



**Banca Leonardo Conference**  
**Italian Banks and Insurers: '*Colours in the dark*'**

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Palermo, 20 November 2008





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# Agenda

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## Section 1

# Group Q3 and 9-month 2008 Results

- *P&L account analysis*
- *Banking volumes*
- *Asset quality and cost of risk*



## Executive summary

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- **Excluding non recurring items and the net financial result, strong performance and profitability in the core banking business**
- **Turnaround of ex-BPI on track, with synergies in line with expectations**
- **Preliminary estimates as of September 2008 see the pro-forma Tier 1 capital ratio between 7.5% and 8.0% (6.0%-6.5% Core Tier 1 ratio).**
- **In response to the market environment, launch of a new important project aimed at simplifying the Group's organisational and corporate layout, with a structural reduction of the cost base and improvement in service quality.**



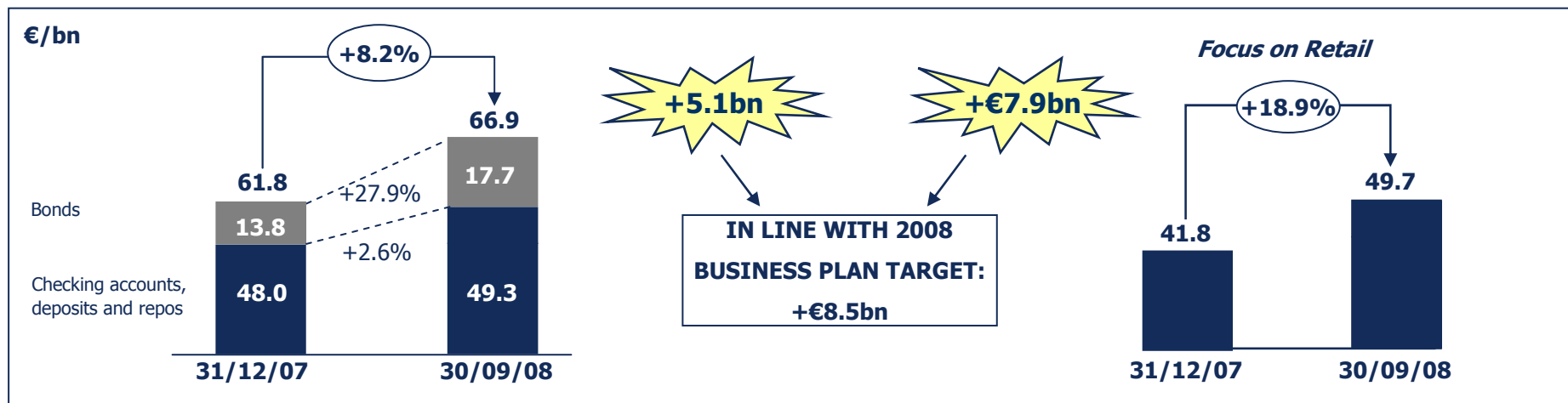
# Group 9-month 2008 profitability highlights (pre PPA)

€/m	RECURRING			STATED		
	9M 08	9M 07*	% chg	9M 08	9M 07*	% chg
<b>Total operating revenues:</b>	<b>2,913.8</b>	<b>3,015.0</b>	<b>-3.4%</b>	<b>3,185.1</b>	<b>2,865.6</b>	<b>11.1%</b>
• Net interest income	1,838.2	1,586.3	+15.9%	1,838.7	1,586.3	15.9%
• Dividends and profit (loss) from eq. inv.	38.2	29.5	+29.6%	38.2	(115.9)	n.s.
• Net non-interest income	1,037.4	1,399.2	-25.9%	1,308.2	1,395.2	-6.2%
- <i>Net financial result</i>	<i>60.0</i>	<i>298.2</i>	<i>-79.9%</i>	<i>196.2</i>	<i>311.4</i>	<i>-37.0%</i>
- <i>Net commissions</i>	<i>822.1</i>	<i>916.1</i>	<i>-10.3%</i>	<i>822.1</i>	<i>916.1</i>	<i>-10.3%</i>
- <i>Other net operating income</i>	<i>155.3</i>	<i>184.9</i>	<i>-16.0%</i>	<i>290.0</i>	<i>167.6</i>	<i>73.0%</i>
<b>Operating costs</b>	<b>(1,750.5)</b>	<b>(1,766.5)</b>	<b>-0.9%</b>	<b>(1,750.5)</b>	<b>(1,752.4)</b>	<b>-0.1%</b>
<b>Operating profit</b>	<b>1,163.2</b>	<b>1,248.6</b>	<b>-6.8%</b>	<b>1,434.6</b>	<b>1,113.2</b>	<b>28.9%</b>
Net value adjustments for loans	(205.8)	(202.5)	1.6%	(354.2)	(239.8)	47.7%
Net impairments of other financial assets	(6.9)	(0.6)	n.s.	(53.0)	(5.3)	n.s.
Net provisions for risks and charges	(26.2)	(40.2)	-34.6%	(41.7)	(48.2)	-13.4%
Inc. from disposal of equity and other invest.	0.0	14.3	n.s.	140.4	513.3	-72.6%
<b>Income before tax from contin. operat.</b>	<b>924.3</b>	<b>1,019.6</b>	<b>-9.3%</b>	<b>1,126.0</b>	<b>1,296.9</b>	<b>-13.2%</b>
Tax on income from continuing operations	(390.1)	(404.3)	-3.5%	(410.2)	(426.1)	-3.7%
Integration costs	-	-	-	(31.6)	(142.1)	-77.7%
Profit (loss) after tax from discontinued operations	-	-	-	19.0	17.8	6.6%
<b>Net income of the period - pre PPA</b>	<b>508.5</b>	<b>595.0</b>	<b>-14.5%</b>	<b>659.4</b>	<b>717.1</b>	<b>-8.1%</b>
<i>Net income contribution of Ducato</i>	23.4	30.1				
<b>Net income with contribution of Ducato - pre PPA</b>	<b>531.9</b>	<b>625.1</b>	<b>-14.9%</b>			

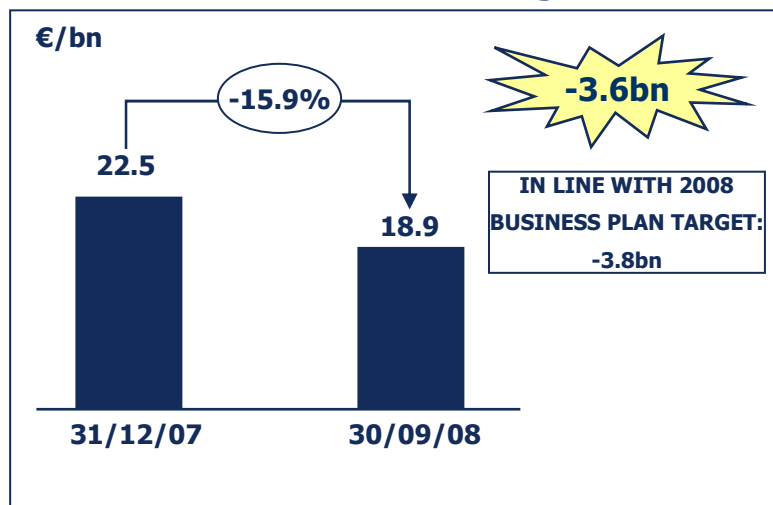
\* Pro-forma data.

# Group funding activity: change in mix

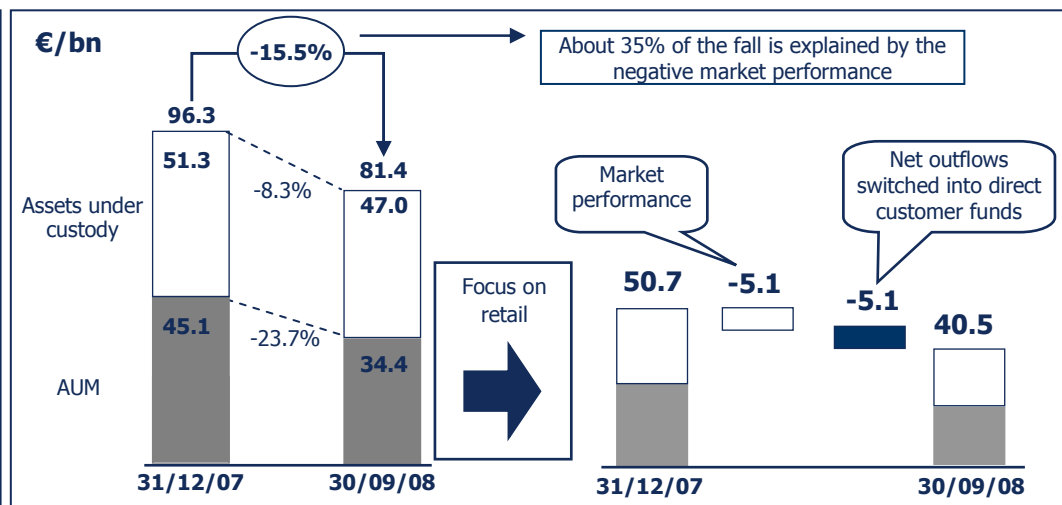
## Direct customer funds of the commercial banks



## Wholesale funding



## Indirect customer funds

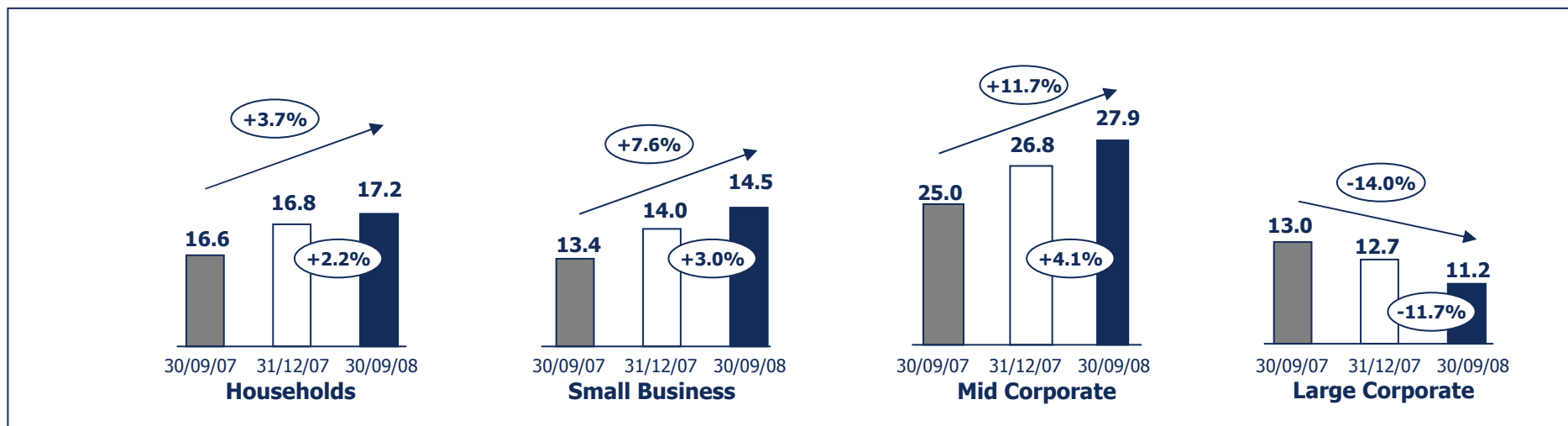


All indicated data are end-of-period figures. Wholesale funding includes institutional bonds (EMTN and London branch).

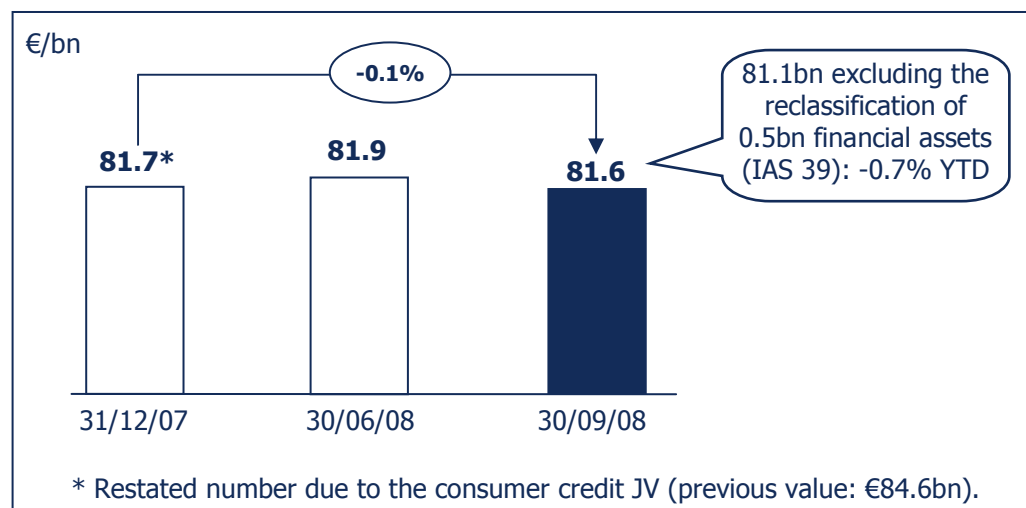
# Group lending activity: focus on retail and SMEs

€/bn

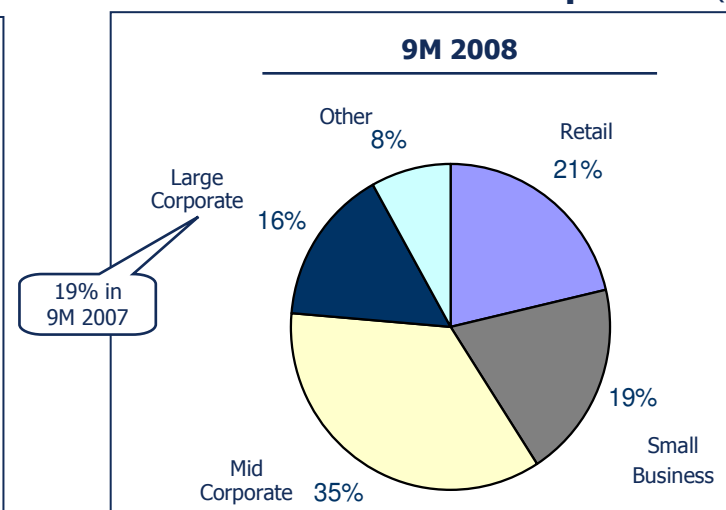
**Commercial banks: loan growth by segments** (period-end vol.)



**Group loan growth** (gross period-end volumes)



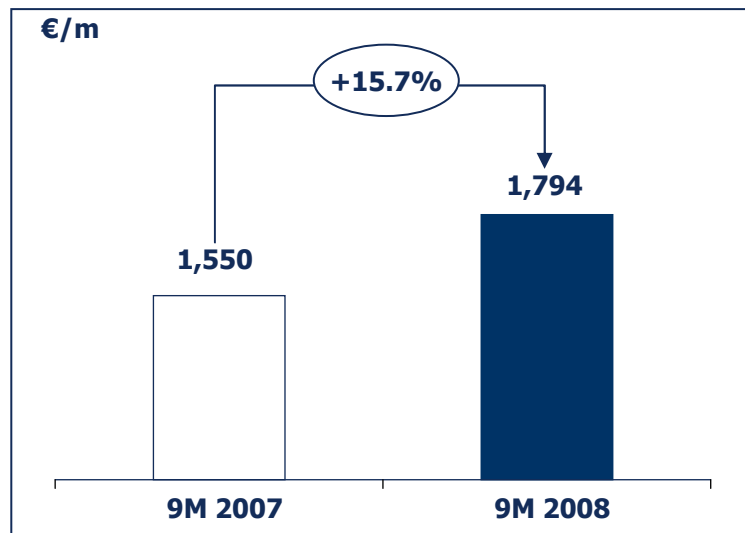
**Commercial banks: loan composition** (avg. vol.)



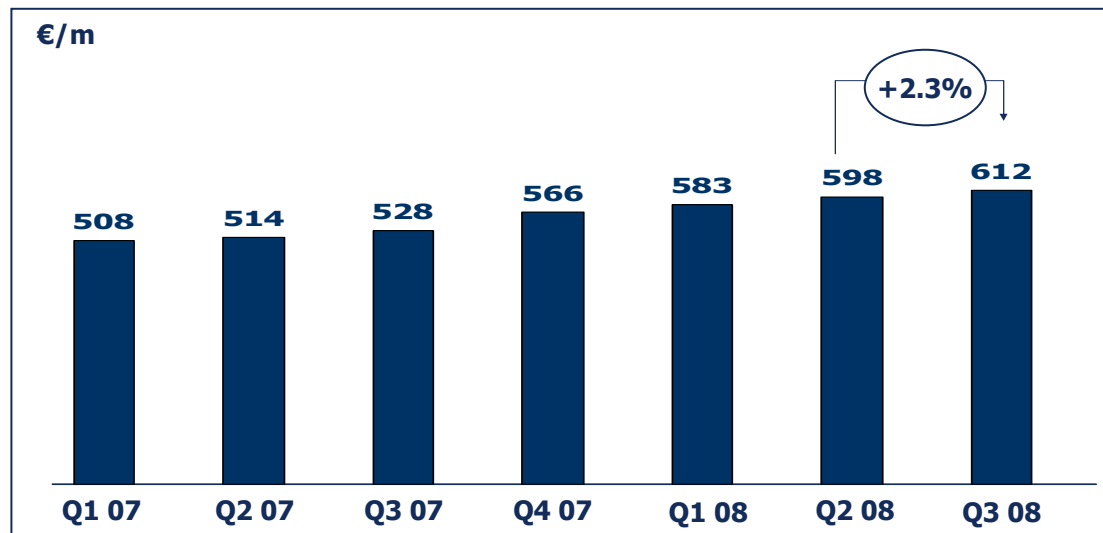


# Commercial banks: customer net interest income & spread

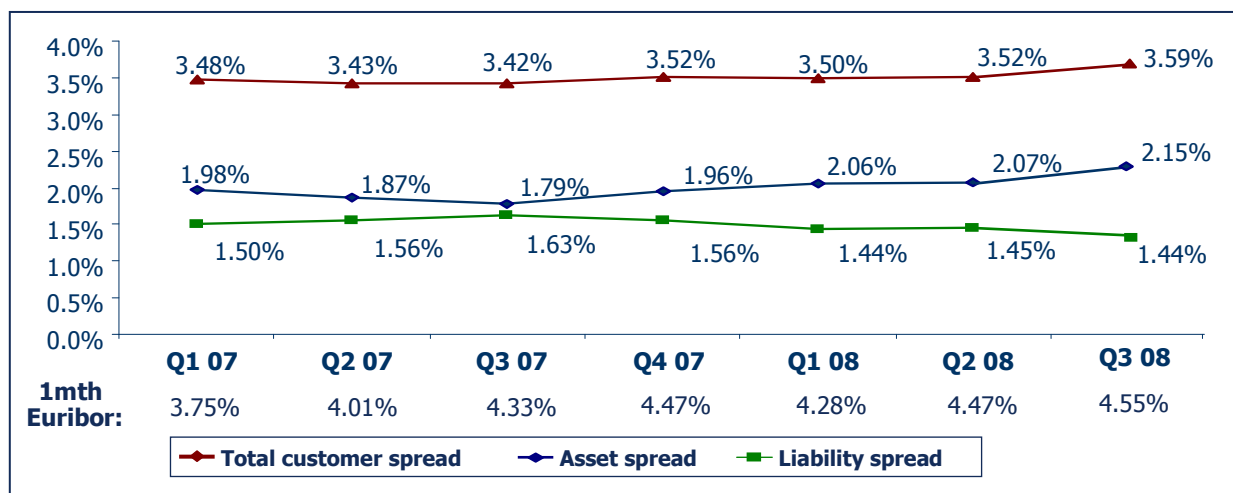
Customer net interest income: y/y trend



Customer net interest income: quarterly trend



Customer spread



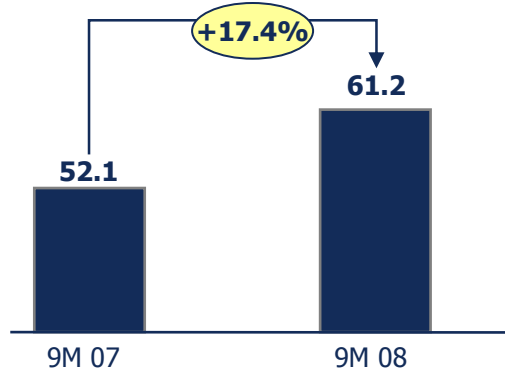
# Commercial banks: growth drivers of customer NII

Growth in nine-month 2008 customer net interest income:  
**+ €244m (+16% y/y)**

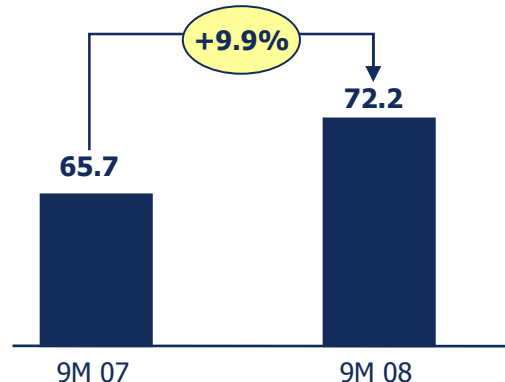
## Drivers

**Volume growth driver: +€180m (NII)**

€/bn Direct customer funds (avg.)

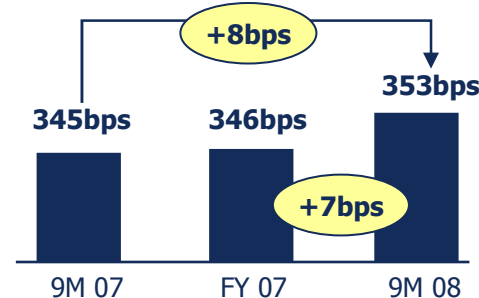


€/bn Gross domestic customer loans (avg.)

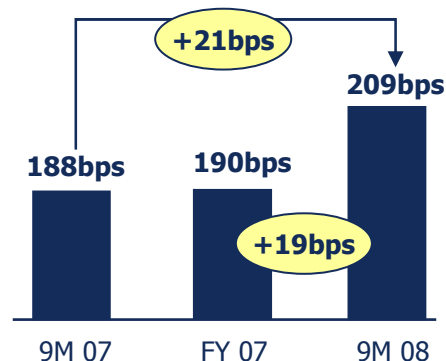


**Customer spread driver: +€64m (NII)**

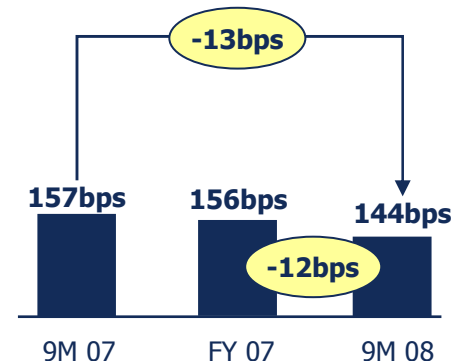
Total avg. customer spread



Asset spread (avg.)



Liability spread (avg.)



# Group quarterly recurring net non-interest income

€/m	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07 PF	Q1 07 PF
<b>Net commission income:</b>	<b>232.9</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	135.8	177.3	187.2	178.8	181.2	212.0	203.3
<b>Net financial result:</b>	<b>6.7</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	(3.2)	27.3	3.1	18.3	35.4	60.4	168.0
• Dividends from "ex participations"	9.9	22.9	0.0	0.0	2.1	32.1	0.2
<b>Other net operating income</b>	<b>46.5</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>286.1</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>

## Focus on net commission income:

• upfront fees	€33.1m	€64.3m	€60.4m	€27.2m	€49.7m	€60.8m	€52.5m
• upfront fees as a % of total revenues	3.6%	6.2%	6.2%	2.9%	5.3%	6.0%	4.9%

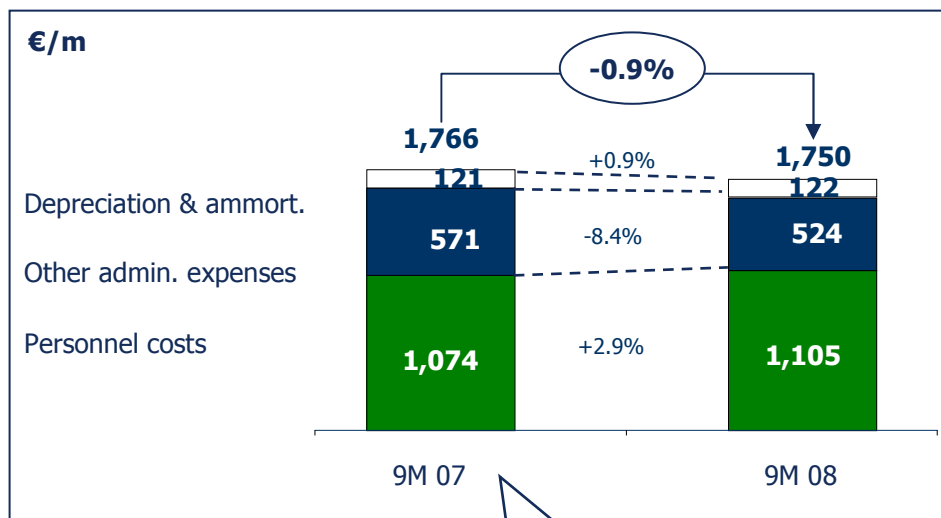
Comment: reduction in upfront fees due to index and third-party products, along with economic slowdown.

## Focus on net financial result:

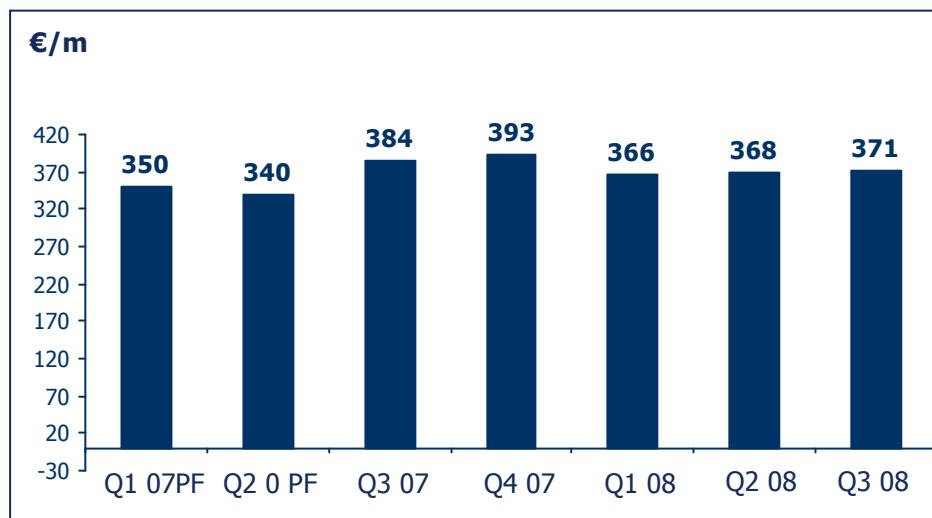
See comments on the reclassifications under IAS 39 in the appendix.

# Group recurring operating costs

## Total operating costs



## Personnel costs: quarterly trend

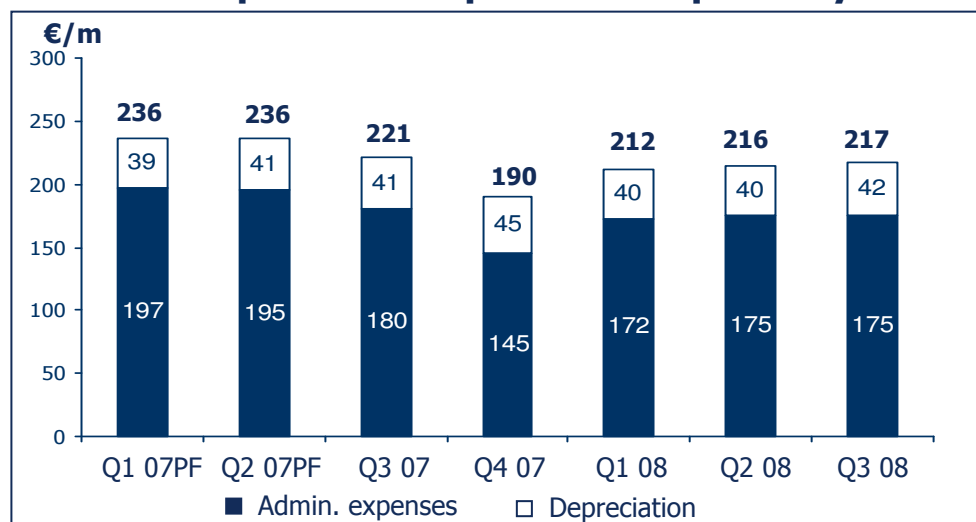


Personnel costs in 9M 2007 benefited from a positive effect of €27.4m from the interest rate adjustment for severance fund liabilities. Excluding this impact, the year-on-year growth is:

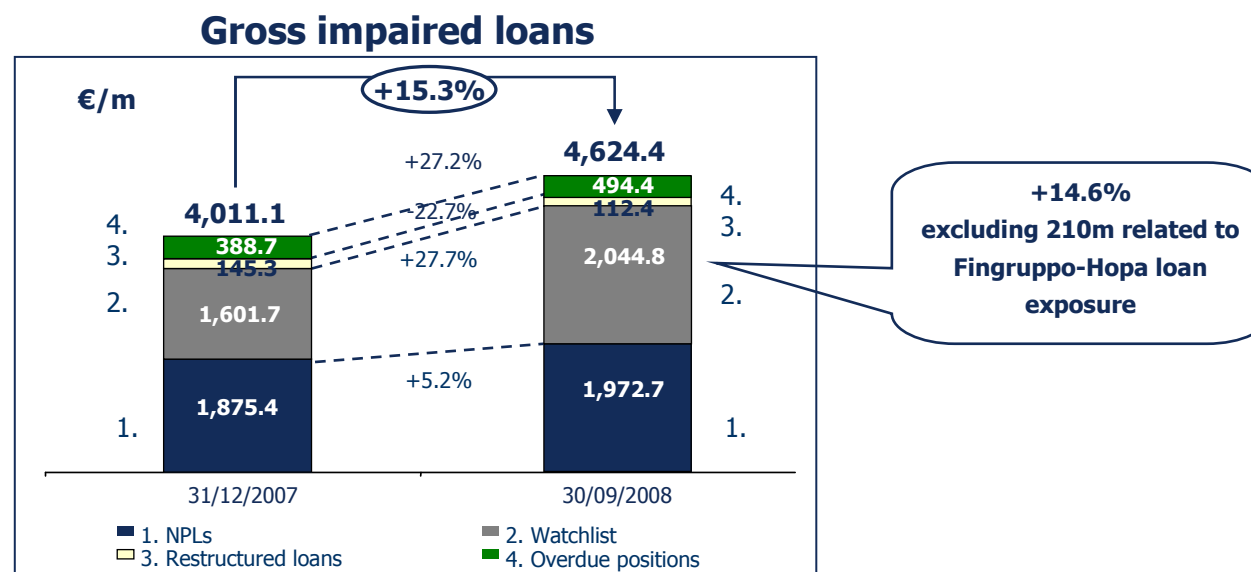
**Personnel costs +0.3%**

**Total operating costs -2.4%**

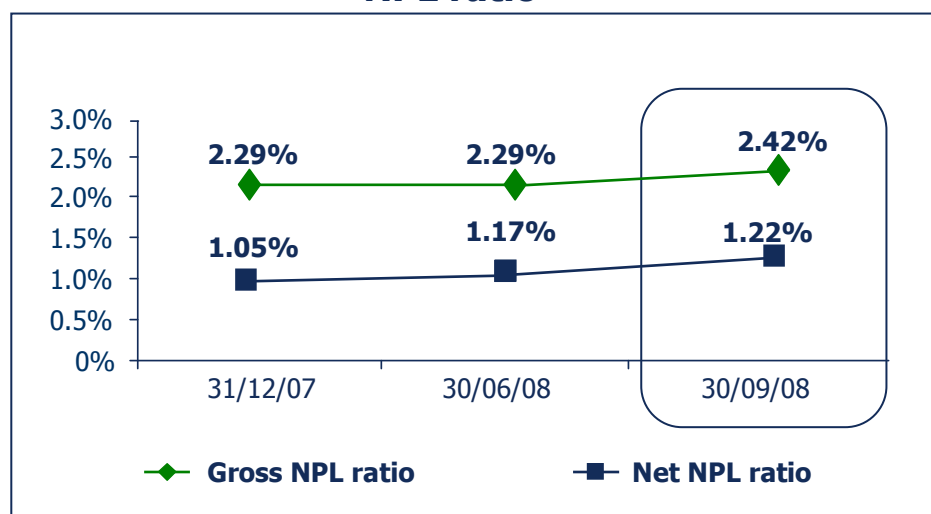
## Admin. expenses & depreciation: quarterly trend



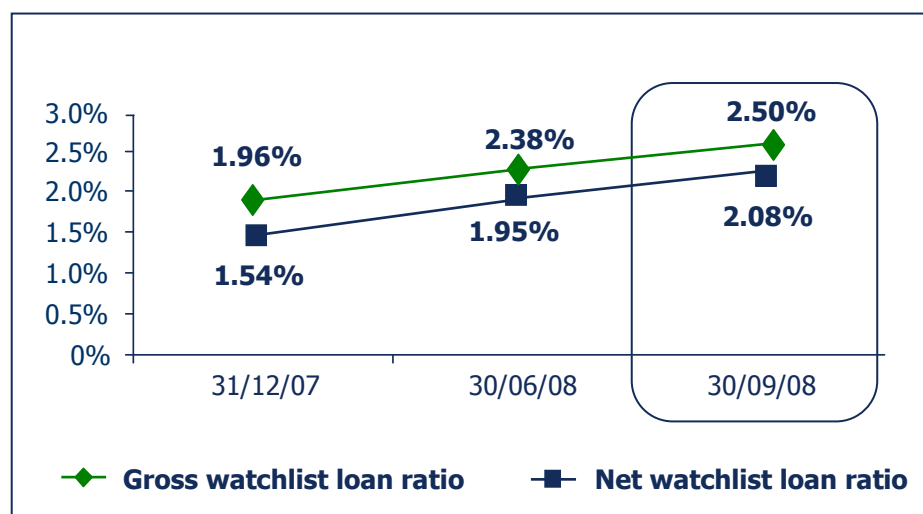
# Group credit quality: impaired loans & ratios



**NPL ratio**



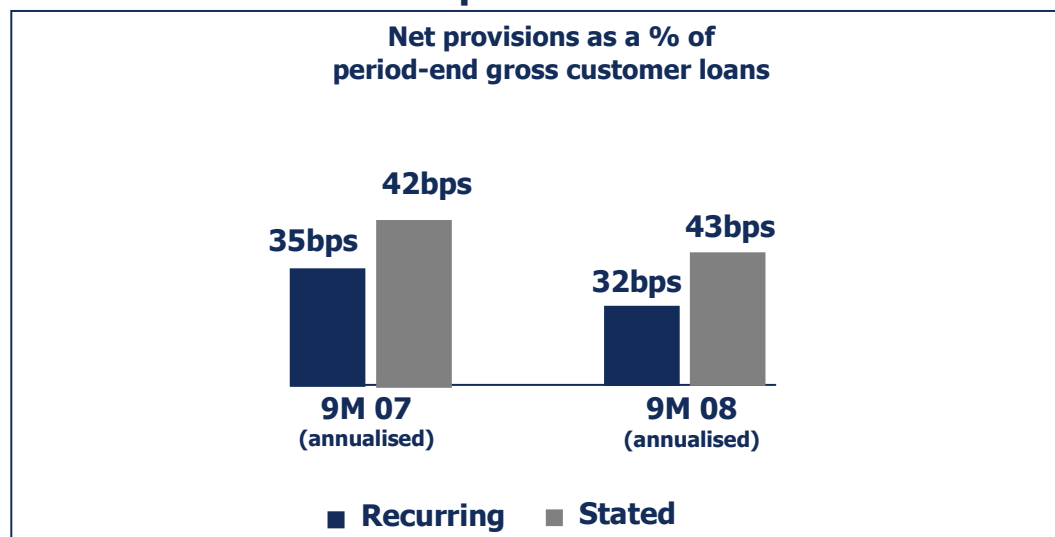
**Watchlist loan ratio**



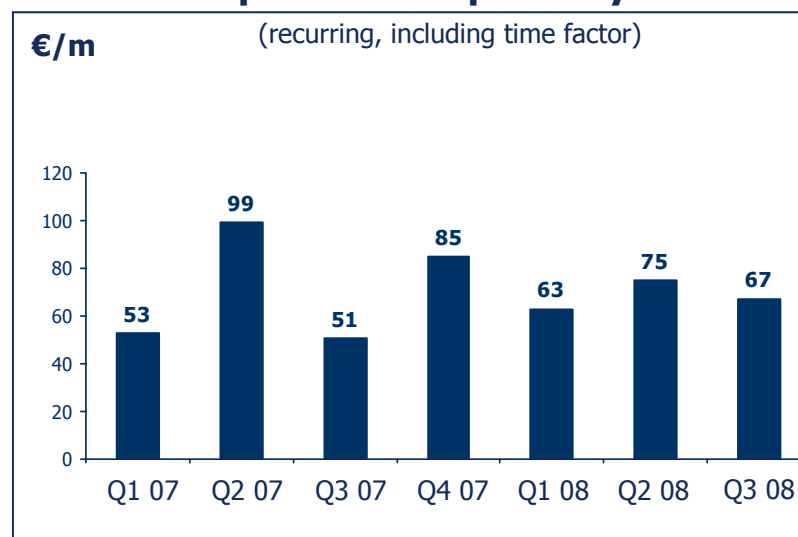
# Analysis of Group cost of credit risk

€/m	9M 2008		9M 2007	
	Recurring	Stated	Recurring	Stated
Total gross provisions (A) <i>(excluding provisions for time factor)</i>	323.1	383.6	338.7	379.0
Write-backs <i>(excluding provisions for time factor)</i>	126.1	118.1	128.4	131.4
<b>Total net provisions (B)</b> <i>(excluding provisions for time factor)</i>	<b>197.0</b>	<b>265.5</b>	<b>210.3</b>	<b>247.6</b>
Gross customer loans (C)	81,474		79,491	

## Group cost of credit



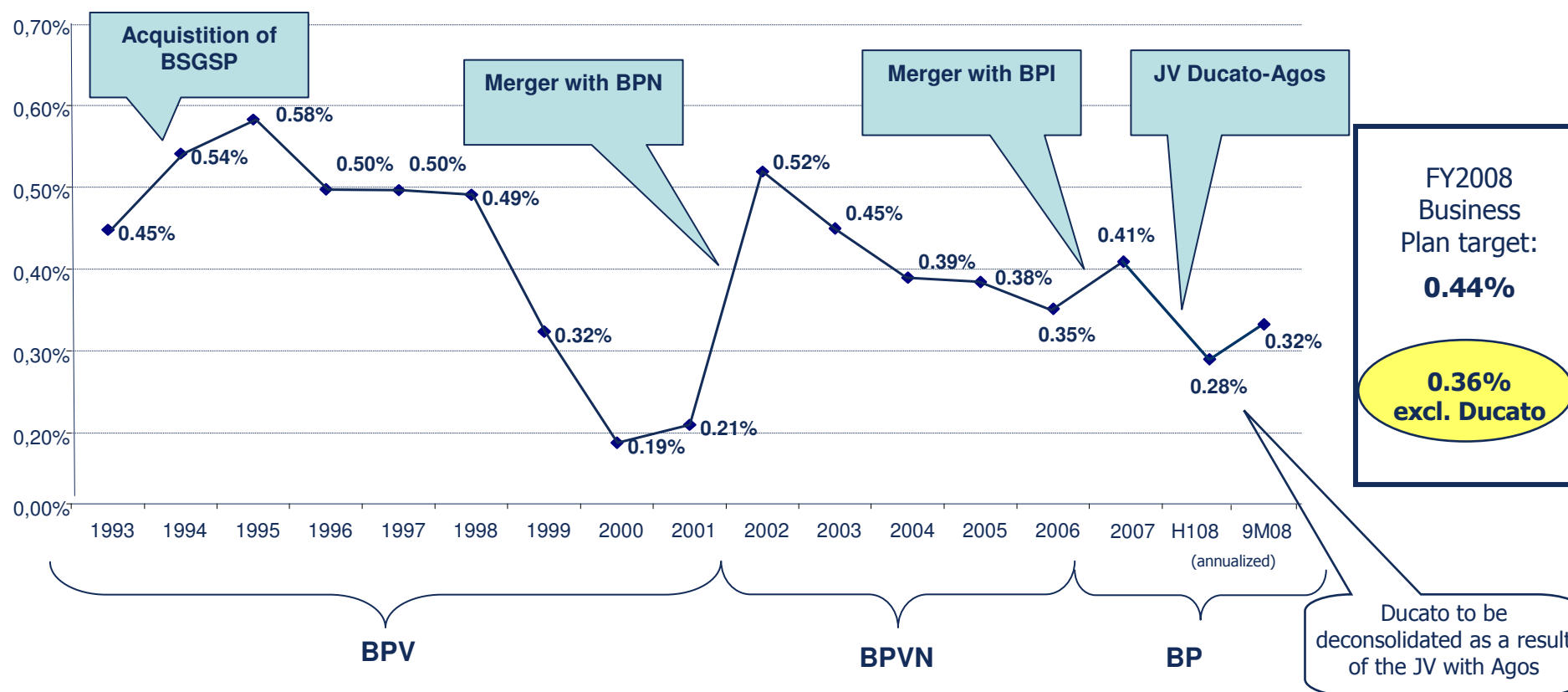
## Loans loss provisions: quarterly evolution



Note: data exclude financial assets HFT reclassified into 'loans' category (IAS 39)

# Low historic cost of credit risk

## Recurrent cost of credit risk



### Notes

Calculation based on Annual Reports.

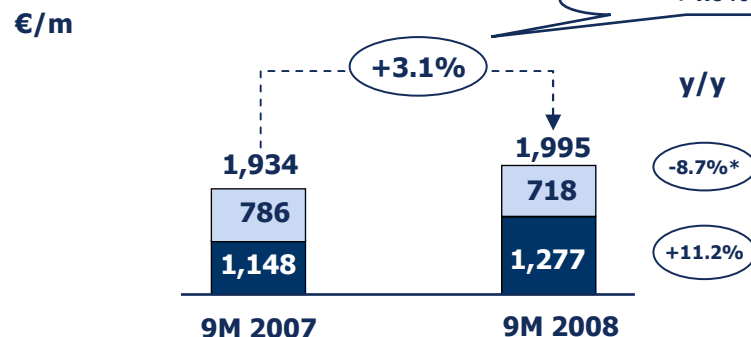
2006-2007 figures based on IAS, previous years on Italian Gaap; 2006-2007 excluding time factor, with 2006 including disposal of NPLs.

2004 without Linea as the company was considered as equity stake afterwards.

# Retail business performance of the commercial banks

## 9M 2008 growth

Growth vs pro-forma '07 with MiFid and Gestielle repricing: +4.6%



o/w: Net interest income +€128m\*\*

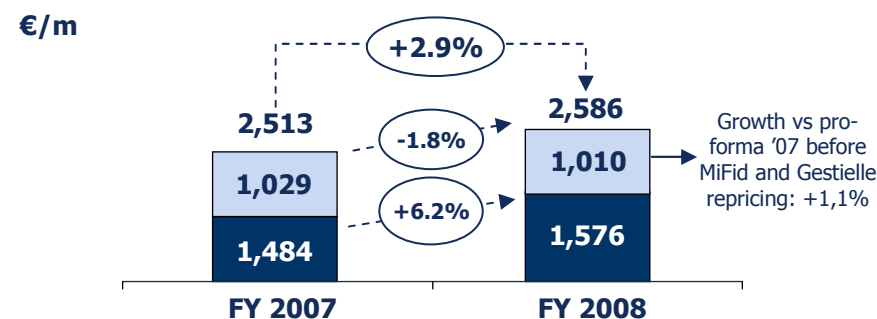
FUNDING	Volumes	Mark down	
	y/y chg	value	9M08/9M07 chg
- Customer deposits	+15.2%	1.75%	-8bps
LENDING	Mark up		
	y/y chg	value	9M08/9M07 chg
- Households loans	+11.1%	1.99%	-12bps
- Small business loans	+11.2%	3.53%	+12bps

o/w: Net non-interest income - €68m

\* Growth vs pro-forma '07 with MiFid and Gestielle repricing: -€41m (-5.4%)

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

## FY 2008 growth target



o/w: Net interest income +€92m

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

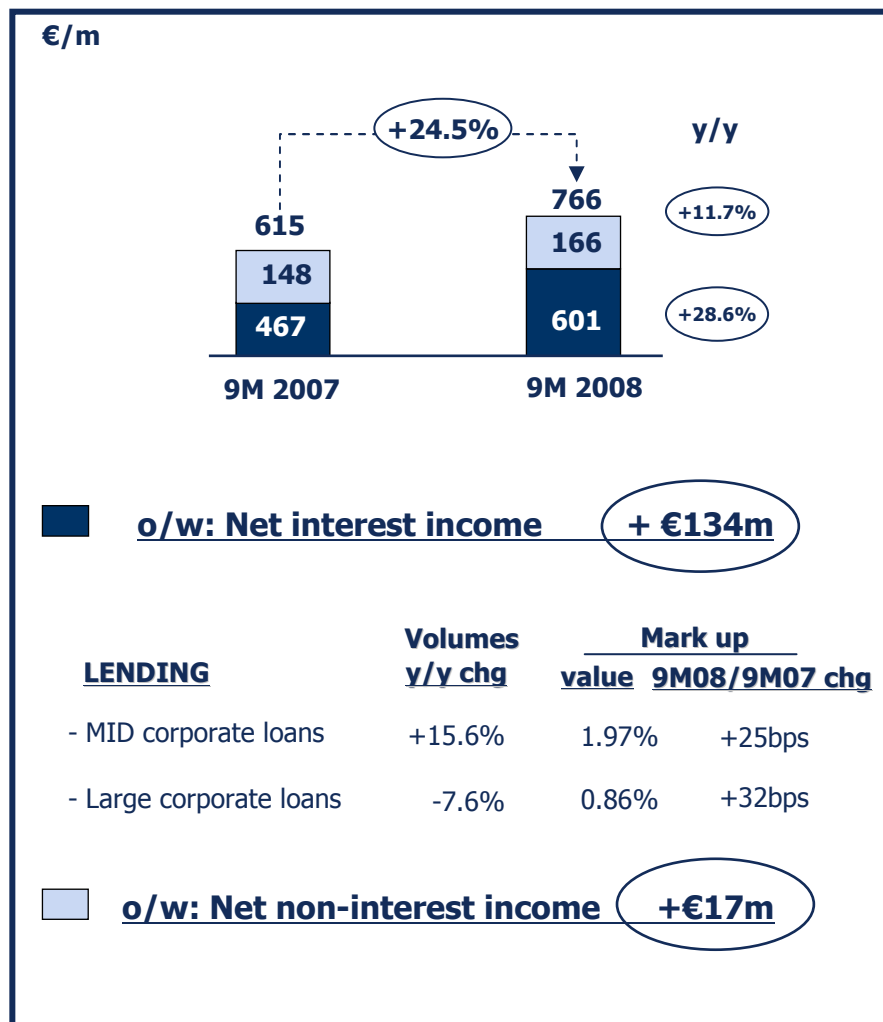
o/w: Net non-interest income - €19m

Indicated volumes are based on average amounts.

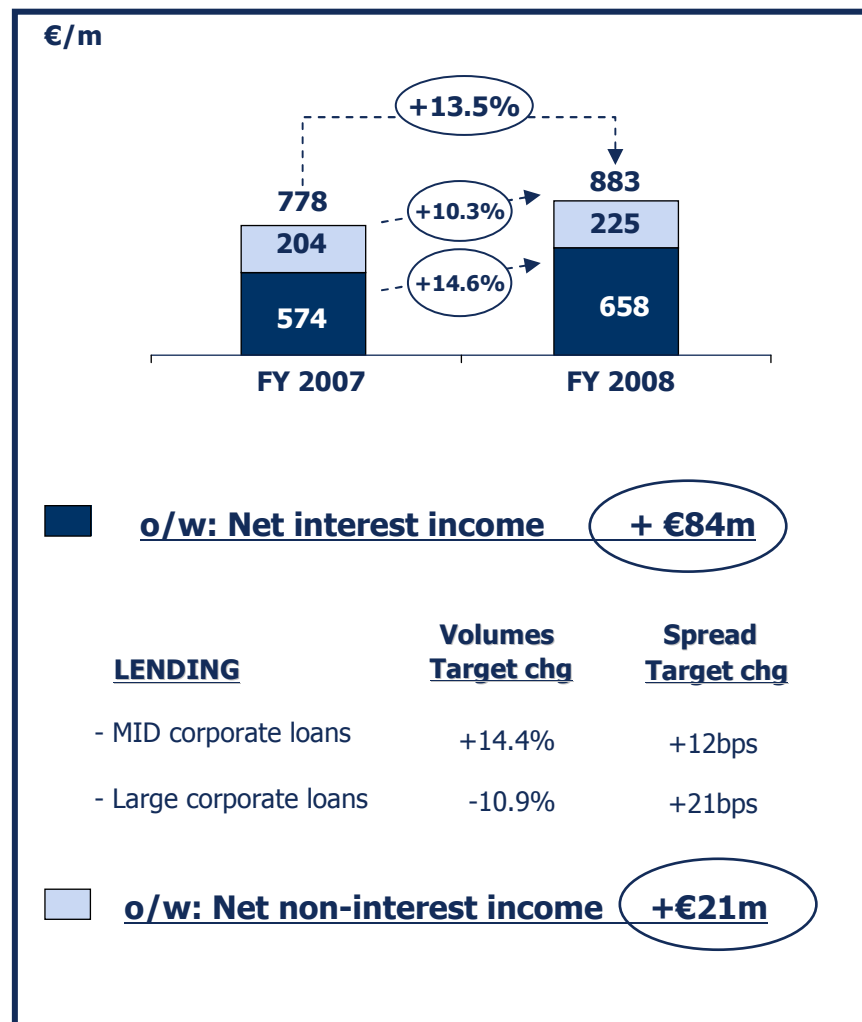


# Corporate business performance of the commercial banks

9M 2008 growth



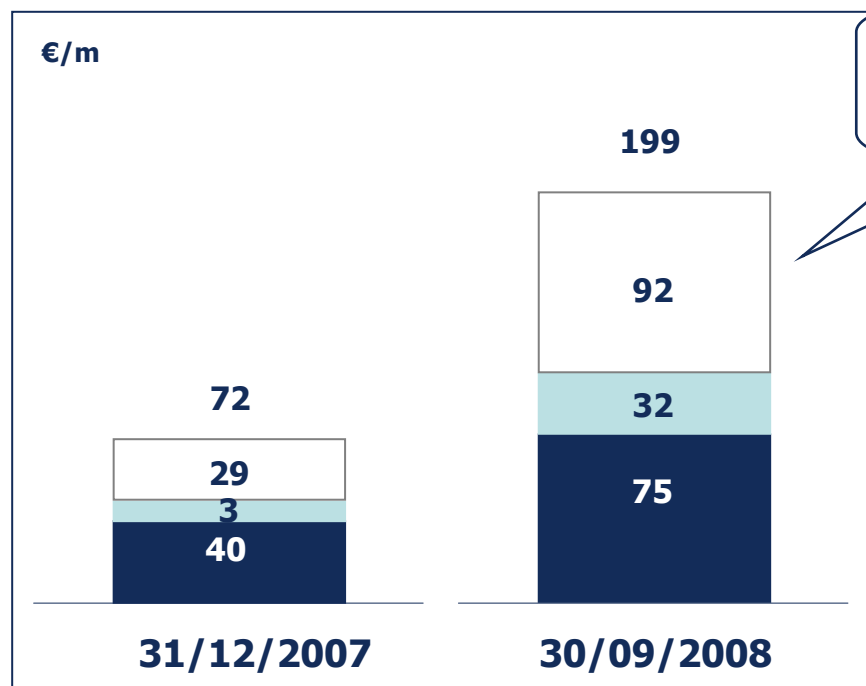
FY 2008 growth target



Indicated volumes are based on average amounts.

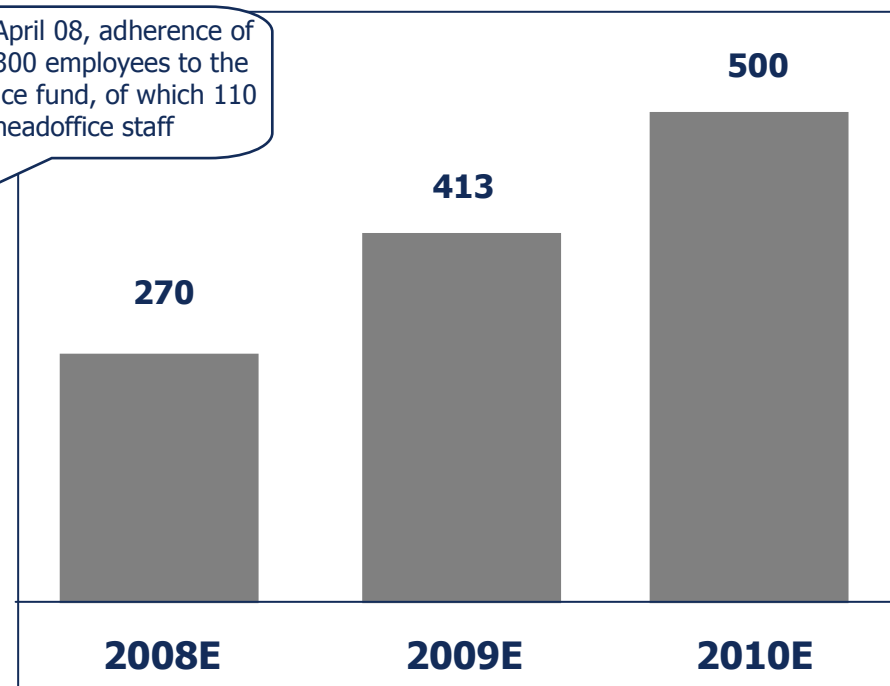
# Achievement of synergies

## Focus: delivery of synergies



On 1<sup>st</sup> April 08, adherence of about 300 employees to the severance fund, of which 110 headoffice staff

## Phasing of targeted total synergies



**9M 2008 delivery of total synergies in line with targets**

**Confirmation of total synergy targets**

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



## Section 2

### Special Focus Areas

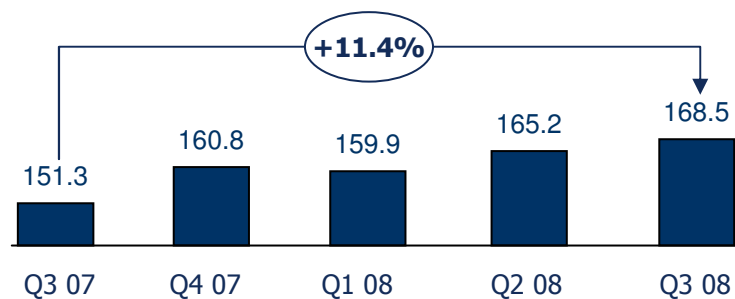
- *Highlights*
- *Turnaround of ex-BPI and internal benchmarking*
- *Banco Popolare liquidity profile*
- *Capital adequacy*
- *Project on internal reorganisation*

# Highlights: Leveraging on Banco Popolare strengths

MARKET CHALLENGES		BANCO POPOLARE STRENGTHS
ECONOMIC SLOWDOWN	➔	<ul style="list-style-type: none"><li>▪ Leverage on turnaround of ex-BPI</li><li>▪ Focus on core business</li><li>▪ Cost reduction buffers</li></ul>
LIQUIDITY CRISIS	➔	<ul style="list-style-type: none"><li>▪ Structural excess liquidity</li><li>▪ Positive net interbank position: +€5.1bn as of 30/09/08</li><li>▪ Well balanced ALM structure:<ul style="list-style-type: none"><li>- Loan/Deposit ratio: 0.83</li><li>- Funding strategy focused on retail clients</li></ul></li></ul>
ASSET QUALITY & RISK PROFILE	➔	<ul style="list-style-type: none"><li>▪ Banking Model based on strong retail clients franchise</li><li>▪ 95% of core banking business is domestic</li><li>▪ Sound asset quality: low historical cost of credit risk</li><li>▪ De-gearred balance sheet:<ul style="list-style-type: none"><li>- Equity/Total Assets: 8% vs. EU avg. of 6%</li><li>- Financial assets/Total assets: 9% vs. EU avg. 25%</li><li>- no toxic assets</li></ul></li></ul>
CAPITAL ADEQUACY	➔	<ul style="list-style-type: none"><li>▪ Updated pro-forma Core Tier 1 ratio estimated at 6.0%-6.5% (Basle 2 Standard).</li><li>▪ Updated pro-forma Tier 1 ratio estimated at 7.5%-8.0% (Basle 2 Standard).</li></ul> <div>Indicated range depending on dividend policy</div>

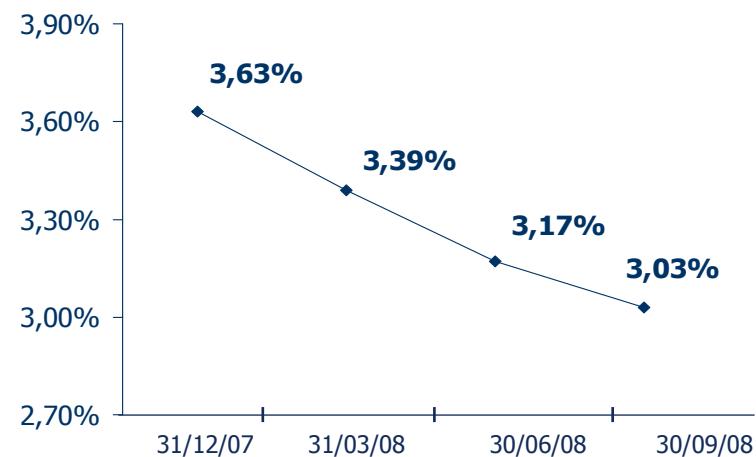
# BPL turnaround under way

BP Lodi - commercial network revenues\*



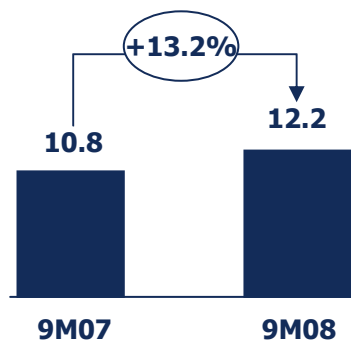
\* Excluding Basinco and Hopa

Gross NPL/Gross Loans ratio



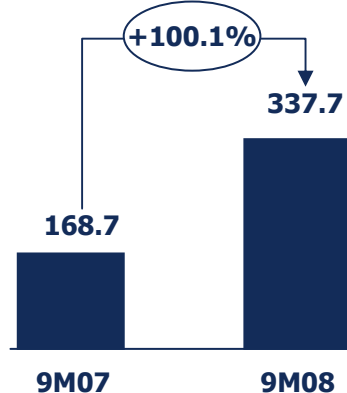
Network customer loans

€/bn



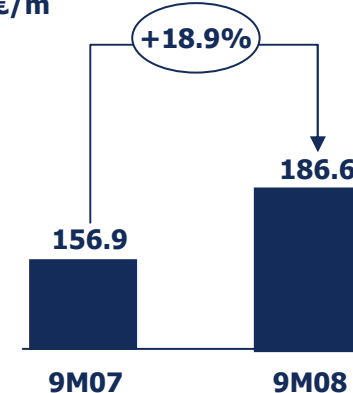
Structured bond inflows

€/m



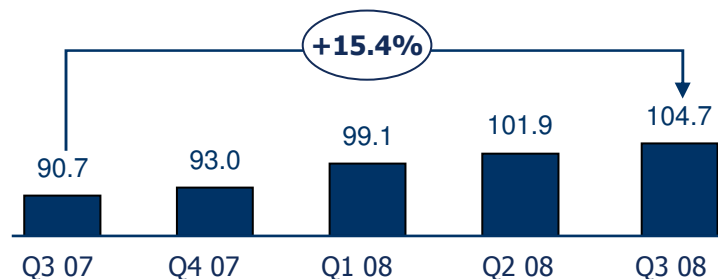
Consumer lending inflows

€/m

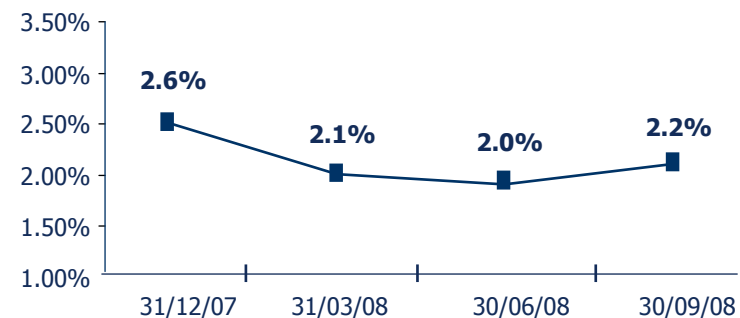


# CR LUPILI turnaround under way

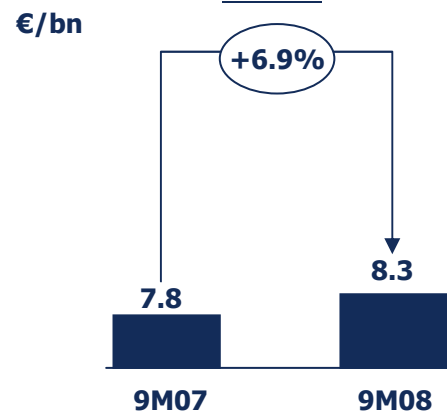
CR LUPILI - commercial network revenues\*



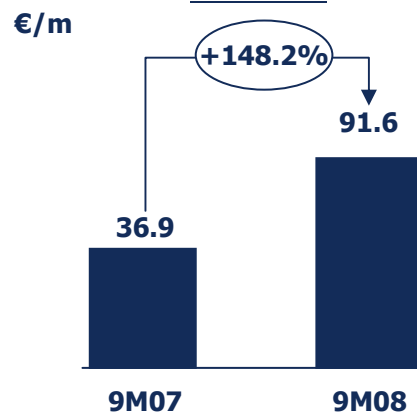
Gross NPL/Gross Loans ratio



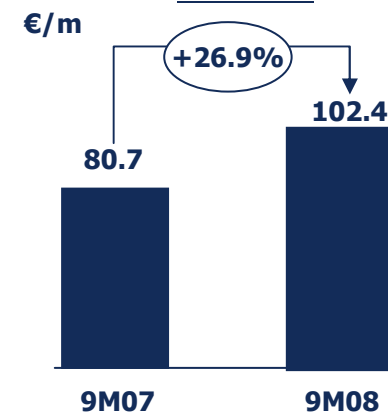
Network customer loans



Structured bond inflows

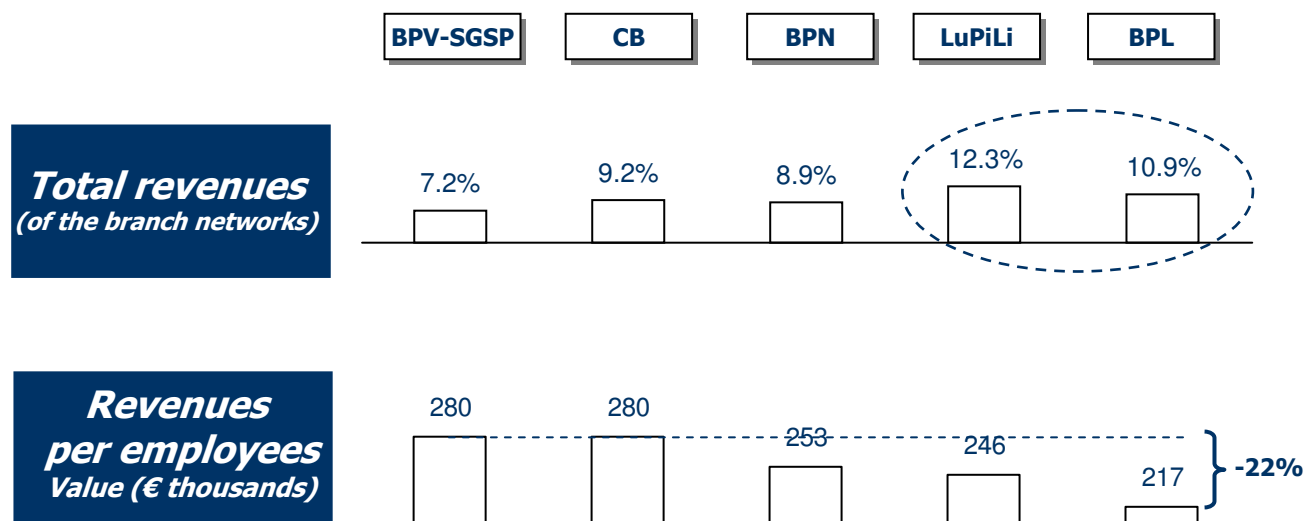


Consumer lending inflows



# Focus on commercial banks' core revenues

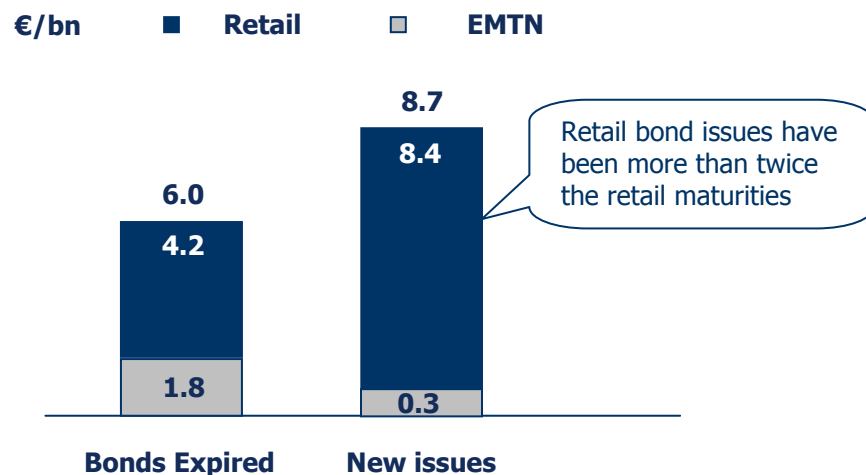
*Commercial banks' core revenues (9 months 2008) - YoY % change*



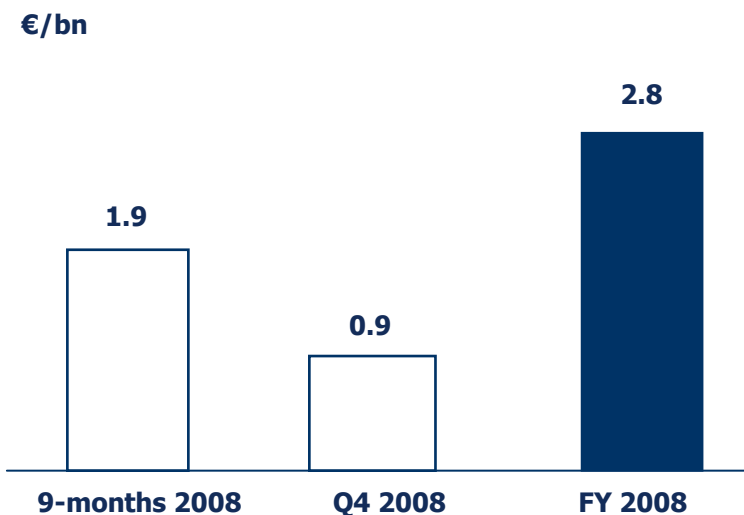
- BPL and CR LUPILI continue to enjoy the strongest revenue growth among the Group's retail banks ...
- ...and with further potential improvement as there is still 22% revenue GAP with the best performing retail banks.

# Group liquidity profile

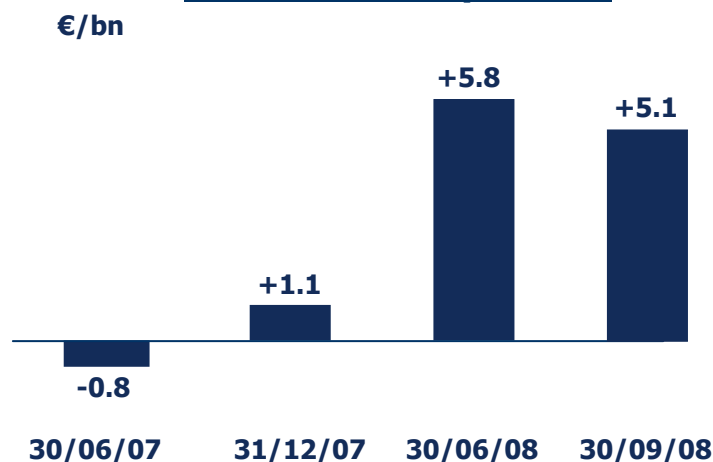
## Group bond issues in 9-months 2008



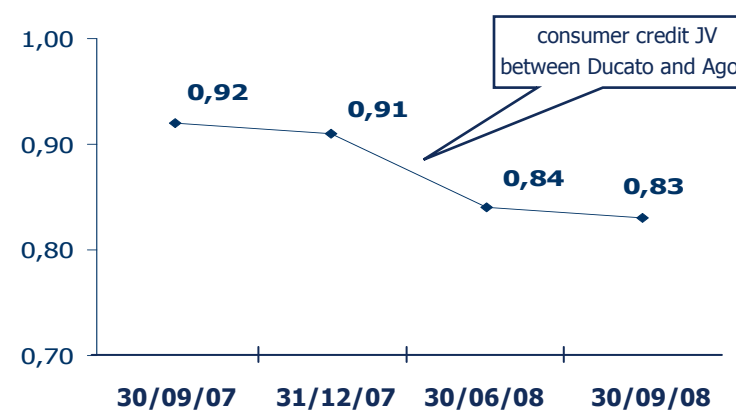
## 2008 EMTN Bond Maturities



## Net Interbank position



## Loan to deposit\* ratio



\* Deposits include: direct cust. deposits, bonds issued and financial liabilities measured at FV.



# Capital adequacy update

## Capital position: updated pro forma estimates and targets <sup>(i)</sup>

	<b>UPDATED PRO FORMA ESTIMATE</b> (Basle 2 Standard as of 30/09/2008)	<b>PREVIOUS 2008 TARGET</b> (Basle 2 Standard)	<b>NEW TARGET</b> (Basle 2 Standard)
<b>Core Tier 1 ratio</b>	<b>6.0% – 6.5%</b>	<b>6.0-6.5%</b>	<b>7.0%</b>
<b>Tier 1 ratio</b>	<b>7.5% - 8.0%</b>	<b>7.5%</b>	<b>8.0%</b>
<b>Total capital ratio</b>	<b>11.5% – 12.0%</b>	<b>11.0%</b>	<b>11.5%</b>

- (i) Pro forma data include 155bps related to capital strengthening initiatives, specified in the H1 2008 results presentation, in particular the consumer credit JV, disposal of real estate assets, sale of 50% stake in AGA and part of other (BP Mantova, FINOA and agreement with Palladio Finanziaria). For reference, the relevant slides of the H1 2008 presentation are included in the Appendix (see slides 43 and 44).

# Project on major structural changes

## Rationale:

In response to the financial market turmoil and economic slowdown, the Group has launched a series of structural initiatives aimed at:

- ➔ simplifying the Group's complexity
- ➔ reducing structurally the cost base and, at the same time, oper. risks

## Action focus:

- Reduction in the number of commercial banks operating in the territory from 8 to 5 (maintaining local brand names of banks to be incorporated);
- Streamlining of the governance of the commercial banks;
- Elimination of duplications in the territorial franchise;
- Strengthening of the role of co-ordination and direction of the Holding Co.
- Strengthening of the strategic function.

**To become operational in Q1 2009,  
with a quantification of benefits to be made in H1 2009.**

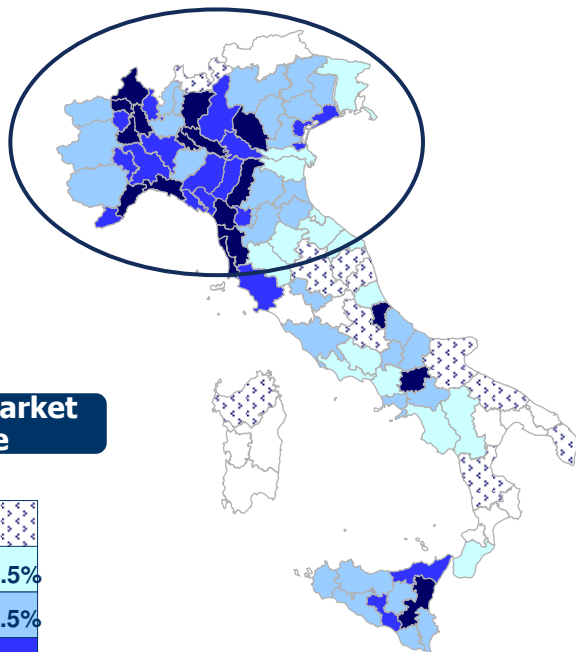


## *Appendices*

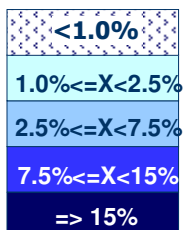


# Deep franchise roots in affluent Italian regions

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



**Branch market share**



Source: Bankit al 31/12/2007

## ■ Domestic market shares:

	NORTH	CENTRE	SOUTH
- Loans:	6.4%	3.8%	2.3%
- Deposits*:	6.6%	4.1%	2.6%

## ■ Excellent geographical position:

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

- Liguria: 14.1%
- Tuscany: 10.7%
- Veneto: 8.9%
- Piedmont: 8.9%
- Lombardy: 8.7%
- Emilia Romagna: 7.3%

- Market share of more than 10% in 20 provinces

## ■ Franchise quality

## ■ Well recognized brands in core market regions

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

\* Excluding bonds

## ALM strategy in 2008

### 2008 net flows

#### Lending

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

#### Funding

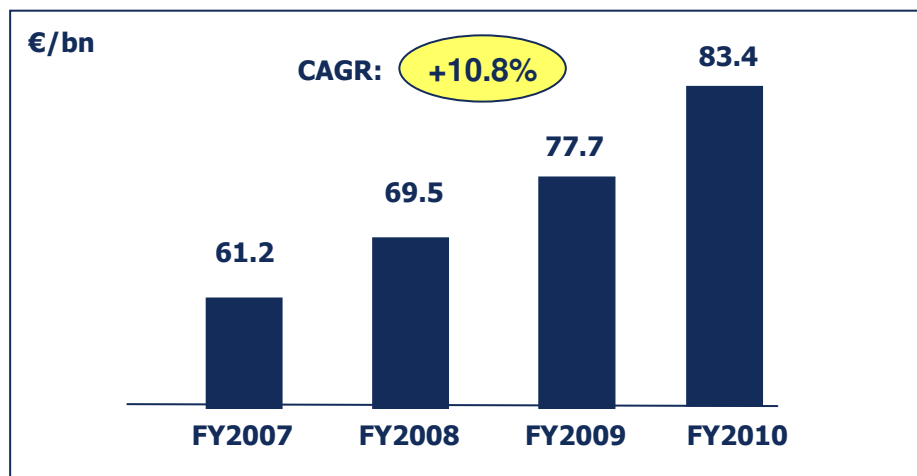
- |                               |         |   |   |
|-------------------------------|---------|---|---|
| ▪ Retail funding:             | +€8.5bn | ↑ | Euribor -20bps<br><i>(o/w: ~€3bn at Euribor +35bps)</i> |
| ▪ EMTN & Institutional bonds: | -€3.8bn | ↓ | Euribor +80bps  |



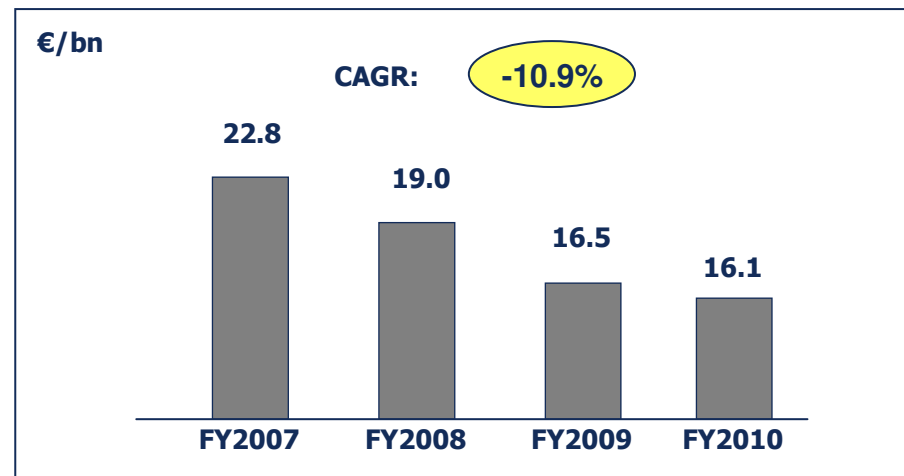
# Funding & ALM Strategy: Business Plan 2008-2010

Averages volumes

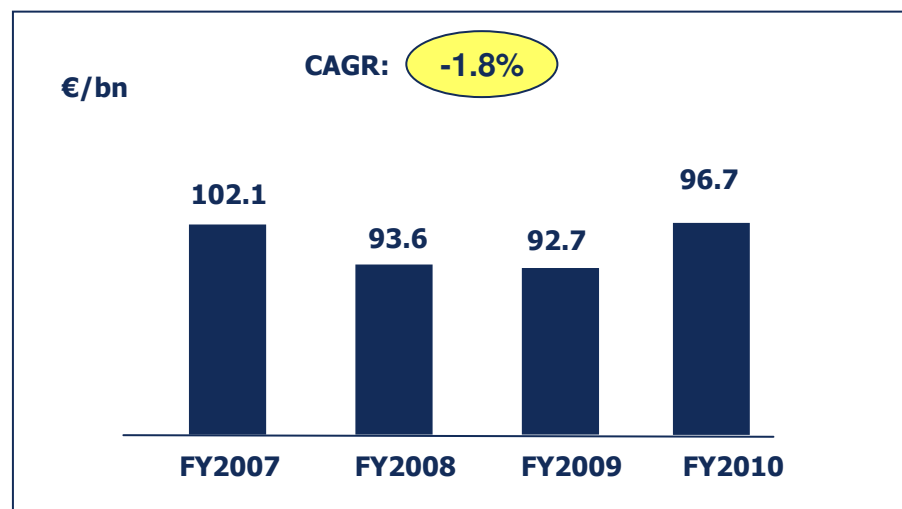
## Direct customer funds (i)



## EMTN + London branch



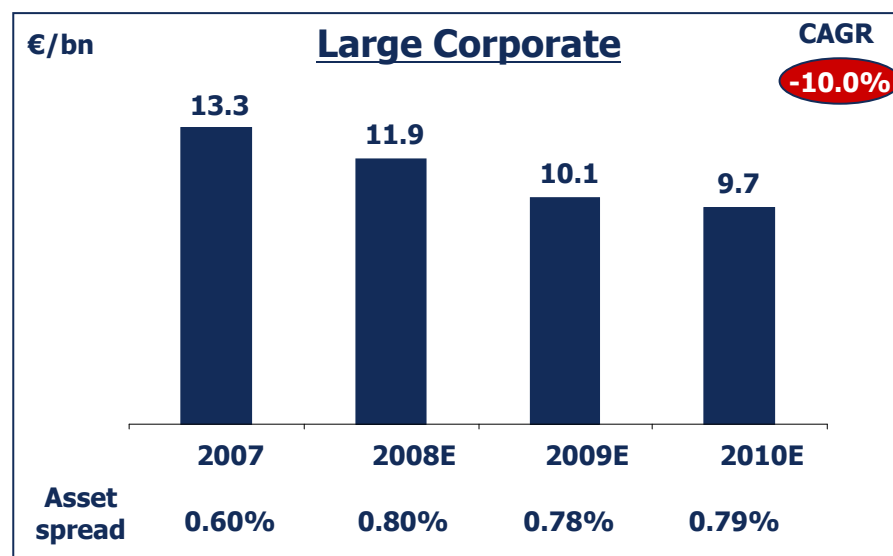
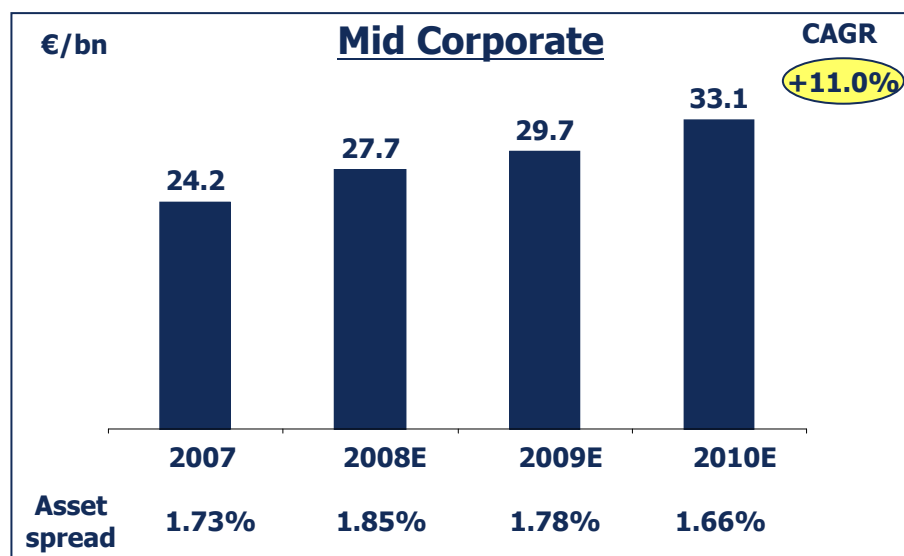
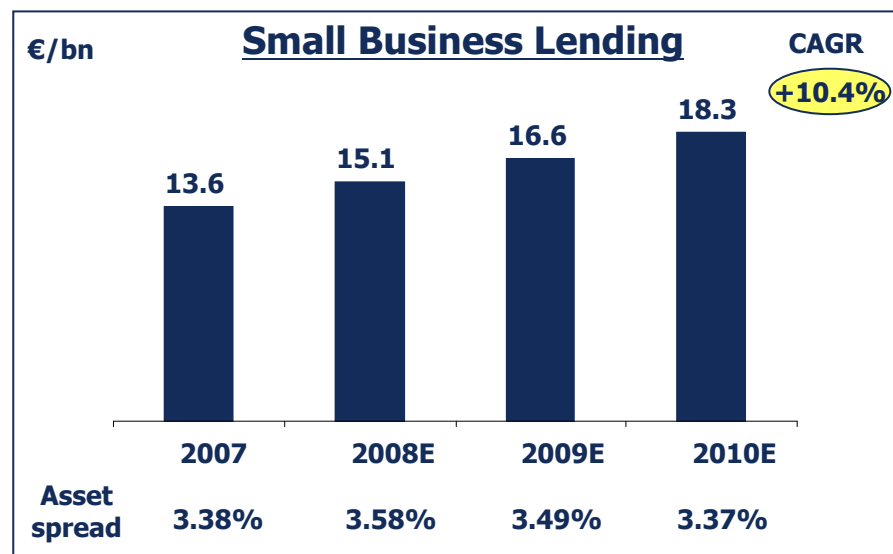
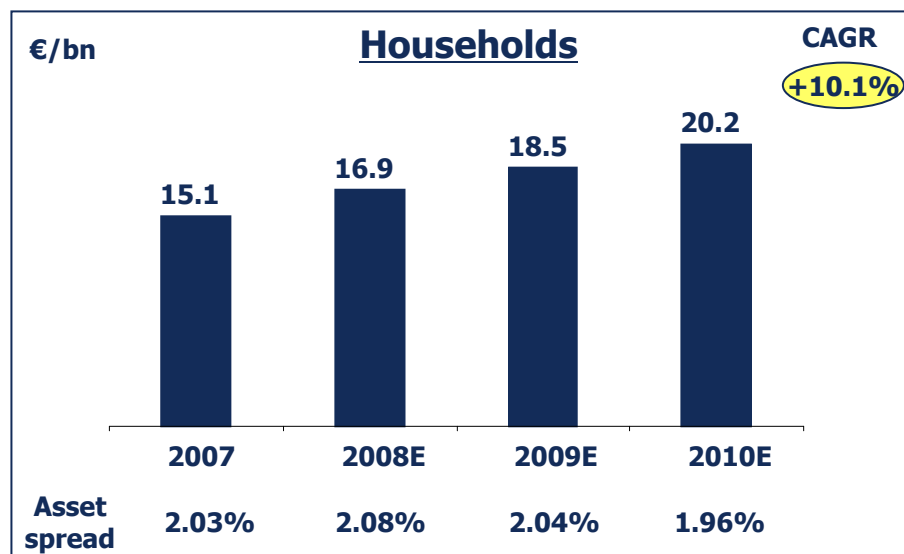
## Indirect customer funds



(i) Excludes EMTN bonds



# Lending Strategy: Business Plan 2008-2010 (i)



(i) Average volumes



# Premise: PPA and accounting reclassification

In application of the pertinent international accounting principle (IFRS 3), the merger operation is considered as an acquisition by Banco Popolare di Verona e Novara Group of Banca Popolare Italiana Group. Consequently, the income statement of Banco Popolare Group includes the contribution of Banca Popolare Italiana Group and the economic impact deriving from the allocation of the merger difference deriving from the operation in accordance with **IFRS 3 (Purchase Price Allocation)** only starting from 1 July 2007. For a homogenous comparison, the Group's 2007 and 2008 results, for 3 months and 9 months, respectively, should be considered excluding the effect deriving from the PPA.

**In order to allow a homogenous comparison, previous accounting data have been restated in order to consider the following changes in the area of consolidation:**

- **Ducato:** on 19 May 2008, Banco Popolare signed a binding contract with Crédit Agricole for the creation of a consumer credit JV (Ducato & Agos) which shall be held 61% by Crédit Agricole, 31% by Banco Popolare and 8% by CaRiLucca Foundation\*.
- **Banca Popolare di Mantova:** on 1 July 2008, Banco Popolare signed a binding sales contract with Banca Popolare di Milano for the disposal of the 56.99% stake.
- **Minor shareholdings:** Other minor shareholdings due to be disposed are also treated as indicated below.

## **P&L:**

- The economic effects of the related items, previously consolidated on a line-by-line basis, have been reclassified into one single accounting item: "Profit (loss) after tax from discontinued operations".
- In order to ensure a homogeneous P&L comparison previous quarters were restated accordingly.
- The P&L contribution of these items is considered as non-recurring. For full transparency, the line-by-line adjustment in previous quarters is shown in the Appendix.

## **Balance sheet:**

- The balance sheet effects of the related items, previously consolidated on a line-by-line basis, have been reclassified into one single accounting item: "Non-current assets held for sale and discontinued operations" and "Liabilities associated with discontinued operations", respectively.
- In order to ensure a homogeneous comparison, previous accounting data were restated accordingly.

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





## Reclassification of financial assets (IAS 39 amendment)

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On October 13th, 2008, IASB approved an amendment to IAS 39 and to IFRS 7, which was adopted on a fast-track basis by the European Commission on October 15th, 2008 (Reg. 1004/2008).

Based on said amendment, it is now possible also for IAS under given circumstances to reclassify financial instruments that at the time of purchase had been recognized as financial assets held for trading or financial assets available for sale. The amendment was made necessary basically in order to align international accounting standards - IAS/IFRS – with US accounting standards - US GAAP –, so as to rule out any competitive disadvantages caused by different accounting rules, as required by Ecofin.

Based on the above mentioned changes to international accounting standards, in its meeting held on October 28th, 2008, Banco Popolare's Management Board decided to reclassify Banco's financial assets held for trading, amounting to 565.2 millions (book value as at July 1st, 2008) as loans, taking into account that the crisis characterizing the world's financial markets is making it impossible to reasonably pursue the aims that had justified the recognition of said financial instruments as financial assets held for trading, and is actually forcing Banco to hold them for the foreseeable future or to maturity.

Had they not been reclassified, the debt securities under examination would have generated the recognition of additional accrued capital losses of about 46.5 millions to be charged to income in third quarter 2008. This amount does not include the capital losses that would have reported against the Lehman Brothers Group securities, as the latter have in any case been aligned with their estimated realizable value (30%).

No reclassifications of securities belonging to financial assets available for sale have been approved.

# Group 9-month 2008 normalized<sup>(i)</sup> P&L (pre PPA)

€/m	RECURRING		
	9M 08	9M 07*	% chg
<b>Total operating revenues:</b>	<b>2,853.7</b>	<b>2,716.9</b>	<b>5.0%</b>
• Net interest income	1,838.2	1,586.3	+15.9%
• Dividends and profit (loss) from eq. inv.	38.2	29.5	+29.6%
• Net non-interest income	977.3	1,101.0	-11.2%
- <i>Net financial result</i>	<i>60.0</i>	<i>298.2</i>	
- <i>Elimination of net financial result</i>	<i>(60.0)</i>	<i>(298.2)</i>	
- <i>Net commissions</i>	<i>822.1</i>	<i>916.1</i>	<i>-10.3%</i>
- <i>Other net operating income</i>	<i>155.3</i>	<i>184.9</i>	<i>-16.0%</i>
<b>Operating costs</b>	<b>(1,750.5)</b>	<b>(1,766.5)</b>	<b>-0.9%</b>
<b>Operating profit</b>	<b>1,103.2</b>	<b>950.4</b>	<b>16.1%</b>
Net value adjustments for loans	(205.8)	(202.5)	1.6%
Net impairments of other financial assets	(6.9)	(0.6)	n.s.
Net provisions for risks and charges	(26.2)	(40.2)	-34.6%
Inc. from disposal of equity and other invest.	0.0	14.3	n.s.
<b>Income before tax from contin. operat.</b>	<b>864.3</b>	<b>721.4</b>	<b>19.8%</b>
Tax on income from continuing operations	(390.1)	(404.3)	-3.5%
<i>Lower taxes following the elimination of net financial result</i>	<i>19.4</i>	<i>111.1</i>	
Integration costs	-	-	-
Profit (loss) after tax from discontinued operations	-	-	-
<b>Net income of the period - pre PPA</b>	<b>467.9</b>	<b>407.9</b>	<b>14.7%</b>

(i) "Normalised" assumes a zero contribution of the net financial result to the Group's P&L.

(ii) Pro-forma data.

# Non-recurring items & PPA impact

€/m	9M 08 Stated	9M 08 Recurring	NON-RECURRING			
			9M 08	Q1 08	Q2 08	Q3 08
<b>Total operating revenues:</b>	<b>3,185.1</b>	<b>2,913.8</b>	<b>271.3</b>	<b>213.6</b>	<b>-108.5</b>	<b>166.2</b>
• Net interest income	1,838.7	1,838.2	0.5			0.5
• Dividends and profit (loss) from eq. inv.	38.2	38.2	0.0			
• Other operating income	1,308.2	1,037.4	270.8			
- Net financial result	196.2	60.0	136.2	213.6	-108.5	31.0
- Net commissions	822.1	822.1	0.0			
- Other net operating income	290.0	155.3	134.7			134.7
<b>Operating costs</b>	<b>-1,750.5</b>	<b>-1,750.5</b>	<b>0.0</b>			
<b>Operating profit</b>	<b>1,434.6</b>	<b>1,163.2</b>	<b>271.3</b>	<b>213.6</b>	<b>-108.5</b>	<b>166.2</b>
Net value adjustments for loans	-354.2	-205.8	-148.4	-7.4	-51.2	-89.8
Net impairment of other financial assets	-53.0	-6.9	-46.1		-21.2	-24.9
Net provisions for risks and charges	-41.7	-26.2	-15.5	-2.5	-14.8	1.8
Inc. from disposal of equity and other invest.	140.4	0.0	140.4	1.5	118.9	20.0
<b>Income before tax from contin. operat.</b>	<b>1,126.0</b>	<b>924.3</b>	<b>201.7</b>	<b>205.2</b>	<b>-76.8</b>	<b>73.3</b>
Profit (loss) after tax from discontinued operat.	19.0	0.0	19.0	12.2	5.4	1.4
Net integration costs	-31.6	0.0	-31.6	-3.0	-21.3	-7.4
<b>Net income of the period - pre PPA</b>	<b>659.4</b>	<b>508.5</b>	<b>150.9</b>	<b>143.9</b>	<b>-46.0</b>	<b>53.0</b>
PPA impact	-137.6					
<b>Net income of the period - post PPA</b>	<b>521.8</b>					

Fair value option on own liabilities

Capital gain on Tuscany-based branches

Write-downs related to Hopa, Fingruppo, BPL Net and exposure to Lehman and Icelandic banks

Capital gain on disposal of Linea and real estate assets

Contribution of Ducato, Banca Popolare di Mantova and other

# Group quarterly recurring P&L

€/m		Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	<i>Pro –Forma data</i>	
							Q2 07	Q1 07
<b>Total operating revenues:</b>	<b>Pre PPA</b>	<b>904.2</b>	<b>1,041.6</b>	<b>968.1</b>	<b>940.2</b>	<b>938.7</b>	<b>1,015.5</b>	<b>1,060.8</b>
• Net interest income		612.3	627.1	598.8	578.8	528.6	531.3	526.5
<i>of which: core banking business</i>		<i>612.3</i>	<i>598.4</i>	<i>582.9</i>	<i>565.9</i>	<i>527.5</i>	<i>514.3</i>	<i>508.1</i>
• Dividends and profit (loss) from eq. inv.		5.7	21.7	10.7	4.9	24.6	5.5	(0.6)
• Net non-interest income		286.1	392.8	358.5	356.4	385.5	478.7	535.0
<b>Operating costs</b>		<b>(588.0)</b>	<b>(584.1)</b>	<b>(578.4)</b>	<b>(583.1)</b>	<b>(605.0)</b>	<b>(575.7)</b>	<b>(585.8)</b>
<b>Operating profit</b>		<b>316.2</b>	<b>457.5</b>	<b>389.6</b>	<b>357.0</b>	<b>333.7</b>	<b>439.8</b>	<b>475.1</b>
Net value adjustments for loans		(67.4)	(75.3)	(63.1)	(84.6)	(50.7)	(99.1)	(52.7)
Net provisions for risks and charges		(10.0)	(6.2)	(10.0)	(31.5)	(6.0)	(25.3)	(8.9)
<b>Income before tax from contin. operat.</b>		<b>236.4</b>	<b>372.8</b>	<b>315.1</b>	<b>228.4</b>	<b>276.2</b>	<b>313.9</b>	<b>429.5</b>
Tax on income from continuing operations		(121.0)	(158.5)	(110.6)	(117.9)	(118.8)	(130.3)	(155.3)
<b>Net income of the period - pre PPA</b>		<b>112.2</b>	<b>208.3</b>	<b>187.9</b>	<b>94.2</b>	<b>155.6</b>	<b>170.6</b>	<b>268.9</b>
PPA impact (i)		(38.0)	(31.2)	(70.7)	64.8	(161.7)	0.0	0.0

(i) In the PPA impact of Q1 2008, €32.6m are related to the sale of participations within the Group's merchant banking/private equity business and are, therefore, of extraordinary nature.

# P&L impact of IAS 39 reclassifications

ASSETS RECLASSIFIED			IMPACT ON P&L	
<b>Amount</b>	<b>From</b>	<b>To</b>		
€ 565.2m	Held for trading	Loans	Revenues	+€68.1m
			Provisions for credit losses	-€21.6m
			<b>Pre-tax impact</b>	<b>+€46.5m</b>
			Tax impact	-€16m
			<b>Net profit</b>	<b>+€30.5m</b>

<b>Mostly 18 corporate debt securities of prime banks and financial institutions</b>		
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## Comment:

- In accordance with the amendments to the IAS 39 rules endorsed by the European Union, in September 2008 Banco Popolare reclassified 'financial assets held for trading' for a total value of 565.2m (book value as of 1 July 2008) into the category of '**Loans**' considering that the crisis in the financial markets no longer justifies their previous classification, with underlying assets now expected to be held for the foreseeable future or up until their maturity.
- No reclassifications have instead been made with respect to securities classified as 'Available for Sale'.
- Without reclassifications, the Q3 2008 result would have suffered additional write-downs of €46.5m.
- Securities of Lehman Brothers Group were instead written down so as to align their value to the expected realisable market value (recovery value of 30%), with a write-down of €21.6m registered in the Q3 2008 P&L account.

# Details on reclassification of financial assets (IAS 39)

Pursuant IAS 39 amendments, the following financial assets have been reclassified on the basis of their closing prices as of 1<sup>st</sup> July 2008, as the reclassification have been deliberated before 1<sup>st</sup> November 2008.

The total portfolio is composed of:

- 18 corporate bonds – mainly banks and financial institutions: **€400.2m**
- 19 Asset Backed Securities: **€165.0m**

Details:

€/000

Financial Assets	Nominal Value		Value at the date of Reclassification (30/09/08)		Capital losses in Q3 08 not registered		Capital losses registered on Lehman Brothers' bonds
	Total	of which: subordinated	Total	of which: subordinated	Total	of which: subordinated	Total
US banks and financial istitutions	179,500		165,183		- 24,474		- 21,556
EU banks and financial istitutions	162,000	65,000	154,412	59,789	- 14,708	- 3,074	
Italian banks and financial istitutions	71,000	71,000	67,437	67,437	- 2,636	- 2,636	
Utilities	13,000		13,139		- 529		
<b>Corporate bonds</b>	<b>425,500</b>	<b>136,000</b>	<b>400,171</b>	<b>127,226</b>	<b>- 42,347</b>	<b>- 5,710</b>	<b>- 21,556</b>
<b>Asset Backed Securities</b>	<b>168,598</b>		<b>165,017</b>		<b>- 4,195</b>		
<b>Total</b>	<b>594,098</b>	<b>136,000</b>	<b>565,188</b>	<b>127,226</b>	<b>- 46,542</b>	<b>- 5,710</b>	<b>- 21,556</b>

Underlying recovery  
value of 30%



# Definition of 'non-recurring' items and 'normalised'

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## **Definition of non-recurring items**

The following criteria are generally followed to identify non-recurring items:

- profit from the disposal of all fixed assets is considered non-recurring (equity investments, tangible assets, financial assets available for sale, financial assets held to maturity and NPL portfolios);
- profit and loss on non-current assets held for sale are considered non-recurring;
- income components associated to combination or restructuring transactions (for ex. redundancy fund charges) are considered non-recurring;
- material income components that are not destined to repeat frequently (for ex. sanctions, impairment of fixed assets, effects caused by changes in regulations, exceptional results, etc.) are also considered non-recurring;

In contrast, the results generated by the Group's merchant banking business, as well as material income effects generated by measurement aspects and/or by changes in the parameters used to apply lasting measurement methodologies are considered recurring.

## **Definition of 'normalised'**

'Normalised' is based on the assumption of zero contribution of the net financial result to the Group's profit and loss account.

# Group quarterly stated P&L

€/m		Pro –Forma data						
		Q3 08	Q2 08	Q1 08*	Q4 07*	Q3 07*	Q2 07*	Q1 07*
Total operating revenues:	Pre PPA	1,070.3	933.1	1,181.6	1,201.4	942.6	839.4	1,083.6
• Net interest income		612.8	627.1	598.8	578.8	528.6	531.3	526.5
• Dividends and profit (loss) from eq. inv.		5.7	21.7	10.7	(10.3)	24.6	(156.3)	15.8
• Other operating income		451.8	284.3	572.1	632.8	389.4	464.4	541.3
Operating costs		(588.0)	(584.1)	(578.4)	(588.2)	(605.0)	(555.1)	(592.3)
Operating profit		482.3	349.0	603.2	613.2	337.6	284.3	491.3
Net value adjustments for loans		(157.2)	(126.5)	(70.5)	(239.1)	(50.7)	(137.4)	(51.7)
Net impairment of other financial assets		(27.3)	(24.4)	(1.3)	(106.3)	(0.8)	(2.5)	(2.0)
Net provisions for risks and charges		(8.2)	(21.0)	(12.5)	(89.9)	(12.0)	(27.4)	(8.9)
Impairment of goodwill and equity invest.		0.0	0.0	0.0	(135.2)	(35.2)	0.0	(1.0)
Inc. from disposal of equity and other invest.		20.0	118.9	1.5	268.7	483.4	12.9	17.0
Income before tax from contin. operat.		309.6	296.0	520.3	311.4	722.3	129.8	444.8
Tax on income from continuing operations		(132.9)	(98.1)	(179.3)	(284.1)	(151.0)	(118.9)	(156.2)
Net Integration costs		(7.4)	(21.3)	(3.0)	(6.3)	(114.7)	(27.3)	0.0
Profit (loss) after tax from discontinued operations		164.5	5.3	12.2	10.8	4.9	9.2	3.7
Net income of the period - pre PPA			165.2	162.3	331.8	18.9	442.6	(11.9)

\* Data are restated in order to allow a homogeneous comparisons in the light of ongoing changes in the area of consolidation.



## Group 9-month 2008 results: PPA impact line-by-line

€/m	9M 2008 Pre PPA	9M 2008 Post PPA	9M 2008 PPA impact	Q3 08 PPA impact	Q2 08 PPA impact	Q1 08 PPA impact
<b>Total operating revenues:</b>	<b>3,015.3</b>	<b>2,807.6</b>	<b>(207.6)</b>	<b>(54.7)</b>	<b>(58.2)</b>	<b>(94.7)</b>
• Net interest income	1,720.0	1,582.2	(137.8)	(42.9)	(47.7)	(47.2)
• Dividends and profit (loss) from eq. inv.	38.2	38.2	0			
• Other operating income	1,257.1	1,187.2	(69.9)	(12.2)	(10.2)	(47.5)
<b>Operating costs:</b>	<b>(1,754.2)</b>	<b>(1,758.3)</b>	<b>(4.1)</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>(1.4)</b>
• Personnel expenses	(1,105.7)	(1,105.7)	0			
• Other administrative expenses	(526.5)	(526.5)	0			
• Depreciation and amortization	(122.0)	(126.1)	(4.1)	(1.4)	(1.4)	(1.4)
<b>Operating profit</b>	<b>1,261.1</b>	<b>1,049.3</b>	<b>(211.8)</b>	<b>(56.2)</b>	<b>(59.6)</b>	<b>(96.1)</b>
Net value adjustment for loans	(354.2)	(354.2)	0			
Net impairments of other financial assets	(53.0)	(51.7)	1.3	1.3	0	0
Net provisions for risks and charges	(41.7)	(41.7)	0			
Inc. from disposal of equity and other invest.	140.4	143.0	2.6	(1.1)	3.7	0
<b>Income before tax from contin. operat.</b>	<b>952.6</b>	<b>744.7</b>	<b>(207.9)</b>	<b>(56.3)</b>	<b>(55.6)</b>	<b>(96.1)</b>
Tax on income from continuing operations	(399.9)	(337.1)	62.8	18.5	22.4	21.9
<b>Income after tax from continuing operations</b>	<b>552.6</b>	<b>407.5</b>	<b>(145.1)</b>	<b>(37.8)</b>	<b>(33.2)</b>	<b>(74.2)</b>
Net Integration costs	(31.6)	(31.6)	0.0			
Profit (loss) after tax from discontinued operations	182.1	179.1	(3.0)	0.1	(3.3)	0.2
Minority interests	(43.7)	(33.2)	10.6	2.9	5.2	2.5
<b>Net income of the period</b>	<b>659.4</b>	<b>521.8</b>	<b>(137.6)</b>	<b>(34.7)</b>	<b>(31.3)</b>	<b>(71.5)</b>

## Line-by-line adjustment of Ducato, BP Mantova and other

€/m	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
<b>Total operating revenues:</b>	<b>(50.2)</b>	<b>(51.8)</b>	<b>(48.1)</b>	<b>(60.2)</b>	<b>(53.3)</b>
• Net interest income	(44.4)	(40.4)	(36.8)	(40.1)	(39.5)
• Other operating income	(5.8)	(11.4)	(11.3)	(20.1)	(13.8)
<b>Operating costs:</b>	<b>18.7</b>	<b>27.2</b>	<b>20.0</b>	<b>21.3</b>	<b>16.3</b>
Personnel expenses	9.1	11.0	9.0	9.6	7.5
Other administrative expenses	9.0	15.6	10.4	11.1	8.2
Net impairment on property, plant, equip. & intangible assets	0.5	0.6	0.6	0.6	0.5
<b>Operating profit</b>	<b>(31.5)</b>	<b>(24.6)</b>	<b>(28.1)</b>	<b>(38.9)</b>	<b>(37.0)</b>
Net value adjustments for loans	22.4	15.2	17.9	18.0	14.4
Net impairment of other financial assets (i)	-	0.3	(0.3)	(0.1)	(0.2)
Net provisions for risks and charges	0.3	(1.3)	(0.0)	2.4	0.2
<b>Income before tax from contin. operat.</b>	<b>(8.9)</b>	<b>(10.4)</b>	<b>(10.5)</b>	<b>(18.7)</b>	<b>(22.5)</b>
Tax on income from continuing operations	4.0	13.5	5.7	8.5	7.3
Profit (loss) after tax from discontinued operations	4.9	(3.1)	4.9	10.2	15.3
<b>Net income of the period - pre PPA</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

# Capital adequacy: H1 2008 results presentation (29/08/2008)

## 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.

# Estimated impact of capital strengthening initiatives: H1 2008 results presentation (29/08/2008)

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

## 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 "One-to-One 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	Verona	Banco Popolare: Conference call on Q3 2008 results
November-December 2008	Italy & abroad	Roadshow activities
20 November 2008	Palermo	Banca Leonardo - Italian Banking & Insurance Conference



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