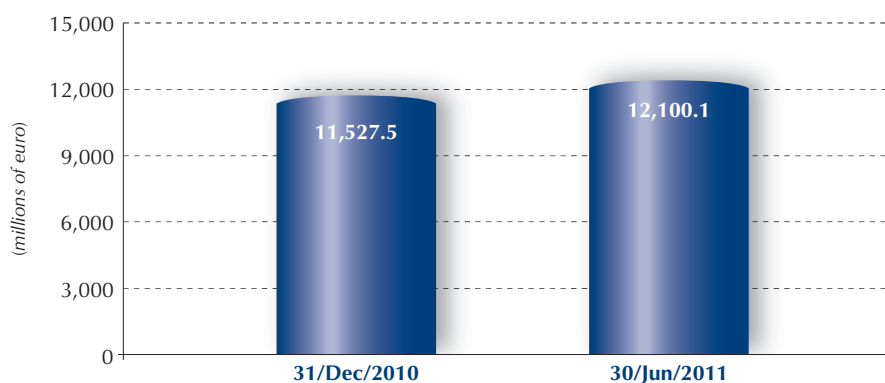
At the end of the half year, property and equipment amounted to euro 2,240.9 million, compared with euro 2,444.7 million recorded as at 31 December 2010. This change is mainly due to the loss of the contribution of the real estate assets of the Bormioli Group (which as at 31 December 2010 amounted to euro 252.5 million) following the sale of the same at the end of June. During the half-year period, other real estate disposals were made, mainly by the subsidiary company Bipielle Real Estate and by former Italease group companies, which also recorded the inclusion, under assets held for investment purposes, of a property with a book value of euro 13.6 million by Release, following the consensual termination, as full and final settlement, of various lease contracts with the Coppola group. Furthermore, a property, previously recorded in Release's discontinued operations as at December 2010 for a figure of euro 73.2 million, was reclassified under property and equipment as the conditions envisaged by IFRS 5 were no longer fulfilled.

It should also be noted that non-current assets held for sale as at 30 June 2011 include euro 4.2 million of property and equipment, lower than the euro 152.2 million recorded as at 31 December 2010 due to disposal transactions finalised in the period in question, mainly relating to Banca Italease and its subsidiaries.

Shareholders' equity

The Group's consolidated shareholders' equity as at 30 June 2011, including valuation reserves and net income for the period, amounted to euro 12,100.1 million, compared to the figure at the end of 2010 of euro 11,527.5 million. The change observed in the period is mainly due to the share capital increase finalised in February, which led to the recognition of an increase of shareholders' equity, net of directly attributable costs, of euro 1,956.8 million, and to the full redemption of the financial instruments set forth in art. 12 of Italian Legislative Decree 185/08 (Tremonti Bonds) worth euro 1,450 million, plus the return due on the same amounting to euro 86.4 million. It should also be noted that shareholders' equity as at 30 June 2011 reflects the impact of the distribution of net income as at 31 December 2010 (of euro 52.9 million) and includes total profits for the period pertaining to the Group of euro 207.3 million.

Group's consolidated shareholders' equity



The following table provides a reconciliation between the Parent Company's shareholders' equity and net income (loss) for the period with the corresponding consolidated balances.

Reconciliation between the Parent Company's shareholders' equity and net income (loss) for the period and the corresponding consolidated balances.

<i>(in thousands of euro)</i>	Shareholders' equity	Net income (loss) for the period
Balances as at 30 June 2011 as per the Parent Company's financial statements	11,198,612	343,686
Cancellation of dividends collected in the period from companies consolidated line-by-line and carried at equity	-	(349,106)
Elimination of intercompany gains/losses deriving from disposals and conferrals of business segments	(129,997)	-
Differences between the shareholders' equity of the consolidated investee companies and their book value, less the portion pertaining to minority shareholders	895,035	-
Income (loss) for the period of consolidated investee companies, less the portion pertaining to minority shareholders	-	242,410
Difference between the pro-quota value of the shareholders' equity and the book value of the investments carried at equity	136,419	-
Income (loss) for the period of investee companies carried at equity pertaining to the Group	-	(45,594)
Balance as at 30 June 2011 as per the consolidated financial statements	12,100,069	191,396

The information on capital and banking regulatory ratios is presented below.

REGULATORY CAPITAL	Total	
	30/Jun/2011	31/Dec/2010
A. Tier 1 capital before the application of prudential filters	8,538,100	6,467,170
B. Tier 1 capital prudential filters:		
B.1 Positive IAS/IFRS prudential filters (+)	-	1,450,000
B.2 Negative IAS/IFRS prudential filters (-)	378,468	486,495
C. Tier 1 capital before items to be deducted (A + B)	8,159,632	7,430,675
D. Items to be deducted from Tier 1 capital	684,779	637,481
E. Total TIER 1 capital (C - D)	7,474,853	6,793,194
F. Tier 2 capital before the application of prudential filters	4,037,668	4,109,751
G. Tier 2 capital prudential filters:		
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	44,182	50,892
H. Tier 2 capital before items to be deducted (F + G)	3,993,486	4,058,859
I. Items to be deducted from Tier 2 capital	684,779	637,481
L. Total Tier 2 capital (H - I)	3,308,707	3,421,378
M. Items to be deducted from total Tier 1 and 2 capital	60,000	60,000
N. Regulatory capital (E + L - M)	10,723,560	10,154,572
O. Tier 3 capital	-	-
P. Regulatory capital including Tier 3 (N+O)	10,723,560	10,154,572

CATEGORIES/AMOUNTS	Unweighted amounts		Weighted amounts/requirements	
	30/Jun/2011	31/Dec/2010	30/Jun/2011	31/Dec/2010
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardized methodology	219,095,040	203,641,831	98,085,016	96,305,082
2. Methodology based on internal ratings				
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	3,681,537	7,385,494	898,909	3,213,561
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			6,771,853	6,744,213
B.2 Market risk				
1. Standardized methodology			375,927	335,658
2. Internal models			-	-
3. Concentration risk			-	-
B.3 OPERATING RISK				
1. Basic methodology			46,305	46,305
2. Standardized methodology			464,056	464,056
3. Advanced methodology			-	-
B.4 Other prudential requirements			-	-
B.5 Other calculation elements			-	-
B.6 Total prudential requirements			7,658,142	7,590,232
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			95,726,769	94,877,901
C.2 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			7.81%	7.16%
C.3 Regulatory capital including Tier 3/ Risk-weighted assets (Total capital ratio)			11.20%	10.70%

Capital ratios

The Group's capital ratios showed a net improvement on those as at 31 December 2010. In line with that envisaged at the time of the approval of the 2010 Annual Financial Report, as at 30 June 2011, the Group's Core Tier 1 ratio was 6.5%, the Tier 1 ratio was 7.8% and the Total capital ratio was 11.2%. These figures take into account both the share capital transactions and the full redemption of the financial instruments set forth in art. 12 of Italian Legislative Decree 185/2008 (Tremonti Bonds) including therein the return due on the same for the period from the beginning of the year to the redemption date. They also include the impact of operations in the first half of 2011, both in terms of changes in capital components and in risk-weighted assets, and an estimate of the dividend payout proportional to the dividend payout for the whole of 2010. The level of capitalisation reached allows the Group to operate with peace of mind, even given the forthcoming entry into force of more stringent requirements that will be gradually introduced on the basis of the Basel III agreements.

Communication regarding the prudential filters of the "Assets available for sale" portfolio

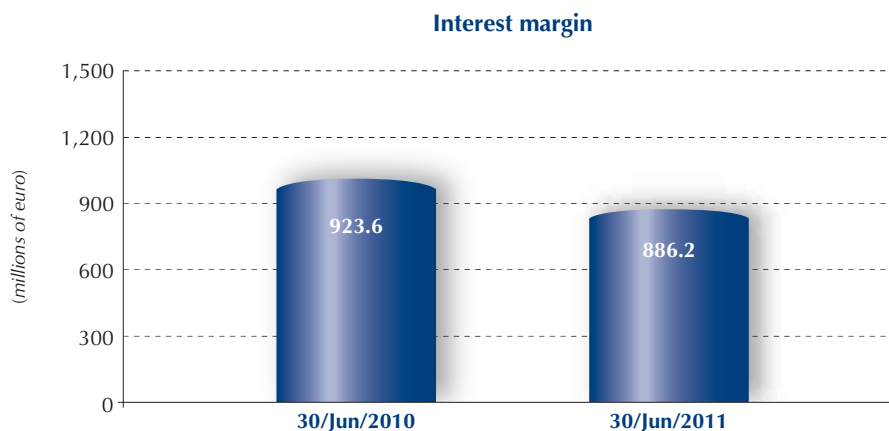
With effect from 30 June 2010, the Group has adopted the approach envisaged by the Bank of Italy Provision dated 18 May 2010, which allows the share of valuation reserves relating to debt securities issued by the central government authorities of countries belonging to the European Union, held in the "Financial assets available for sale" portfolio to be excluded from the calculation of the regulatory capital.

More specifically, in alternative to the "asymmetrical" approach (complete deduction of net losses from Tier 1 capital and partial inclusion (50%) of net gains in Tier 2 capital) already envisaged by Italian legislation, the above-mentioned Provision has acknowledged the possibility of fully neutralising the gains and losses recorded in 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 30 June 2011, the change in the reserves of the securities issued by central government authorities of countries belonging to the European Union, from 1 January 2010, and excluded from the calculation of regulatory capital, is euro - 47.2 million; in the absence of such an approach, said change would have resulted in a reduction of Tier 1 capital by the same amount, in the presence of overall negative reserves on debt securities.

The consolidated income statement

The **interest margin** was euro 886.2 million, down 4.1% compared to euro 923.6 million recorded for the first six months of 2010, rendered comparable. The limited rise in market rates recorded over the period was not reflected by a higher interest margin, mainly due to the higher cost of funding in line with the policy to strengthen the liquidity base of the Group.

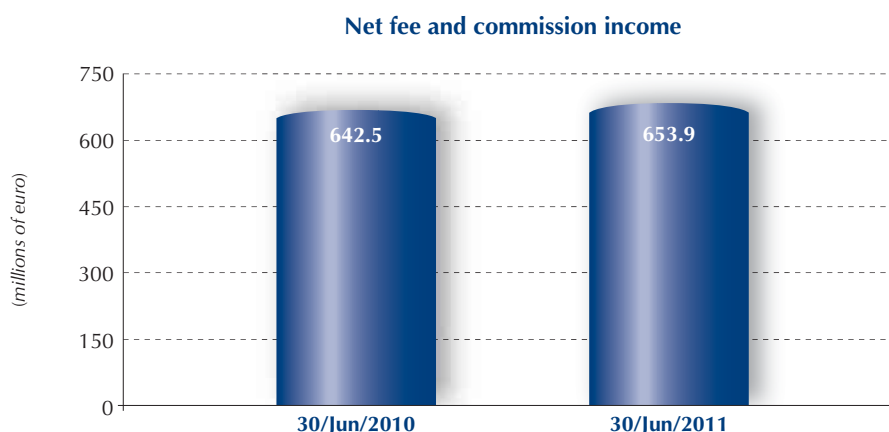


Income (loss) from investments in associates carried at equity amounted to euro 22.9 million and includes the portion of the results reported by the main associated companies which include euro 24.4 million from Agos-Ducato, euro 13.6 million from Popolare Vita, euro 0.5 million from Arca SGR, euro -0.4 million from Renting Italease, euro -6.3 million from Avipop Assicurazioni and euro -5 million from Energreen. Note also that the income statement as at 30 June 2011 includes the contribution of the associated company Alba Leasing of euro -4.3 million, related to the pertinent portion of the result, adjusted to align the same with the Group's accounting principles, recorded by the same in the second half of 2010, insofar as on the date this interim condensed financial statements were drawn up, the company had not prepared or approved the financial statements subsequent to those of 2010.

The contribution of the companies carried at equity in the first six months of 2010 was euro 21.2 million.

The **financial margin** was euro 909.1 million, and shows a fall of 3.8% compared to euro 944.8 million, which represents the comparable figure for the first six months of 2010.

Net fee and commission income was euro 653.9 million and recorded a 1.8% rise against the euro 642.5 million recorded for the first six months of 2010. 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 +4.5%), and from commission on collection and payment services.



<i>(in thousands of euro)</i>	30/Jun/2011	30/Jun/2010	% change A / B
Management, brokerage and advisory services	303,800	302,315	0.5%
Maintenance and management of current accounts and other loans to ordinary customers and loan arrangement commission (CDC)	223,013	213,308	4.5%
Collection and payment services	62,528	55,161	13.4%
Guarantees given	30,182	30,304	(0.4%)
Other services	34,364	41,422	(17.0%)
Total net fee and commission income	653,887	642,510	1.8%

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

<i>(in thousands of euro)</i>	30/Jun/2011	30/Jun/2010	% change A / B
Portfolio management	67,856	73,604	(7.8%)
Distribution of third party services	149,919	171,629	(12.6%)
Placement of securities	46,241	14,895	210.4%
Custodian bank	6,312	7,608	(17.0%)
Acceptance of orders	26,947	25,261	6.7%
Financial instrument trading	3,951	7,892	(49.9%)
Currency trading	716	969	(26.1%)
Custody and safekeeping of securities	4,056	1,783	127.5%
Advisory activities	716	1,331	(46.2%)
Door-to-door sales of securities, products and services	(2,914)	(2,657)	9.7%
Total	303,800	302,315	0.5%

Other net operating income presented a positive balance of euro 34.4 million, compared to euro 29.9 million recorded for the same period of the previous year. Both of the periods compared benefit from the recognition of out-of-period income resulting from the collection of sums originating from settlements (euro 12.5 million in the first six months of 2011 and euro 31.6 million in the corresponding period of the previous year). Net of these extraordinary components, the increase of the aggregate is mainly due to the income generated by properties under lease contracts that were repossessed under Banca Italease's derisking exercise, totalling euro 16.5 million. The item in question also includes the amortisation charges on intangible assets with a definite useful life recorded at the time of "Purchase Price Allocation (PPA)" of the former Banca Popolare Italiana (-18.8 million).

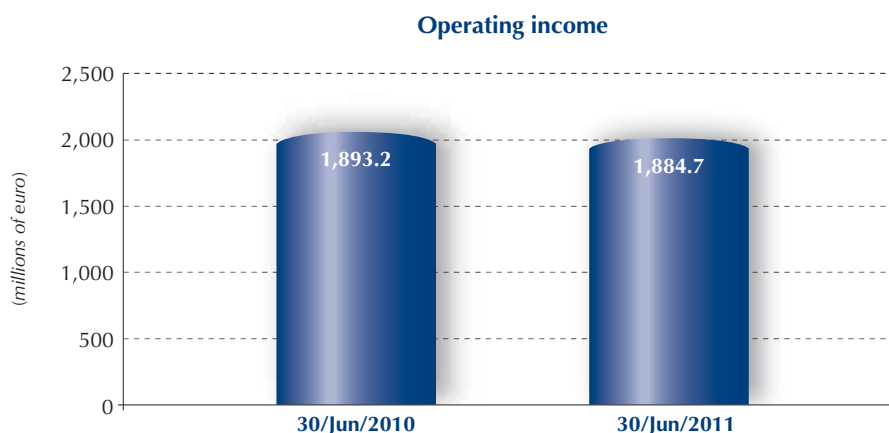
The **net financial result** was euro 287.3 million, compared with the 276 million recorded for the same period of the previous year. The financial result includes the impact of the change in the book value of financial liabilities issued by the Bank, measured at fair value, consequent to the deterioration of the creditworthiness of Banco Popolare ("fair value option") compared to 2010. The impact on the income statement for the first six months was euro +38.6 million, compared with euro +258.9 million recorded for the corresponding period of the previous year. We also draw attention to the different results recorded in the first two quarters of 2011: a negative impact of euro 114.6 million recorded in the first quarter was followed by a positive contribution of euro 153.3 million recorded in the second quarter, mainly due to the rise in the prices of credit default swaps as the markets became increasingly sensitive to sovereign risk. Excluding the above effects, the net financial result for the half year period was euro +248.6 million (the contribution of the second quarter was euro 66.7 million) compared to 17.1 million recorded in the first half of 2010. In addition to the excellent performance of Banca Aletti, the net financial result for the period also benefited from the partial recovery of share prices, leading to the recognition of recoveries against the losses recorded in the previous year and from gains generated by the disposal of several investments included in the assets available for sale portfolio.

The components of the financial result are presented below:

<i>(in thousands of euro)</i>	30/Jun/2011	30/Jun/2010	% change A / B
Financial liabilities designated at fair value through profit and loss and the result of the repurchase of other financial liabilities	65,723	307,310	(78.6%)
<i>of which: creditworthiness</i>	38,650	258,918	(85.1%)
Net result on trading and own portfolio	215,946	(37,366)	
Dividends and income (loss) on non-core shareholdings	6,970	5,970	16.8%
Fair value adjustments in hedge accounting	(1,353)	82	
Total	287,286	275,996	4.1%

Other operating income (income other than from the financial margin) therefore amounted to euro 975.6 million, compared to euro 948.4 million recorded for the first six months of 2010.

Total operating income (financial margin + other operating income) therefore totalled euro 1,884.7 million, slightly down (-0.5%) on the figure of euro 1,893.2 million recorded as at 30 June 2010. Excluding the impact resulting from the fair value measurement of financial liabilities issued by the Bank as illustrated above, the aggregate shows a much better rise (+13%), almost entirely due to the contribution to the net financial result illustrated above.



Personnel expenses were euro 755.3 million, up compared to the euro 744.5 million recorded as at 30 June 2010 (1.5%), due to the impact of the charge to the income statement for the period of further deductions for leaving incentives and provisions against the envisaged renewal of the national contract.

Other administrative expenses amounted to euro 377.3 million, down 2.4% compared to the figure of euro 386.7 million recorded for the same period of the previous year.

Net value adjustments on property and equipment and intangible assets totalled euro 70 million, compared to the figure of euro 62.2 million in the same period last year.

Total **operating expenses** therefore amounted to euro 1,202.7 million, with a slight increase (+0.8%) on the figure for the first six months of 2010.

Income (loss) from operations therefore amounted to euro 682 million and was 2.5% lower than the euro 699.8 million recorded in the first half of 2010. Excluding the impact of the “fair value option” from both of the periods compared, the income (loss) from operations is euro 202.4 million higher than the figure for the corresponding period of the previous year (+45.9%).

Net adjustments on loans to customers were euro 399.9 million, against euro 386.6 million recorded for the first six months of 2010. Excluding the adjustments made by the Banca Italease group of euro 50.1 million, they total euro 349.8 million, compared to the figure for the first half of 2010, rendered comparable, of euro 342 million. The cost of lending measured by the ratio of net value adjustments on loans to net loans, yoy, was 79 basis points, down on the 81 basis points recorded in 2010 and the 82 basis points recorded for the first quarter of 2011.

Net adjustments on receivables due from banks and other assets amounted to euro 27.1 million (euro 26.9 million as at 30 June 2010) and include the full recognition of the losses resulting from the alignment to market prices of 30 June 2011 of all Greek government securities held in the financial assets available for sale portfolio amounting to euro 15.3 million. In the corresponding period of the previous year, this item included additional adjustments against the Group’s exposure as regards Icelandic banks of euro 7.7 million.

Net provisions for risks and charges amounted to euro 2.3 million; in the first half of the previous year, net provisions of euro 22.6 million had been made which included the alignment of the valuations of potential liabilities classified as probable relating to developments of legal disputes regarding Banca Italease.

Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments recorded a gain of euro 62.7 million, mostly due to the partial sale of the interest held in Istituto Centrale Banche Popolari Italiane (euro 47.2 million) and to a lesser extent, to gains made on the sale of property and equipment; in particular, we note net gains made by Banca Italease of around euro 15.5 most of which resulted from the sale of properties acquired following the termination of lease contracts and the simultaneous repossession of the leased asset. The figure for the first six months of 2010 was also a gain of euro 12.3 million.

Income (loss) before tax from continuing operations totalled euro 315.4 million against euro 275 million recorded for the corresponding period of the previous year, which benefited from a much more favourable contribution generated by the impact of the “fair value option”.

Income (loss) after tax from merchant banking investments and from discontinued operations recorded a positive balance of euro 22 million, which included the contributions of the Bormioli Group (euro 13.3 million) and from Banco Popolare Ceska Republika (euro 10.4 million), which include the gains recorded following the disposal of the investments in associates finalised during the half year. In the corresponding period of the previous year, discontinued operations had provided a positive contribution of euro 23.3 million.

Taxes on income from continuing operations amounted to euro 138 million, compared to euro 144.5 million recorded in the first half of 2010, which included the effect of receivables recognised for prepaid taxes relating to Banca Italease of euro 285.8 million.

Considering the portion of the result pertaining to minority interests, totalling euro -8 million, **the net income for the period** came to euro 191.4 million, against euro 436.9 million recorded in the corresponding period of the previous year.

Key financial highlights of the main Group companies

A summary of the main investments in Group companies is presented below, with an indication of the most significant balance sheet, income statement and operating balances as at 30 June 2011.

<i>(in millions of euro)</i>	Total assets	Shareholder's equity (*)	Direct Funding	Indirect Funding	Net loans	Income (loss)
Banks						
Banca Popolare di Verona - SGSP	30,541.8	2,370.1	22,928.9	21,062.1	25,499.7	38.5
Banca Popolare di Lodi	20,021.3	1,466.1	14,596.2	17,236.5	15,195.7	26.4
Banca Popolare di Novara	17,556.1	1,001.7	13,395.4	19,859.1	14,829.0	31.9
Credito Bergamasco	15,324.3	1,345.2	10,978.4	11,017.3	13,190.8	42.7
Cassa di Risparmio di Lucca Pisa Livorno	11,050.0	1,195.4	7,911.9	6,833.0	8,603.5	20.0
Banca Popolare di Crema	1,682.6	218.1	1,010.8	1,219.0	1,409.2	2.8
Banca Popolare di Cremona	2,117.1	217.5	1,400.8	2,009.8	1,883.0	2.2
Banca Aletti & C. (Suisse)	95.6	13.5	78.2	420.1	12.8	0.1
Bipielle Bank (Suisse)	95.8	49.9	3.9	16.2	13.8	(1.5)
Banco Popolare Luxembourg	1,463.7	65.0	1,229.8	5,299.9	388.5	1.6
Banco Popolare Croatia	326.5	38.7	223.9	-	238.0	0.3
Banca Aletti & C.	9,930.2	524.7	1,053.6	15,414.3	1,606.0	80.5
Efibanca	3,022.6	416.1	480.7	881.5	2,141.3	14.8
Banca Italease	7,974.7	1,441.0	3,982.0	-	6,319.8	(12.9)
Financial companies						
Aletti Gestielle SGR	121.4	88.9	0.5	5,760.5	6.1	3.0
B.P.I. International (UK)	1.2	1.2	-	-	-	(0.2)
Aletti Fiduciaria	7.6	5.6	-	1,703.5	2.8	0.2
Bipielle International Holding	11.4	11.3	-	-	-	(0.2)
Società Gestione Crediti - BP	90.9	83.4	-	-	3.4	0.6
Release	3,827.3	427.0	27.9	-	3,038.4	(11.0)
Mercantile Leasing	1,640.6	135.3	332.4	-	1,362.8	(13.7)
Italease Finance	0.2	0.1	-	-	-	-
Other companies						
Società Gestione Servizi - BP	373.1	107.7	-	-	1.7	(1.6)
Holding di Partecipazioni Finanziarie Banco Popolare	561.6	558.2	-	-	-	58.9
Bipielle Real Estate	815.8	403.3	22.3	-	-	8.0
Immobiliare BP	704.4	687.7	-	-	-	3.7
Tecmarket Servizi	9.6	4.1	-	-	-	2.4
Itaca Service	12.4	1.7	-	-	-	0.9
Italease Gestione Beni	199.8	40.6	24.7	-	12.8	3.3

(*) amount inclusive of the income (loss) for the period.

Segment reporting

The 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 that identified as at 31 December 2010, as at 30 June 2011, the segments were as follows:

- Network Banks;
- Investment & Private Banking, Asset Management;
- Leasing;
- 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 to the result of each segment.

Cancellations among different segments are classified in the “Corporate Centre and Other” segment and a 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 breakdown of the various segments is provided below.

The Banche del Territorio (“**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.

The business of this segment is represented by traditional loan brokerage activities in Italy and the provision 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:

- Retail customer 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, Life insurance, 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 “**Leasing**” segment is made up of Banca Italease and its subsidiaries. This segment has been subject to a reorganisation and restructuring project, as from the acquisition date (July 2009). During the period, the policy pursued with respect to this segment was marked by a careful governance of the volumes disbursed, based on efforts addressed to 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. last year, the Group no longer works in the field of factoring. Therefore, as of 2011, the segment has been renamed “Leasing”, as there will be no financial and economic contribution from the above.

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, until its sale on 20 June 2011, Banco Popolare Croatia, Banco Popolare Hungary and Banco Popolare Luxembourg S.A.).

Lastly, all the consolidation entries not specifically attributable to the previous business segments have been included in this residual segment.

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 represented by 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. This impact which as at 30 June 2011 presented a positive balance of euro 38.6 million, was allocated in full to the "Corporate Center and Other" segment (+ euro 258.9 million was booked to the same segment as at 30 June 2010);
- 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 have been shown separately in a specific column called "PPA – Purchase Price Allocation".

On the basis of the identification and aggregation criteria described above, segment disclosure is presented below with reference to the first half of 2011, compared with 30 June 2010 for income statement figures and 31 December 2010 for the balance sheet figures. The aggregates in the "Total" column correspond to the items indicated in the Group's reclassified schedules.

The "income (loss) for the period" aggregate of each segment as at 30 June 2010, which corresponds to that published last year, has been restated under its component items, in order to make a consistent classification with the statement criteria adopted as at 30 June 2011.

Segment results – income statement figures

30 June 2011 (in thousands of euro)	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA(*)	TOTAL
Interest margin	944,229	46,211	40,115	(76,801)	(67,579)	886,175
Dividends and results from investments in associates carried at equity	522	-	-	22,360	-	22,882
Financial margin	944,751	46,211	40,115	(54,441)	(67,579)	909,057
Net fee and commission income	706,288	41,731	281	(94,413)	-	653,887
Other net operating income	6,284	1,298	23,809	21,827	(18,781)	34,437
Net financial result	26,794	132,825	3,072	132,429	(7,834)	287,286
Other operating income	739,366	175,854	27,162	59,843	(26,615)	975,610
Operating income	1,684,117	222,065	67,277	5,402	(94,194)	1,884,667
Personnel expenses	(549,763)	(39,492)	(13,380)	(152,667)	-	(755,302)
Other administrative expenses	(467,110)	(38,402)	(25,560)	153,743	-	(377,329)
Net value adjustments on property, equipment and intangible assets	(19,035)	(1,110)	(12,338)	(35,646)	(1,903)	(70,032)
Operating expenses	(1,035,908)	(79,004)	(51,278)	(34,570)	(1,903)	(1,202,663)
Income (loss) from operations	648,209	143,061	15,999	(29,168)	(96,097)	682,004
Net value adjustments on loans (customers)	(342,630)	(7,113)	(50,161)	(30)	-	(399,934)
Net value adjustments on other assets	(20,856)	(93)	354	(6,513)	-	(27,108)
Net provisions for risks and charges	2,856	(710)	(4,088)	(320)	3	(2,259)
Profits (losses) on investments in associates and other investments	48	(86)	13,506	55,952	(6,722)	62,698
Income (loss) before tax from continuing operations	287,627	135,059	(24,390)	19,921	(102,816)	315,401
Taxes on income from continuing operations	(147,439)	(47,810)	(97)	28,088	29,213	(138,045)
Income (loss) after tax from continuing operations	140,188	87,249	(24,487)	48,009	(73,603)	177,356
Income (loss) after tax from merchant banking investments and non-current assets held for sale	-	17,991	-	4,012	-	22,003
Minority interests	(11,388)	(4,645)	2,248	5,365	457	(7,963)
Income (loss) of segments gross of PPA effect	128,800	100,595	(22,239)	57,386		
Effect of PPA on segments	(48,742)	(175)	(18,255)	(5,974)	(73,146)	
Net income (loss) for the period	80,058	100,420	(40,494)	51,412		191,396

(*) PPA (Purchase Price Allocation): cost of business combination generated by the mergers with the BPI Group and the Italease Group

30 June 2010 like-for-like basis (**) (in thousands of euro)	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing and Factoring	Corporate Centre and Other	PPA(*)	TOTAL
Interest margin	954,861	41,892	49,850	1,657	(124,648)	923,612
Dividends and results from investments in associates carried at equity	791	76	2	20,336	-	21,205
Financial margin	955,652	41,968	49,852	21,993	(124,648)	944,817
Net fee and commission income	676,942	37,475	5,527	(77,434)	-	642,510
Other net operating income	22,297	(541)	3,614	24,483	(19,956)	29,897
Net financial result	10,734	115,654	(1,500)	154,826	(3,718)	275,996
Other operating income	709,973	152,588	7,641	101,875	(23,674)	948,403
Operating income	1,665,625	194,556	57,493	123,868	(148,322)	1,893,220
Personnel expenses	(533,204)	(40,675)	(18,198)	(152,422)	-	(744,499)
Other administrative expenses	(484,589)	(38,153)	(23,399)	159,441	-	(386,700)
Net value adjustments on property, equipment and intangible assets	(19,986)	(1,121)	(3,869)	(35,179)	(2,020)	(62,175)
Operating expenses	(1,037,779)	(79,949)	(45,466)	(28,160)	(2,020)	(1,193,374)
Income (loss) from operations	627,846	114,607	12,027	95,708	(150,342)	699,846
Net value adjustments on loans (customers)	(305,561)	(37,744)	(44,262)	936	-	(386,631)
Net value adjustments on other assets	(6,292)	(4,405)	(48)	(16,180)	-	(26,925)
Net provisions for risks and charges	8,814	(6,471)	(21,605)	(3,331)	-	(22,593)
Value adjustments on goodwill and investments in associates and companies subject to joint control	(507)	-	(15)	(461)	-	(983)
Profits (losses) on investments in associates and other investments	7,676	1,481	33,624	2,951	(33,474)	12,258
Income (loss) before tax from continuing operations	331,976	67,468	(20,279)	79,623	(183,816)	274,972
Taxes on income from continuing operations	(118,417)	(24,102)	287,031	(58,684)	58,706	144,534
Income (loss) after tax from continuing operations	213,559	43,366	266,752	20,939	(125,110)	419,506
Income (loss) after tax from merchant banking investments and non-current assets held for sale	6,979	16,890	5,840	(2,397)	(3,986)	23,326
Minority interests	(11,986)	(2,432)	(1,508)	3,457	6,560	(5,909)
Income (loss) of segments gross of PPA effect	208,552	57,824	271,084	21,999		
Effect of PPA on segments	(58,675)	(11,630)	(50,174)	(2,057)	(122,536)	
Net income (loss) for the period	149,877	46,194	220,910	19,942		436,923

(*) 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

30 June 2011 (in thousands of euro)	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA(*)	TOTAL
Loans to customers	80,602,772	3,770,532	8,829,538	3,117,234	46,007	96,366,083
Total assets	97,626,874	20,060,527	11,386,107	9,826,760	(662,140)	138,238,128

(*) 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	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.

30 June 2011 (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 through profit and loss	72,222,050	6,993,801	4,227,330	24,336,031	(118,676)	107,660,536
Total liabilities	97,626,874	20,060,527	11,386,107	9,826,760	(662,140)	138,238,128

(*) 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	Corporate Centre and Other	PPA(*)	Total
Due to customers, securities issued and financial liabilities designated at fair value through profit and loss	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.

30 June 2011 (in thousands of euro)	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Consumer Credit	Other	Leasing	Total
Investments subject to significant influence	-	70,678	1,142,084	228,635	124,593	1,565,990

31 December 2010 (in thousands of euro)	Network Banks	Invest. Bank, Priv. Bank., Asset Man.	Consumer Credit	Other	Leasing	Total
Investments subject to significant influence	-	85,472	1,116,164	310,4865	129,307	1,641,429

Note that the majority of the assets and the operating income were generated in Italy, confirming the deep-seated presence in the national territory, considered to be the Group's primary sphere of operations. A breakdown of operating income and assets by geographic area is presented below.

30 June 2011 (in thousands of euro)	Italy	Foreign operations	Other	Total
Operating income	1,838,358	52,091	(5,782)	1,884,667

30 June 2010 like-for-like basis (in thousands of euro)	Italy	Foreign operations	Other	Total
Operating income	1,857,400	40,558	(4,738)	1,893,220

30 June 2011 (in thousands of euro)	Italy	Foreign operations	Other	Total
Total assets	138,501,969	7,145,726	(7,409,567)	138,238,128

31 December 2010 (in thousands of euro)	Italy	Foreign operations	Other	Total
Total assets	136,119,923	7,288,792	(8,253,043)	135,155,672

Disclosure on Banco Popolare shares

Information relating to issues and purchases/sales of shares issued by the Bank

In the first half of the year, Banco Popolare's share capital increase by payment was completed through the issue of 1,122,980,404 new shares in February, with a total countervalue of euro 1,987.7 million. For further details, please refer to the content of the section dedicated to significant events during the period, which can be found in this Half-yearly Report.

Note also that in May, 68,184 Banco Popolare shares were issued for the conversion of the same number of "Banco Popolare 2010/2014 4.75% convertible bonds with the option of redemption in shares" related to the planned merger by incorporation of Efibanca into the Parent Company.

In June, Banco Popolare also launched a plan for the purchase of treasury shares to serve the Plan for the allocation of shares to Group employees, as part of the company bonus envisaged by the National Collective Labour Agreement (C.C.N.L.) and as established by the shareholders' meeting of the Parent Company held on 24 April 2010. The purchase transactions were carried out at the conditions envisaged by the CFL between 13 June and 22 June 2011 and concerned 1,439,413 ordinary Banco Popolare shares for an overall investment of 2.3 million.

As at 30 June 2011, the Group had 332,994 treasury shares in the portfolio, worth a total of euro 31.2 million.

Information relating to issues and purchases/sales of convertible bonds issued by the Bank

As at 30 June 2011, the Group had a convertible bond issued on 24 March 2010 by Banco Popolare outstanding, maturing on 24 March 2014. The overall original nominal value of the loan came to euro 996,386,475.15, represented by bonds with a nominal value of 6.15 each. The securities have an annual coupon of 4.75%, fixed for the entire duration of the loan, and envisage the faculty of conversion into Banco Popolare shares at a ratio of 1 share for each bond as from the eighteenth month after the issue date.

On the date of this Interim Report, there are 161,945,877 bonds outstanding, following the request for the conversion of 68,184 options into Banco Popolare shares, described in the paragraph above.

Disclosure on earnings per share

	30 June 2011			30 June 2010		
	Annualised attributable result (euro)	Weighted average of ordinary shares	EPS (euro)	Annualised attributable result (euro)	Weighted average of ordinary shares	EPS (euro)
Basic EPS	382,792,624	1,763,485,506	0.217	750,596,537	640,482,201	1.172
Diluted EPS	414,824,456	1,925,478,471	0.215	880,129,173	1,332,312,369	0.661

Note that as at 30 June 2011, the potential diluting effects refer to the bond issue convertible into 161,945,877 ordinary shares.

A comparison with the corresponding period of the previous year shows, on one hand, a rise in the number of ordinary shares outstanding following the share capital increase completed in February 2011, and on the other hand, the lack of diluting effects related to:

- former Banca Popolare Italiana warrants which expired in December 2010;
- stock option plan, which expired in 2010;
- former Banca Popolare Italiana convertible bond issue which expired in June 2010;
- financial capitalisation instruments as set forth in art. 12 of Italian Legislative Decree 185/08 (Tremonti Bonds) issued in July 2009 and redeemed on 14 March 2011.

Disclosure on share-based payment agreements

Stock grant plan

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, paragraph 1 of the Italian Civil Code, of a maximum of 660,000 ordinary shares, which represented 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 the law. The authorisation to purchase the treasury shares had 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) addressed to the 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 to 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 to build up loyalty, as mentioned above, and also to give 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:

- to encourage a "team building" approach among the management team, focusing the attention on Group strategic objectives, while closely correlating the total economic return that may be obtained by top managers with the value created for the shareholder, hence with rise of the share price on the market;
- to increase the retention capacity (keeping key resources) reducing the likelihood of valuable managers resigning from the Group;

- to 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 set as 5 years from the date of establishment of the Bank, although further extensions authorised by the Bank's ordinary shareholders' meeting are not excluded. This duration will make it possible to achieve the Plan's objectives.

Therefore, 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 various factors:

- actual ability and importance of the individual beneficiary in terms of actual contribution to the achievement of results, and to the growth and future prospects of the Bank and the Group companies;
- experience, competence and potential;
- strategic importance of the role covered within the company;
- age and seniority, as one of the Plan's objectives is retention;

and, in certain cases, on the basis of commitments undertaken with the parties concerned at the time of recruitment.

In financial years 2009 and 2010 and in the first half of 2011, no further stock grant assignments were made. In the second half of 2010, 2,500 shares were cancelled after the termination of the employment of an assignee and an additional 2,500 shares were discharged from the constraint in compliance with the Regulations.

	30 June 2011			31 December 2010		
	number of shares	average prices	average maturity	number of shares	average prices	average maturity
A. Opening balance	322,550	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	322,550	6.208	Dec. 2013
E. options exercisable at the end of period	322,550	6.208	Dec. 2013	322,550	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, held in the name of Banco Popolare, with an insurance company, which invested the assets exclusively in BP shares. The Managers who, besides complying with the Plan, 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 beneficiaries of the Stock Option plan and who have also been identified as beneficiaries of the Si.pre., in order to join the latter, have restricted a number of shares they own to the continuation of their employment relationship in the Group, shares equal to 80% of the net proceeds from exercising the stock options. This restriction has a duration of 5 years, scaled down 1/5 each year, as from the first year of possible exercise of the stock option tranche and therefore the last restriction will 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 restriction.

This is a system, introduced for the first time in Italy, linked to the appreciation of the value of the stock throughout the entire career of the Managers.

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 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. More specifically, the following treasury shares were purchased as follows:

- as regards the 2009 company bonus: between 3 June and 15 June 2010, a total of 1,255,500 ordinary Banco Popolare shares were purchased entailing an overall investment of euro 5,511,218 (net of commission);
- as regards the 2010 company bonus: between 13 June and 22 June 2011, a total of 1,439,413 ordinary Banco Popolare shares were purchased entailing an overall investment of euro 2,326,932 (net of commission).

With reference to the 2009 bonus, 3,519 Group employees decided to participate in the Plan (out of 20,118 potential addressees), and asked, by means of a request submitted by 11 June 2010, to receive the whole company bonus or part of the same, through the allocation 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 bonus), the maximum number of shares assigned to each beneficiary did not exceed 464 shares.

With reference to the 2010 bonus, given the changes in the Group's scope and the companies involved, as well as the reduction in the number of total employees, the potential no. of addressees fell to 16,984, out of which 1,675 Group employees decided to participate in the Plan, and asked, by means of a request submitted by 15 June 2011, to receive the whole company bonus or part of the same, through the allocation of a total of 1,478,124 shares (of which: 1,439,413 purchased between 13 and 22 June 2011; 36,755 resulting from the purchases of treasury shares made to serve the 2009 company bonus; 1,956 relating to shares held by Banco Popolare) for an equivalent amount of euro 2,455,163.96. The allocation of the shares to the beneficiaries was carried out on 27 June 2011, taking the arithmetic average of the official prices of the share struck in the last month prior to 27 June 2011, equal to euro 1.661, as the unit reference price.

With regard to 2011 (2010 company bonus), the maximum number of shares assigned to each beneficiary did not exceed 1,243 shares.

Share allocation plan addressed to executive members of the Management Board and to executives of particular importance to the Banco Popolare Group

At a meeting held on 25 March 2011, the Supervisory Board approved the 2011 pay policies which, amongst other things, envisage the use of Banco Popolare shares as a far of payment of part of the bonus on achievement of the company objectives included in incentive systems.

Banco Popolare's Management Board, in a meeting held on 25 March 2011, approved the share allocation plan addressed to employees and executives identified as among the "key personnel", based on the provisions of the Bank of Italy as regards remuneration and incentive policies for banks, within the 2011 incentive system, as well as the treasury shares purchase programme for the purposes of the Plan.

On 30 April 2011, 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 implementing this Plan, Banco Popolare aims to bring the manner in which bonuses of the incentive systems for employees and executives identified as belonging to the "key personnel" category are disbursed in line with the provisions of the Bank of Italy on remuneration and incentive policies for banks, with specific reference to the provision that at least 50% of the bonus attributed under said systems must be paid in shares or related instruments.

Furthermore, the Plan seeks to converge management objectives with the interests of shareholders, rewarding the creation of value in the medium-long term by increasing the value of Banco Popolare's shares, enhancing the loyalty of the group's strategic resources at the same time.

Lastly, it is worth noting that under certain conditions, the Plan enables an economic benefit to be enjoyed by both employees - as shares are not subject to social security contributions - and the company, which is not bound to pay said social security contribution and therefore cuts costs.

The shares underlying the Plan will be purchased by Banco Popolare on the regulated market, pursuant to art. 2357 of the Italian civil code, articles 132 of Italian Legislative Decree no. 58 and 144-bis of the Issuers' Regulations, as well as the provisions of (EC) Regulation no. 2273/2003 of 22 December 2003.

The Plan envisages the allocation of shares to Beneficiaries who, if the preliminary conditions required to trigger incentive schemes have been met, and on the basis of individual results achieved, have earned a bonus for 2011. The allocation of shares to beneficiaries is made for an amount corresponding to 50% of the bonus earned. 60% of the share allocation will be made in 2014 (short-term bonus with retention of 2 years), while the remaining 40% will be made in 2016 (deferred bonus with retention of one year).

Business combinations

Transactions made during the period

No business combination transactions were carried out outside the Group during the first half of the year.

Transactions made after the end of the period

No business combination transactions were carried out outside the Group after the end of the period.

Transactions with related parties

Banco Popolare has 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 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 to identify 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 10%, if 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 Investments – 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 preparing the Company's financial reports, 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 which can be exercised during ordinary shareholders' meetings, or 10% if the company has shares listed on organised 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 investment: Mutual Investment Funds, or any other expressly authorised party, who act as a shareholder and who possess an interest greater than 2% in the share capital of Banco Popolare. Parties not belonging to the Group who hold an interest 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 investment/investment in an associate;
- g) Parties in a position, per se, 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 transactions between subsidiary companies and those subject to significant influence and joint control.

Financial and commercial transactions with related parties fall within the sphere of ordinary operations and have been conducted as arm's length transactions.

The tables below indicate the balance sheet and income statement transactions as at 30 June 2011 with the companies subject to significant influence, the joint ventures, management with strategic responsibilities (which include audit bodies) and other related parties.

<i>(in thousands of euro)</i>	Entities exercising significant influence (1)	Associated companies	Joint ventures	Executives with strategic responsibilities	Other related parties	TOTAL	% of consolidated total
Financial assets held for trading	-	1,726	-	-	19,129	20,855	0.21%
Financial assets available for sale	-	-	-	4,634	12,697	17,331	0.19%
Due from banks	-	10,002	-	-	95,459	105,461	1.50%
Loans to customers	-	1,046,946	-	21,447	762,621	1,831,014	1.90%
Other assets	-	26,426	-	-	665	27,091	0.20%
Due to banks	-	-	-	-	367,277	367,277	4.52%
Due to customers	-	462,769	-	30,077	504,782	997,628	1.89%
Securities issued	-	-	-	7,805	84,584	92,389	0.32%
Financial liabilities held for trading	-	345,609	-	-	1,752	347,361	10.68%
Financial liabilities designated at fair value through profit and loss	-	-	-	14,577	126,086	140,663	0.54%
Other liabilities	-	958	-	367	3,412	4,737	0.07%
Guarantees given and commitments	-	-	-	731	240,665	241,396	1.59%

(1) Funds or other authorised parties who act as a Shareholder and who possess a shareholding greater than 2% of the share capital

<i>(in thousands of euro)</i>	Entities exercising significant influence (1)	Associated companies	Joint ventures	Executives with strategic responsibilities	Other related parties	TOTAL	% of consolidated total
Interest margin	-	4,718	-	(23)	(178)	4,517	0.51%
Net fee and commission income	-	120,528	-	1	40	120,569	18.44%
Administrative expenses	-	44	-	959	671	1,674	0.14%
Other expenses/income	-	5,012	-	(1)	(192)	4,819	3.01%

(1) Funds or other authorised parties who act as a Shareholder and who possess an interest 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 – entered into with related parties, shown in the above table under “executives with strategic responsibilities” and “other related parties”.

<i>(in thousands of euro)</i>	Purchases and sales of goods and services	Rent receivable	Rent payable
a) Directors	-	-	-
b) Executives with strategic responsibilities	-	14	9
c) Close relatives of the parties in letters a) and b)	-	-	-
d) Subsidiary, associated company or subject to significant influence by the parties in letters a) and b)	471	-	31

Other information

With reference to paragraph 8 of art. 5 - “Disclosures to the public on related party transactions” of the Consob Regulation containing provisions for related party transactions (adopted by Consob with resolution no. 17221 of 12 March 2010 and then amended with resolution no. 17389 of 23 June 2010), the following paragraphs illustrate the most important transactions conducted in the first half of the year:

Transaction relating to the dismantling of the securitisation transaction BPL Mortgages Series 3, to the assignment of the appropriate mortgage loans to the SPV BP Covered Bond S.r.l. and to further issues of Covered Bonds

The transaction approved in the Management and Supervisory Board meetings on 31 January 2011 regards the dismantling of the securitisation transaction BPL Mortgages Series 3 performed by the Banco Popolare Group in March 2009 and entails the repurchase by the Originator Banks of the mortgage loans originated and assigned to the afore-mentioned SPV BPL Mortgages S.r.l.. The mortgages re-purchased by the Assignee banks from the above-mentioned company were simultaneously assigned to the SPV BP Covered Bond S.r.l., to enable the issue of further series of securities under Banco Popolare’s Covered Bond issue programme.

The objective of the transaction is to transform short-term funding, also collected through the subscription of senior class securities issued as part of Banco Popolare’s self-securitisation transactions, into medium-long term funding through the issue of Bonds placed with institutional investors.

Review of Loans to the subsidiary company Banca Italease

The transaction resolved by the Management Board on 27 April 2011 entails the disbursement of loans to the subsidiary company Banca Italease by means of interbank deposits which expire within 18 months, with a request to increase the corresponding lines of credit from euro 1 billion to euro 2.2 billion.

The aim of the transaction is to guarantee the funding needed by the parent company to redeem its bonds expiring before the end of 2011.

Transaction related to the issue of Covered Bonds guaranteed by the Banco Popolare Group

The transaction, which was approved by the Management Board meeting held on 3 May 2011, regards:

- the assignment to the SPV BP Covered Bond S.r.l. of a new portfolio of residential mortgage loans by: Banca Popolare di Lodi, Banca Popolare di Cremona, Banca Popolare di Novara, Banca Popolare di Verona SGSP, Cassa di Risparmio di Lucca Pisa Livorno;
- the issue by Banco Popolare of subsequent series of Covered Bonds to be made during 2011 for a maximum amount of around euro 2.8 billion;
- the increase of credit lines opened in the name of the SPV under the Covered Bond Issue Programme dated February 2010, the maximum amount of which was raised to euro 10 billion for the entire banking Group.

The objective of the transactions described above is to increase medium-long term funding.

Transfer of Efibanca shares from Credito Bergamasco to Banco Popolare

The transaction, approved by the management Board meeting held on 14 June 2011 is preliminary to the merger by incorporation (simplified procedure, pursuant to art. 2505 of the Italian civil code) of Efibanca into Banco Popolare, resolved by the Management and Supervisory Boards at the meeting held on 25 March 2011.

The transaction regarded the transfer of 6,688,000 Efibanca shares, corresponding to 6.097% of share capital, and was completed on 20 June 2011. The price paid by Banco Popolare to Credito Bergamasco was euro 26.6 million; the price was calculated on the basis of a valuation carried out by the advisor Equita Sim.

Renewal of the “Total Return Swap” contracts related to securitisation transactions “BPV Mortgages S.r.l.” and “BPL Mortgages S.r.l. – series 4”

The transaction, approved at the Management Board meeting held on 14 June 2011 entails the renewal of two Total Return Swap (TRS) contracts, which were underwritten as part of two self-securitisation transactions conducted by Banco Popolare in 2009: BPV Mortgages S.r.l. and BPL Mortgages S.r.l. – Series 4.

The amendment to the Total Return Swap contract regarding the BPV Mortgages transaction follows the decision to use the senior securities issued as part of the self-securitisation transaction for a repurchase agreement with a market counterparty in order to extend the funding's maturity.

The renewal to 31 May 2016 of the Total return Swap contract regarding the BPL Mortgages transaction is justified by the decision to continue to use the junior securities issued as part of the self-securitisation transaction in re-financing transactions with NewMIC or with the ECB.

Subsequent events

The new large cooperative bank model is launched

On 15 July 2011, Banco Popolare's Supervisory Board and Management Board approved the guidelines for a project to create a new model for a large cooperative bank (*banca popolare*), achieved through a process of integration - involving the merger by incorporation of the following Network Banks into Banco Popolare: Banca Popolare di Verona-S.Geminiano e S.Prospiero, Banca Popolare di Novara, Banca Popolare di Lodi (including the incorporating Banca Popolare di Crema and Banca Popolare di Cremona) and Cassa di Risparmio di Lucca Pisa Livorno. Credito Bergamasco will retain its status of listed company subject to the control, supervision and coordination of Banco Popolare.

Banco Popolare, which will maintain its legal standing as a cooperative bank, will take on the role of operational bank, structured on the basis of a territorial model that envisages the creation of Divisions in the Group's traditional historic areas, with strong ties to the local communities. More specifically, there will be Territorial Divisions that are fully integrated within the Parent Bank, that will substantially correspond to the historic brands “Banca Popolare di Verona-Banco S. Geminiano e S.Prospiero”, “Banca Popolare di Lodi”-“Cassa di Risparmio di Lucca Pisa Livorno” and “Banca Popolare di Novara”, which will serve the whole Central-South region.

The project seeks to achieve continuity and is fully in line with the recently-approved Business Plan, in terms of its objectives to simplify the organisation and to boost the Group's commercial presence.

On completion of the project:

- the Banca Popolare di Verona Division will be in charge of around 560 branches located in the North-East (Veneto, Emilia Romagna, Trentino Alto Adige, Friuli Venezia Giulia) and in Lombardy (Mantua) with over 3,200 employees;
- the Banca Popolare di Novara Division will be in charge of around 590 branches located in the North-West (Valle d'Aosta, Piedmont, West Liguria), in Lombardy (Milan and Pavia), in Lazio and in Southern Italy, with around 3,200 employees;
- the Banca Popolare di Lodi Division will be in charge of around 580 branches, mostly located in Lombardy, East Liguria, Tuscany and Umbria, with around 3,400 employees;
- Credito Bergamasco will be responsible for around 270 branches located in Lombardy (Bergamo, Brescia, Como, Cremona, Monza Brianza, Varese) and in Lazio (Rome), with over 1,600 employees.

This reorganisation will substantially eliminate all of the territorial overlaps between the BPV, BPN and BPL Divisions.

The project confirms the Group's historic territorial vocation and strong ties with local communities, and also envisages a considerable boost to all operational areas with respect to the current model.

The business model relating to high equity customers will not change and the same will continue to be served by Banca Aletti.

The simplification of the Group's current operational structure will enable it to obtain important structural economic benefits in addition to those already envisaged in the recently-approved 2011-2013/2015 Business Plan, in terms of cost savings, higher commercial effectiveness, better territorial supervision, simplification of internal governance, decision-making and operational processes and therefore a significant reduction of the execution risk related to the initiatives envisaged in the Business Plan.

Consistent with the Group's simplification project, the guidelines for a complex review of Banco Popolare's governance model have also been approved.

Basically, at the next shareholders' meeting, a proposal will be submitted to adopt a traditional administration and control system, through the establishment of a Board of Directors with a maximum of 24 members, of which a minimum of 3 and a maximum of 4 (including the Managing Director) are to be chosen from Group executives. The Chairman, the two Deputy Chairmen, the Managing Director and two of the Board directors chosen from Group executives will make up the Executive Committee, which will therefore have 6 members. The Board of Statutory Auditors will have 5 standing members.

As regards internal organisation, Banco Popolare's organisational structure envisages the appointment of Maurizio Faroni as General Manager and Domenico De Angelis as Joint General Manager - who directly report to the Managing Director.

Once the necessary authorisations have been obtained, the mergers should be finalised by the end of this year, while in accounting and fiscal terms, the same will be backdated to 1 January 2011.

Tax assessments

Banca Popolare di Verona San Geminiano e San Prospero S.p.A. - On 18 July 2011, the Tax Authority - Veneto Regional Headquarters, started a targeted inspection on tax years 2007, 2008 and 2009 regarding the application of VAT to commissions for deposits to mutual investment funds and to pension funds and on the application of provisions regarding withholding tax on interest accrued on UCIT units.

Credito Bergamasco - With regard to the IRAP dispute with the Veneto regional Headquarters for tax year 2005, in July 2011, the collection agency arranged for the full cancellation from the taxpayers' roll, organising the reimbursement of the additional amount paid of euro 0.25 million.

Banco Popolare Società cooperativa (as the incorporating company of Banco Popolare di Verona e Novara scr) - On 21 July 2011, the Tax Authority - Veneto Regional Headquarters, started a targeted inspection on tax years 2006 and 2007 regarding the application of VAT to commissions for deposits to mutual investment funds and to pension funds.

Credito Bergamasco S.p.A. - On 25 July 2011, the Tax Authority - Lombardy Regional Headquarters, started a targeted inspection on tax years 2006, 2007 and 2009 regarding the application of VAT to commissions for deposits to mutual investment funds and to pension funds and a general tax inspection of 2008.

Banca Popolare di Novara S.p.A. - On 20 July 2011, the same was served a tax demand entailing provisional registration pending the decision of the court (of around euro 1 million) of half of the taxes assessed (plus the relative interest) by means of the notice of assessment relating to VAT in 2005.

Bipielle Real Estate S.p.A. - On 25 July 2011, the Tax Authority - Lodi Regional Headquarters, began an inspection to check the changes appearing in section RF of the Single Tax Return 2007 relating to tax year 2006.

Mercantile Leasing S.p.A. - On 27 July 2011, the same was served a tax demand entailing provisional registration pending the decision of the court (of around euro 0.4 million) of half of the taxes assessed (plus the relative interest) by means of the notice of assessment relating to VAT in 2005.



Giovanni Boldini, *Carriage at Versailles*, about 1873, oil on board

Certification of the
interim condensed
financial statements
pursuant to
art. 81-ter of Consob
Regulation no. 11971
of 14 May 1999 and later
amendments
and additions



CERTIFICATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND LATER 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 dated 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 interim condensed financial statements as at 30 June 2011.

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 30 June 2011 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 interim condensed financial statements:

a) have been 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 for providing 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.

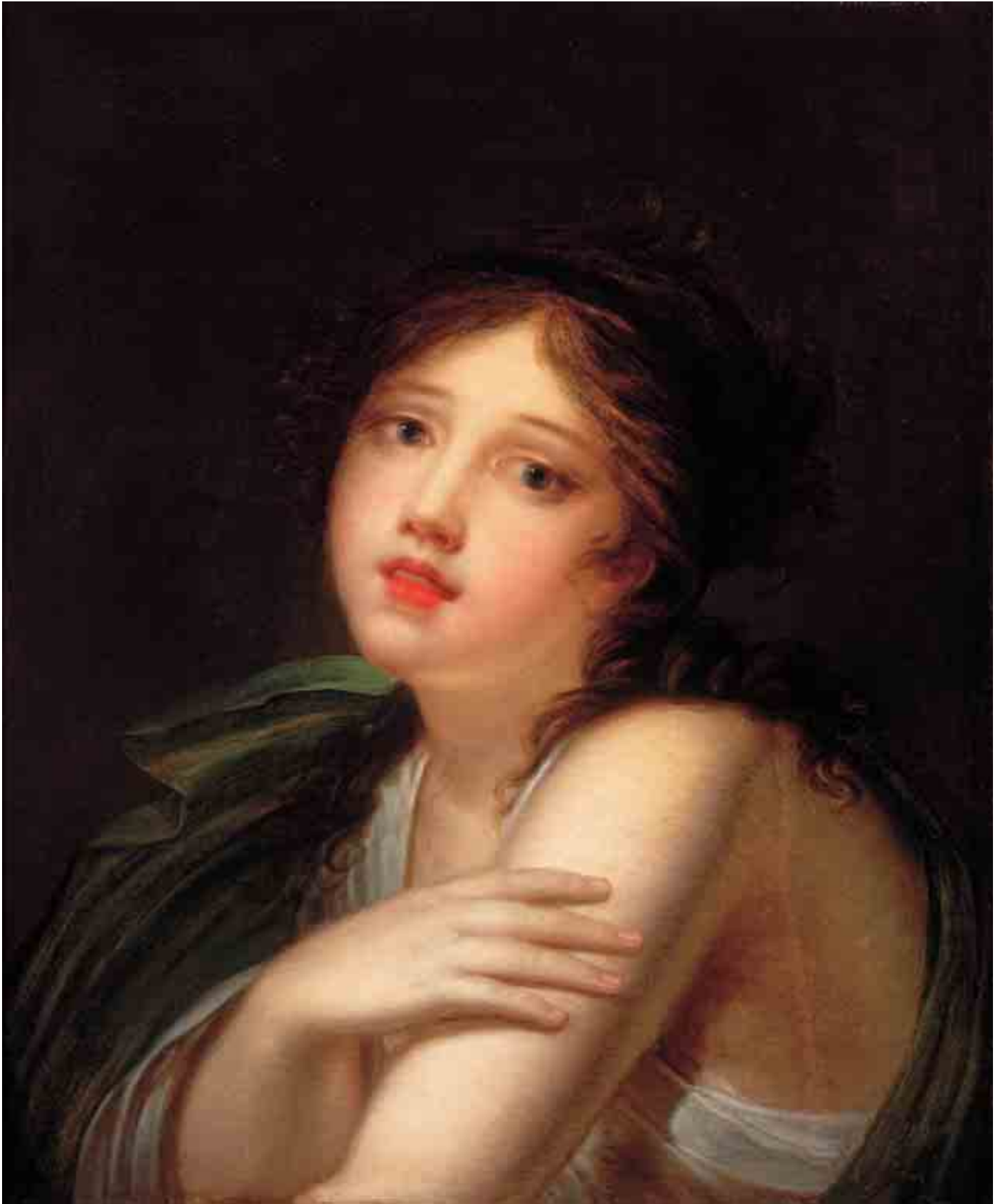
3.2 The half-yearly report on operations includes a reliable analysis of the important events which occurred during the first six months of the year and their impact on the interim condensed financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The half-yearly report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Verona, 26 August 2011

Pierfrancesco Saviotti
Managing Director

Signed on the original

Gianpietro Val
Manager responsible for preparing
the Company's financial reports
Signed on the original



Vigée Le Brun Elisabeth-Louise, *Female portrait*, about 1790/1805, oil on canvas

Independent Auditors'
Report



**Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)**

To the Shareholders of
Banco Popolare Società Cooperativa

1. We have reviewed the interim condensed consolidated financial statements of Banco Popolare Società Cooperativa and its subsidiaries (the "Banco Popolare Group") as of June 30, 2011, comprising the balance sheet, the statements of income, the statement of comprehensive income, the changes in shareholders' equity and the statement of cash flows and the related explanatory notes. Management Board of Banco Popolare Società Cooperativa is responsible for the preparation of the interim condensed consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

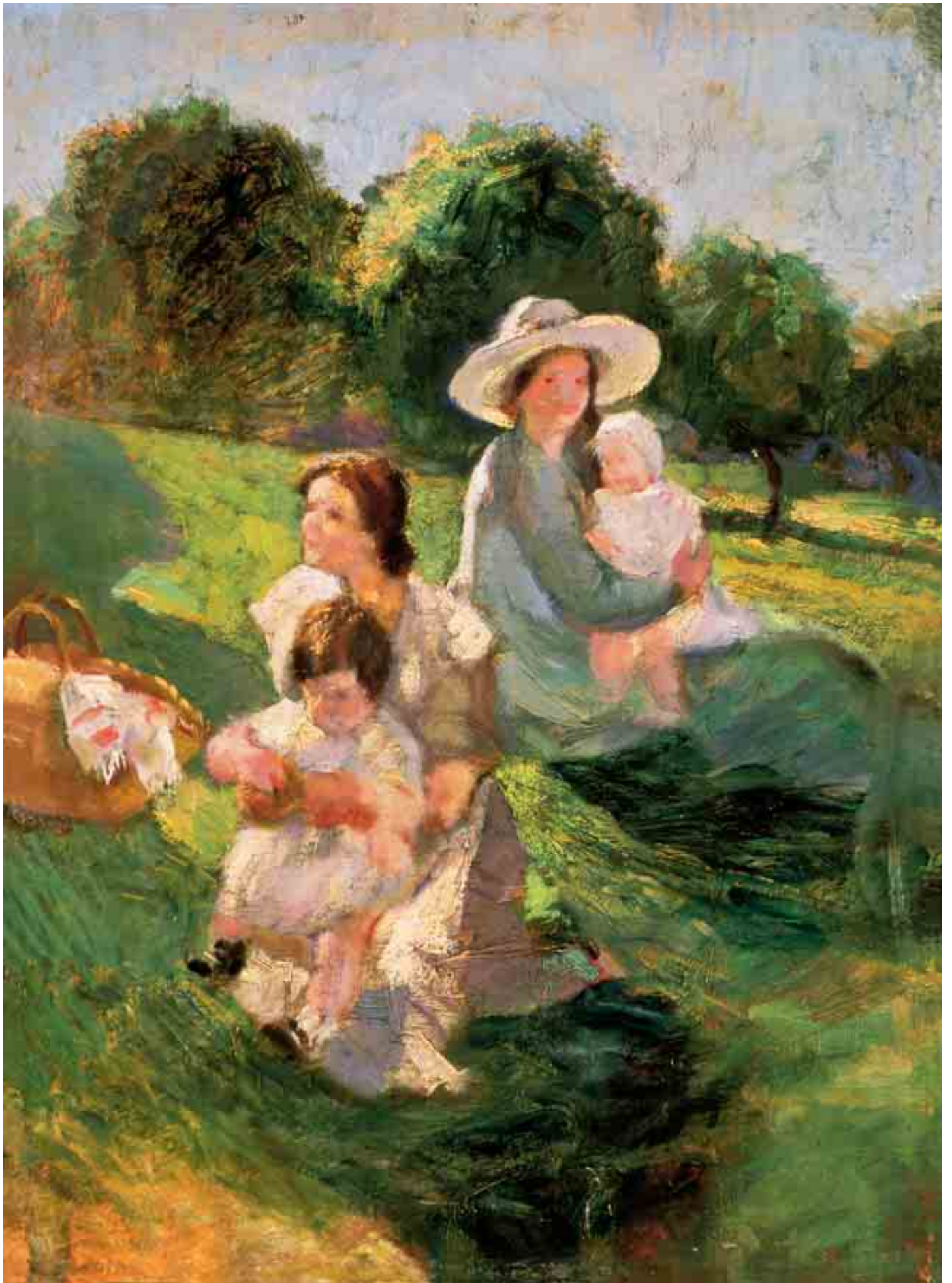
The consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year are presented for comparative purposes. As described in the explanatory notes, the Management Board restated some comparative data of the interim condensed consolidated financial statements of the corresponding period of the prior year on which we issued our report on August 27, 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 issuing our review report. With respect to the consolidated financial statements of the prior year, presented for comparative purposes, reference should be made to our report issued on April 12, 2011.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Banco Popolare Group as of June 30, 2011 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, August 26, 2011

Reconta Ernst & Young S.p.A.
Signed by: Marco Bozzola, Partner

This report has been translated into the English language solely for the convenience of International readers



Armando Spadini, *The family at Villa Borghese (Family in the meadow)*, 1912/1913, oil on cardboard

Attachments



Reconciliation between the items in the consolidated income statement and the reclassified consolidated income statement

Reclassified income statement items (in thousands of euro)	1st half 2011	Recl. Merchant B. Invest.	Reclassification s	Reclassified schedule
10 Interest and similar income	1,980,114	(4)	-	
20 Interest and similar expense	(1,097,193)	259	2,999	
<i>Interest margin</i>				886,175
Profits (losses) on investments in associates and companies subject to joint control			22,882	
<i>Profits (losses) on investments in associates carried at equity</i>				22,882
Financial margin				909,057
40 Fee and commission income	703,402	-		
50 Fee and commission expense	(49,546)	31		
<i>Net fee and commission income</i>				653,887
220 Other expenses / income from operations	137,991	(1,328)	(102,226)	
<i>Other net operating income</i>				34,437
Interest and similar expense			(2,999)	
70 Dividends and similar income	40,770	-	-	
80 Profits (losses) on trading	143,093	-	-	
90 Fair value adjustments in hedge accounting	(1,353)	-		
100 Profits (losses) on disposal or repurchase	61,637	-	767	
Net losses / recoveries on impairment				
110 Profits (losses) on financial assets and liabilities designated at fair value	45,371	-		
<i>Net financial result</i>				287,286
Other operating income				975,610
Operating income				1,884,667
180 a) <i>Personnel expenses</i>	(760,529)	156	5,071	(755,302)
180 b) <i>Other administrative expenses</i>	(465,669)	1,411	86,929	(377,329)
200 Net adjustments to / recoveries on property and equipment	(43,234)	1		
210 Net adjustments to / recoveries on intangible assets	(37,025)	-	10,226	
<i>Net value adjustments on property and equipment and intangible assets</i>				(70,032)
Operating expenses				(1,202,663)
Income (loss) from operations				682,004
Profits (losses) on disposal or repurchase			(767)	
130 Net losses / recoveries on impairment	(426,275)			
<i>Net adjustments on loans to customers</i>				(399,934)
<i>Net adjustments on receivables due from banks and other assets</i>				(27,108)
190 <i>Net provisions for risks and charges</i>	(2,259)	-	-	(2,259)
Profits (losses) on investments in associates and companies subject to joint control				
<i>Value adjustments on goodwill and investments in associates and companies subject to joint control</i>				-
240 Profits (losses) on investments in associates and companies subject to joint control	70,351	-	(22,882)	
270 Profits (losses) on disposal of investments	15,229	-		
				62,698
Income (loss) before tax from continuing operations				- 315,401
290 Taxes on income from continuing operations for the period	(138,042)	(3)	-	
<i>Taxes on income from continuing operations for the period</i>				(138,045)
310 Income (loss) after tax from discontinued operations	22,526	(523)	-	
<i>Income (loss) after tax from merchant banking investments and from discontinued operations</i>				22,003
330 Net income (loss) for the period attributable to minority interests	(7,963)	-	-	
<i>Net income for the period attributable to minority interests</i>				(7,963)
Parent Company's net income for the period	191,396	-	-	191,396

Reconciliation between the income statement for the first half of 2010 and the same restated for comparative purposes

Income statement (in thousands of euro)	1st half 2010	IFRS 5 reclassifications	1st half 2010 restated
10 Interest and similar income	1,905,192	(23,896)	1,881,296
20 Interest and similar expense	(964,274)	5,884	(958,390)
30 Interest margin	940,918	(18,012)	922,906
40 Fee and commission income	716,258	(11,048)	705,210
50 Fee and commission expense	(63,116)	397	(62,719)
60 Net fee and commission income	653,142	(10,651)	642,491
70 Dividends and similar income	308,878	(56)	308,822
80 Profits (losses) on trading	(339,377)	1,740	(337,637)
90 Fair value adjustments in hedge accounting	82	-	82
100 Profits (losses) on disposal or repurchase of:	2,685	(115)	2,570
a) loans	5,914	(115)	5,799
b) financial assets available for sale	787	-	787
c) investments held to maturity	(9)	-	(9)
d) financial liabilities	(4,007)	-	(4,007)
110 Profits (losses) on financial assets and liabilities designated at fair value	306,213	(758)	305,455
120 Net interest and other banking income	1,872,541	(27,852)	1,844,689
130 Net losses / recoveries on impairment of:	(416,414)	99	(416,315)
a) loans	(386,701)	99	(386,602)
b) financial assets available for sale	(19,846)	-	(19,846)
d) other financial activities	(9,867)	-	(9,867)
140 Net income from banking activities	1,456,127	(27,753)	1,428,374
170 Net income from banking and insurance activities	1,456,127	(27,753)	
180 Administrative expenses:	(1,313,784)	92,237	(1,221,547)
a) personnel expenses	(815,200)	83,899	(731,301)
b) other administrative expenses	(498,584)	8,338	(490,246)
190 Net provisions for risks and charges	(23,501)	706	(22,795)
200 Net adjustments to / recoveries on property and equipment	(52,199)	17,673	(34,526)
210 Net adjustments to / recoveries on intangible assets	(40,321)	1,461	(38,860)
220 Other operating income (expenses)	247,614	(116,571)	131,043
230 Operating expenses	(1,182,191)	(4,494)	(1,186,685)
240 Profits (losses) on investments in associates and companies subject to joint control	24,945	-	24,945
270 Profits (losses) on disposal of investments	7,535	-	7,535
280 Income (loss) before tax from continuing operations	306,416	(32,247)	274,169
290 Taxes on income from continuing operations for the period	133,539	10,999	144,538
300 Income (loss) after tax from continuing operations	439,955	(21,248)	418,707
310 Income (loss) after tax from discontinued operations	2,877	21,248	24,125
320 Net income for the period	442,832	-	442,832
330 Net income (loss) for the period attributable to minority interests	(5,909)	-	(5,909)
340 Parent Company's net income for the period	436,923	-	436,923

Reconciliation between the reclassified income statement for the first half of 2010 and the same restated for comparative purposes

Reclassified income statement items (in thousands of euro)	1st half 2010	IFRS 5 reclassifications	1st half 2010 restated
Interest margin	944,607	(20,995)	923,612
Profits (losses) on investments in associates carried at equity	21,205	-	21,205
Financial margin	965,812	(20,995)	944,817
Net fee and commission income	653,473	(10,963)	642,510
Other net operating income	26,879	3,018	29,897
Net financial result	275,070	926	275,996
Other operating income	955,422	(7,019)	948,403
Operating income	1,921,234	(28,014)	1,893,220
Personnel expenses	(759,340)	14,841	(744,499)
Other administrative expenses	(394,851)	8,151	(386,700)
Net value adjustments on property, equipment and intangible assets	(62,966)	791	(62,175)
Operating expenses	(1,217,157)	23,783	(1,193,374)
Income (loss) from operations	704,077	(4,231)	699,846
Net adjustments on loans to customers	(386,489)	(142)	(386,631)
Net adjustments on receivables due from banks and other assets	(27,051)	126	(26,925)
Net provisions for risks and charges	(23,299)	706	(22,593)
Value adjustments on goodwill and investments in associates and companies subject to joint control	(983)	-	(983)
Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments	12,258	-	12,258
Income (loss) before tax from continuing operations	278,513	(3,541)	274,972
Taxes on income from continuing operations for the period	142,734	1,800	144,534
Income (loss) after tax from merchant banking investments and from discontinued operations	21,585	1,741	23,326
Income (loss) for the period attributable to minority interests	(5,909)	-	(5,909)
Parent Company's net income for the period	436,923	-	436,923

Financial statements of the Parent Company Banco Popolare soc. coop.

Balance sheet

Assets <i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010
10. Cash and cash equivalents	161,901	269,460
20. Financial assets held for trading	6,025,040	6,886,773
30. Financial assets designated at fair value through profit and loss	527,915	739,702
40. Financial assets available for sale	8,011,123	4,693,211
50. Investments held to maturity	58,770	58,838
60. Due from banks	44,527,108	39,050,456
70. Loans to customers	9,640,556	11,196,265
80. Hedging derivatives	150,370	109,669
100. Investments in associates and companies subject to joint control	12,547,004	12,579,850
110. Property and equipment	25,416	24,861
120. Intangible assets	2,316,893	2,316,820
of which: goodwill	2,316,800	2,316,800
130. Tax assets:	1,033,455	956,615
a) current	110,025	14,326
b) deferred	923,430	942,289
140. Non-current assets held for sale and discontinued operations	88,301	101,421
150. Other assets	595,324	524,229
Total assets	85,709,176	79,508,170
Liabilities and shareholders' equity <i>(in thousands of euro)</i>	30/Jun/2011	31/Dec/2010
10. Due to banks	15,566,417	16,668,433
20. Due to customers	9,489,566	10,203,802
30. Debt securities issued	22,651,990	15,463,140
40. Financial liabilities held for trading	860,689	871,547
50. Financial liabilities designated at fair value through profit and loss	25,097,435	24,896,345
60. Hedging derivatives	363,840	333,865
80. Tax liabilities	13,641	21,307
a) current	4,463	12,263
b) deferred	9,178	9,044
100. Other liabilities	230,980	343,401
110. Employee termination indemnities	20,064	20,440
120. Provisions for risks and charges:	215,942	209,385
a) retirement benefits and similar commitments	149,921	148,100
b) other provisions	66,021	61,285
130. Valuation reserves	(24,815)	(35,090)
150. Equity instruments	33,089	1,483,103
160. Reserves	1,706,814	1,556,736
170. Share premium reserve	4,848,962	4,880,069
180. Share capital	4,293,663	2,305,742
190. Treasury shares (-)	(2,787)	(2,964)
200. Net income (loss) (+/-)	343,686	288,909
Total liabilities and shareholders' equity	85,709,176	79,508,170

Income statement

Income statement (in thousands of euro)	30/Jun/2011	30/Jun/2010
10. Interest and similar income	802,260	737,461
20. Interest and similar expense	(921,235)	(730,197)
30. Interest margin	(118,975)	7,264
40. Fee and commission income	14,590	13,354
50. Fee and commission expense	(4,365)	(3,386)
60. Net fee and commission income	10,225	9,968
70. Dividends and similar income	283,097	312,390
80. Profits (losses) on trading	41,939	(172,239)
90. Fair value adjustments in hedge accounting	3,140	(2,563)
100. Profits (losses) on disposal or repurchase of:	37,881	6,865
a) loans	2,454	3,040
b) financial assets available for sale	22,039	559
c) investments held to maturity	-	(6)
d) financial liabilities	13,388	3,272
110. Profits (losses) on financial assets and liabilities designated at fair value	(3,011)	288,281
120. Net interest and other banking income	254,296	449,968
130. Net losses / recoveries on impairment of:	(6,680)	(16,200)
a) loans	2,065	(7,298)
b) financial assets available for sale	(8,745)	(8,902)
140. Net income from banking activities	247,616	433,767
150. Administrative expenses:	(132,039)	(144,409)
a) personnel expenses	(84,035)	(79,674) (*)
b) other administrative expenses	(48,004)	(64,735) (*)
160. Net provisions for risks and charges	(177)	(1,456)
170. Net adjustments to/recoveries on property and equipment	(621)	(609)
180. Net adjustments to/recoveries on intangible assets	(11)	(5)
190. Other operating expenses/income	115,934	115,261
200. Operating expenses	(16,914)	(31,217)
210. Profits (losses) on investments in associates and companies subject to joint control	87,730	(182)
250. Income (loss) before tax from continuing operations	318,432	402,367
260. Taxes on income from continuing operations for the period	25,254	(49,854)
270. Income (loss) after tax from continuing operations	343,686	352,513
290. Income (loss) for the period	343,686	352,513

(*) figures adapted on the basis of the reclassifications made during the period

Statement of comprehensive income

Items (in thousands of euro)	30/Jun/2011	30/Jun/2010
10. Net income (Loss)	343,686	352,513
Other comprehensive income after tax		
20. Financial assets available for sale	10,275	(19,500)
50. Foreign investment hedges	-	198
110. Total other comprehensive income after tax	10,275	(19,302)
120. Comprehensive income (Items 10+110)	353,961	333,211

Statement of changes in shareholders' equity

<i>(in thousands of euro)</i>	Balances as at 31/Dec/2010	Changes to opening balances	Balances as at 01/Jan/2011	Allocation of net income for the period		Changes in the period						Shareholders' equity as at 30/Jun/2011	
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity						Comprehensive income for 2011
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares		
Share capital:	2,305,742	-	2,305,742	-	-	-	1,987,921	-	-	-	-	-	4,293,663
a) ordinary shares	2,305,742	-	2,305,742	-	-	-	1,987,921	-	-	-	-	-	4,293,663
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	4,880,069	-	4,880,069	-	-	-	(31,107)	-	-	-	-	-	4,848,962
Reserves:	1,556,736	-	1,556,736	236,003	-	(85,925)	-	-	-	-	-	-	1,706,814
a) retained earnings	1,272,321	-	1,272,321	236,003	-	(85,925)	-	-	-	-	-	-	1,422,399
b) other	284,415	-	284,415	-	-	-	-	-	-	-	-	-	284,415
Valuation reserves	(35,090)	-	(35,090)	-	-	-	-	-	-	-	-	-	(24,815)
Equity instruments	1,483,103	-	1,483,103	-	-	-	-	(1,450,014)	-	-	-	-	33,089
Treasury shares	(2,964)	-	(2,964)	-	-	-	-	178	-	-	-	-	(2,787)
Net income (loss) for the period	288,909	-	288,909	(236,003)	(52,906)	-	-	-	-	-	-	-	343,686
Shareholders' equity	10,476,505	-	10,476,505	-	(52,906)	(85,925)	1,956,814	178	(1,450,014)	-	-	-	11,198,612

<i>(in thousands of euro)</i>	Balances as at 31/Dec/2009	Changes to opening balances	Balances as at 01/Jan/2010	Allocation of net income for the period		Changes in reserves	Changes in the period						Comprehensive income for 2010	Shareholders' equity as at 30/Jun/2010
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	2,305,736	-	2,305,736	-	-	-	-	-	-	-	-	-	-	2,305,736
a) ordinary shares	2,305,736	-	2,305,736	-	-	-	-	-	-	-	-	-	-	2,305,736
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	4,880,038	-	4,880,038	-	-	-	-	-	-	-	-	-	-	4,880,038
Reserves:	1,476,527	-	1,476,527	188,809	-	(109,307)	-	-	-	-	-	-	-	1,556,028
a) retained earnings	1,192,112	-	1,192,112	188,809	-	(109,307)	-	-	-	-	-	-	-	1,271,613
b) other	284,415	-	284,415	-	-	-	-	-	-	-	-	-	-	284,415
Valuation reserves	3,195	-	3,195	-	-	-	-	-	-	-	-	-	-	(16,107)
Equity instruments	1,452,534	-	1,452,534	-	-	-	-	-	-	30,642	-	-	-	1,483,176
Treasury shares	(2,803)	-	(2,803)	-	-	-	-	(161)	-	-	-	-	-	(2,964)
Net income (loss) for the period	240,047	-	240,047	(188,809)	(51,239)	-	-	-	-	-	-	-	-	352,513
Shareholders' equity	10,355,274	-	10,355,274	-	(51,239)	(109,307)	-	(161)	-	30,642	-	-	-	333,211
														10,558,420

Cash flow statement

<i>(in thousands of euro)</i>	30/Jun/2011	30/Jun/2010
A. Operating activities		
1. Cash flow from operations	(66,087)	59,123
2. Cash flow from / used in financial assets	(6,230,430)	(4,889,529)
3. Cash flow from / used in financial liabilities	5,533,566	4,583,202
<i>Net cash flow from / used in operating activities</i>	(762,951)	(247,203)
B. Investing activities		
1. Cash flow from	310,785	387,183
2. Cash flow used in	(55,072)	(177,027)
<i>Net cash flow from / used in investing activities</i>	255,713	210,156
C. Financing activities		
<i>Net cash flow from / used in financing activities</i>	399,679	(17,018)
Cash flow from / used in during the period	(107,559)	(54,066)

Reconciliation	30/Jun/2011	30/Jun/2010
Cash and cash equivalents at the beginning of the period	269,460	188,094
Net increase/decrease in cash and cash equivalents	(107,559)	(54,066)
Cash and cash equivalents at the end of the period	161,901	134,029

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 Valetti, La mietitura, around 1943, oil on panel

Address

BANCO POPOLARE SOC. COOP.

PIAZZA NOGARA, 2 - 37121 VERONA - ITALIA

Investor Relations

TEL. +39-045.867.5537

investor.relations@bancopopolare.it

www.bancopopolare.it/ir

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