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**Group CEO**

**UBS Italian Financial Services Conference**  
“Strategic prospects in a competitive environment”

**Milan, 1 February 2008**





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# Agenda

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## Disclosure policy: Next steps

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**On 28 March 2008 full disclosure on:**

**Group FY 07 results**

**Group capital position**

**IFRS3 application**

**Performance outlook**

**From 1 February till 28 March 2008:**

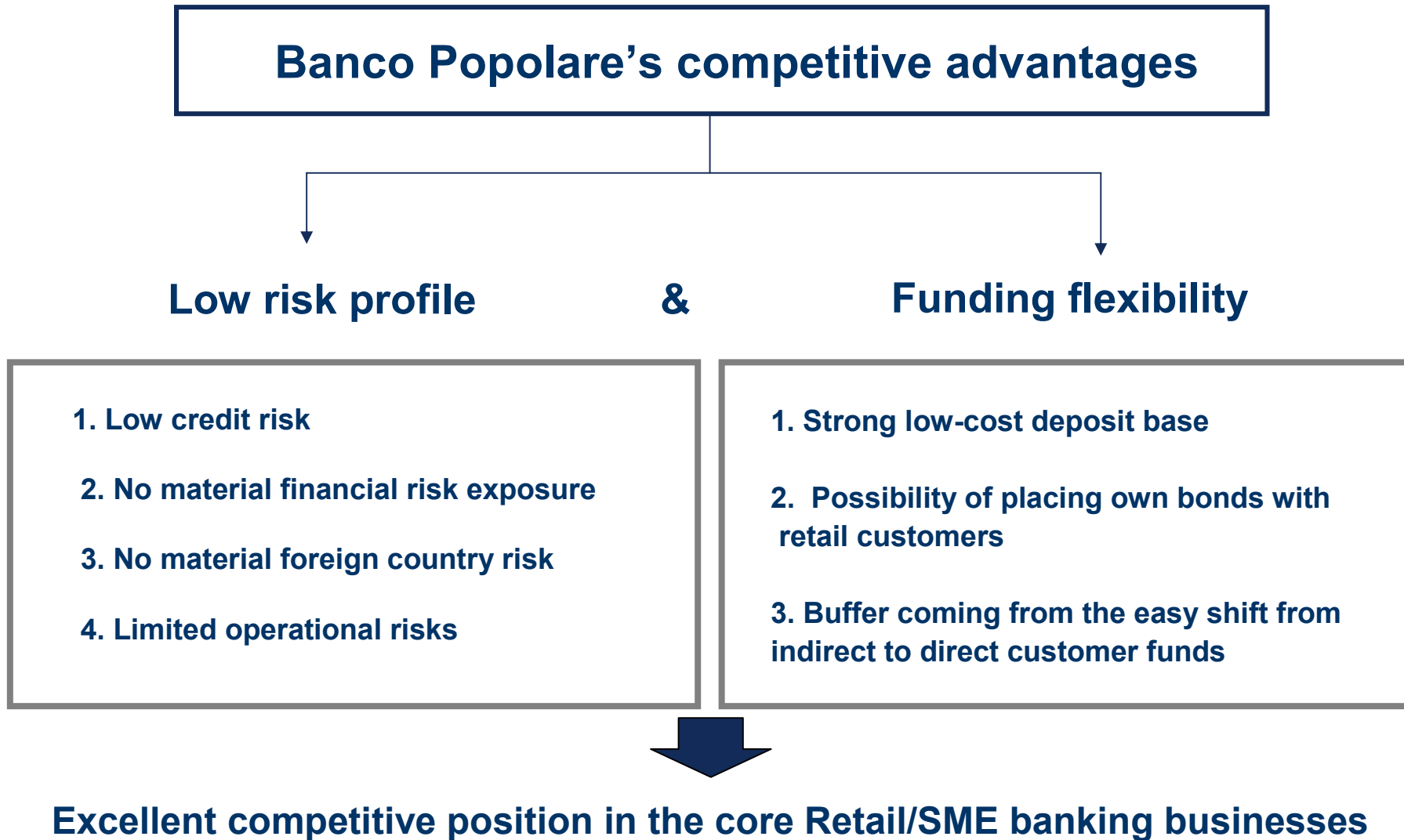
**Press releases on the possible closing of deals as done with the disposals of :  
Bipielle Net, CR Bolzano and Linea SPA**



## Strengths of core retail franchise

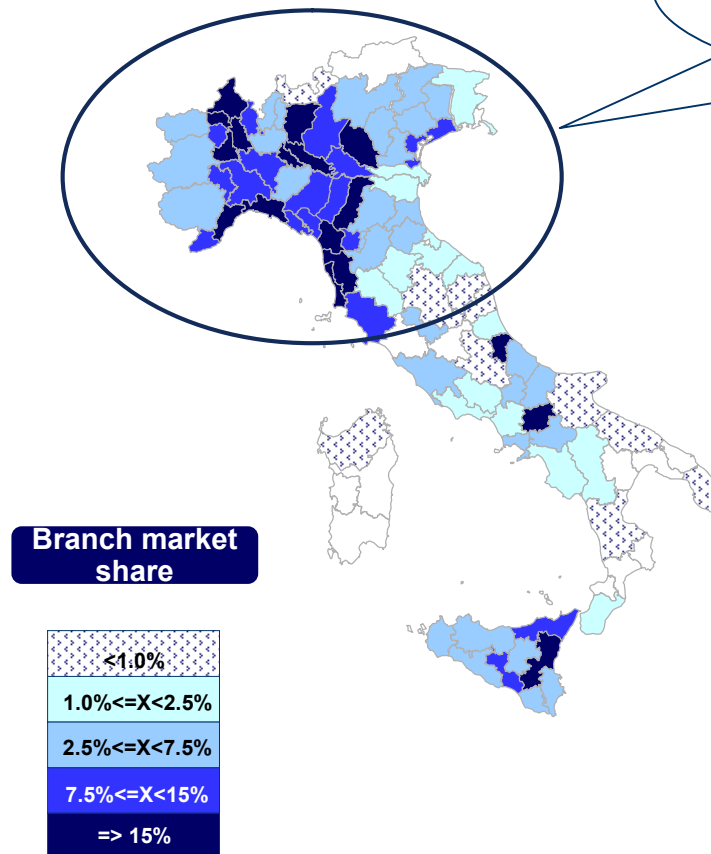


## Strengths of core retail franchise



# Strengths of core retail franchise: Low risk profile

## 1. Low credit risk



Economically resilient northern Italy accounts for more than 70% of the Group's branch network (more than 80% incl. Tuscany)

### ■ Excellent geographical position:

Average branch market share of 10% in the main regions in northern Italy:

- Liguria: 13.8%
- Tuscany: 11.3%
- Veneto: 9.2%
- Piedmont: 9.2%
- Lombardy: 8.9%
- Emilia Romagna: 7.3%
- Market share of more than 10% in 21 provinces

### ■ Franchise quality

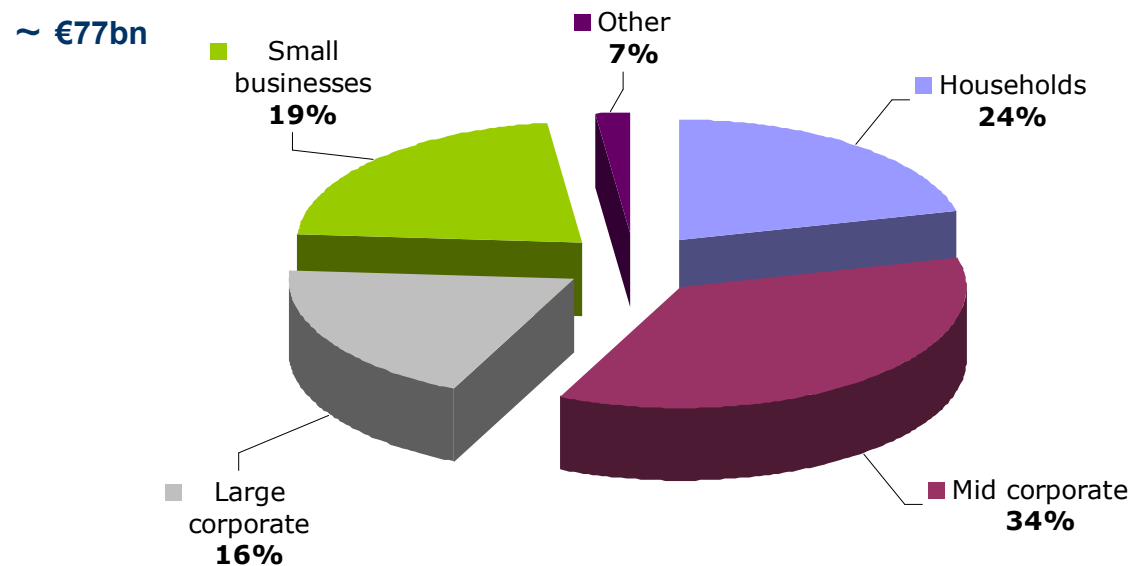
### ■ Well recognized brands in core market regions

**An advantage for commercial effectiveness and sound credit management**



## Strengths of core retail franchise: Low risk profile

### Network customer loans – Breakdown by customer segment <sup>(i)</sup>



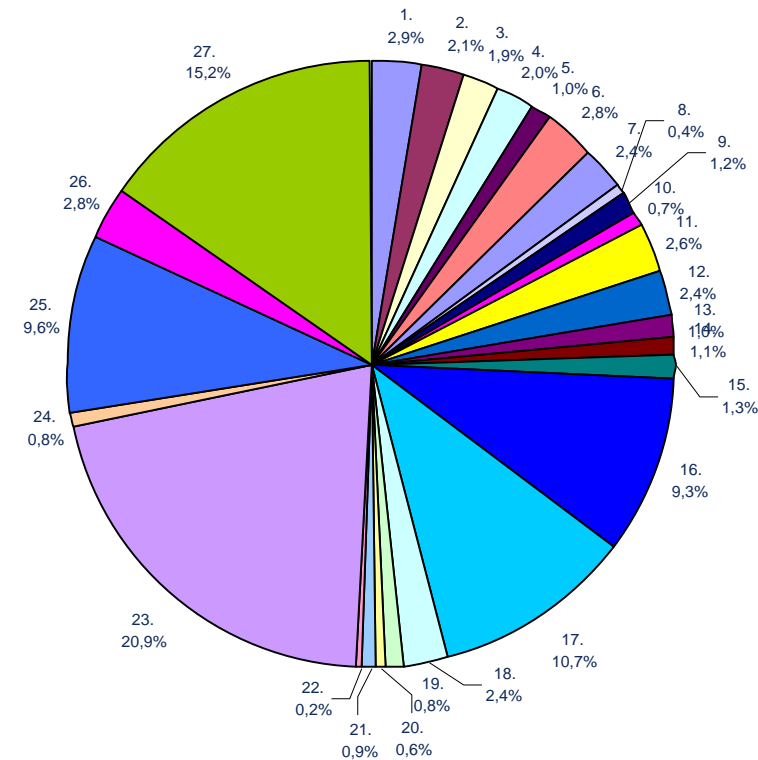
(i) Network customer loans – estimated breakdown as at year-end 2007





# Strengths of core retail franchise: Low risk profile

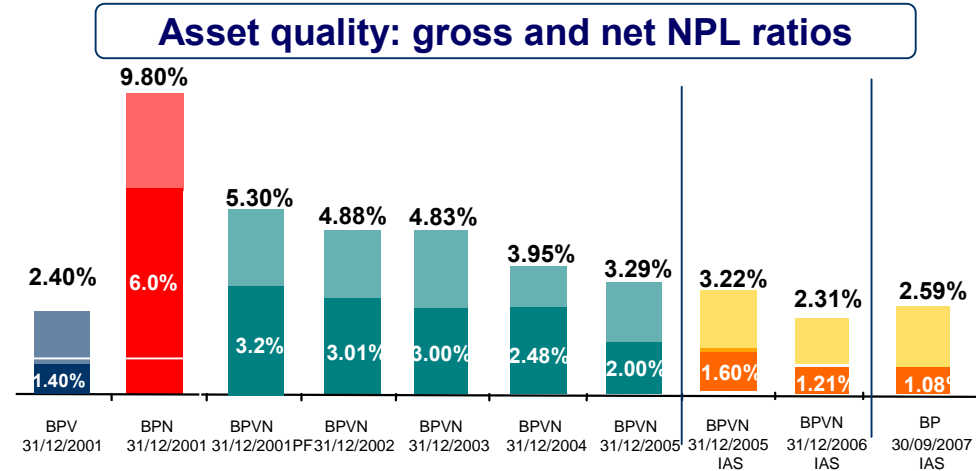
## Strong risk diversification by districts and economic sectors



**% of collateralised loans: ~ 50%**

## Strengths of core retail franchise: Low risk profile

BP management has shown a strong track record in asset quality realignment to best practise in the BPN merger ...



... while an effective downsizing of ex-BPI risk positions is well under way

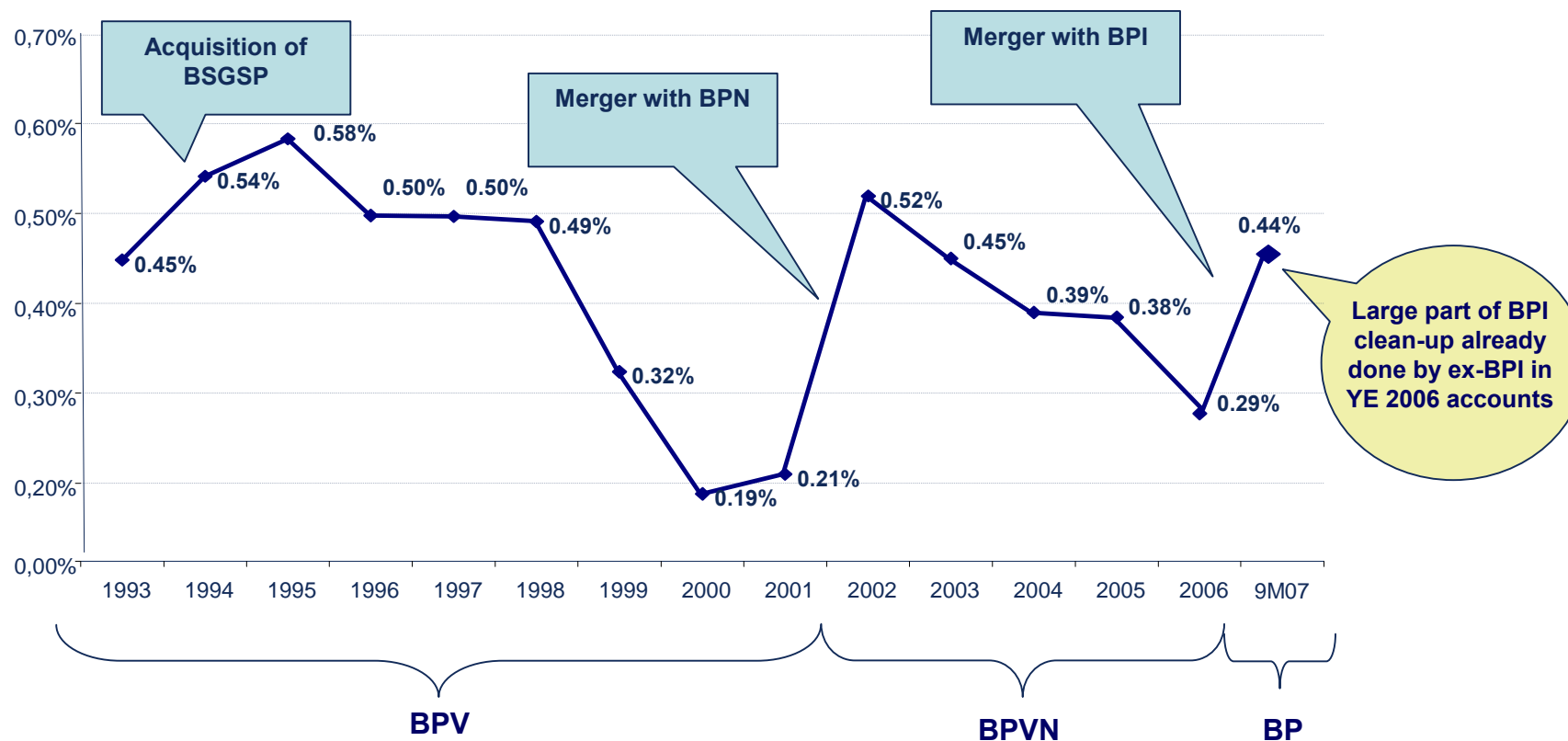


- 26<sup>th</sup> June 2007, closure of Magiste exposure
- 28<sup>th</sup> June 2007, settled legal position in Antonveneta legal proceedings
- 6<sup>th</sup> November 2007, Banco Popolare and Barilla Group settled all legal controversies about Kamps' financial exposure



**Closed with ZERO IMPACT on P&L**

## Low historic cost of credit risk



### Notes

Calculation based on Annual Reports

2006-2007 figures based on IAS, previous years on Italian Gaap; 2006-2007 excluding time factor, with 2006 including disposal of NPLs

2004 without Linea ( afterwards considered as equity stake)

## Strengths of core retail franchise: Low risk profile

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### 2. No material financial risks

**Negligible  
directional financial  
market risks**

**Very low risk exposure  
to foreign exchange risk,  
mainly induced from  
retail banking activities**

**Minor risk of  
transformation  
of customer  
financial products**

### 3. No material foreign country risk

**No Exposure to  
US “subprime” risk**

**No Exposure  
to US monoliners**

**No Conduits or  
SIVs exposure**

## Strengths of core retail franchise: Low risk profile

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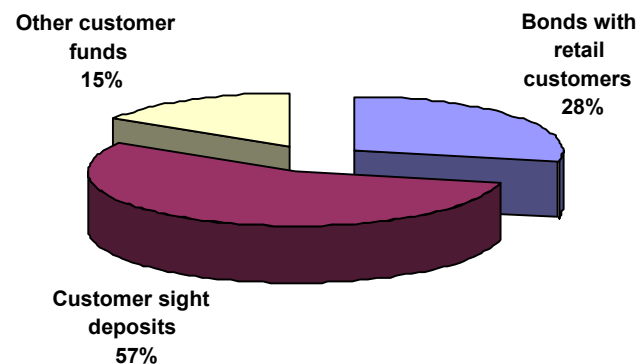
### 4. Limited operational risks

- Low complexity from country diversification (98% of branches in Italy)
- No complexity from business diversification – core retail focus
- Tight management of operational risks:

- ☐ The bank has introduced a centralised organisational model aiming at identifying, assessing, managing and reducing operational risks
- ☐ Methodologies based on:
  - ☐ qualitative analysis (Risk Assessment): use of common database for statistical analysis
  - ☐ quantitative analysis (Loss Collection): use of IT database for collection, control and confirmation of the incurred loss
- ☐ Planned use of Standardised Measurement Approach as internal operational risk management model starting from 30 June 2008 and contemporary development of the Advanced Measurement Approach

## Strengths of core retail franchise: Funding flexibility

### Mix of network customer funds<sup>(i)</sup>

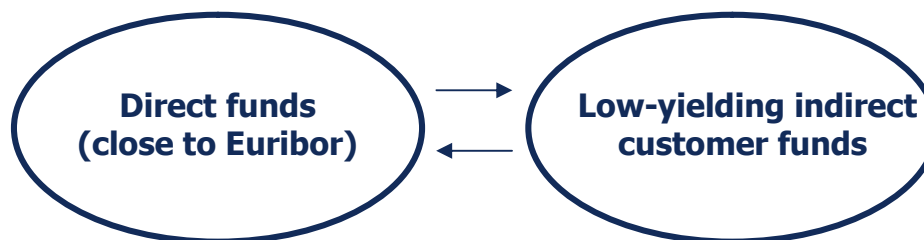
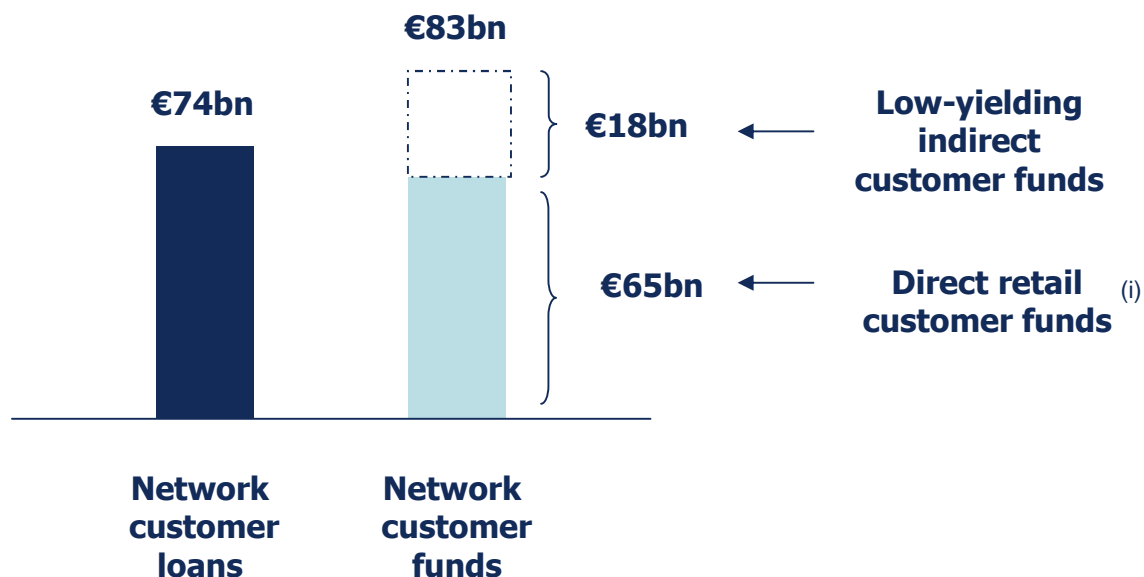


- Net positive short-term interbank exposure since September (between €1bn-€3bn)
- No significant maturity of former issues in 2008 (about €800m in the first half)
- Growth in direct customer funding of more than 11 % in Q4 2007

(i) Excludes wholesale customer funds and interbank

## Strengths of core retail franchise: Funding flexibility

**Banco Popolare  
enjoys strong  
funding flexibility  
and immunization to  
wholesale market  
level and liquidity**



(i) Excludes wholesale customer funds and interbank



**Best practice: fully integrated in Q1 2008**









# Value Creation Drivers

## Cost Synergies (2010)

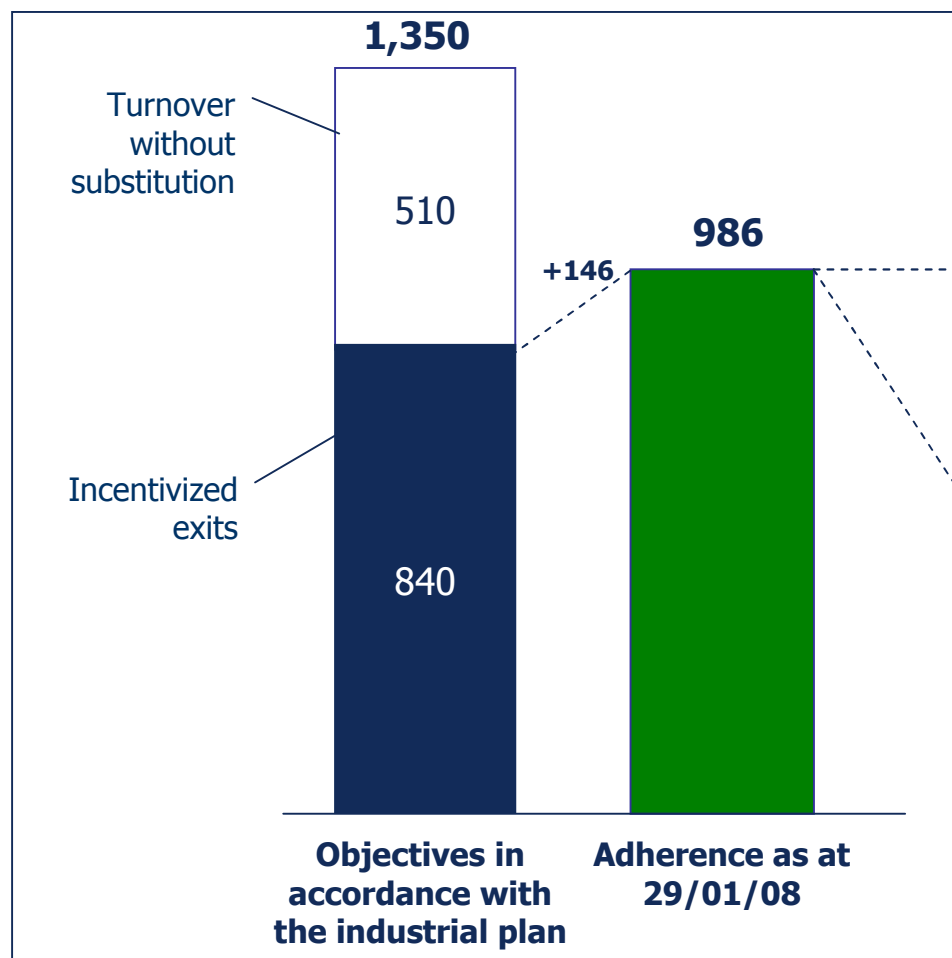
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Gross Cost Synergies (€m)		Main Drivers		Delivery
Personnel	 <b>91</b>	% of total <b>40%</b>	<ul style="list-style-type: none"> <li>■ Personnel cost savings ~1,350 resources mainly HQ staff and BO</li> </ul>	<ul style="list-style-type: none"> <li>■ Adherence to the incentivised exit scheme higher than the objectives</li> </ul>
IT / Back Office Administrative Expenses	 <b>67</b>	<b>30%</b>	<ul style="list-style-type: none"> <li>■ IT system integration</li> <li>■ Back Office optimization</li> </ul>	<ul style="list-style-type: none"> <li>■ IT integration to be completed by the end of February 2008</li> </ul>
General Administrative Expenses	 <b>69</b>	<b>30%</b>	<ul style="list-style-type: none"> <li>■ Single purchasing unit</li> <li>■ Wide adoption of best practice in cost management</li> </ul>	<ul style="list-style-type: none"> <li>■ In line with objectives</li> </ul>
Total cost synergies	 <b>227</b>	<b>100%</b>	<ul style="list-style-type: none"> <li>■ Leveraging on track record in achieving economies of scale</li> </ul>	<b>Cost Synergies CONFIRMED</b>

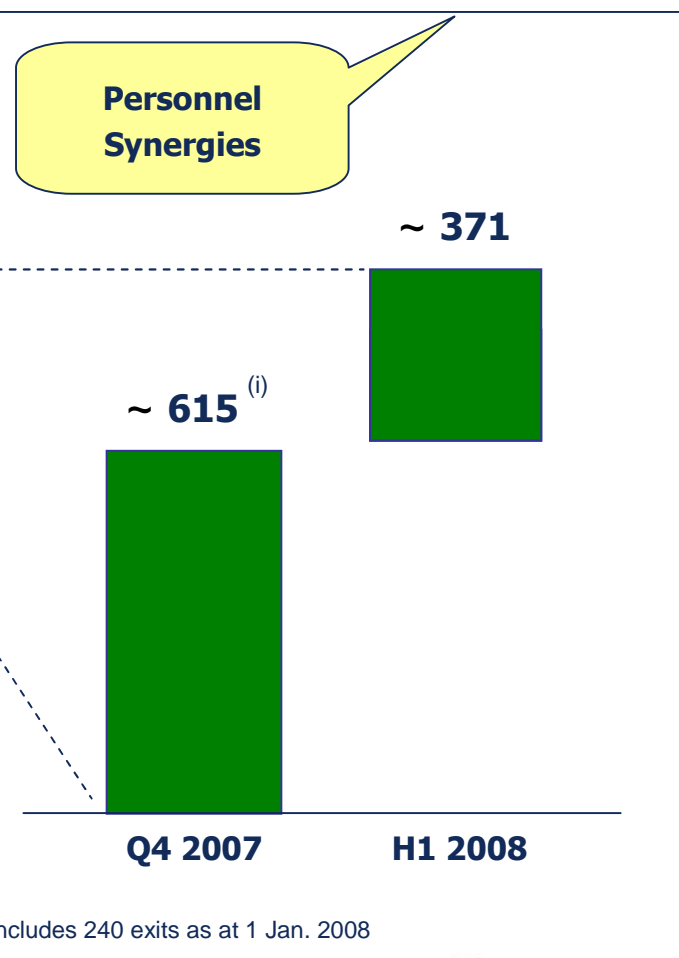
## Personnel: Adherence to incentivised exit scheme

**Adherence to the scheme higher than expected**

**Adherence to the  
incentivised exit scheme as at 29 Jan. 2008**



**Phasing of incentivised exit scheme**



# IT migration of ex-BPI network: Progress overview

**More than 30,000  
training days in  
2007**

**Ex-BPI networks**

		Number of branches migrated	Cumulative # of branches on target IT System	
<b>10 Sept. '07</b>	<input checked="" type="checkbox"/> <b>Banca Popolare di Crema</b> is fully operational on the Group's IT system	<b>44</b>	<b>1,266</b>	<b>58%</b>
<b>05 Nov. '07</b>	<input checked="" type="checkbox"/> <b>Banca Popolare di Lodi</b> is fully operational on the Group's IT system	<b>541</b>	<b>1,807</b>	<b>83%</b>
<b>01 Feb. '08</b>	<input type="checkbox"/> IT migration of <b>CR LuPiLI</b> and <b>BP Mantova</b>	<b>253</b>	<b>2,060</b>	<b>94%</b>
<b>29 Feb. '08</b>	<input type="checkbox"/> IT migration of <b>BP Cremona</b> and <b>Caripe</b>	<b>127</b>	<b>2,187</b>	<b>100%</b>

# Value Creation Drivers

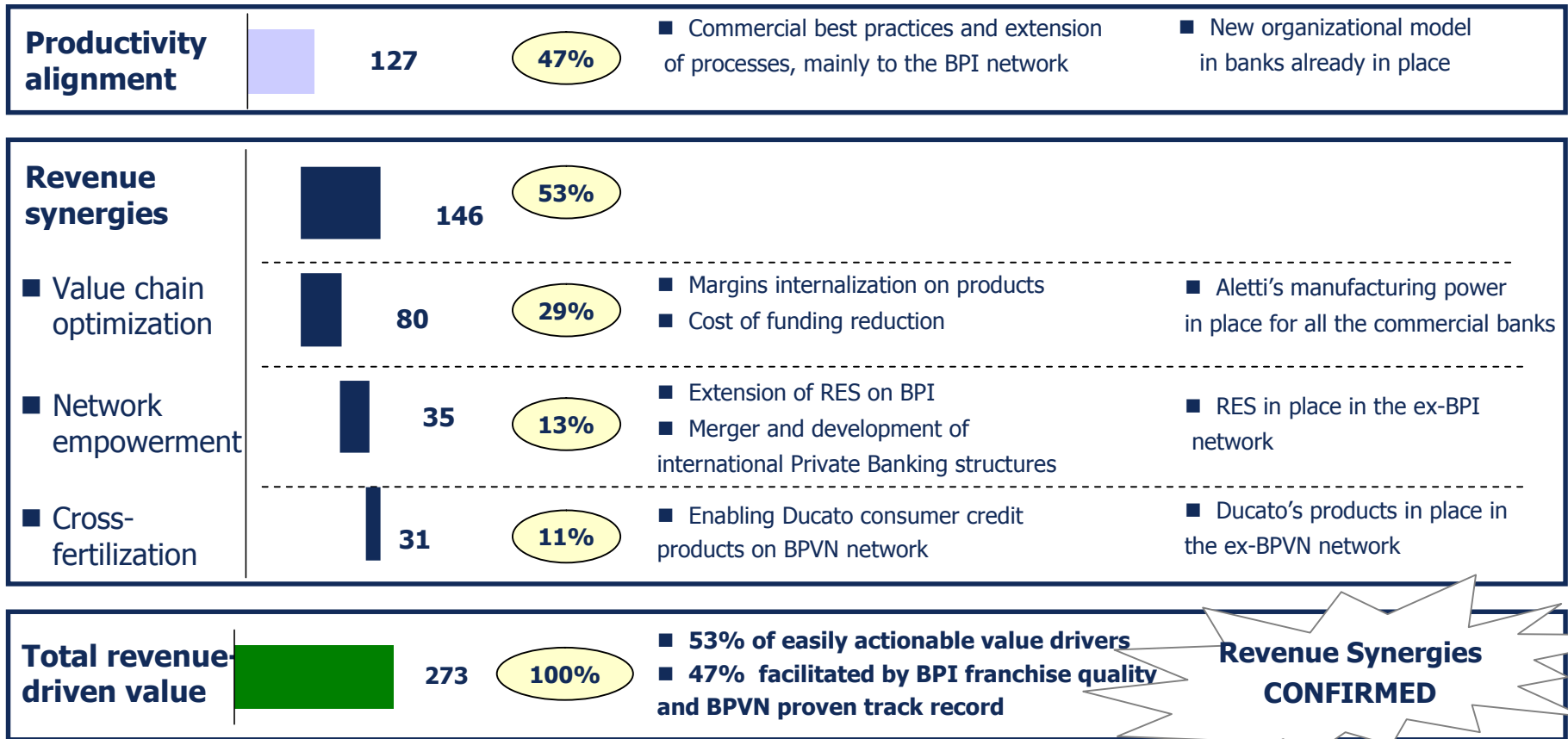
## Revenues (2010)

Gross revenue-driven value (€m)

Main Drivers

Delivery

% of total



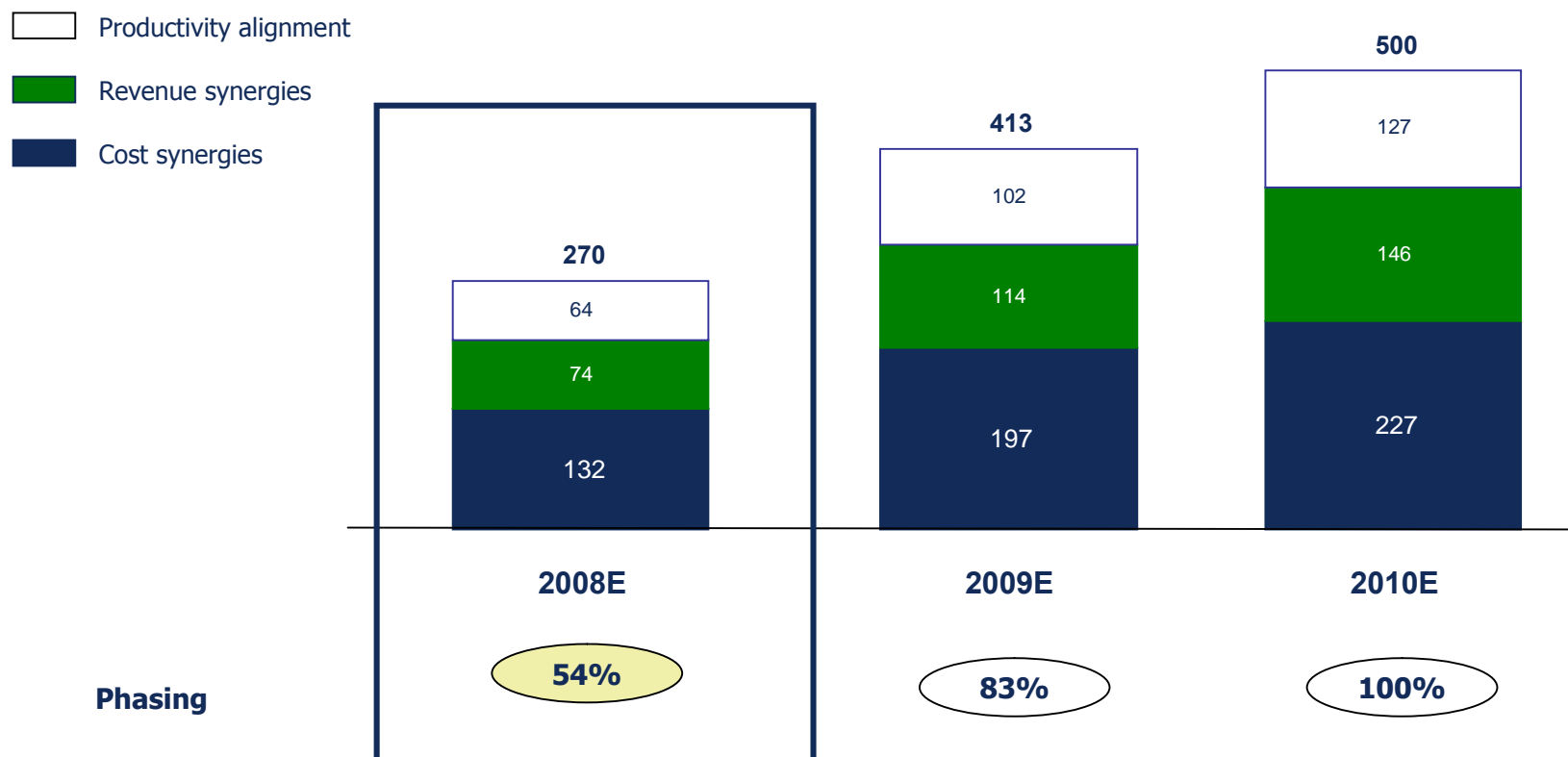
**Revenue Synergies  
CONFIRMED**

## Integration projects: recent initiatives

**All integration projects have been launched and are well on track;  
important results have been achieved in the last months**

Jan '08 	<b>Startup of Bancassurance products commercialization (life and protection ) of holding's new JV</b>	<i>Revenues synergies</i>
Dec '07 	<b>Unification of the depositary banking activities of Gestielle mutual funds of BPL and BPV under Banco Popolare</b>	<i>Cost synergies</i>
Dec '07 	<b>Centralisation of Asset Management (integration of SGR and SGR Alternative management arms)</b>	<i>Cost synergies and productivity alignment synergies</i>
Dec '07 	<b>Merger of Bipielle ICT into SGS Group operating machine</b>	<i>Cost synergies</i>
Dec '07 	<b>Centralisation of the Back Office functions into specialized poles</b>	<i>Cost synergies</i>

## Phasing of merger synergies



## Competitive advantage: Change in focus

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From:

**Merger focus  
in 2007**



To:

**Core focus back on  
business development**

**Banco Popolare is the only Italian banking group to be fully  
integrated and operational from February 2008**

# Conclusions

Banco Popolare is a core retail banking group concentrated in northern Italy, with clear advantages in terms of its low risk profile and its strong retail customer funding base

Only 8 months after the merger, the Group is completing its IT integration, which will free up commercial time and translate into synergies from 2008

Disclosure policy: Full disclosure on all topical issues will be provided on 28 March 2008





## Appendix



# Value Creation Drivers

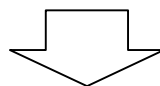
## Savings on Personnel Costs

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### Rationale

#### ■ Benefiting from **economies of scale**:

- reducing weight of Headquarters and Back Office
- leveraging on new IT procedures
- improved efficiency of product factories

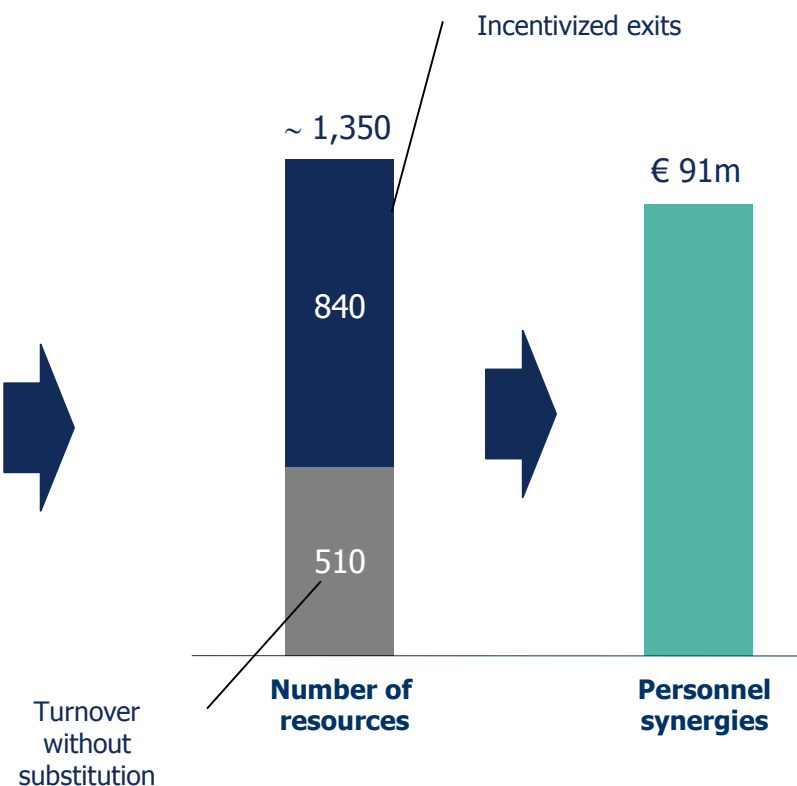


#### ■ Synergies on HR costs **mainly limited to non-sales personnel**:

- net reduction of about 1,350 units over the business plan period, through **turnover effect and incentive plans**
- maintaining business plan targets on network growth (excellent fit with no overlap and investments in fast growing businesses)



### Impact (€m)



# Value Creation Drivers

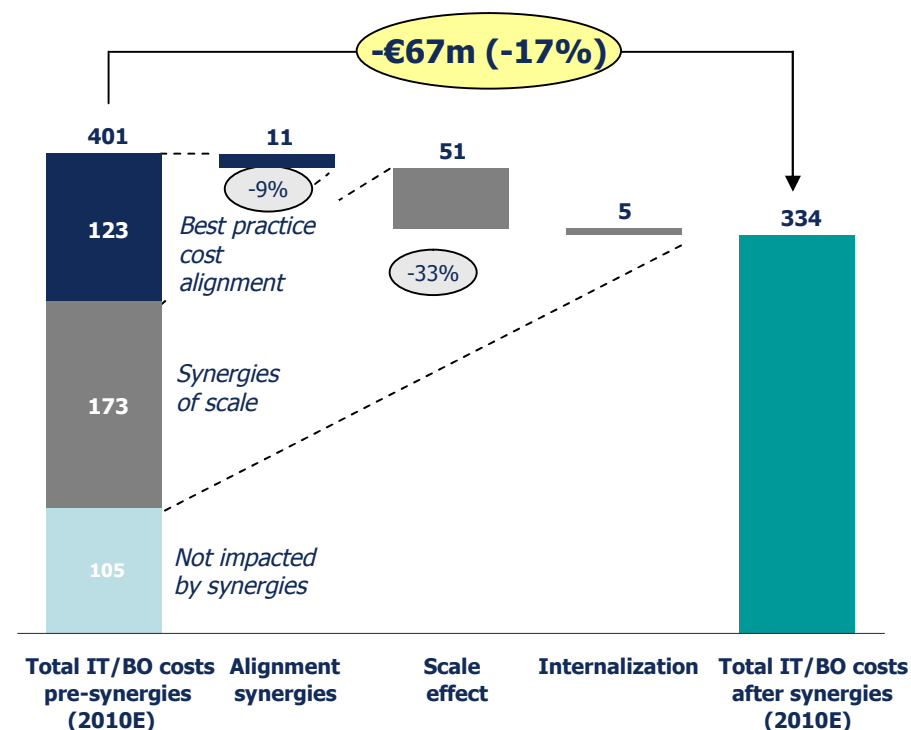
## Economies of Scale and Best Practice on IT/BO Costs

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### Rationale

- 31% of total IT/BO costs (€ 123m) can be optimized by 9% through the **adoption of best practices** (e.g. telecommunication services, non-central IT)
- 43% of total IT/BO costs (€ 173m) can be reduced by over 30% due to **economies of scale** (e.g. central IT, software development, internalization of IT body rentals)
- 26% of total IT/BO costs (€ 105m) can be optimized only in the medium-long term (e.g. information providers, utilities) and, therefore, have **not** been included as a **saving target** in the business plan

### Impact (€m)



# Value Creation Drivers

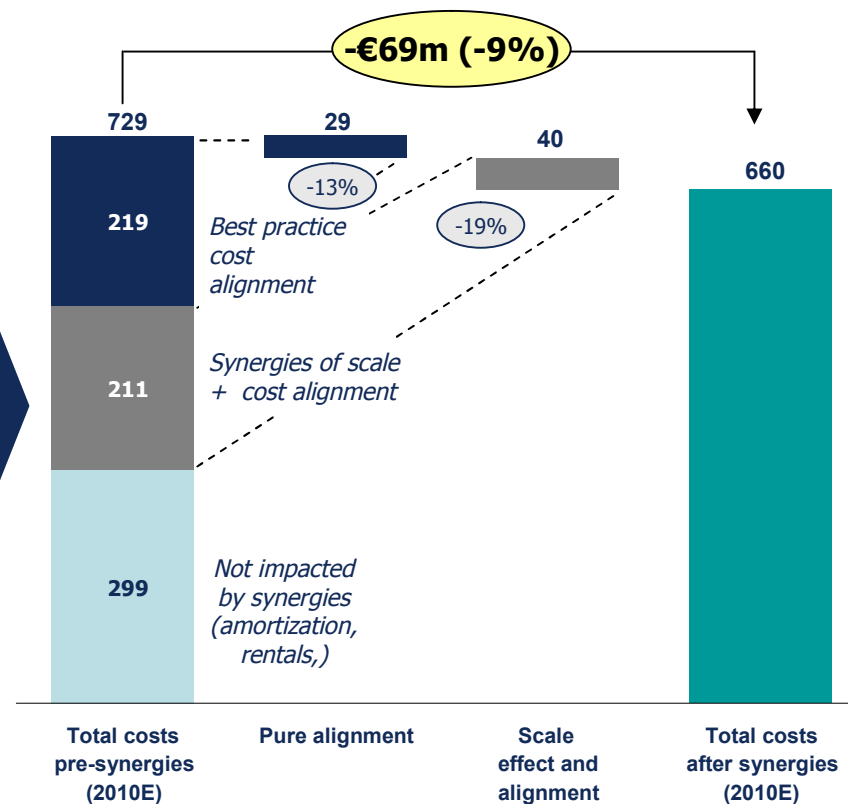
28

## Economies of Scale and Best Practice on Other Administrative Costs

### Rationale

- 30% of other administrative costs (€ 219m) can be optimized by 13% through the **adoption of best practices** (e.g. facility management)
- 29% (€ 211m) can be optimized through the adoption of **best practices and the positive effect of economies of scale** (e.g. office materials)
- 41% (€ 299m) can be optimized only in the long term (e.g. depreciations, leases, marketing expenses) and, therefore have **not** been included as a **saving target** in the business plan

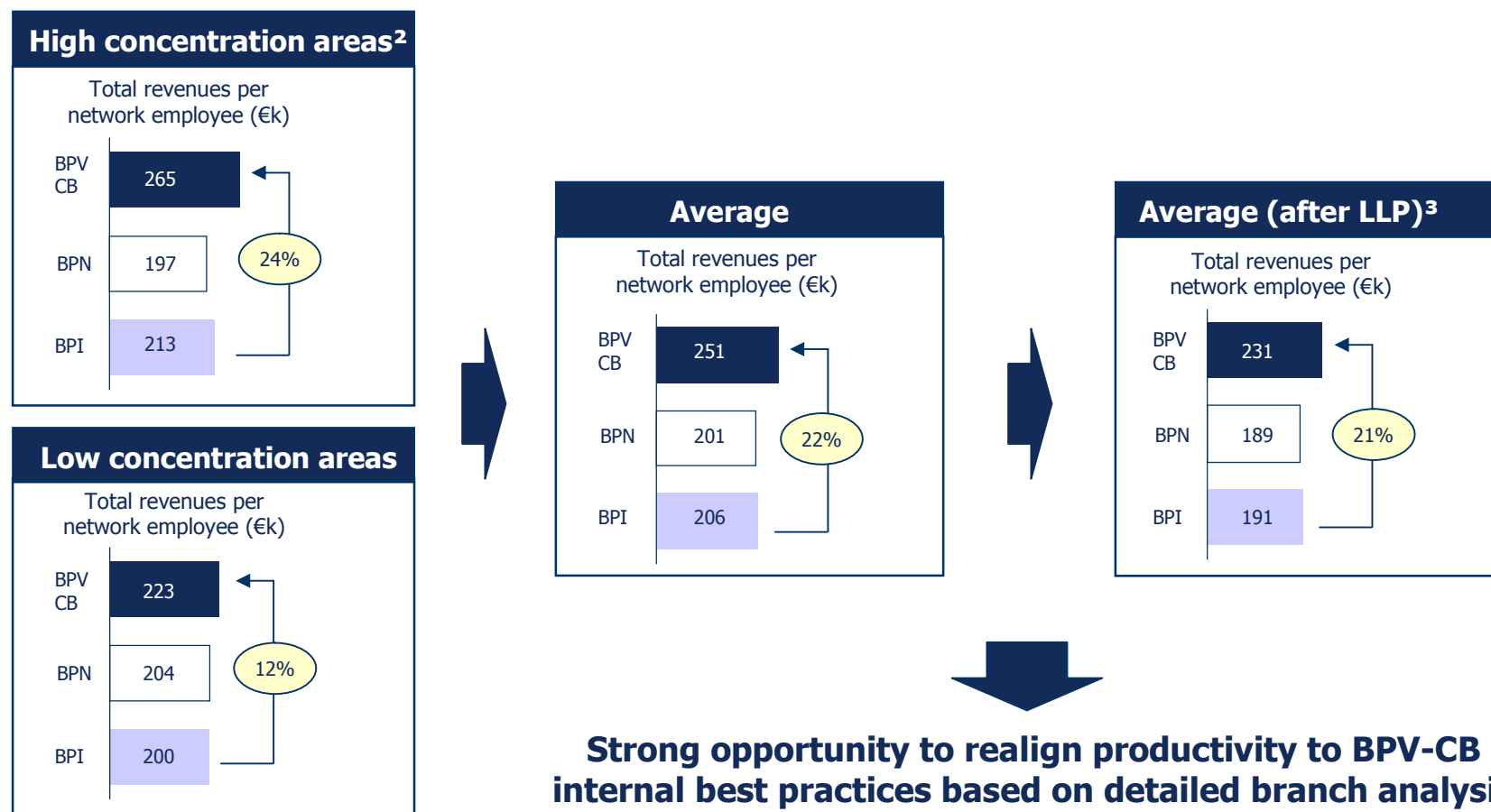
### Impact (€m)



# Value Creation Drivers

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Opportunity to fill the Productivity Gap (2006 Internal Benchmark excl. Consumer Credit<sup>1</sup>)



(1) Based on detailed branch analysis; productivity calculated as network revenues/network employees excluding Ducato and Linea.

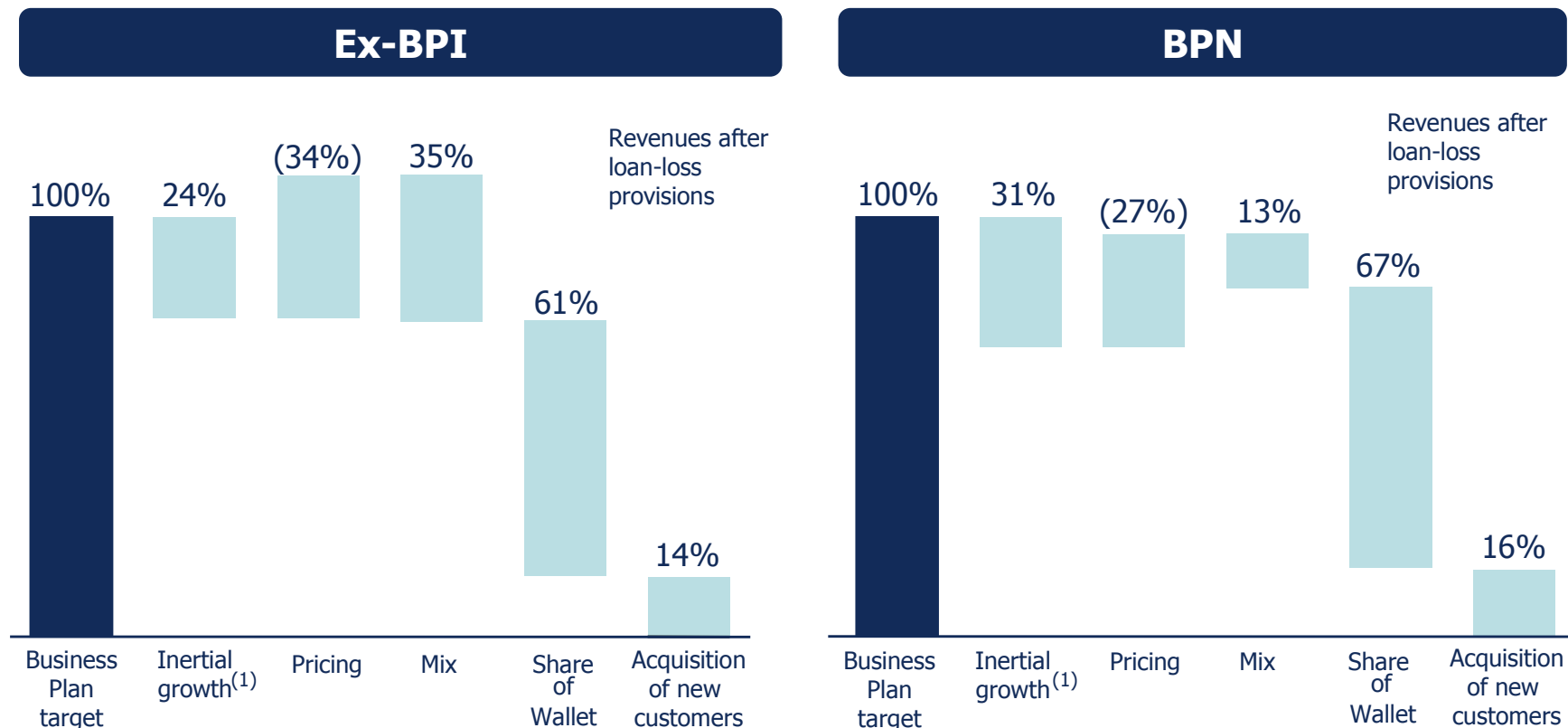
(2) High concentration: areas with distance between branches lower than 1 km.

(3) Revenues after loan-loss provisions

# Value Creation Drivers

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## Share of Wallet and Pricing Opportunities to Realign Productivity



**Focus on mix and share of wallet increase on current customer-base**

(1) Underlying CAGR 2006-2010 for customer assets at 3%

# Value Creation Drivers

## Productivity Alignment Actions and Targets

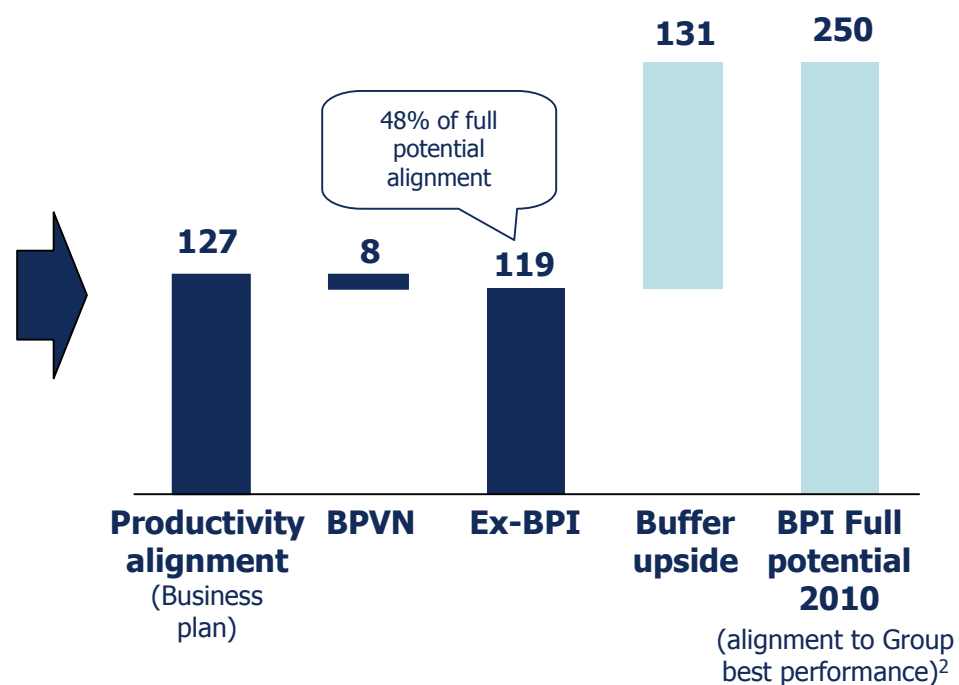
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### Actions

- **Extension of BPVN's commercial model** in terms of:
  - Corporate Branches and Corporate Accounts fully dedicated
  - Private key accounts and support processes from Aletti
- **Adoption of BPVN's distribution best practices** in terms of:
  - Product range
  - Control & monitoring processes
  - Customer Relationship Management procedures and IT architecture
  - Planning processes, Budgeting techniques and procedures
  - Sales force incentives
  - Sales force training
- **Residual alignment of BPVN in core BPI areas** (€8m in 2010)

### Impact (€m)

Revenues (after loan-loss provisions, €m)<sup>1</sup>

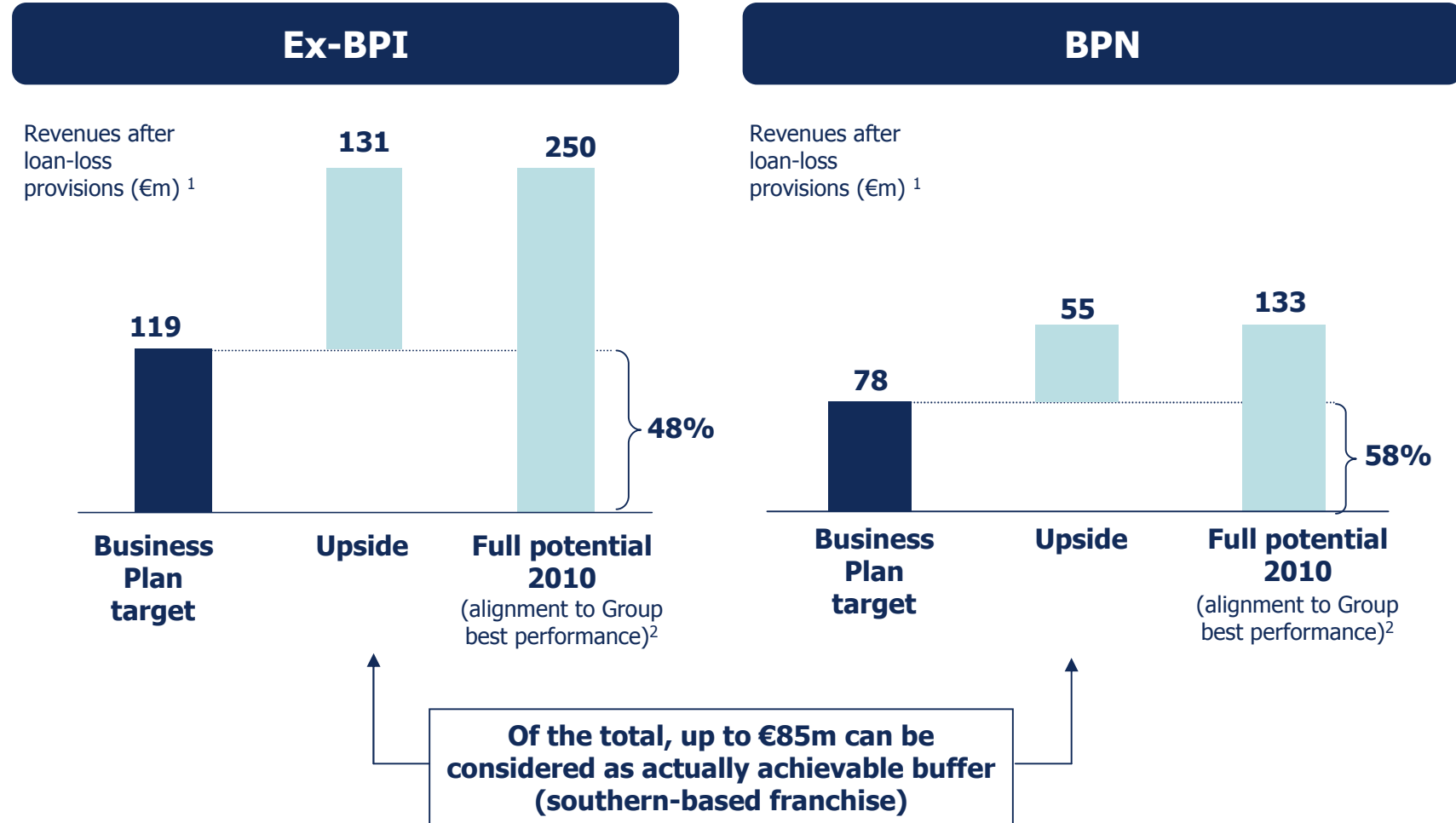


(1) Revenues, provisions and employees not including Head Office

(2) 100% alignment to BPV+CB revenues per employee (net of loans-loss provisions)

# Value Creation Drivers

## Productivity Alignment and Buffers in BPI and BPN Networks



(1) Revenues, provisions and employees excluding Head Office

(2) 100% alignment to BPV+CB revenues per employee (net of loans-loss provisions)



# Value Creation Drivers

## Value chain optimization and Network Empowerment

### Value Chain Optimization

#### ■ Retail and Corporate products (Aletti) - €49m:

- Revenue growth from structured finance products due to the full internalisation of the related manufacturing process within Banca Aletti

#### ■ Brokerage and trading (Aletti) - €24m:

- Internalisation of brokerage and trading fees on BPI assets under custody, currently paid to third party brokerage houses

#### ■ Cost of funding - €7m:

- Reduction in BPI cost of funding in EMTN/institutional markets (-15 bps)



**Total = €80m**

### Network Empowerment

#### ■ RES (External Specialized Network) -

**€25m:** extension of the "specialist intermediaries" model to the BPI network in areas previously not covered, especially in:

- Liguria
- Tuscany
- Abruzzo

#### ■ PRIVATE - €10m: Merger of foreign Private Banking structures allowing for:

- increased assets related to captive channel
- development of existing customer base
- acquisition of new customers



**Total = €35m**

# Downsizing of ex-BPI risks

## ▪ 26<sup>th</sup> June 2007, closing of Magiste exposure:

### MAGISTE

- Banco Popolare will receive **€26m** as partial payment of its total exposure (€202m) and waives about **€176m** (which have already been written down in 2005 and 2006).
- Magiste group will waive the right to all claims or revocatory actions against Banco Popolare Group..



**CLOSED**  
**Zero impact on P&L**

## ▪ 28<sup>th</sup> June 2007, BPI settled its legal position in Antonveneta legal proceedings:

### ANTONVENETA LITIGATIONS

- The Antonveneta capital gain of about **€94m** (already written down in 2005) has been confiscated by public prosecutors.



**CLOSED**  
**Zero impact on P&L**

## ▪ 6<sup>th</sup> November 2007, Banco Popolare and Barilla Group settled all legal controversies about Kamps' financial exposure:

### KAMPS

- BP will sale the stake indirectly held in Kamps for **€434m** to a company fully controlled by Barilla.
- Barilla Group will reimburse to Banco Popolare two loans facilities for a total amount of **€70m**.
- BP will grant to Barilla Group a 13-year loans for **€506m**.

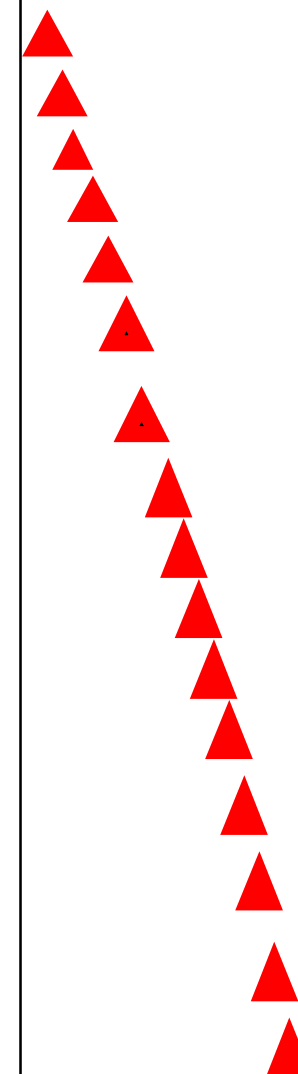


**CLOSED**  
**Zero impact on P&L**

# Pipeline of IR initiatives in 2008

work in  
progress

Date	Place	Event
17 January 2008	London	HSBC – Italian Regional Banks Conference (investor meetings)
24 January 2008	Vienna	Kepler /Borsa Italiana Conference (investor meetings)
1 February 2008	Milan	UBS – Italian Financial Services Conference
28 March 2008	Verona	Press release on FY 2007 results
28 March 2008 (TBC)	Verona	Banco Popolare: Conference call on FY2007 results
2-3 April 2008	London	Morgan Stanley – European Financials Conference
April – June 2008	Italy +abroad	Roadshow activities
3 May 2008	Verona	Annual General Meeting of Shareholders (2nd call)
15 May 2008	Verona	Press release on Q1 2008 results
16 May 2008 (TBC)	Verona	Banco Popolare: Conference call on Q1 2008 results
20 May 2008	Paris	CA Chevreux 2nd Annual Spring European Large Cap Conference
30 May 2008	London	Deutsche Bank Italian Conference
13 June	Berlin	Goldman Sachs European Financials Conference
29 August 2008	Verona	Press release on H1 2008 results
29 August 2008 (TBC)	Verona	Banco Popolare: Conference call on H1 2008 results
14 November 2008	Verona	Press release on Q3 2008 results
14 November 2008	Verona	Banco Popolare: Conference call on Q3 2008 results





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