



## **KBW European Financials Conference**

Fabio Innocenzi, Group CEO

London, 17 September 2008





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# Agenda

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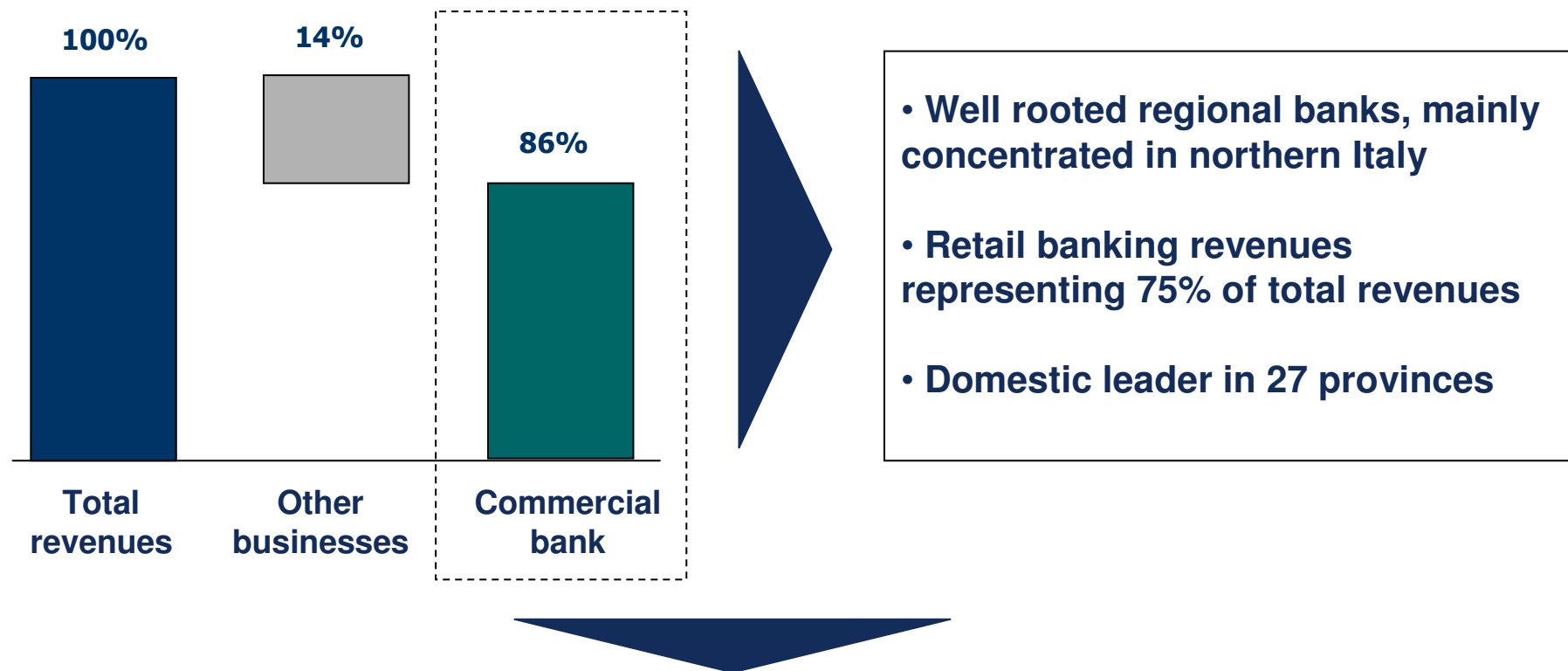
## Section 1

# Update on Strategy & Business Plan



# Strategic focus: Leveraging on Key Group Strengths

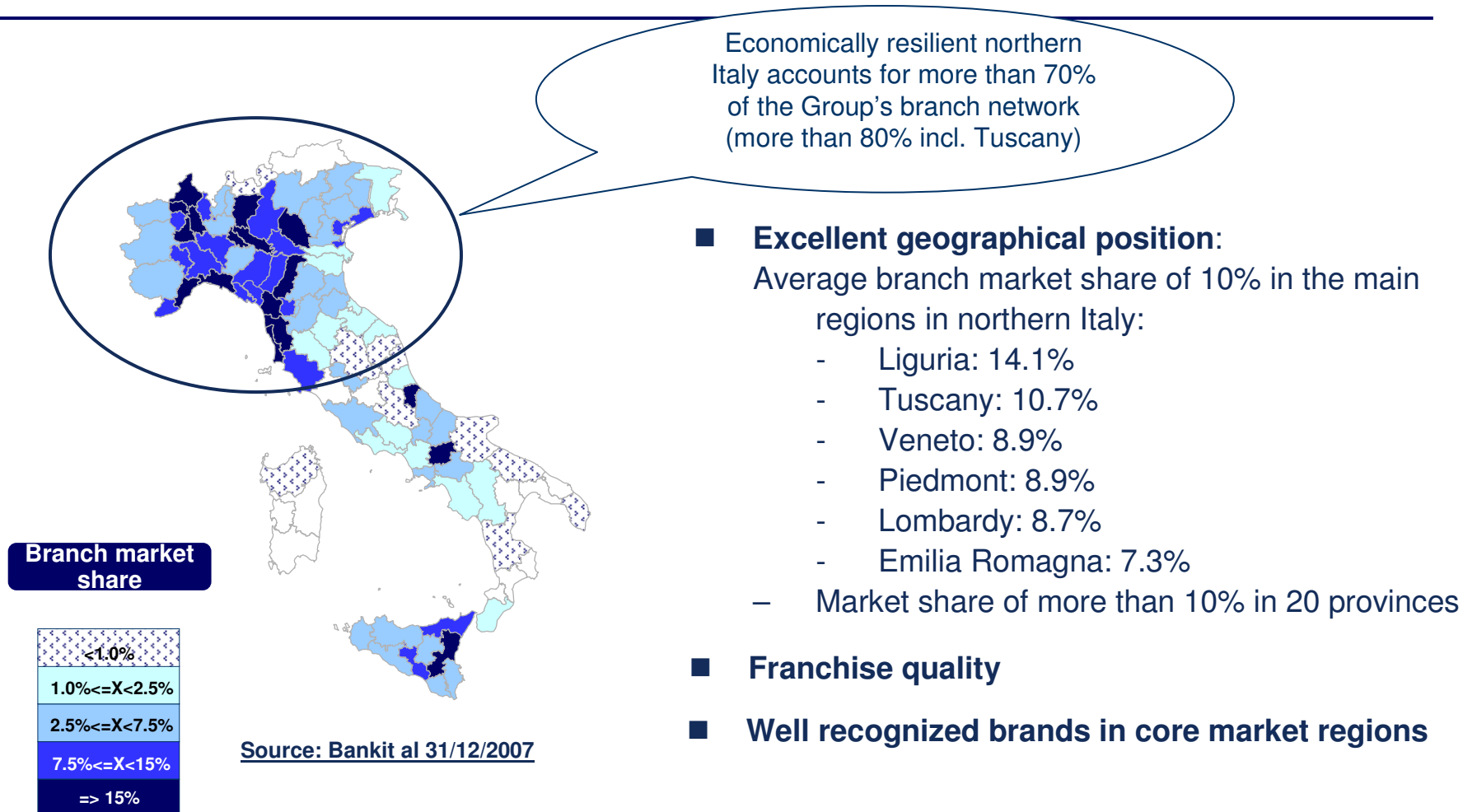
## Breakdown of Group total revenues



**In the current difficult scenario, our focus is 100% on core business**



# Core Retail Strengths: Deep Roots & Low Risk Profile



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

# Leveraging on Banco Popolare Strengths

	Threats		Banco Popolare response
	Uncertainty about the persistence of the changes		Leveraging on key strengths to ensure sustainable earnings generation
1	<u>LIQUIDITY CRISIS</u>	→	<u>RETAIL FUNDING &amp; LENDING STRATEGY</u> <ul style="list-style-type: none"><li>-Repricing of SME loans</li><li>-Reduction in Large Corporate</li><li>-Growth in direct customer deposits</li></ul>
2	<u>SUBPRIME</u>	→	<u>NO RISK</u>
3	<u>NEGATIVE TREND IN COMMISSIONS:</u> <ul style="list-style-type: none"><li>-Regulatory changes</li><li>-Price competition</li><li>-Negative trend in AUM</li></ul>	→	<u>NEW RANGE OF SERVICES FOR SMEs</u> <u>FOCUS ON CORE RETAIL SEGMENTS:</u> <ul style="list-style-type: none"><li>-Consumer lending</li><li>-Protection business</li><li>-New wealth management approach (Mifid opportunity)</li></ul>

## ALM strategy in 2008

### 2008 net flows

#### Lending

- |                            |         |   |                 |
|----------------------------|---------|---|-----------------|
| ▪ Retail & SME lending:    | +€7.6bn | ↑ | Euribor +240bps |
| ▪ Large Corporate lending: | -€3.0bn | ↓ | Euribor +60bps  |

#### Funding

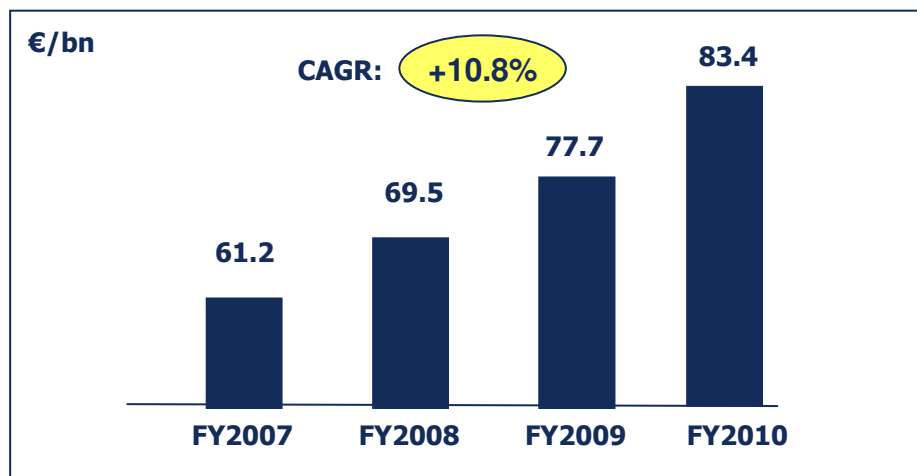
- |                               |         |   |   |
|-------------------------------|---------|---|---|
| ▪ Retail funding:             | +€8.5bn | ↑ | Euribor -20bps<br><i>(o/w: ~€3bn at Euribor +35bps)</i> |
| ▪ EMTN & Institutional bonds: | -€3.8bn | ↓ | Euribor +80bps  |



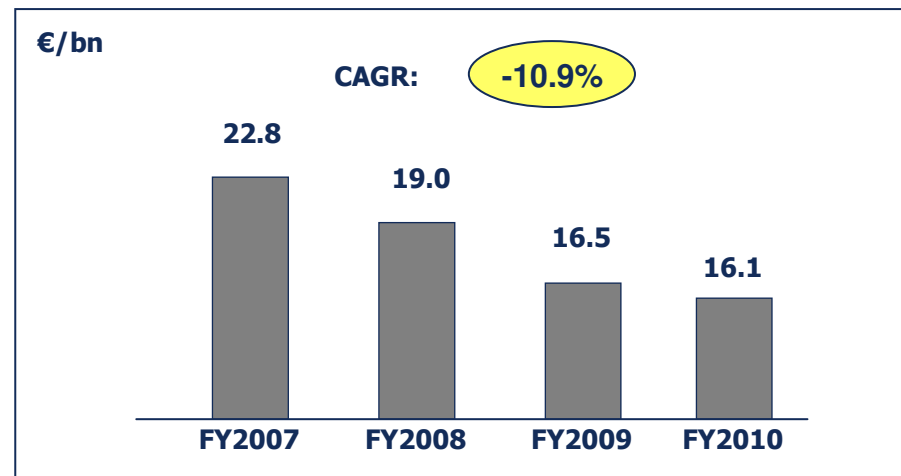
# Funding & ALM Strategy 2008-2010

Averages volumes

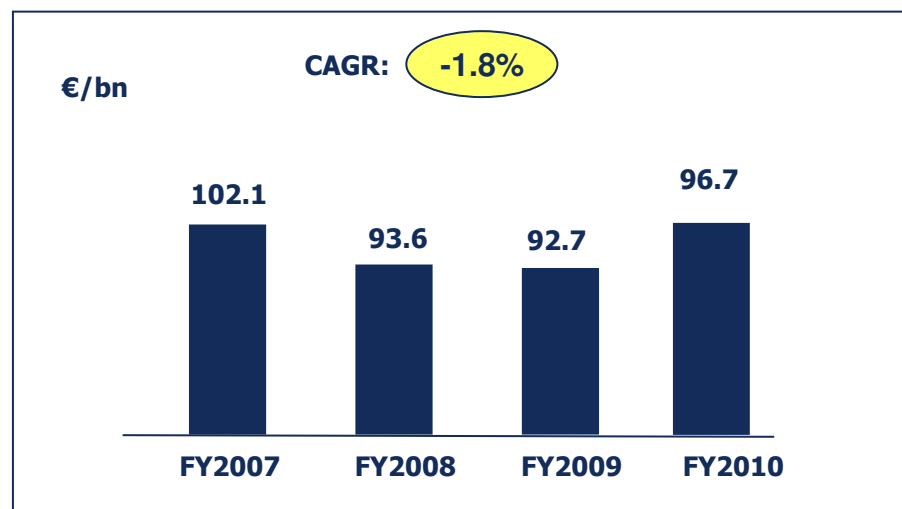
## Direct customer funds (i)



## EMTN + London branch



## Indirect customer funds



(i) Excludes EMTN bonds



# Retail Funding Strategy in 2008

2008 target for growth  
in direct customer funds:  
€8.5bn

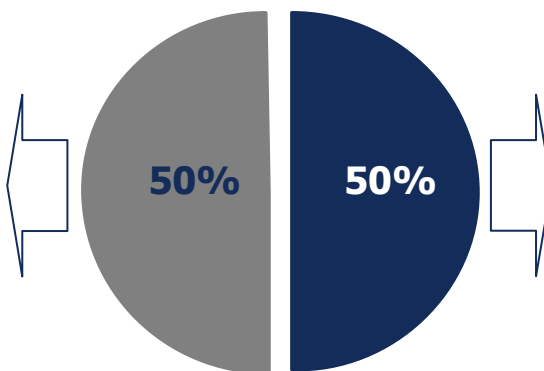
External funding: ~€4.25bn

Internal funding: ~€4.25bn

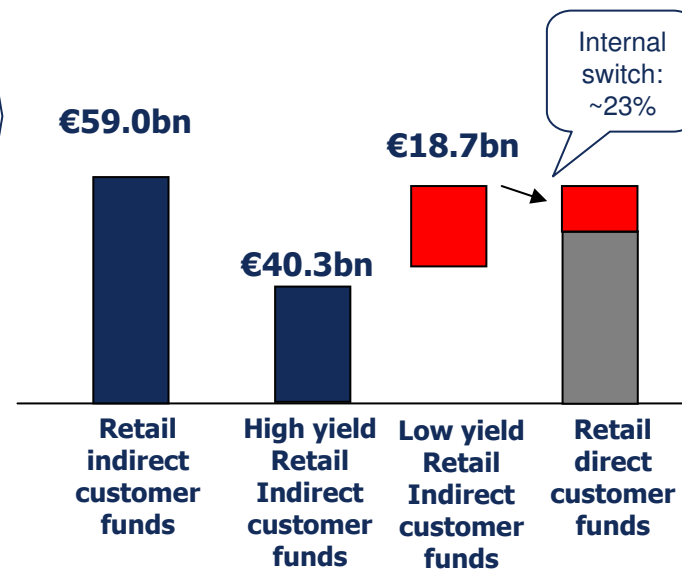
## Commercial focus:

Bond placements with  
retail customers ~€3.75bn

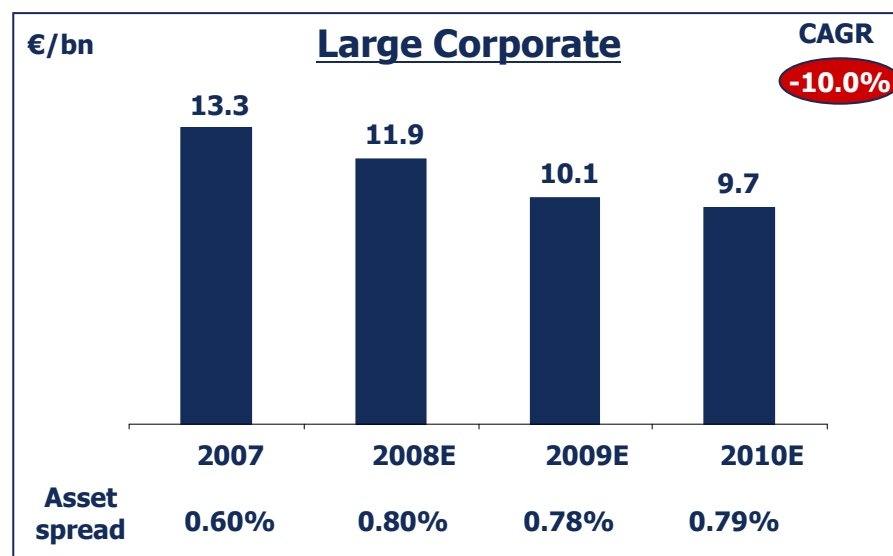
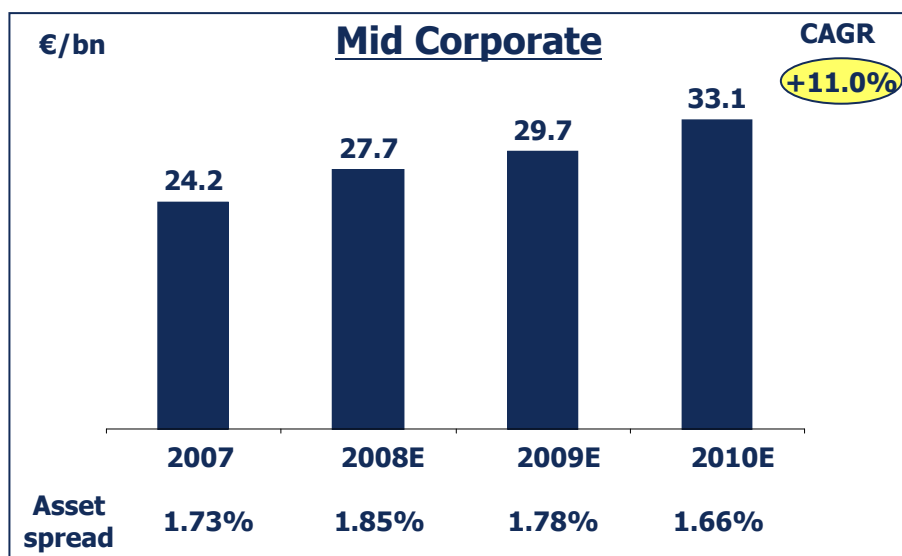
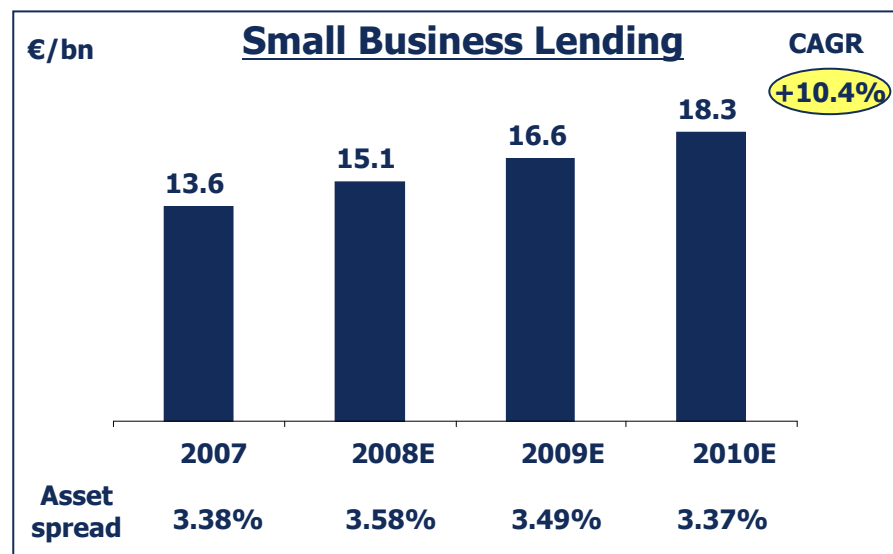
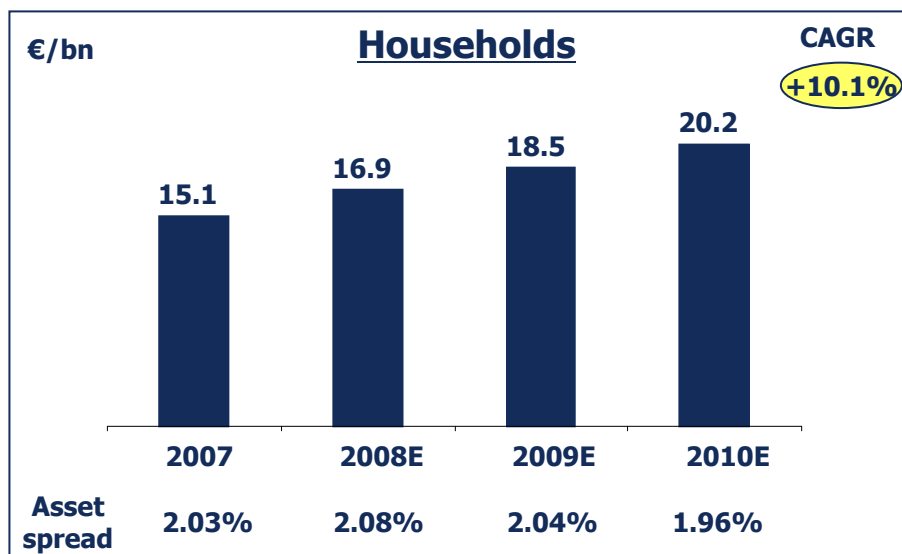
Increase in direct  
retail customer  
deposits ~€0.50bn



## Use of flexibility in switching indirect into direct customer funds:



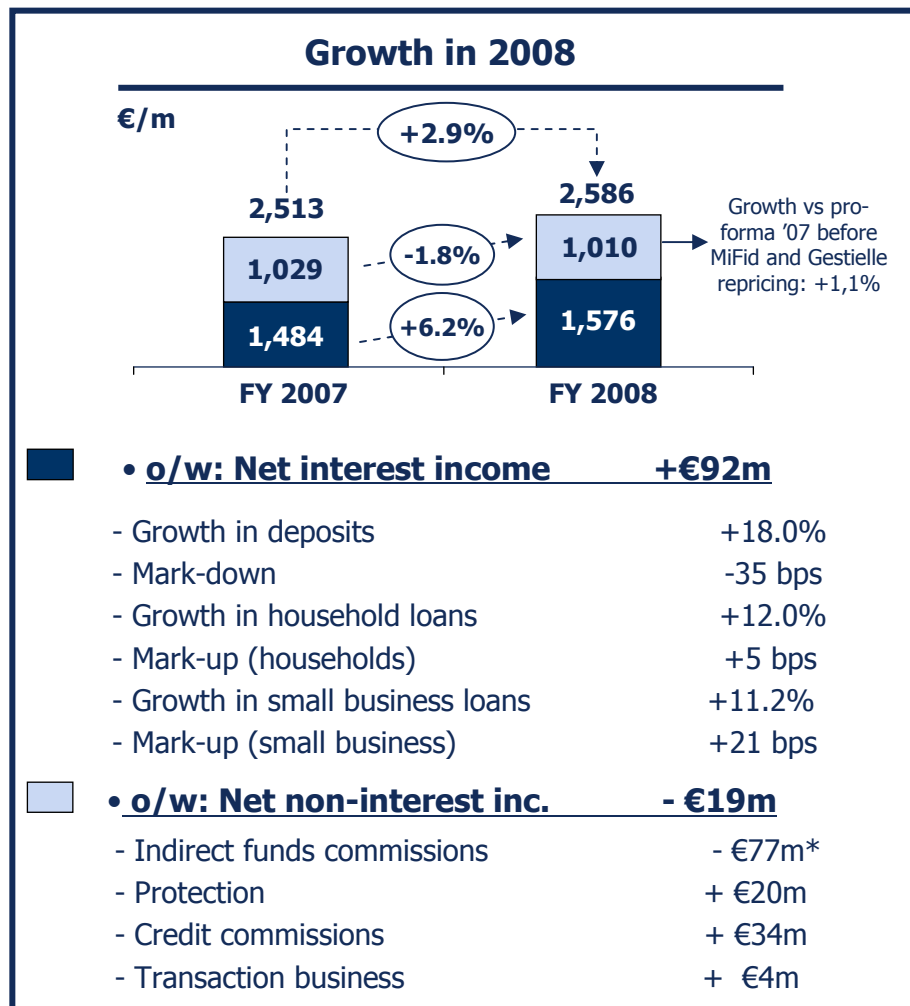
# Lending Strategy 2008-2010 (i)



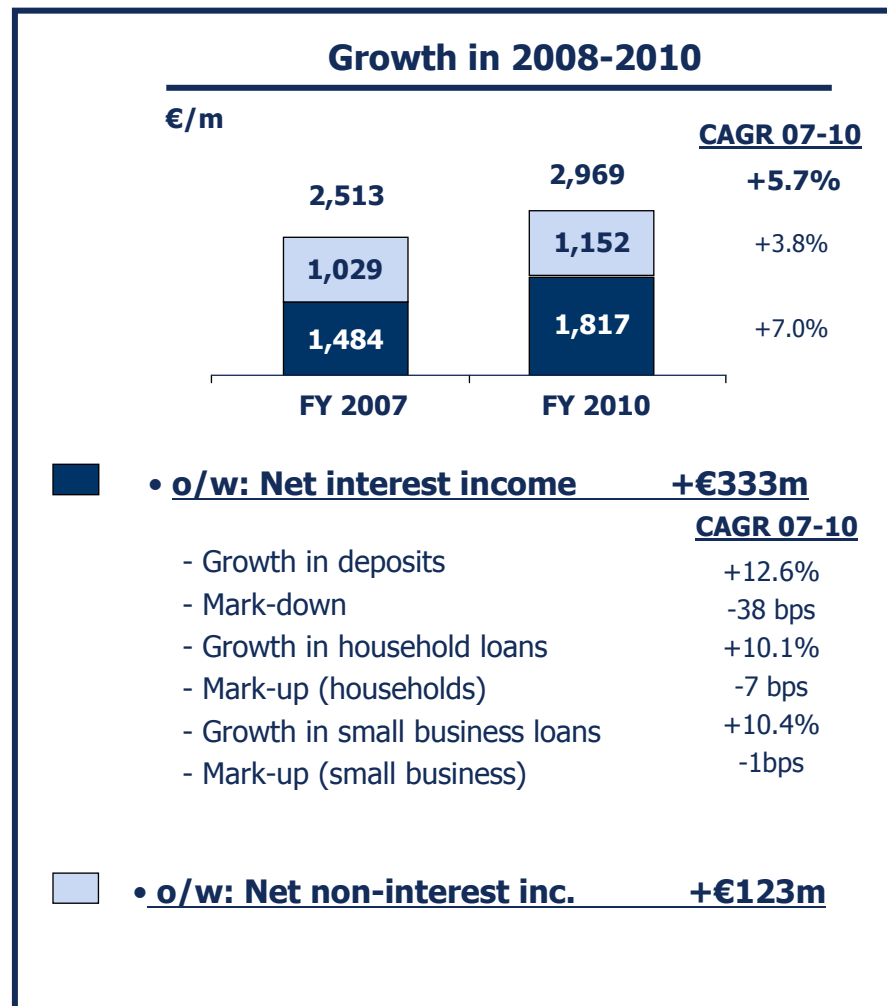
(i) Average volumes

# Retail Business Growth Targets

## Growth in retail revenues of the banking network



(Average volumes)

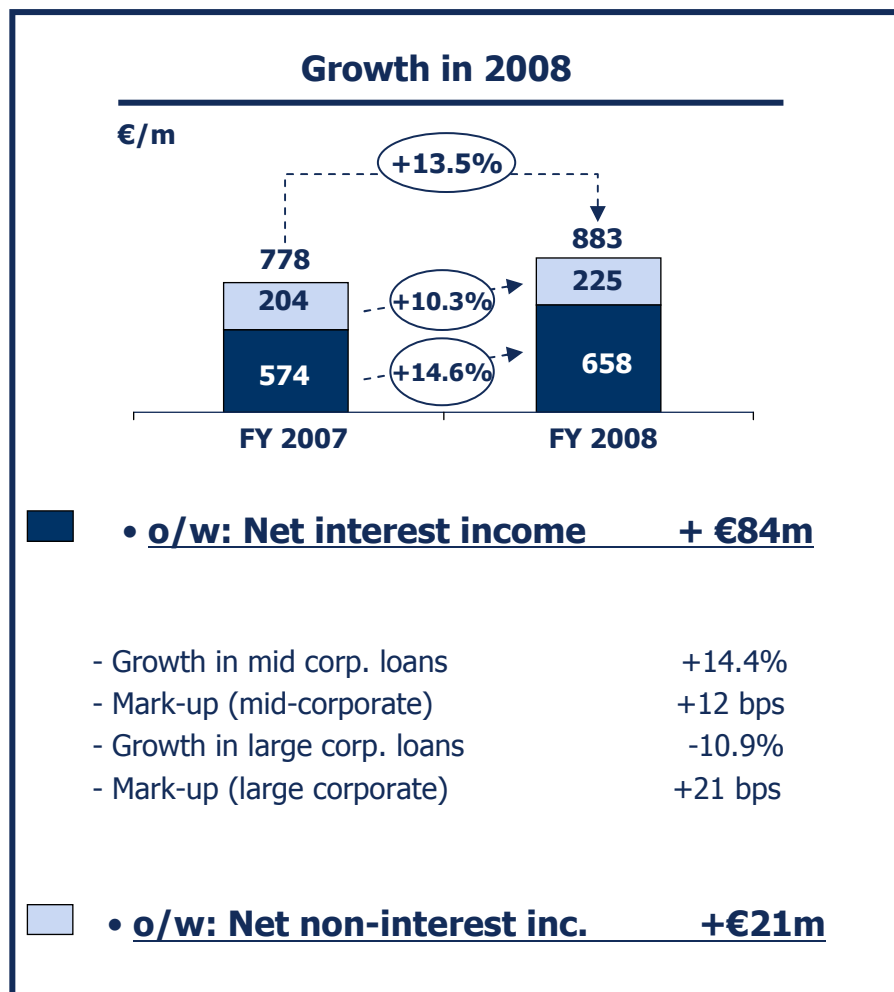


(Average volumes)

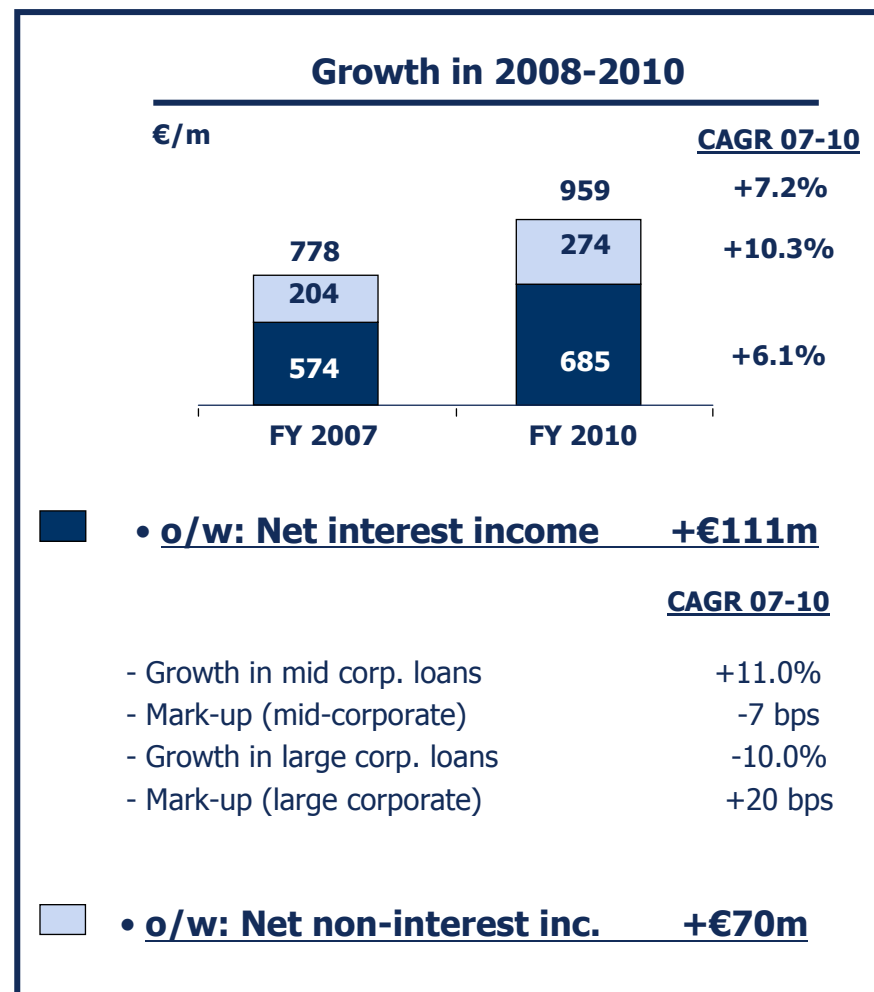
(\*) of which ~€30m due to MiFid and re pricing pay-out Gestelle

# Corporate Business Growth Targets

## Growth in corporate revenues of the banking network



(Average volumes)



(Average volumes)

# Business Plan Targets: Group recurrent P&L - pre PPA

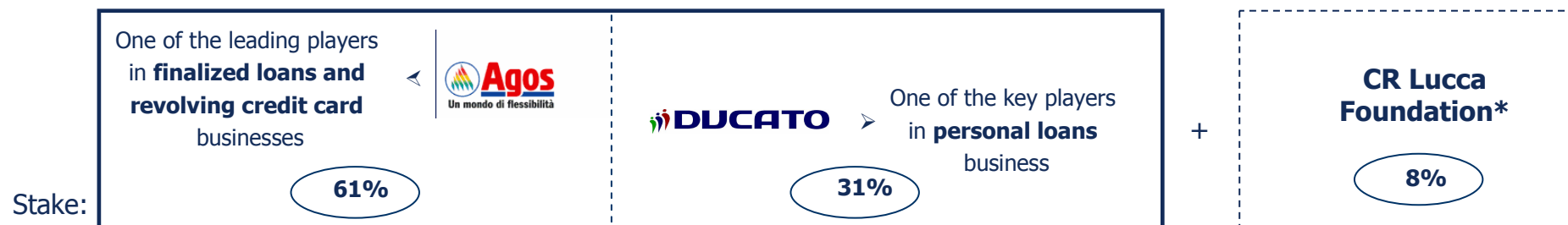
€/m	2007	2008	Y/Y % chg	CAGR 2007/2010
<b>Total operating revenues:</b>	<b>4,169.0</b>	<b>4,375.4</b>	<b>+4.9%</b>	<b>+7.7%</b>
▪ <i>Net interest income</i>	2,322.4	2,590.6	+11.5%	+10.7%
<i>Divid. + profit (losses) from eq. inv.</i>	34.4	62.7		
▪ <i>Net non-interest income</i>	1,812.2	1,722.1	-5.0%	+2.4%
<b>Operating costs</b>	<b>(2,434.4)</b>	<b>(2,429.6)</b>	<b>-0.2%</b>	<b>+2.3%</b>
<b>Operating margin</b>	<b>1,734.6</b>	<b>1,945.8</b>	<b>+12.2%</b>	<b>+14.4%</b>
Net value adjust. for loans and similar	(354.0)	(389.6)		
Other net value adjustments (i)	(12.9)	(5.0)		
Net provisions for risks and liabilities	(72.9)	(44.9)		
Inc. from the disp. of eq. part. + invest.	14.3	0.0		
<b>Income before tax from continuing operations</b>	<b>1,309.2</b>	<b>1,506.3</b>	<b>+15.1%</b>	<b>+16.2%</b>
<b>Net income of the period pre PPA</b>	<b>718.0</b>	<b>907.2</b>	<b>+26.4%</b>	<b>+19.9%</b>
<i>PPA recurrent effect on Net Income</i>	(53.1)	(103.5)		
<b>Net income of the period post PPA</b>	<b>664.9</b>	<b>803.7</b>	<b>+20.9%</b>	<b>+19.6%</b>

(i) Net value adjustments on financial operations, goodwill and participations

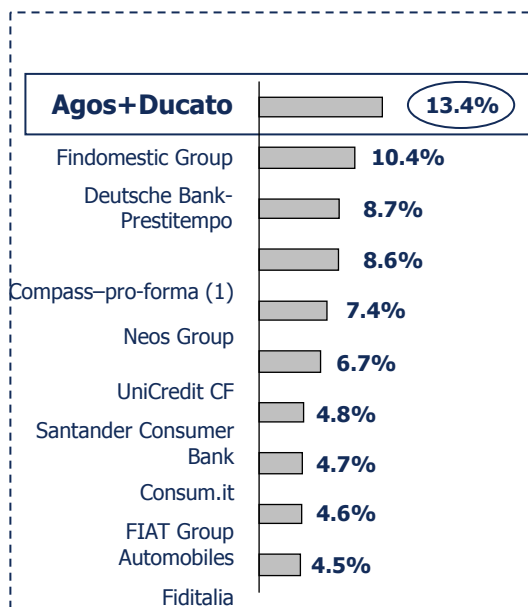
# Consumer Credit Strategy: Agos & Ducato JV project

Crédit Agricole and Banco Popolare have reached an agreement on the qualifying points of an integration project between their respective subsidiary consumer credit companies, Agos and Ducato:

## JOINT VENTURE:



### MARKET LEADER



### KEY POINTS

- **Strong distribution power:**
  - 256 own outlets
  - exclusive partnership agreement with:
    - 2,100 Banco Popolare retail branches
    - 700 Cariparma and Friuladria retail branches
    - 25,000 partner sale points
- **Preliminary estimate of synergies of about €50m confirmed**
- **Excellent complementarity between Agos and Ducato**

### BENEFITS FOR BANCO POPOLARE

- **Generation of net capital gain**
- **Strengthening of capital ratios**
- **Participation into strong future upside related to a new leading player in Italian consumer credit market**
- **Positive effect on funding and liquidity**

\* On 11 July 2008, CaRiLucca Foundation agreed that it shall acquire a stake of 8% in the JV from Banco Popolare.

# Capital adequacy

## Evolution of Group capital ratios

Pro-Forma  
Core Tier 1 ratio stands  
at **5.9%**

Target  
Core Tier 1 ratio:  
**6.0%-6.5%**

	STATED				PRO FORMA <sup>(ii)</sup>		TARGET <sup>(ii)</sup> RATIOS (Basle II Standard)
	31/12/2007		30/06/2008 <sup>(i)</sup>		30/06/2008		
	Ratio	Amount €/m	Ratio	Amount €/m	Ratio	Amount €/bn	
Tier 1	5.2%	4,775	5.6%	4,944	7.4%	6.1	7.5%
Total capital	8.7%	8,069	9.4%	8,343	11.0%	9.1	11.0%
RWA	-	92,537	-	88,689		82.7	-

### Notes:

- (i) Regarding capital strengthening initiatives, includes only the positive effect of Linea. With respect to Basle II, includes only the passage from Basle I to Basle II Standard.
- (ii) Includes the effect of all capital strengthening initiatives already disclosed in the FY 2007 results presentation and in subsequent press releases. With respect to Basle II, includes only the passage from Basle I to Basle II Standard, while the positive impact expected from the Foundation and Advanced models is excluded.



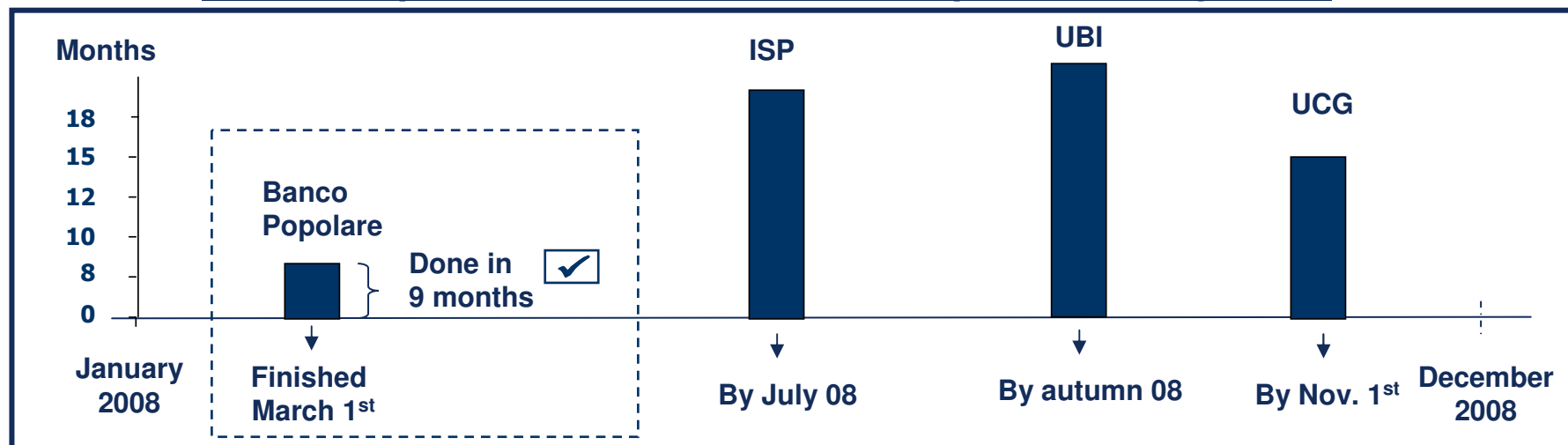
# Completion of IT integration: a key milestone

Groundwork for synergies & turnaround

## IT migration of ex- BPI network completed successfully

<u>Ex-BPI network</u>	<u># Branches</u>	<u>Cumulative # branches migrated</u>		<u>Time</u>	
BP Crema	44	44	5%	10 Sept. 2007	✓
BP Lodi	541	585	60%	05 Nov. 2007	✓
CR LuPiLi + BP Mantova	253	838	87%	04 Feb. 2008	✓
Bp Cremona + Caripe	127	965	100%	01 March 2008	✓

## Banco Popolare in the Italian landscape of IT integration





## Section 2

### Focus on H1 2008 results

# Group H1 2008 profitability highlights (pre PPA)

€/m	RECURRING			STATED		
	H1 08	H1 07*	% chg	H1 08	H1 07*	% chg
<b>Total operating revenues:</b>	<b>2,009.5</b>	<b>2,076.4</b>	<b>-3.2%</b>	<b>2,114.7</b>	<b>1,923.0</b>	<b>10.0%</b>
• Net interest income	1,225.9	1,057.8	+15.9%	1,225.9	1,057.8	15.9%
• Dividends and profit (loss) from eq. inv.	32.4	4.8	+571.6%	32.4	(140.5)	n.s.
• Net non-interest income	751.2	1,013.8	-25.9%	856.4	1,005.8	-14.9%
- <i>Net financial results</i>	<i>53.3</i>	<i>260.7</i>	<i>-79.6%</i>	<i>158.4</i>	<i>272.7</i>	<i>-41.9%</i>
- <i>Net commissions</i>	<i>589.1</i>	<i>630.6</i>	<i>-6.6%</i>	<i>589.1</i>	<i>630.6</i>	<i>-6.6%</i>
- <i>Other net operating income</i>	<i>108.8</i>	<i>122.5</i>	<i>-11.2%</i>	<i>108.8</i>	<i>102.5</i>	<i>6.1%</i>
<b>Operating costs</b>	<b>(1,162.5)</b>	<b>(1,161.5)</b>	<b>0.1%</b>	<b>(1,162.5)</b>	<b>(1,147.4)</b>	<b>1.3%</b>
<b>Operating profit</b>	<b>847.0</b>	<b>914.9</b>	<b>-7.4%</b>	<b>952.2</b>	<b>775.6</b>	<b>22.8%</b>
Net value adjustments for loans	(138.4)	(151.8)	-8.8%	(197.0)	(189.1)	4.2%
Net impairments of other financial assets	(4.5)	0.1	n.s.	(25.7)	(4.5)	471.2%
Net provisions for risks and charges	(16.2)	(34.2)	-52.6%	(33.5)	(36.2)	-7.5%
Inc. from disposal of equity and other invest.	0.0	14.3	n.s.	120.4	29.9	302.8%
<b>Income before tax from contin. operat.</b>	<b>688.0</b>	<b>743.3</b>	<b>-7.4%</b>	<b>816.4</b>	<b>574.6</b>	<b>42.1%</b>
Tax on income from continuing operations	(269.1)	(285.5)	-5.8%	(277.4)	(275.1)	0.8%
Integration costs	-	-	-	(24.2)	(27.3)	-11.4%
Profit (loss) after tax from discontinued operations	-	-	-	17.6	12.9	36.4%
<b>Net income of the period - pre PPA</b>	<b>396.3</b>	<b>439.4</b>	<b>-9.8%</b>	<b>494.1</b>	<b>274.5</b>	<b>80.0%</b>
<i>Net income contribution of Ducato</i>	12.7	22.6				
<b>Net income with contribution of Ducato - pre PPA</b>	<b>409.0</b>	<b>462.0</b>	<b>-11.5%</b>			

\* Pro-forma data.

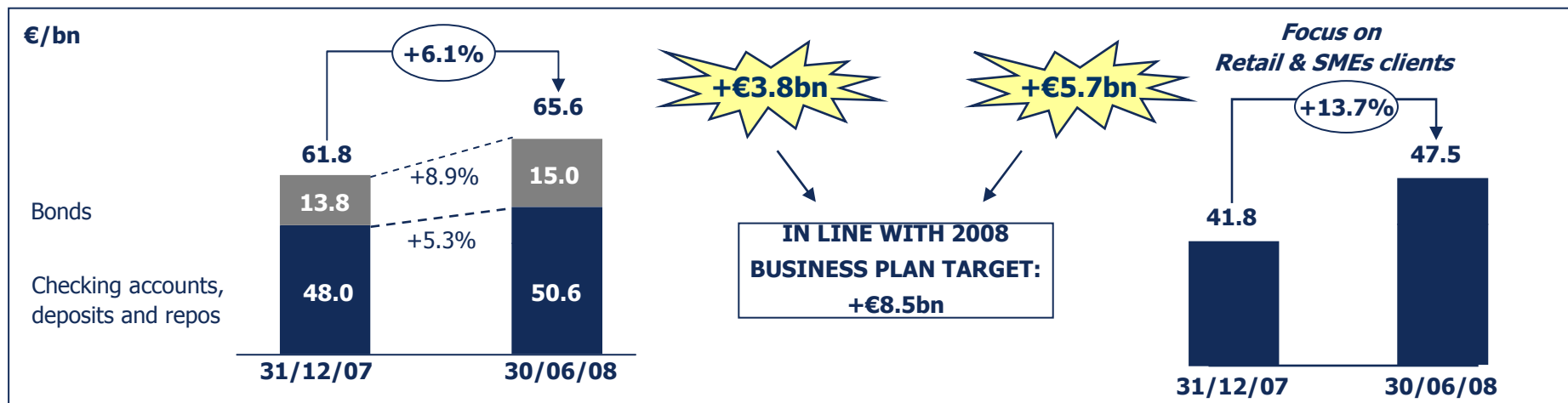
# Group quarterly recurring P&L

€/m		Q2 08	Q1 08	% chg	<i>Pro –Forma data</i>			
					Q4 07	Q3 07	Q2 07	Q1 07
<b>Total operating revenues:</b>	Pre PPA	<b>1,041.6</b>	<b>968.0</b>	<b>7.6%</b>	<b>940.1</b>	<b>938.7</b>	<b>1,015.5</b>	<b>1,060.9</b>
• Net interest income		627.1	598.8	4.7%	578.8	528.6	531.3	526.5
• Dividends and profit (loss) from eq. inv.		21.7	10.7	102.6%	4.9	24.6	5.5	(0.6)
• Net non-interest income		392.8	358.5	9.6%	356.4	385.5	478.7	535.0
<b>Operating costs</b>		<b>(584.1)</b>	<b>(578.4)</b>	<b>1.0%</b>	<b>(583.1)</b>	<b>(605.0)</b>	<b>(575.7)</b>	<b>(585.8)</b>
<b>Operating profit</b>		<b>457.5</b>	<b>389.6</b>	<b>17.4%</b>	<b>357.0</b>	<b>333.7</b>	<b>439.8</b>	<b>475.1</b>
Net value adjustments for loans		(75.3)	(63.1)	19.2%	(84.6)	(50.7)	(99.1)	(52.7)
Net provisions for risks and charges		(6.2)	(10.0)	-37.3%	(31.5)	(6.0)	(25.3)	(8.9)
<b>Income before tax from contin. operat.</b>		<b>372.8</b>	<b>315.1</b>	<b>18.3%</b>	<b>228.4</b>	<b>276.2</b>	<b>313.9</b>	<b>429.5</b>
Tax on income from continuing operations		(158.5)	(110.6)	43.3%	(117.9)	(118.8)	(130.3)	(155.3)
<b>Net income of the period - pre PPA</b>		<b>208.3</b>	<b>187.9</b>	<b>10.8%</b>	<b>94.2</b>	<b>155.6</b>	<b>170.6</b>	<b>268.9</b>
<i>Net income contribution of Ducato</i>		3.6	9.1		(0.6)	6.3	11.5	11.1
<b><i>Recurring net inc. with contrib. of Ducato</i></b>		<b>211.9</b>	<b>197.0</b>	<b>7.5%</b>	<b>93.6</b>	<b>161.9</b>	<b>182.1</b>	<b>280.0</b>
PPA impact (i)		(31.2)	(71.5)		64.8	(161.7)	0.0	0.0

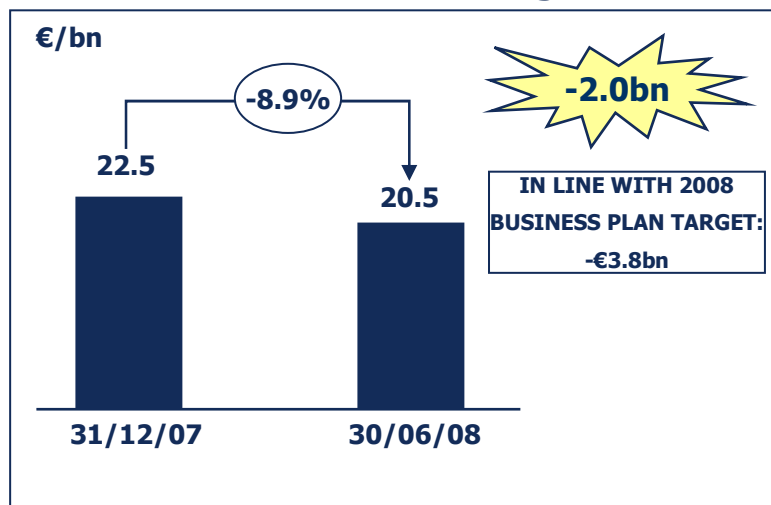
(i) Of the total PPA impact of €103m, €32.6m are related to the sale of participations within the Group's merchant banking/private equity business.

# Group funding activity: change in the mix

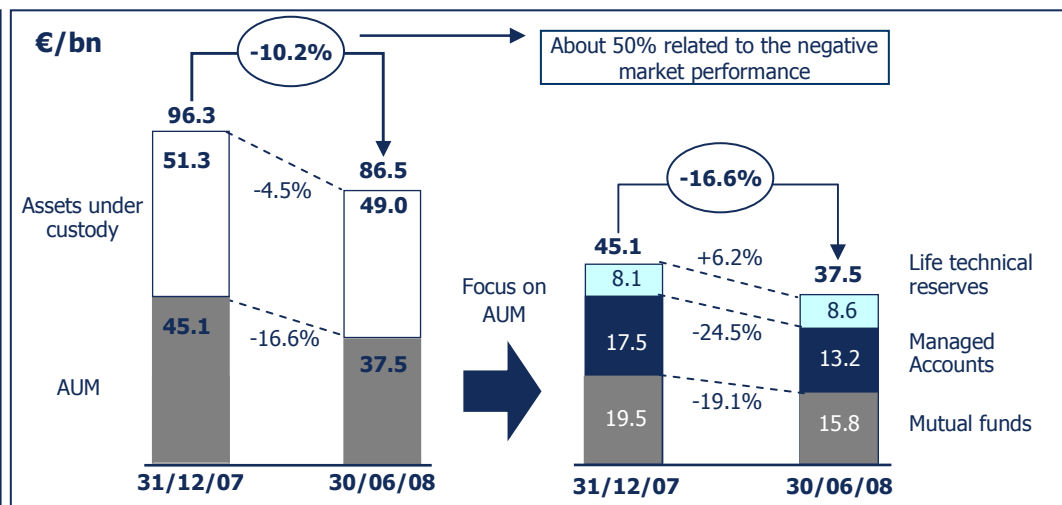
## Direct customer funds of the commercial banks



## Wholesale funding



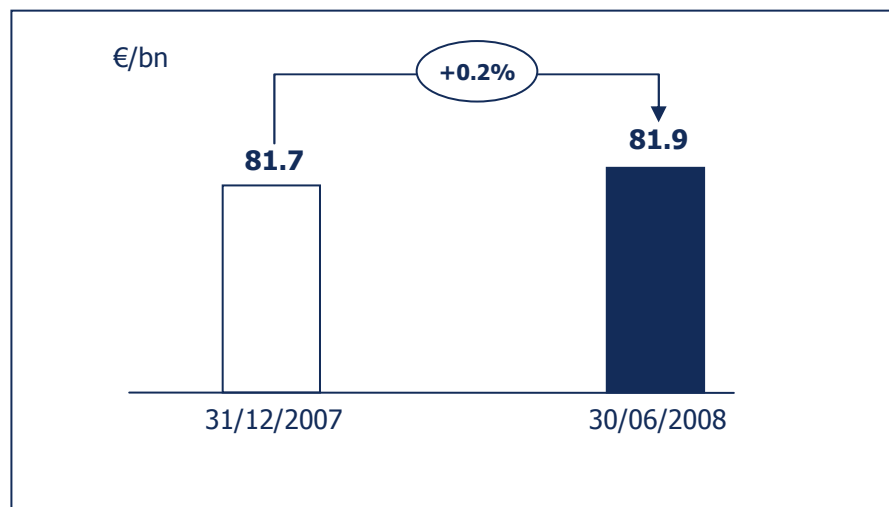
## Indirect customer funds



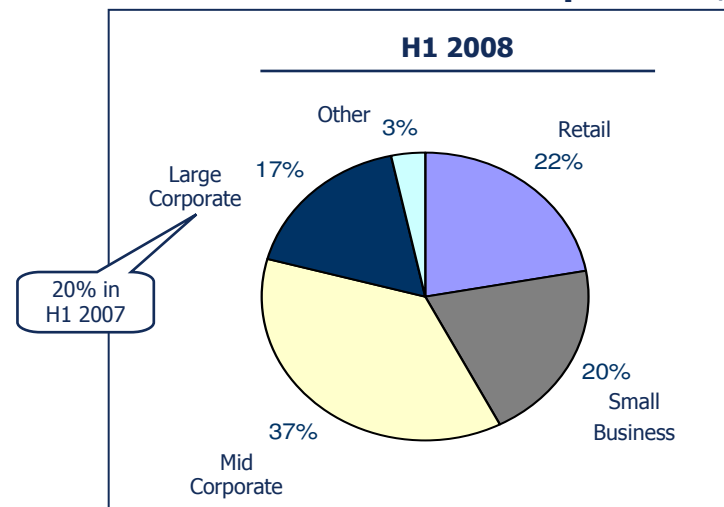
All indicated data are end-of-period figures. Wholesale funding includes institutional bonds (EMTN and London branch)

# Group lending activity: focus on retail and SMEs

**Group loan growth** (period-end vol.)

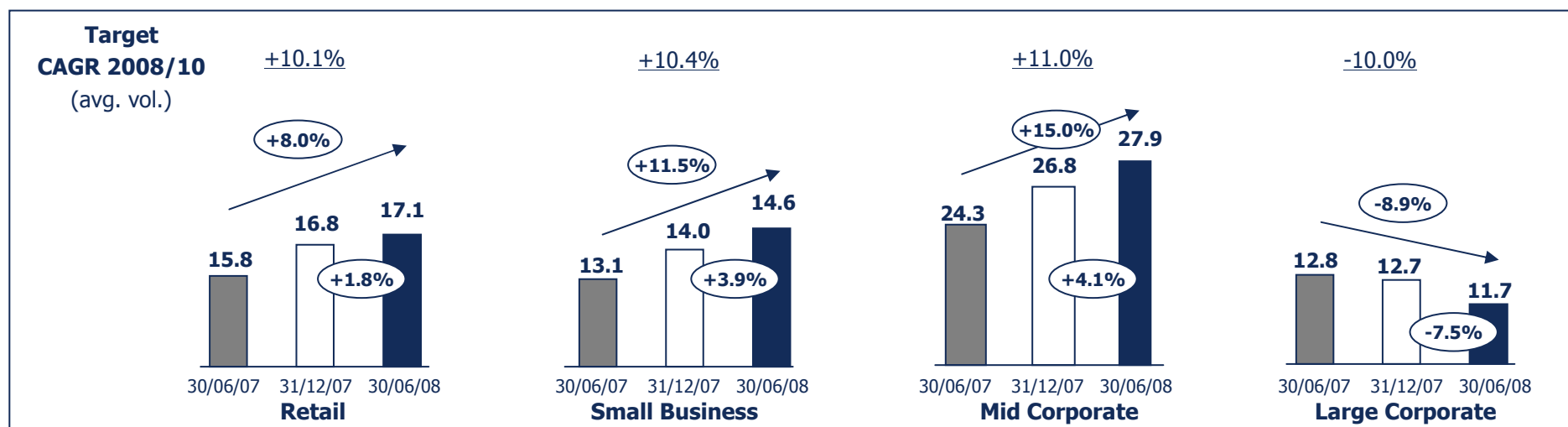


**Commercial banks: loan composition** (avg. vol.)



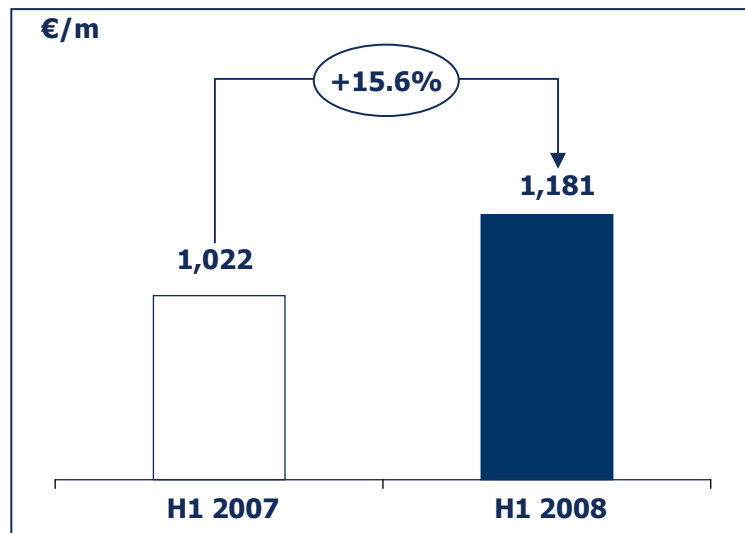
**Commercial banks: loan growth by segments** (period-end vol.)

€/bn

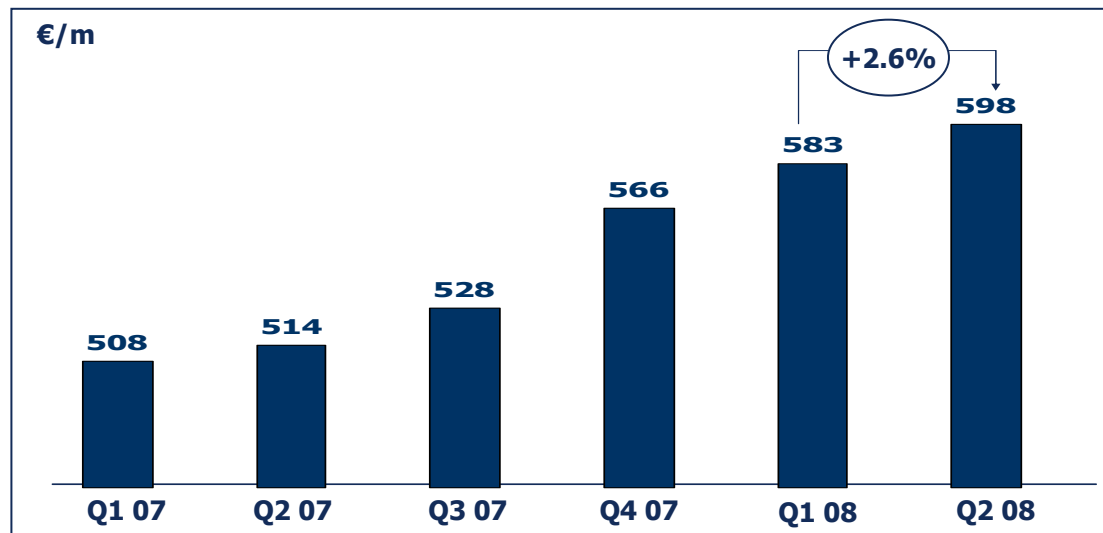


# Commercial banks: customer net interest income & spread

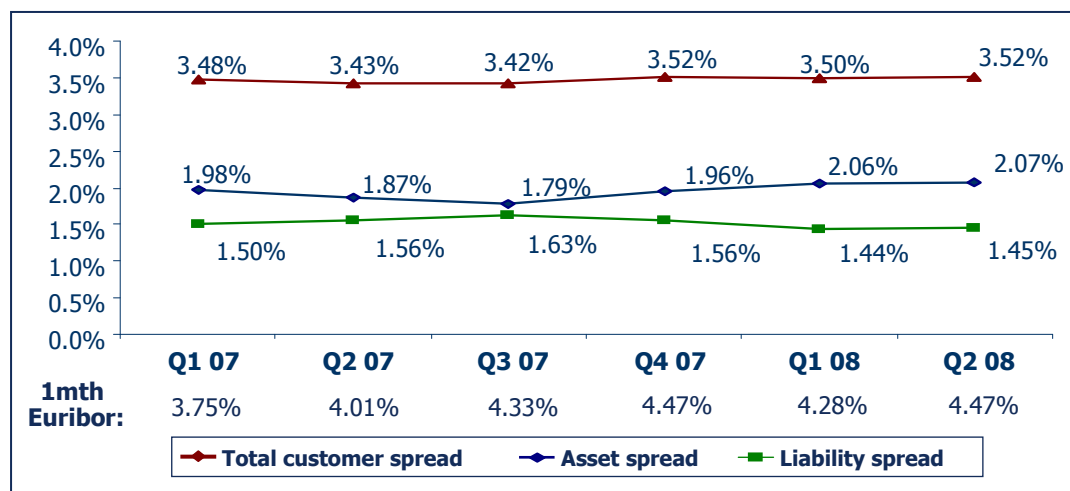
Customer net interest income: y/y trend



Customer net interest income: quarterly trend



Customer spread



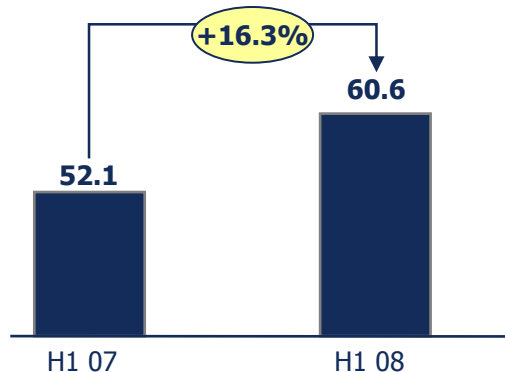
# Commercial banks: growth drivers of customer NII

Customer net interest income in H1 2008:  
**+ €159m (+15% y/y)**

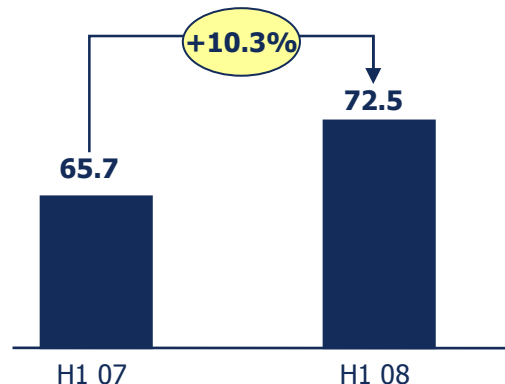
## Drivers

**Volume growth driver: +€130m (NII)**

€/bn Direct customer funds (avg.)

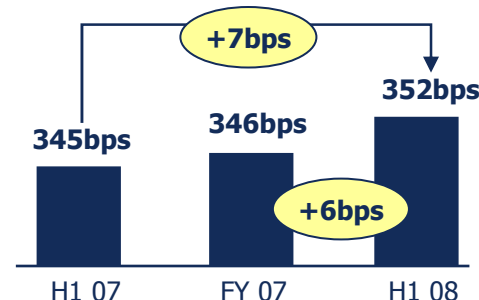


€/bn Gross domestic customer loans (avg.)

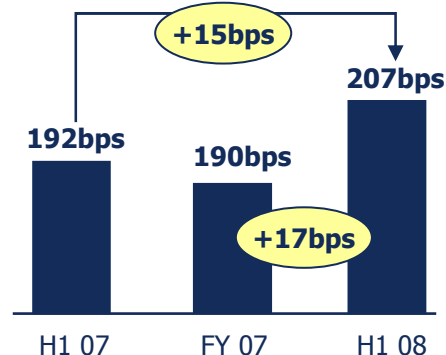


**Customer spread driver: +€29m (NII)**

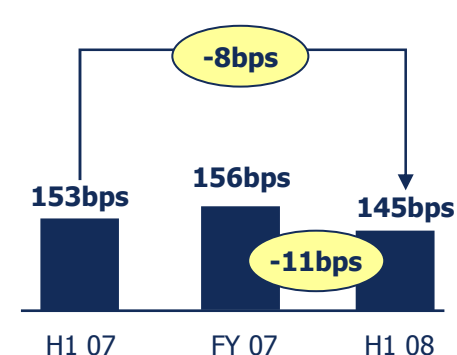
Total avg. customer spread



Asset spread



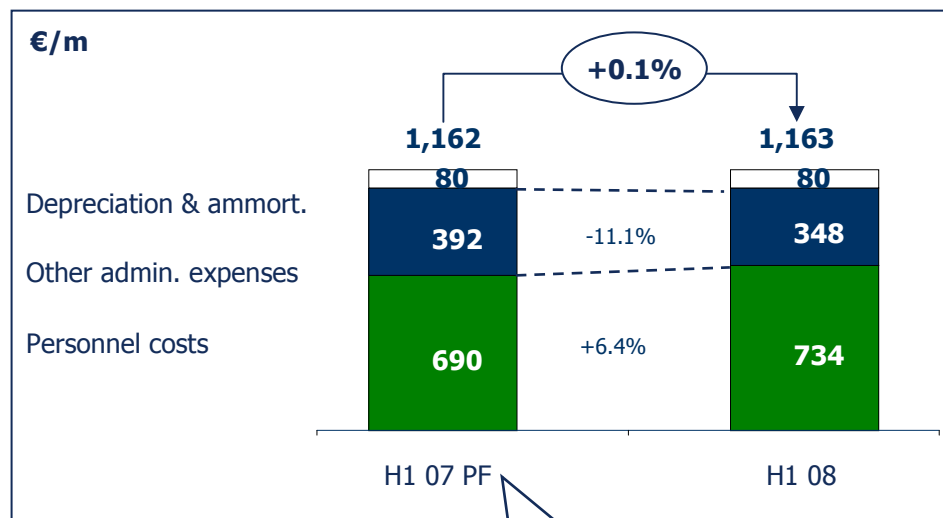
Liability spread



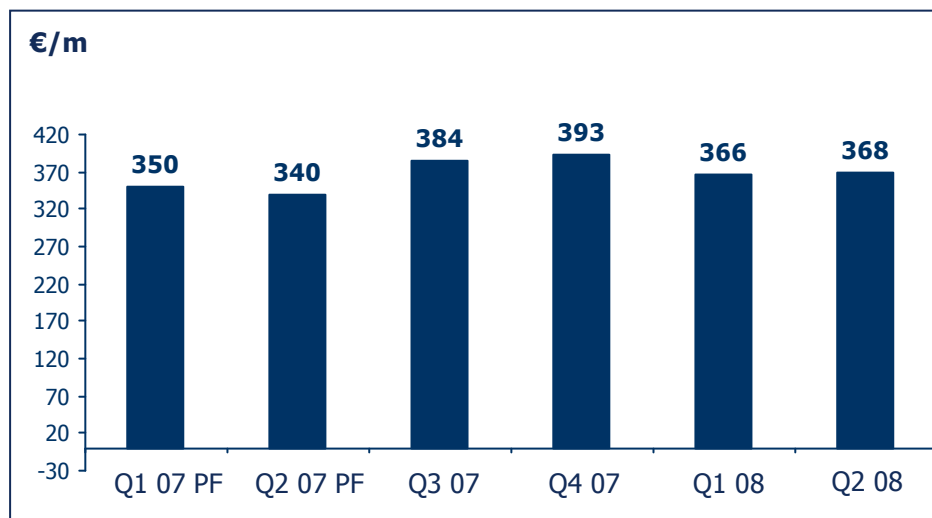


# Group recurring operating costs

## Total operating costs



## Personnel costs: quarterly trend

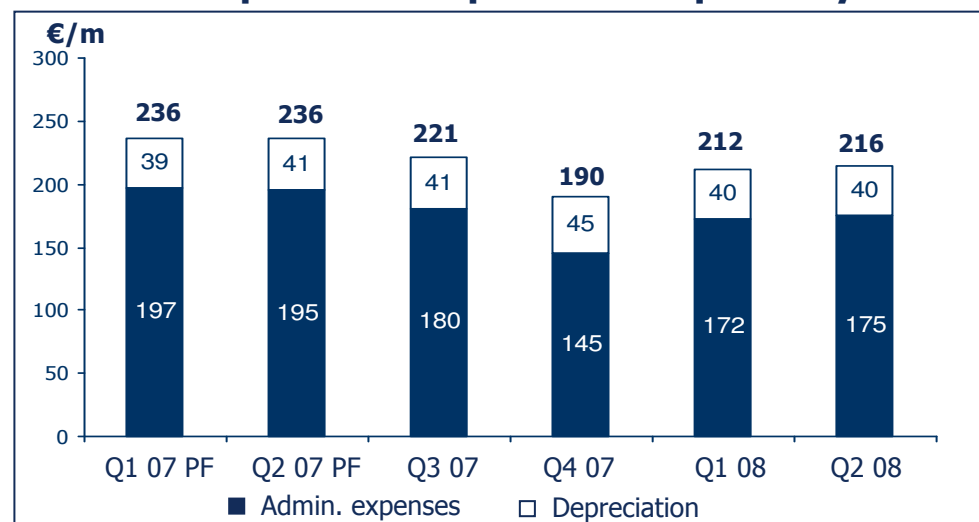


Personnel costs in H1 2007 benefited from a positive effect of €34.8m from the interest rate adjustment for severance fund liabilities. Excluding this impact, the year-on-year growth is:

**Personnel costs +1.3%**

**Total operating costs -2.8%**

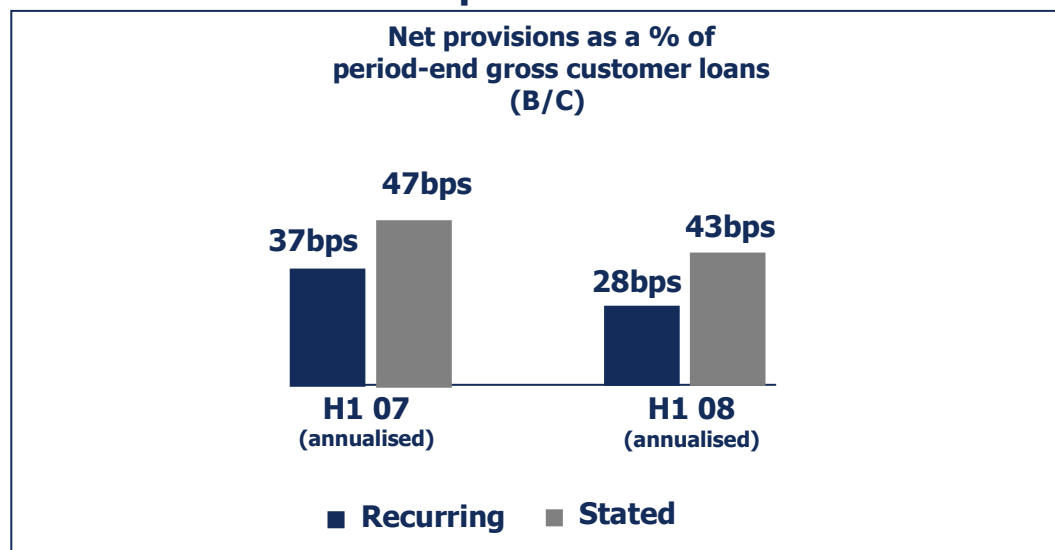
## Admin. expenses & depreciation: quarterly trend



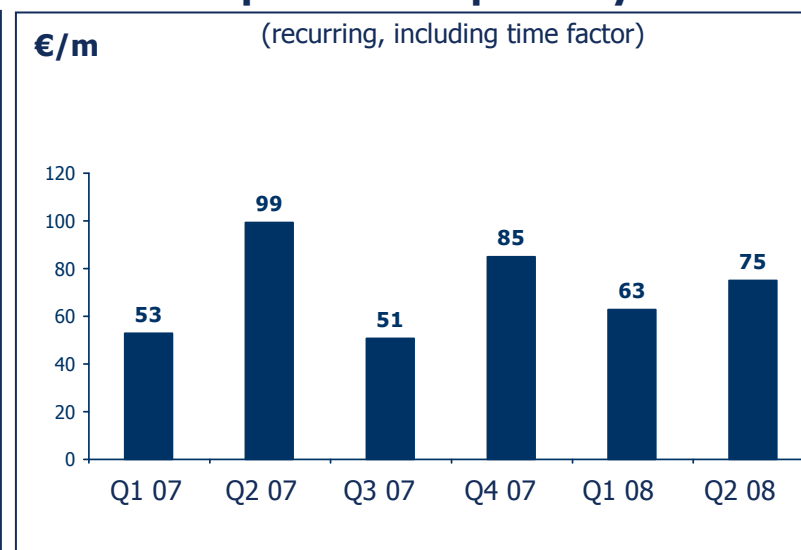
# Analysis of Group cost of credit risk

€/m	H1 2008		H1 2007	
	Recurring	Stated	Recurring	Stated
Total gross provisions (A) <i>(excluding provisions for time factor)</i>	218.8	277.8	260.7	311.6
Write-backs <i>(excluding provisions for time factor)</i>	103.3	102.8	113.2	126.7
<b>Total net provisions (B)</b> <i>(excluding provisions for time factor)</i>	<b>115.5</b>	<b>175.0</b>	<b>147.5</b>	<b>184.9</b>
Gross customer loans (C)	81,881		79,177	

## Group cost of credit



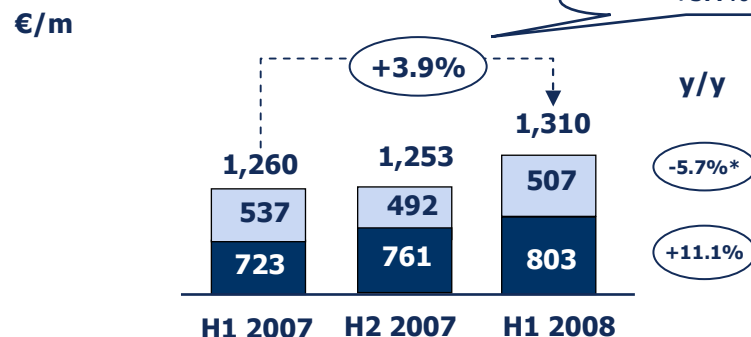
## Loans loss provisions: quarterly evolution



# Retail business performance of the commercial banks

## H1 2008 growth

Growth vs pro-forma '07 with MiFid and Gestielle repricing: +5.4%



o/w: Net interest income +€80m\*\*

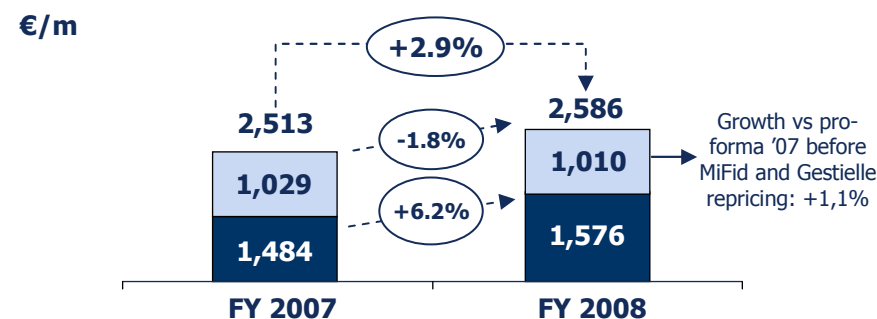
FUNDING	Volumes y/y chg	Mark down	
		value	Q208/Q407 chg
- Customer deposits	+15.0%	1.77%	-17bps
LENDING	y/y chg	Mark up	
		value	Q208/Q407 chg
- Retail loans	+11.4%	1.98%	-2bps
- Small business loans	+11.6%	3.49%	+6bps

o/w: Net non-interest income - €31m

\* Growth vs pro-forma '07 with MiFid and Gestielle repricing: -€13m (-2.5%)

\*\* Data does not include the impact of the hedging of sight deposits

## FY 2008 growth target



o/w: Net interest income +€92m

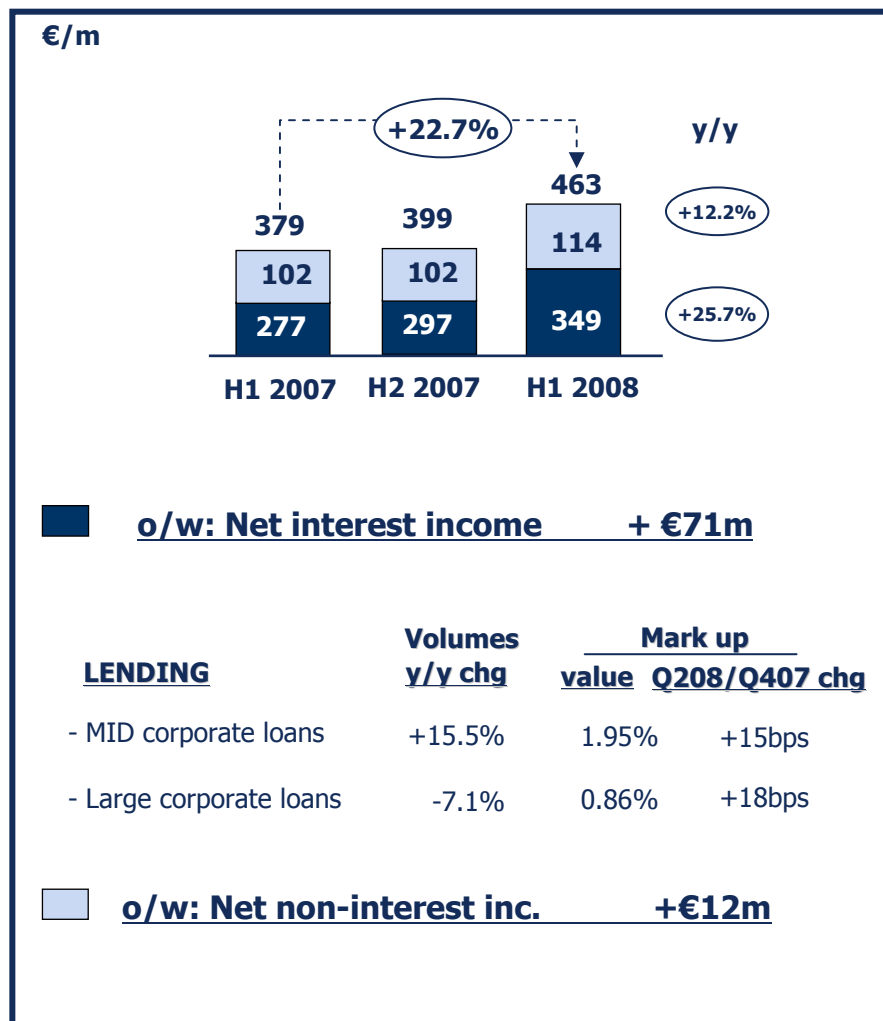
FUNDING	Volumes Target chg	Spread Target chg
- Customer deposits	+18.0%	-35bps
LENDING	Target chg	Target chg
- Retail loans	+12.0%	+5bps
- Small business loans	+11.2%	+21bps

o/w: Net non-interest income - €19m

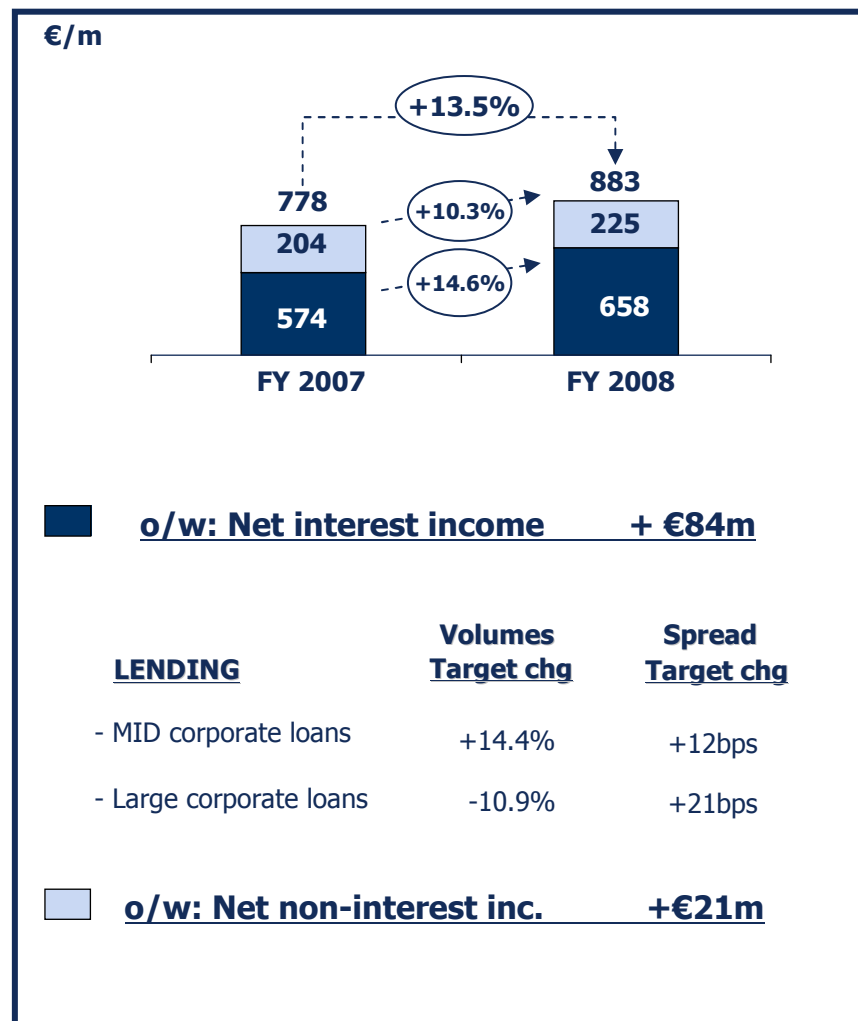
Indicated volumes are based on average amounts.

# Corporate business performance of the commercial banks

## H1 2008 growth



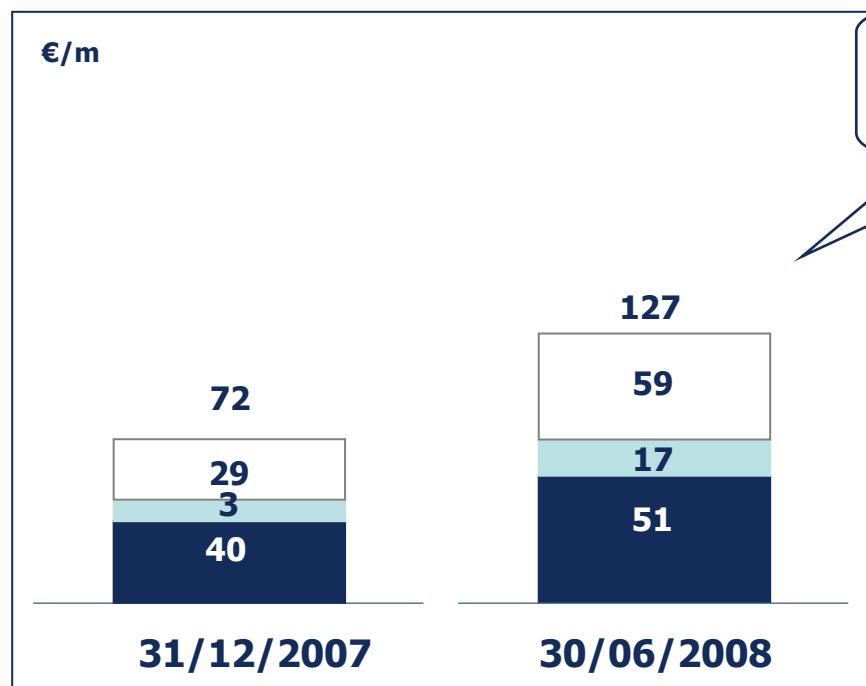
## FY 2008 growth target



Indicated volumes are based on average amounts.

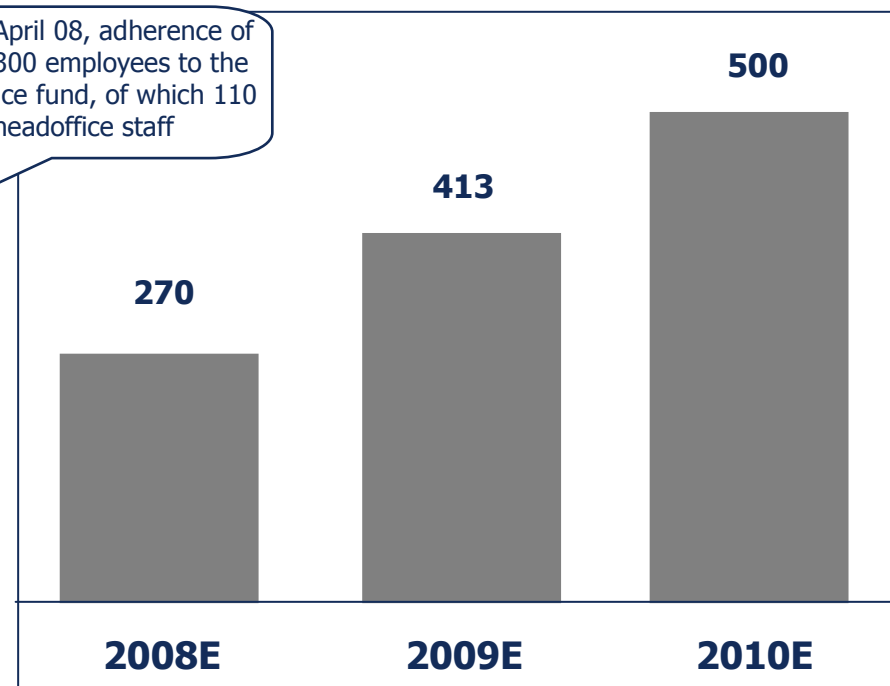
# Achievement of synergies

## Focus: delivery of synergies



**H1 2008 delivery of total synergies  
in line with targets**

## Phasing of targeted total synergies



**Confirmation of total synergy targets**

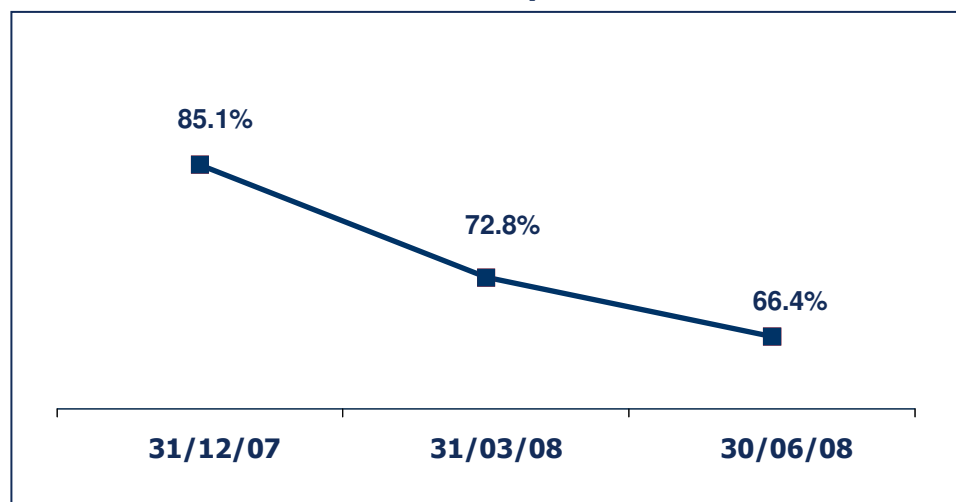
- = Revenue / realignment synergies
- = Cost synergies (Personnel)
- = Cost synergies (Other administrative expenses + Depreciation)

# BPL turnaround under way

BP Lodi key H1 2008 P&L data\*

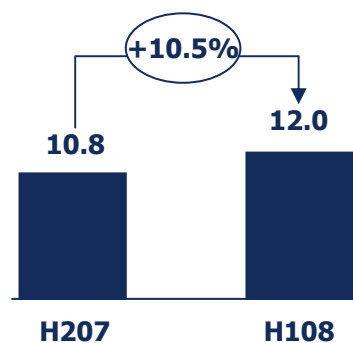
	H1 08	H2 07	% chg
Net interest income	241,7	210.1	+15.0%
Net commission income	77.2	74.1	+4.2%
Revenues	365.8	311.3	+17.5%
Operating costs	-242.7	-301.6	-19.5%
Operating income	123.1	9.7	n.s
Recurring Net profit	<b>68.0</b>	<b>-4.9</b>	
Recurring cost of credit risk (annualized)	25bps	30bps	

BP Lodi Cost/Income ratio



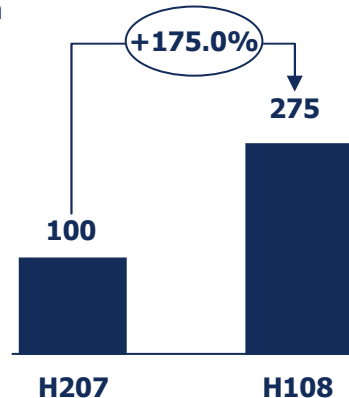
Network customer loans

€/bn



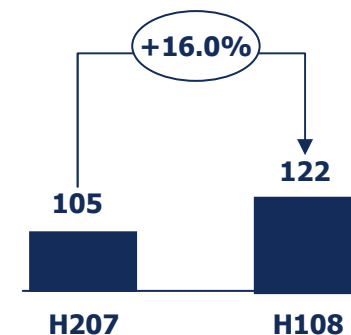
Structured bond inflows

€/m



Consumer lending inflows

€/m



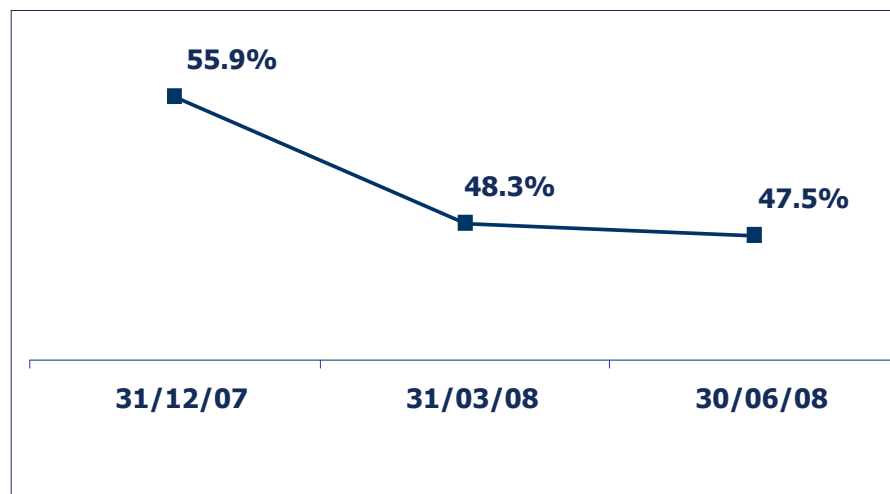
\* In order to ensure the same accounting perimeter after the effectiveness of the merger between BPVN and BPI (1 July 2007), the comparison is made on H2 2007 data.

# CR Lucca turnaround under way

CR LuPiLi key H1 2008 P&L data\*

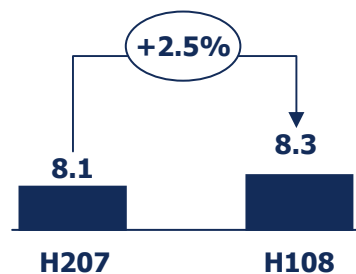
	H1 08	H2 07	% chg
Net interest income	160.8	147.1	+9.3%
Net commission income	44.1	40.4	+9.0%
Revenues	224.4	203.0	+10.5%
Operating costs	-106.6	-118.1	-9.7%
Operating income	117.7	84.9	+38.6%
Recurring net income	<b>62.8</b>	32.6	<b>+92.6%</b>
Recurring cost of credit risk (annualized)	44bps	42bps	

CR LuPiLi Cost/Income ratio



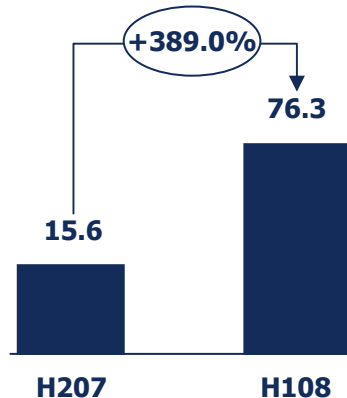
Network customer loans

€/bn



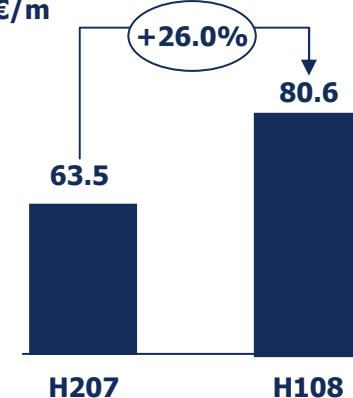
Structured bond inflows

€/m



Bancassurance inflows

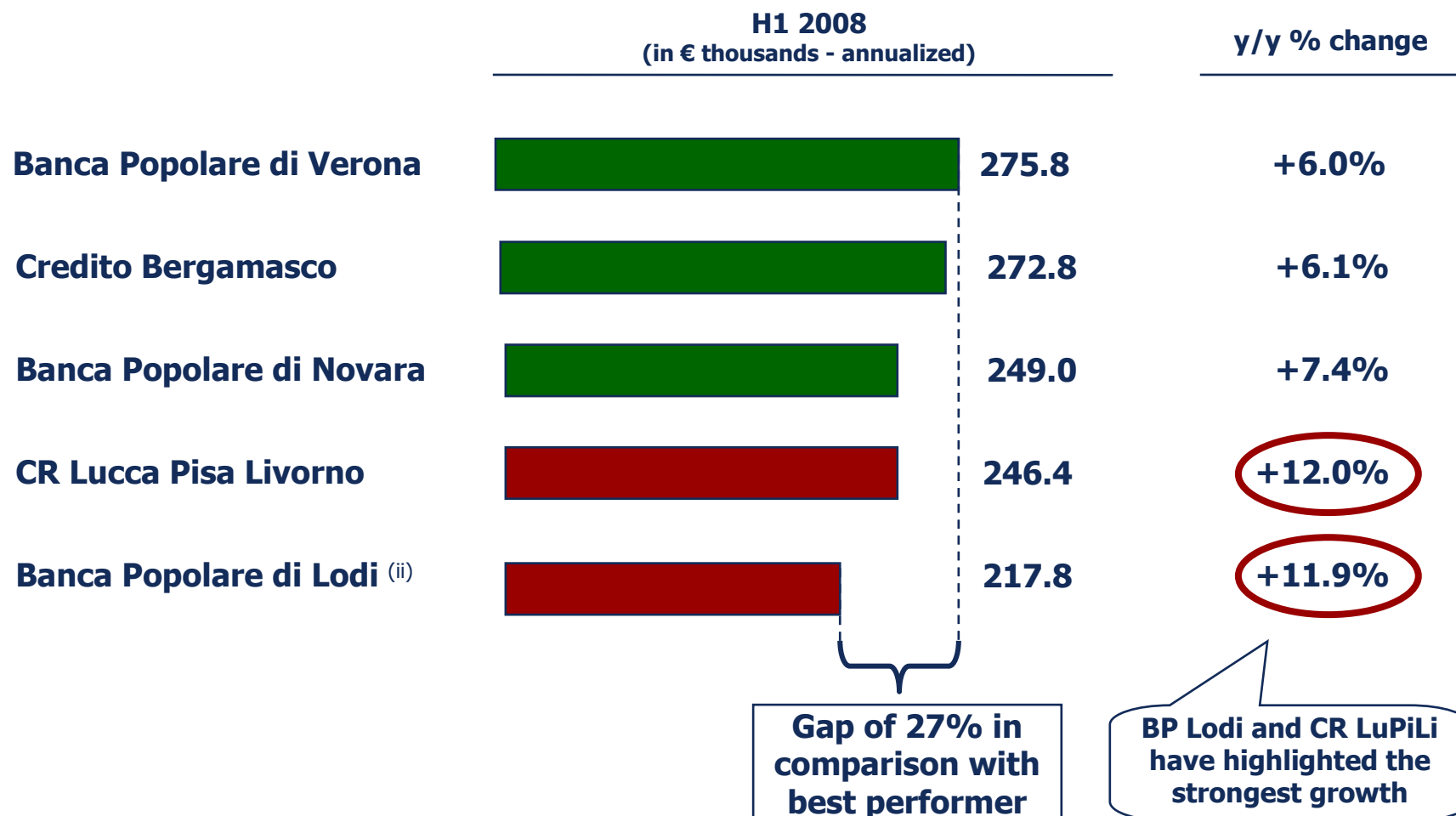
€/m



\* In order to ensure the same accounting perimeter after the effectiveness of the merger between BPVN and BPI (1 July 2007), the comparison is made on H2 2007 data.

# Internal benchmarking of key Group commercial banks

## Revenues per network employees <sup>(i)</sup>



(i) 'Network employees' are indicated as average number and include personnel in branch offices and in network areas and field developers (retail and corporate). Revenues include only core network revenues.

(ii) BPL here considered standalone, i.e. excluding BP Crema, BP Cremona and Caripe; Banca Popolare di Mantova is also excluded.





## *Appendices*



# Estimated impact of capital strengthening initiatives

	ESTIMATED EFFECT		
	Core Tier 1	Tier 1	Timing
▪ Disposal of 33 Tuscany-based branches	+15bps	+18bps	Q3 2008
▪ Disposal of 50% stake in Aletti Alternative	+9bps	+10bps	Q4 2008
▪ Consumer credit JV	+66bps	+84bps	Q4 2008
▪ Disposal of €1bn instrumental real estate assets	+47bps	+56bps	Q4 2008
▪ Other <sup>(i)</sup>	+13bps	+14bps	Q4 2008
<b>TOTAL ESTIMATED EFFECT</b>	<b>+150bps</b>	<b>+ 182bps</b>	

(i) Includes the sale of: non-instrumental real estate assets, Banca Popolare di Mantova, Finoa and the agreement with Palladio Finanziaria.

## U turn in 2008: from weak towards an adequate capital position (4)

### Capital strengthening initiatives: limited impact on core earnings (included in the Business Plan)

Initiative	Impact on P&L (in €m)		
	2008	2009	2010
Disposal of a 48% stake in Linea (December 2007) <i>o/w:</i> - One-off capital gain - Profit and loss from equity inv.	95 (14)	- (18)	- (18)
Disposal of non instrumental real estate <i>o/w:</i> - One-off capital gain - Income before taxes	+59 -	- +4	- +4
Creation of an operating real estate fund for €1bn (March 2008) <i>o/w:</i> - One-off capital gain (min.) - Reduction in depreciation - Return on cash liquidity - Additional rent	+500 - - -	- +20 +40 (60)	- +20 +40 (60)
Disposal of 33 Tuscany-based branches (March 2008) <i>o/w:</i> - One-off capital gain - Income before taxes	155 (8)	- (21)	- (24)
Disposal of a 50% stake in Aletti Alternative <i>o/w:</i> - One-off capital gain - Income before taxes	+78 (2)	- (4)	- (6)
<b>Total pre-tax impact of capital strengthening initiatives</b>	<b>~ +863</b>	<b>~ (39)</b>	<b>~ (44)</b>
<b>Total post-tax impact of capital strengthening initiatives</b>	<b>~ +703</b>	<b>~ (34)</b>	<b>~ (38)</b>

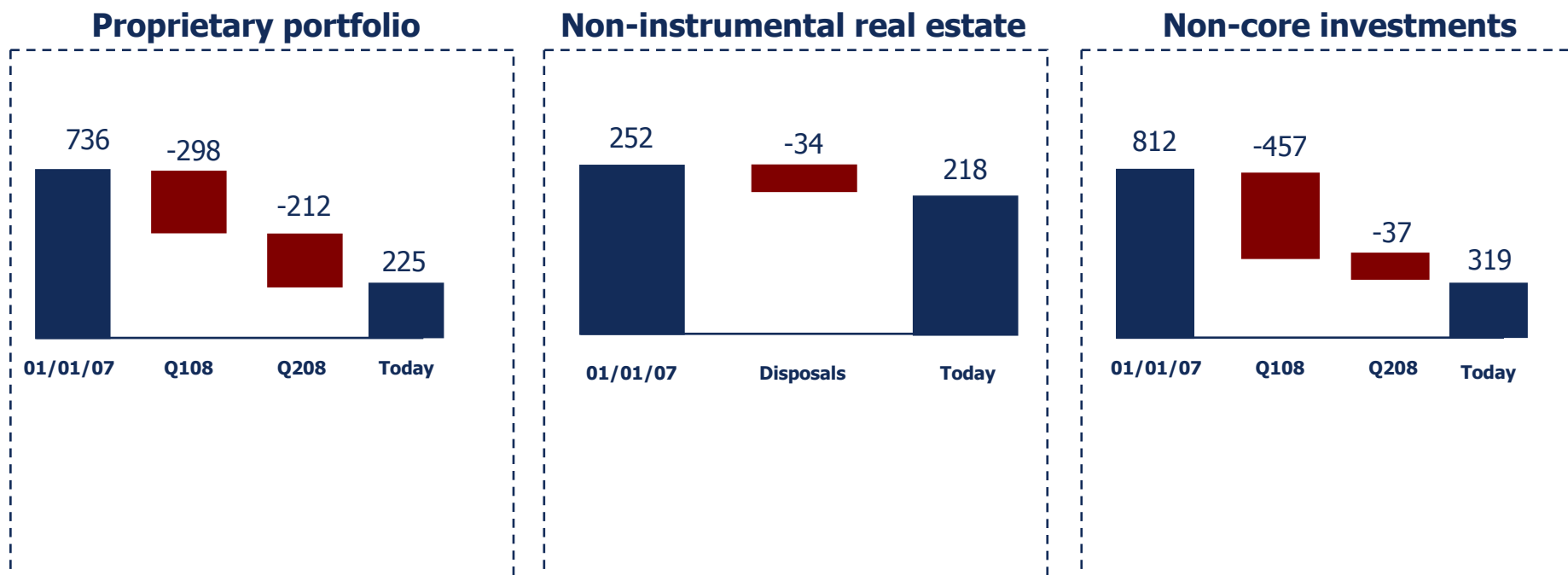
# Business Plan Targets: Group recurring P&L - post PPA

€/m	2007	2008	Y/Y % chg	CAGR 2007/2010
<b>Total operating revenues:</b>	<b>4,090.4</b>	<b>4,212.3</b>	<b>+3.0%</b>	<b>+7.3%</b>
▪ Net interest income (post PPA)	2,263.9	2,480.5	+9.6%	+10.4%
PPA effect on Net interest income	(58.5)	(110.1)		
▪ Divid. + profit (losses) from eq. inv.	34.4	62.7		
▪ Net non-interest income	1,792.1	1,669.1	-6.9%	+2.0%
PPA effect on net non interest income	(20.1)	(53.0)		
<b>Operating costs (post PPA)</b>	<b>(2,436.3)</b>	<b>(2,433.3)</b>	<b>-</b>	<b>+2.4%</b>
PPA effect on amortization	(1.9)	(3.7)		
<b>Operating margin</b>	<b>1,654.1</b>	<b>1,779.0</b>	<b>+7.5%</b>	<b>+13.8%</b>
Net value adjust. for loans and similar	(354.0)	(389.6)		
Other net value adjustments (i)	(12.9)	(5.0)		
Net provisions for risks and liabilities	(72.9)	(44.9)		
Inc. from the disp. of eq. part. + invest.	14.3	0.0		
<b>Income before tax from continuing operations</b>	<b>1,228.7<sup>(ii)</sup></b>	<b>1,339.6</b>	<b>+9.0%</b>	<b>+15.5%</b>
PPA effect on taxes	30.7	53.6		
<b>Net income of the period pre PPA</b>	<b>704.8</b>	<b>840.5</b>		
PPA effect on Net Income	(53.1)	(103.5)		
<b>Net income of the period post PPA</b>	<b>664.9</b>	<b>803.7</b>	<b>+20.9%</b>	<b>+19.6%</b>

(i) Net value adjustments on financial operations, goodwill and participations. (ii) Corrected amount. Previously, € 1,083.1 was erroneously indicated; % changes adjusted accordingly.

## BPI turnaround: de-risking & reduction of non-core assets

- In 2007, about €340 mln extraordinary provisions have been made following the strong clean-up process carried out on the customer loan and shareholding portfolios of ex-BPI.
- The biggest risk positions have been closed.
- The reduction of low-yielding non-core assets is in progress in the following main areas:



# Non-recurring items & PPA impact

€/m	H1 08 Stated	H1 08 Recurring	NON-RECURRING		
			H1 08	Q1 08	Q2 08
<b>Total operating revenues:</b>	<b>2,114.7</b>	<b>2,009.6</b>	<b>105.1</b>	<b>213.6</b>	<b>(108.5)</b>
• Net interest income	1,225.9	1,225.9			
• Dividends and profit (loss) from eq. inv.	32.4	32.5			
• Other operating income	856.4	751.2			
- <i>Net financial result</i>	158.4	53.3	105.1	213.6	(108.5)
- <i>Net commissions</i>	589.1	589.1			
- <i>Other net operating income</i>	108.8	108.8			
<b>Operating costs</b>	<b>(1,162.5)</b>	<b>(1,162.5)</b>			
<b>Operating profit</b>	<b>952.2</b>	<b>847.1</b>	<b>105.1</b>	<b>213.6</b>	<b>(108.5)</b>
Net value adjustments for loans	(197.0)	(138.4)	(58.6)	(7.4)	(51.2)
Net impairment of other financial assets	(25.7)	(4.5)	(21.2)		(21.2)
Net provisions for risks and charges	(33.5)	(16.2)	(17.3)	(2.5)	(14.8)
Inc. from disposal of equity and other invest.	120.4	0.0	120.4	1.5	118.9
<b>Income before tax from contin. operat.</b>	<b>816.4</b>	<b>687.9</b>	<b>128.4</b>	<b>205.2</b>	<b>(76.8)</b>
Profit (loss) after tax from discontinued operat.	17.6	0.0	17.6	12.2	5.4
Net integration costs	(24.3)	0.0	(24.3)	(3.0)	(21.3)
<b>Net income of the period - pre PPA</b>	<b>494.1</b>	<b>396.3</b>	<b>97.8</b>	<b>143.9</b>	<b>(46.1)</b>
PPA impact	(102.7)				
<b>Net income of the period - post PPA</b>	<b>391.4</b>				

Fair value option on own liabilities

Provisions mainly related to Fingruppo loan exposure

Writedowns related to 7.4% Hopa stake and BPL Net

Provisions related to Fingruppo

Mainly related to the sale of 48% Linea stake

Contribution of Ducato, Banca Popolare di Mantova and other

Integration costs

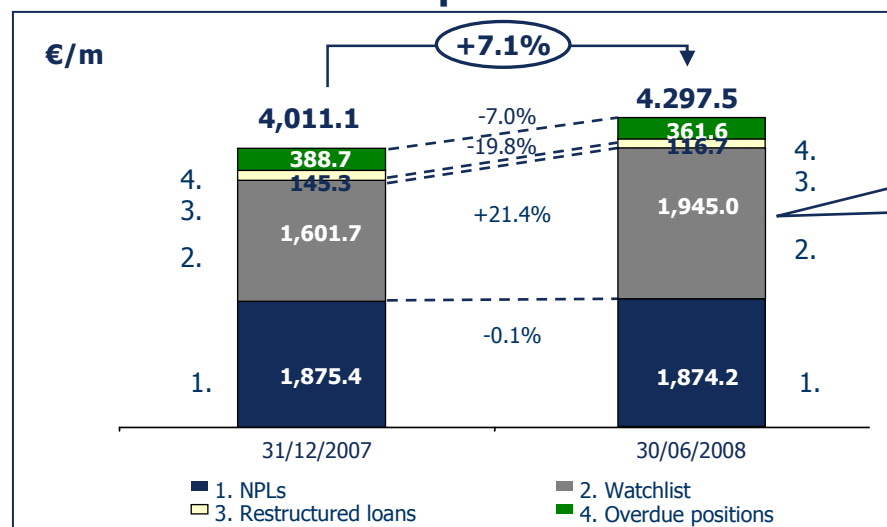
## Group quarterly recurring net non-interest income

€/m

	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07 PF	Q1 07 PF
<b>Net commission income:</b>	<b>292.3</b>	<b>296.9</b>	<b>294.3</b>	<b>285.6</b>	<b>322.6</b>	<b>308.0</b>
• Management, brokerage and advisory services	177.3	187.2	178.8	181.2	212.0	203.3
<b>Net financial result:</b>	<b>50.2</b>	<b>3.1</b>	<b>18.3</b>	<b>37.5</b>	<b>92.5</b>	<b>168.2</b>
• Net result of trading and hedging of financial assets/liabilities valued at FV	27.3	3.1	18.3	35.4	60.4	168.0
• Dividends from "ex participations"	22.9	0.0	0.0	2.1	32.1	0.2
<b>Other net operating income</b>	<b>50.4</b>	<b>58.5</b>	<b>43.7</b>	<b>62.4</b>	<b>63.6</b>	<b>58.9</b>
<b>Total recurring net non-interest income</b>	<b>392.9</b>	<b>358.5</b>	<b>356.4</b>	<b>385.5</b>	<b>478.7</b>	<b>535.0</b>

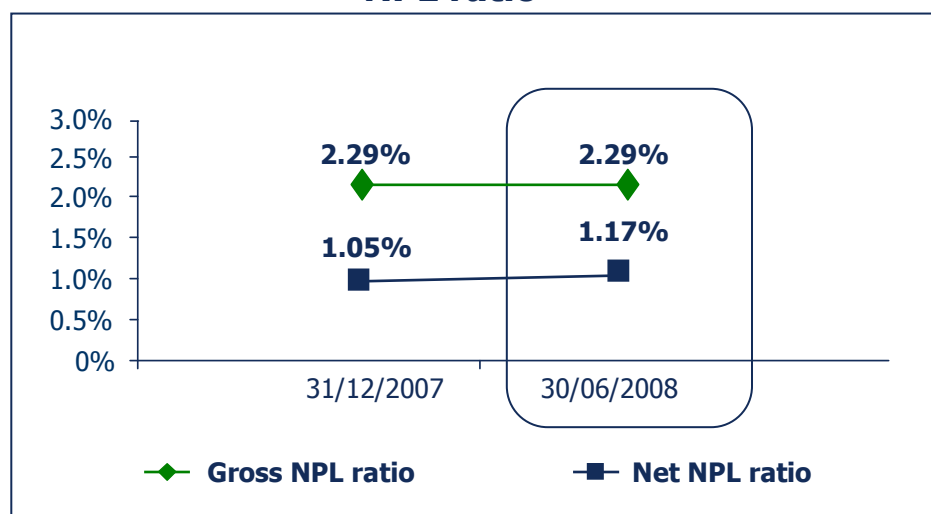
# Group credit quality: impaired loans & ratios

## Gross impaired loans

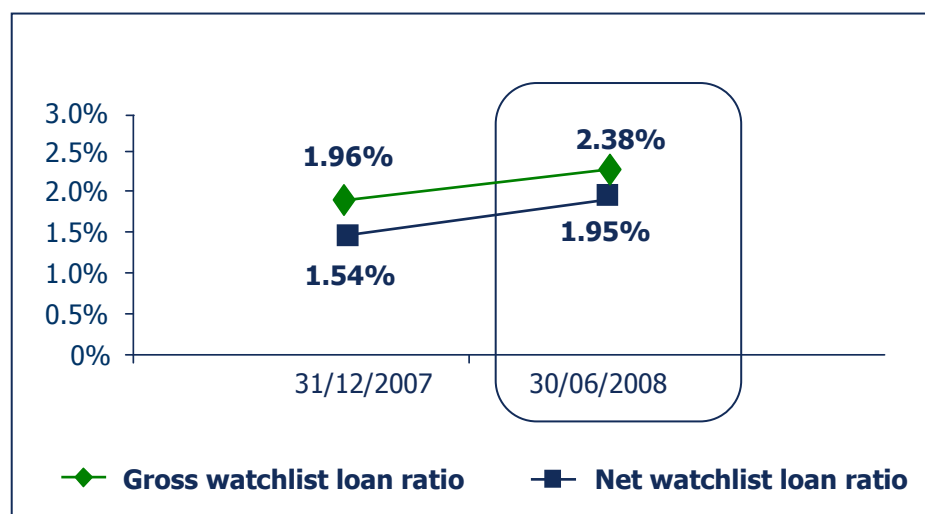


of which 210m related to Fingruppo-Hopa loan exposure

## NPL ratio



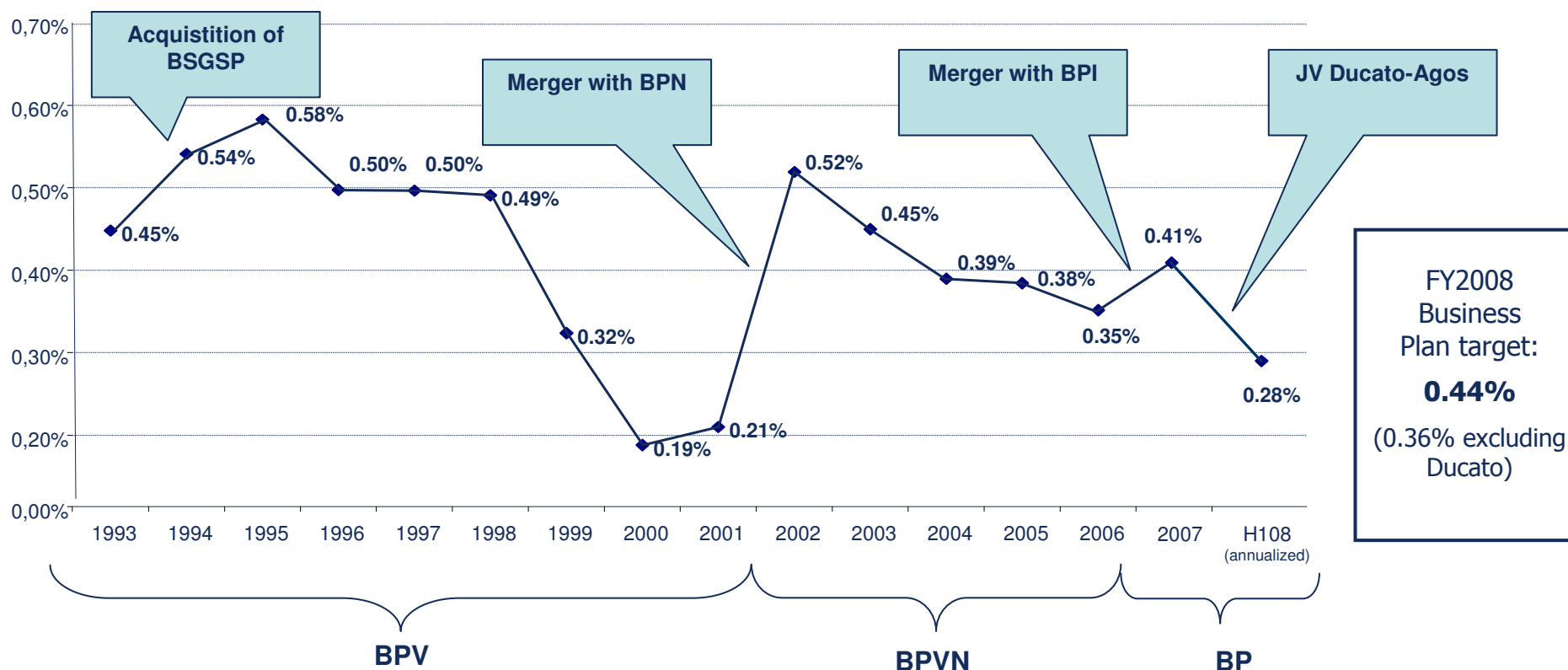
## Watchlist loan ratio





# Low historic cost of credit risk

## Recurrent 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)

# Tightening in provisioning policy (FY 2007)

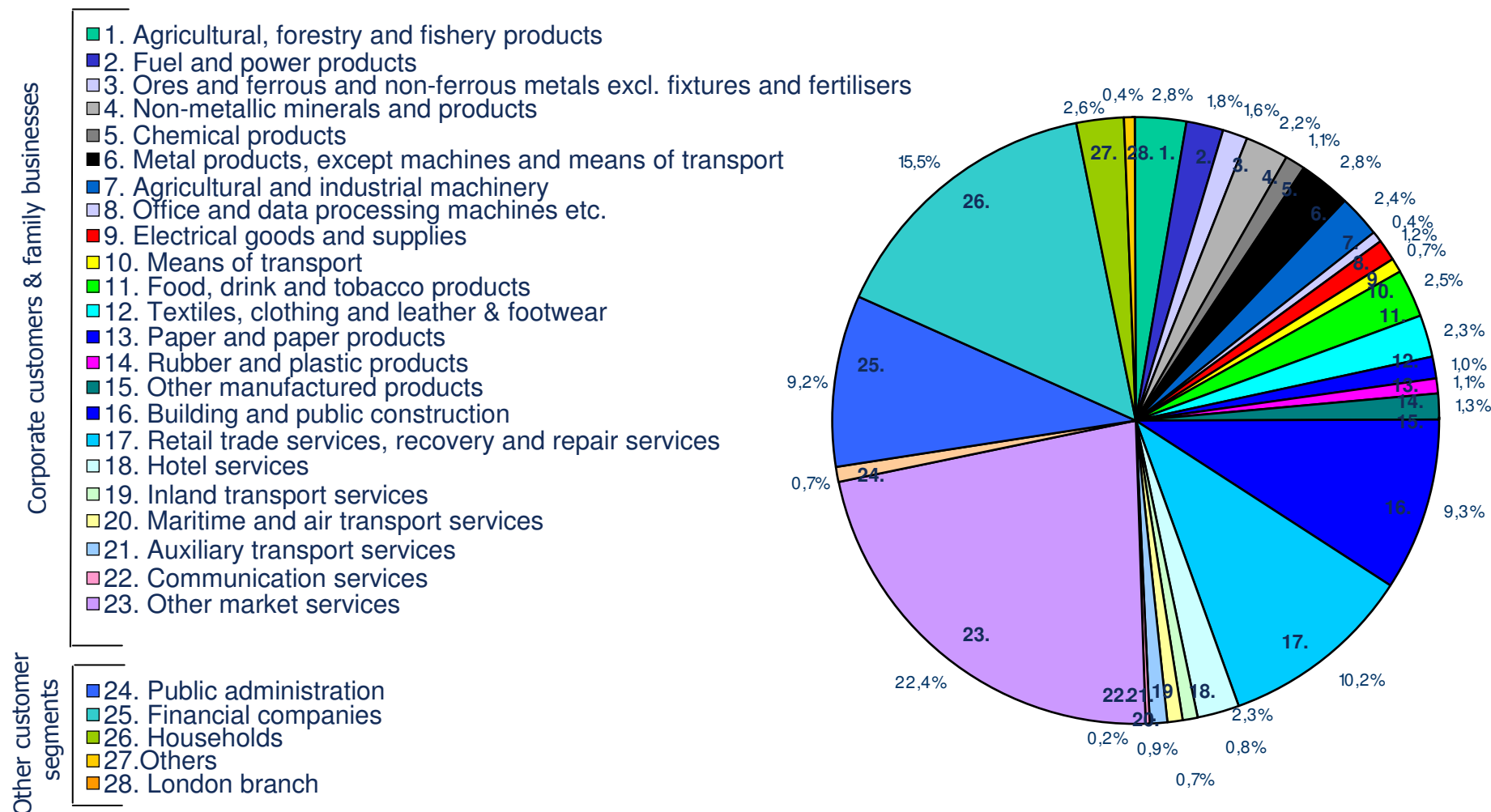
€m

## Main provisions/write-downs in Q4 2007

			<i>of which:</i>	
	Q4 2007	Comments	<i>Further amounts decided in response to negative events in Q1 2008</i>	Comments
▪ <b>HOPA stake</b> (7.4%)	78.8	Total Write down from <b>€1.00</b> to <b>€0.22</b> per share	40.0	Write down from <b>€0.60</b> (Dec. '07) to <b>€0.22</b> per share (now)
▪ <b>ITALEASE stake</b> (30.7%)	135.2	Total Write down from <b>€10.79</b> to <b>€7.66</b> per share	70.0	Write down from <b>€9.30</b> (Dec.'07) to <b>€7.66</b> per share (now)
▪ <b>ex-BPI:</b>				
- <b>Loan book clean up:</b>	95.5		56.0	
- <b>Provisions for risks and charges:</b>	58.4		34.0	
<b>Total gross provisions/write downs</b>	<b>367.9</b>		<b>200.0 (54%)</b>	

# Banco Popolare: Loan segmentation

## Customer Loan Breakdown of the Group's banks (30/06/2008) (i)



(i) Includes all commercial banks + Efibanca; excludes Ducato.

## 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
29 March 2008	Verona	Press release on FY 2007 results
31 March 2008	Verona	Banco Popolare: Conference call on FY2007 results
2-3 April 2008	London	Morgan Stanley – European Financials Conference
April – July 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
15 May 2008	Verona	Banco Popolare: Conference call on Q1 2008 results
19 May 2008	Paris	CA Cheuvreux 2nd Annual Spring European Large Cap Conference
22 May 2008	Rome	Unicredit XI Italian Conference
30 May 2008	Milan	Deutsche Bank Italian Conference
13 June 2008	Berlin	Goldman Sachs European Financials Conference
29 August 2008	Verona	Press release on H1 2008 results
29 August 2008	Verona	Banco Popolare: Conference call on H1 2008 results
2 September 2008	London	Goldman Sachs Italian Financials Symposium
September-October 2008	Italy & abroad	Roadshow activities
17 September 2008	London	Keefe, Bruyette & Woods European Financials Conference
7-8 October 2008	Tokyo	Borsa Italiana/Nomura Italian Conference
8-9 October 2008	London	Merrill Lynch – European Banking and Insurance Conference
14 November 2008	Verona	Press release on Q3 2008 results
14 November 2008 (TBC)	Verona	Banco Popolare: Conference call on Q3 2008 results
November-December 2008	Italy & abroad	Roadshow activities
20 November 2008	Palermo	Banca Leonardo - Italian Banking Conference



## Key Contacts for Investors and Analysts

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