



Panel Presentation at the

MORGAN STANLEY

European Financials Conference 2009

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Overall themes of the Conference:

“Navigating through the credit crisis and assessing the new earnings power.”

“How we plan to execute strategy and face the key challenges over the next few years.”





Banco Popolare risk profile: low structural risks

Business Model Focus on Retail

- Deep local roots in core market territory.
- Banking business mainly focused on households, small businesses and medium-sized corporates.
- Core business accounts for 93% of total revenues.

Sound Balance Sheet Structure and Liquidity Pos.

- Loan/Deposit ratio improves from 0.92 at year-end 2007 to 0.87 at year-end 2008.
- Funding needs are structurally covered until 2011.
- Low leverage.

Low risks of assets

- 97% of the core business is domestic.
- Strong diversification of the loan portfolio, which was subject to strict valuation rigor and provisioning in 2008.
- Alignment of all participations in the merchant banking portfolio to market values.

No Investments in Toxic Assets

- No exposure to the subprime mortgage sector, monoliners, CDOs/CBOs (see slide 12).
- No investment in structured credit products.
- No investment in structured investment products on market variables.
- Low VAR of the trading book: max. about **€16m** (holding period = 1 day; confidence interval = 99%).

Income statement: Post operating profit – clean-up

P&L – pre PPA €/m

	31/12/'08	31/12/'07*	chg %
Profit from operations	1,700.1	1,726.4	-1.5%
Net write-downs on impairment of loans, guarantees and commitments	(1,170.4)	(479.0)	144.4%
Net write-downs on impairment of other assets	(198.6)	(111.6)	78.0%
Net provisions for risks and charges	(200.9)	(138.1)	45.5%
Impairment of goodwill and equity investments	(402.1)	(171.5)	134.5%
Profit (loss) on disposal of equity and other investments	519.5	781.9	-33.6%
Income before tax from continuing operations	247.7	1,608.3	-84.6%
Tax on income from continuing operations	44.9	(710.2)	n.s.
Integration charges after tax	(36.2)	(148.3)	-75.6%
Income (loss) after tax from non-current assets held for sale	139.0	24.4	469.2%
Income of the period	351.7	731.9	-51.9%
PPA impact	(685.1)	(96.8)	607.5%
Income of the period - post PPA	(333.4)	635.1	n.s.

In 2008, PPA includes the impairment on goodwill for a total amount of **€472m**.

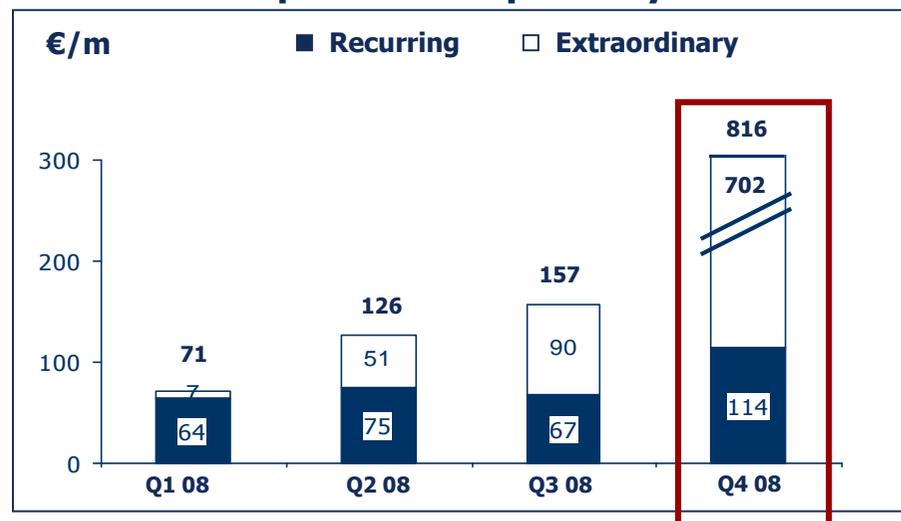
(*) Inclusive of 1H 2007 contribution from Gruppo Banca Popolare Italiana with PPA impacts reclassified in a specific item, adjusted for comparison to account for changes in the consolidation scope.

Cost of credit risk: clean-up in Q4 2008

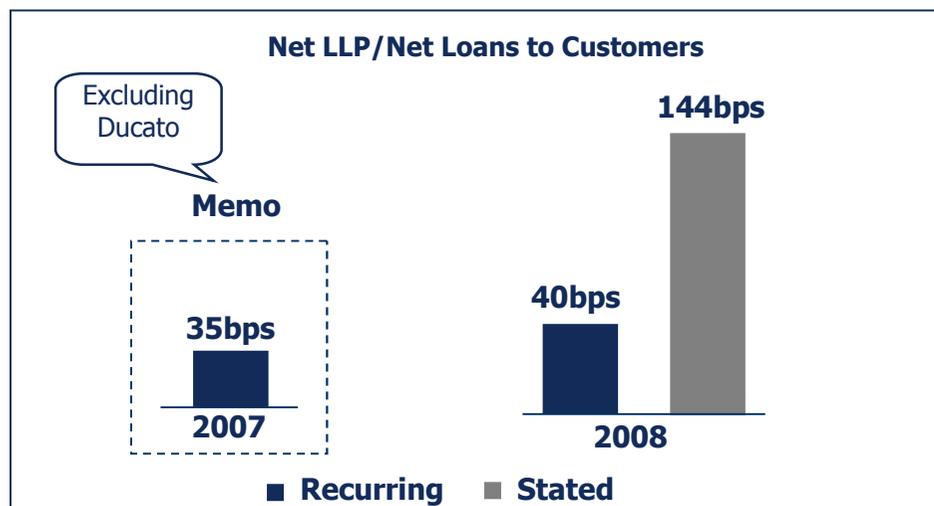
Loan Loss provisions

€/m	31/12/2008
Total gross provisions	1.501,3
Write-backs	330,9
Total net provisions	1.170,4
Net customer loans	81.026

Loans loss provisions: quarterly evolution



Cost of credit risk



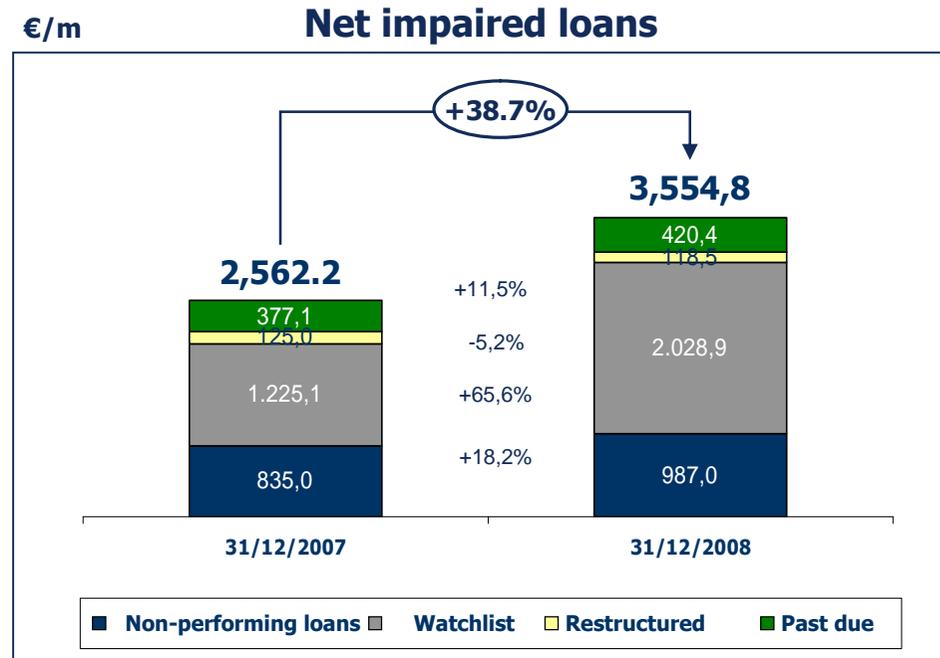
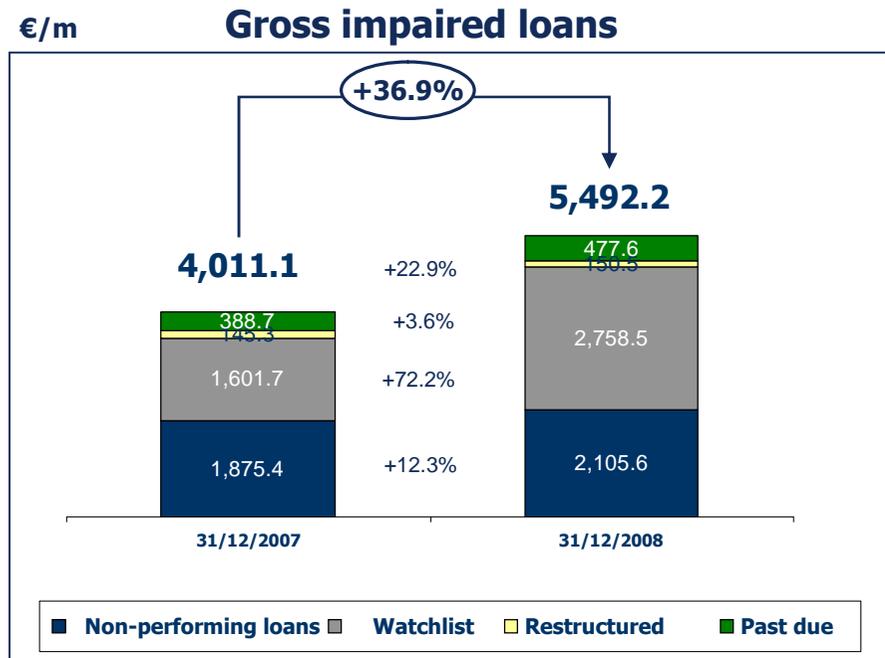
Comments

- In 2008, the cost of credit risk stands at 144bps due to about €700m extraordinary provisions made in Q4 2008 as a result of a rigorous loan book clean-up. Most of the provisions are concentrated in a few single exposures related to real estate sector.
- The recurring cost of credit risk, excluding 2008 extraordinary provisions (of €850m), stands at **40bps**, with a slight increase vs. 2007 value (35bps), mirroring the worsening of macroeconomic scenario.

Nota: FY 2007 data have been adjusted for comparison, to account for the change in the consolidation scope (JV between Agos and Ducato finalized in December 2008).

The increase in impaired loans very largely reflects a different classification of previously existing positions in relation to the worsened economic environment.

Asset quality: impaired loans and coverage ratios

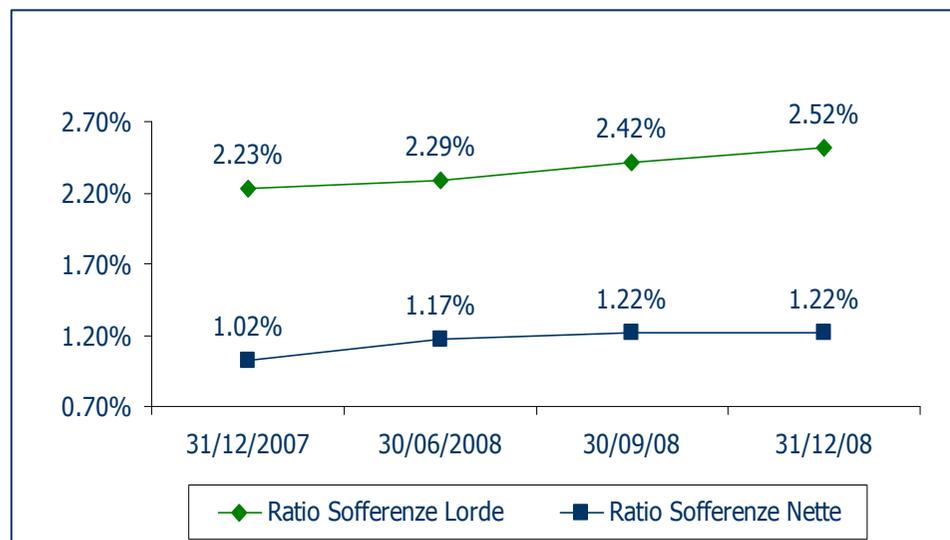


	31/12/08	31/12/07	
• NPL coverage:	73.1%	74.0%	<ul style="list-style-type: none"> ▪ The <u>coverage of non-performing loans</u> includes in addition to value adjustments also write-offs of expected losses with resulting utilization of the related loan loss reserves. Including also collateral, almost entirely represented by real estate, the total coverage reaches more than 93% at year-end 2008. The <u>coverage of watchlist loans</u>, including also real estate collateral, increases to about 60%. These coverage ratios do not factor in any personal guarantees. ▪ It was deemed appropriate to increase also the <u>coverage of past due positions</u>.
• Watchlist loan cov.	26.4%	23.5%	
• 'Past Due' coverage:	12.0%	2.9%	

N.B.: Past Due positions are those with payment delay of more than 180 days.

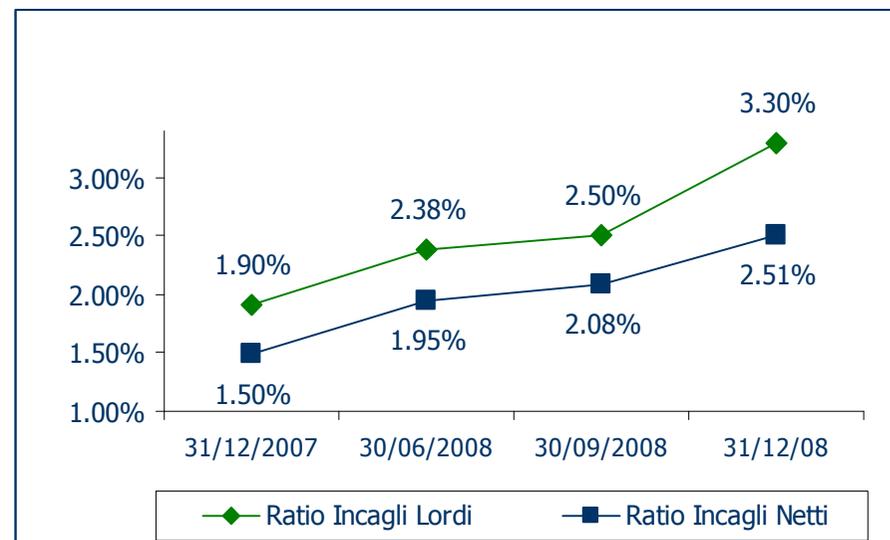
Asset quality: ratio analysis

NON-PERFORMING LOAN RATIOS



The increase in the gross NPL ratio (gross NPLs/gross loans to customers) reflects the heightened rigor in the valuation criteria, together with a deterioration of the economic environment.

WATCHLIST LOAN RATIOS



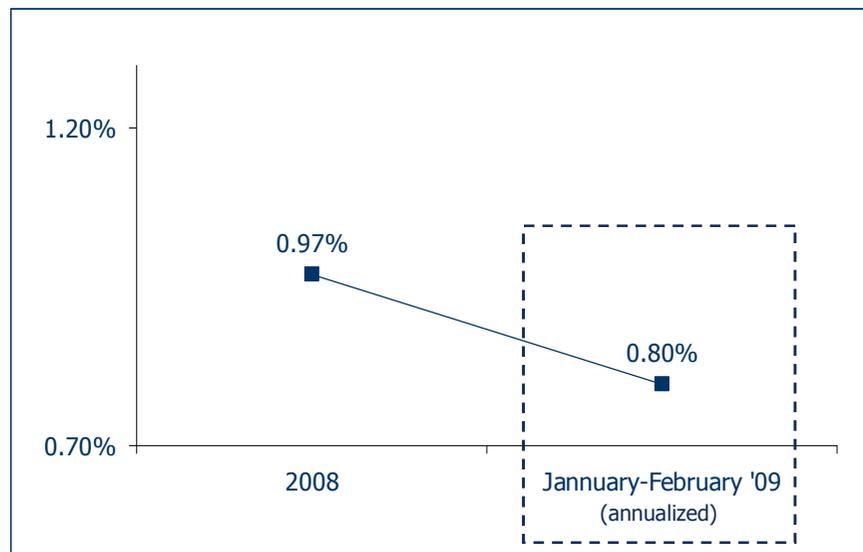
The increase in the watchlist loan ratio over year-end 2007 is essentially related to a more prudent classification of previously existing positions.

Among other, the following positions entered into the watchlist loan category:

- Hopa/Fingruppo (€146m)
- IT Holding (€141m)
- Some positions related to the real estate sector (€537m)

Asset quality: new flows of NPLs

Flow of new NPLs/Gross customer loans



Comments

- The flow of new NPLs, compared to gross customer loans, decreased steadily in 2008, confirming the rigorous credit risk management policy carried out by the Group in terms of control, monitoring and loan granting.
- First indicators in 2009 show a slowdown in the inflow of new non-performing loans.
- The provisions made for NPLs in the first two months of 2009, taking into account also the write-backs, lead to think that the actual loan losses may be lower than those currently expected for the full year 2009.

Income statement: revenues and costs

P&L – pre PPA	€/m	31/12/'08	31/12/'07*	chg %
Total income:		4,026.4	4,067.0	-1.0%
• Net interest income		2,442.9	2,165.2	12.8%
• Profit (loss) on equity investments carried at equity		(13.6)	(126.2)	n.s.
• Other operating income:		1,597.2	2,028.0	-21.2%
- <i>Net commissions</i>		1,061.5	1,210.5	-12.3%
- <i>Other revenues</i>		302.7	206.8	46.4%
- <i>Net financial income</i>		233.0	610.7	-61.8%
Operating costs:		(2,326.3)	(2,340.5)	-0.6%
• Personnel expenses		(1,487.2)	(1,456.1)	2.1%
• Other administrative expenses		(675.4)	(713.2)	-5.3%
• Amortization and depreciation		(163.7)	(171.2)	-4.4%
Profit from operations		1,700.1	1,726.4	-1.5%

Comments:

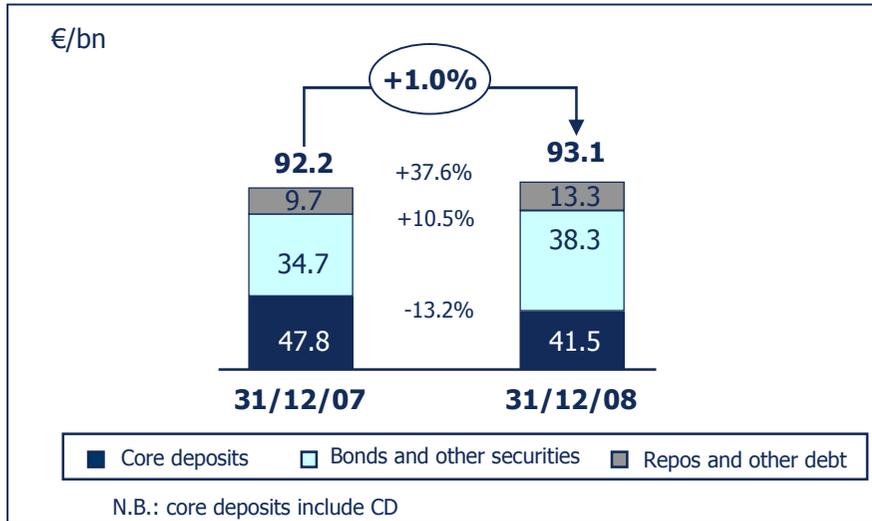
- 'Core banking' revenues: the net interest income growth substantially offsets the reduction in the net commissions.
- Net financial income negatively impacted by the situation on the financial markets.
- Costs under control.

(*) Inclusive of 1H 2007 contribution from Gruppo Banca Popolare Italiana with PPA impacts reclassified in a specific item, adjusted for comparison to account for changes in the consolidation scope..

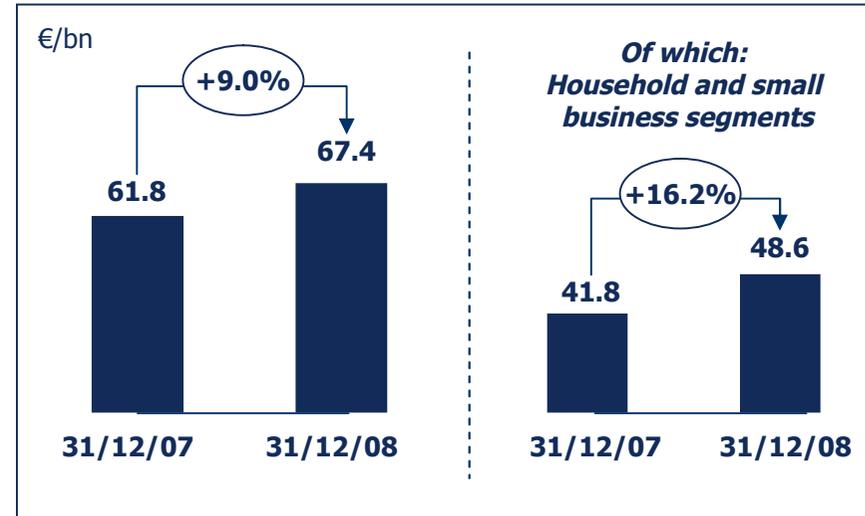


Direct customer funds: growth in the retail segment

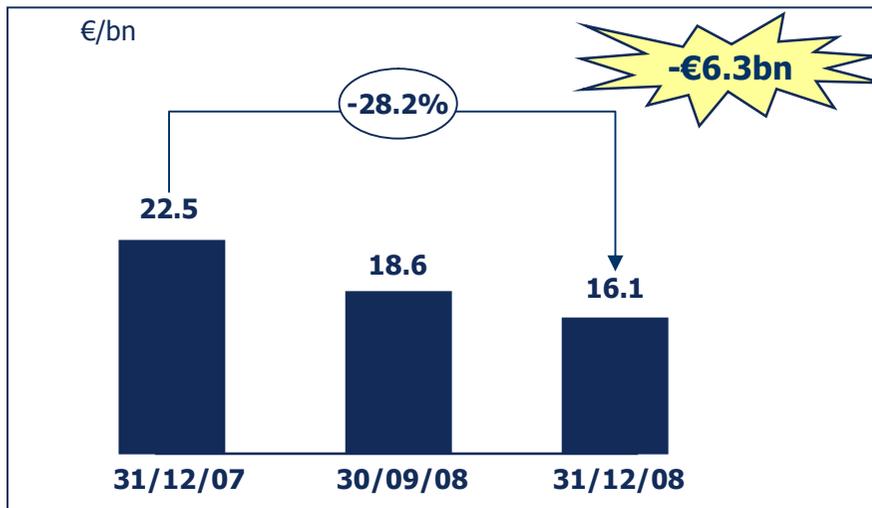
Group direct customer funds



Direct customer funds of commercial banks



Wholesale funding (EMTN and London)

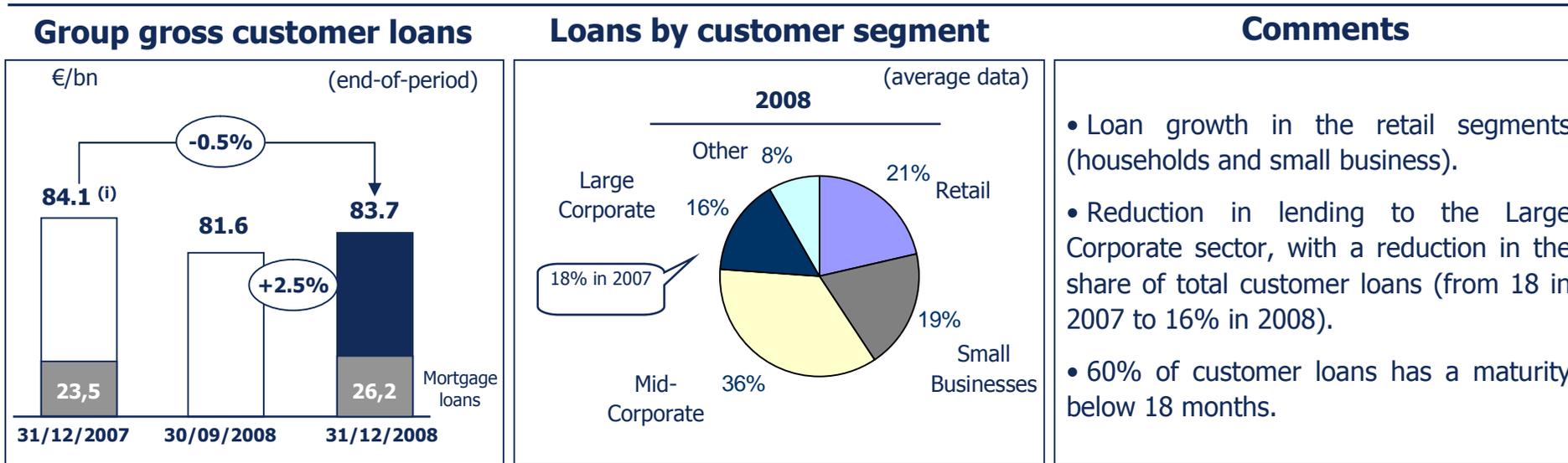


Comments:

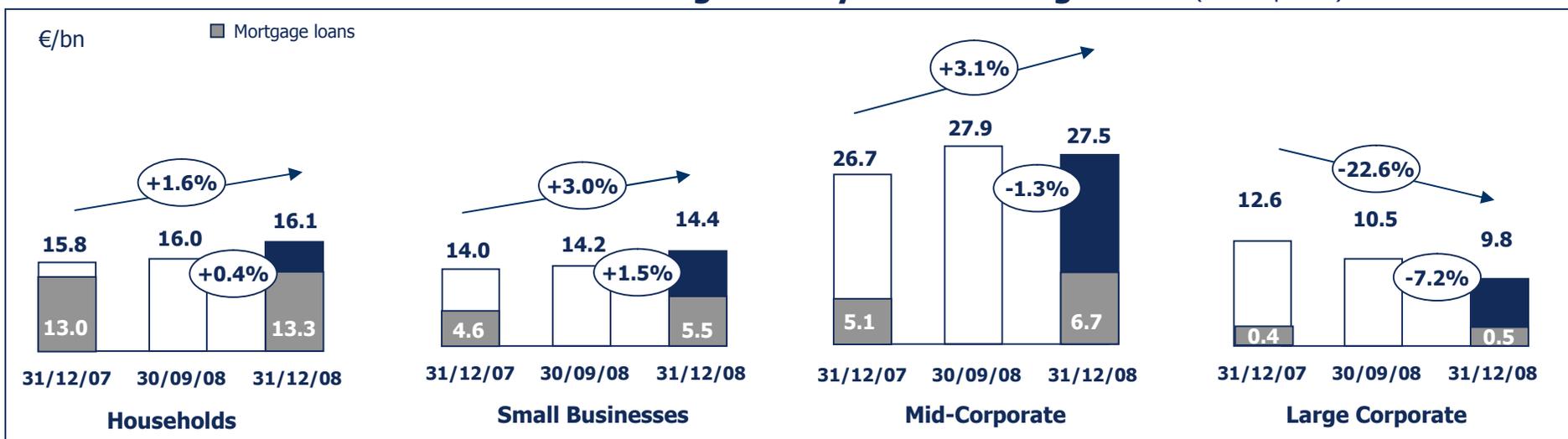
- The strong growth of direct customer funds of the commercial banks has more than offset the decline in the wholesale funding through EMTN/ECP/ECD.
- At the same time, the bank proceeded with a strategy of lengthening maturities through the issue of bonds placed with retail customers.
- About 59% of the Group's direct customer funds are short-term.



Customer loans: focus Retail and SME's



Commercial banks: loan growth by customer segment (ii) (end-of-period)

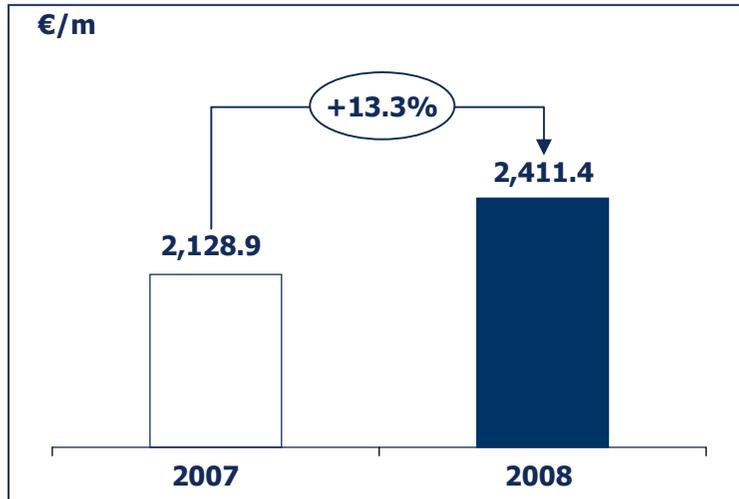


(i) Restated data, excluding Ducato customer loans, following the consumer credit JV.

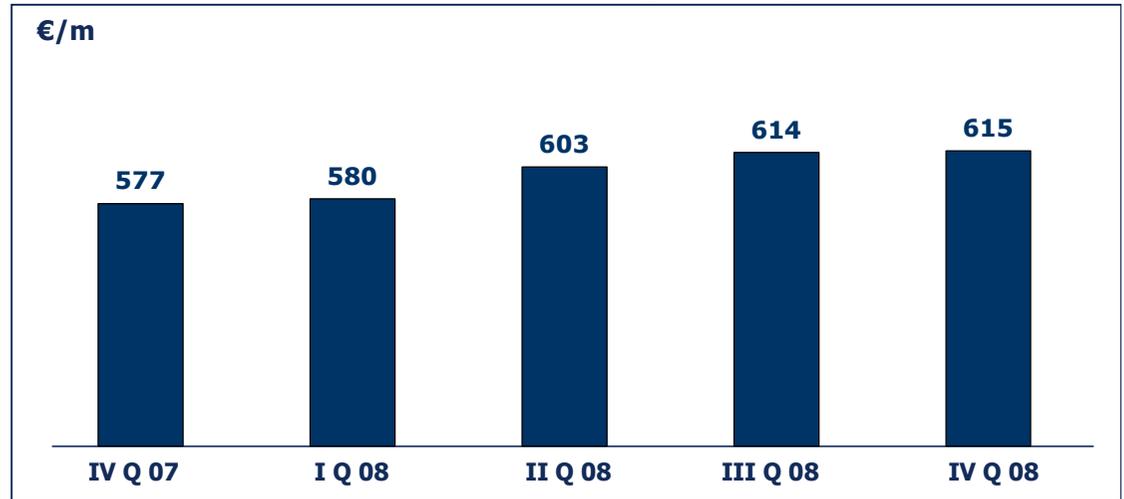
(ii) Data on a pro-forma basis, excluding the disposal of 33 Tuscany-based branches and BPMantova.

Commercial banks: trend in net interest income & spread

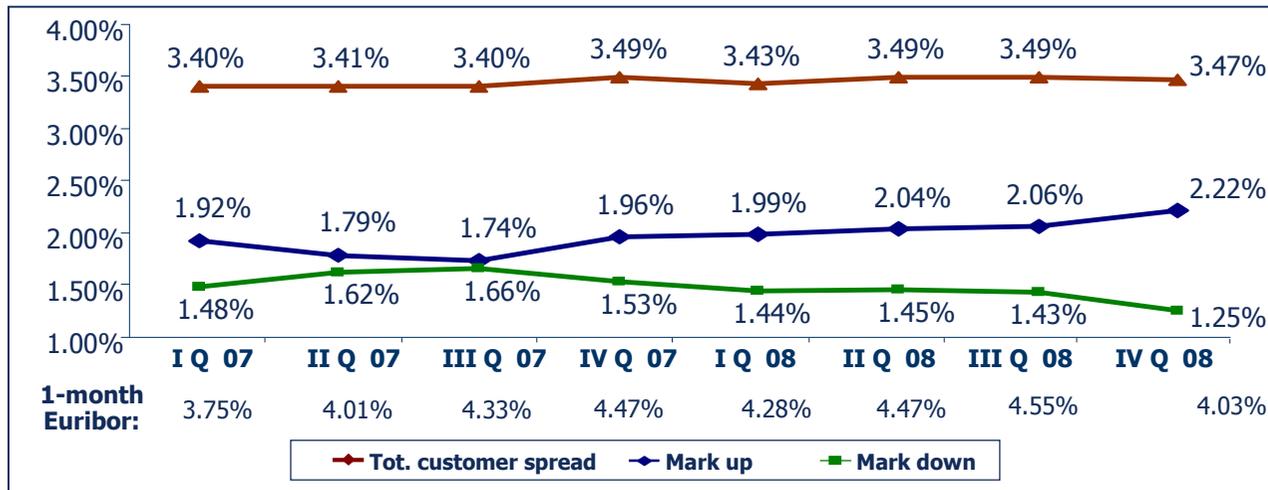
Net interest income: y/y



Net interest income: quarterly trend



Quarterly customer spreads



Growth Drivers

Customer net interest income of the "Banks of the Territory" recorded a growth of **13%** y/y, corresponding to **+€282m**, of which:

- **+€222m** volume effect related to increased lending and funding volumes.
- **+€60m** spread effect, driven by the increase in the asset spread.

Note: Pro-forma figures exclude the disposal of Tuscany-based branches, BP Mantova and Banca Valori

Commercial banks: analysis of net interest inc. & spread

Growth in 2008 net interest income:
+ €282m (+13% y/y)

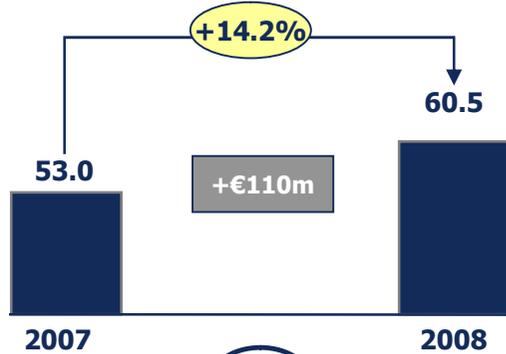
Drivers

Volumes: +€222m (net interest income)

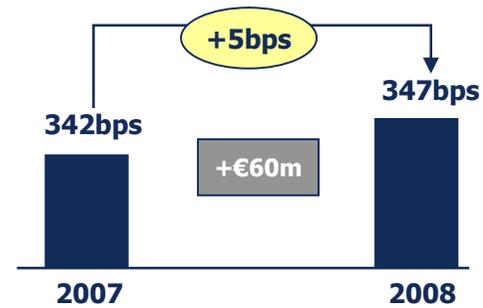
Customer spread: +€60m (net interest income)

€/bn

Direct customer funds (avg.)



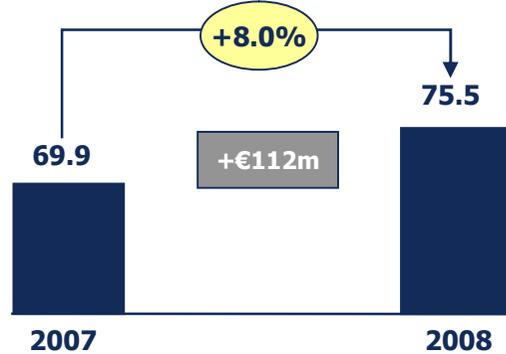
Total customer spread (avg.)



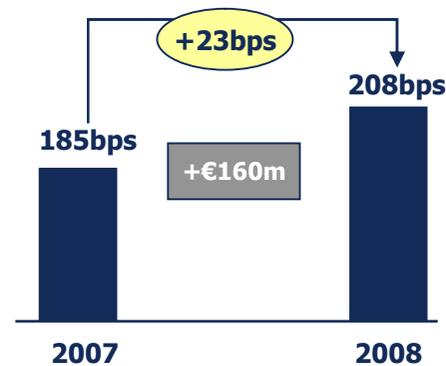
+

€/bn

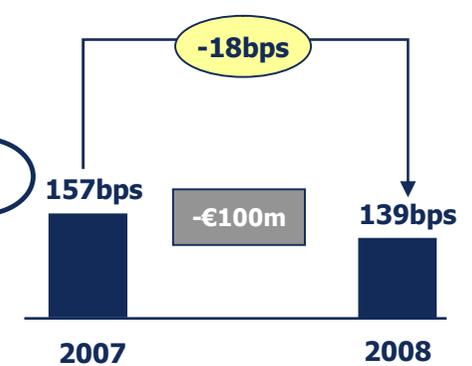
Gross domestic customer loans (avg.)



Mark up (avg.)



Mark down (avg.)



+

Other operating income: net financial income

€/m	<u>Net financial income</u>			€/m	<u>Focus on the proprietary securities portfolio as of 31/12/2008</u>	
	2008	2007	chg %		Assets	Amount (€/bn)
• Net result of financial liabilities (assets) designed at FV	308.5	156.0	97.8%	- Treasury securities	4.7	45.0%
• Hedging activity	(3.6)	2.4		- Senior investment grade bonds (i)	2.4	23.5%
• Dividends from participations	34.5	42.5	-18.8%	- Subprime. CLOs. CDOs and CBOs	0	0%
• Net result of prop portfolio and trading activity	(190.6)	178.3		- Monoliners	0	0%
<i>of which: Banca Aletti</i>	122.3	185.8		- Emerging markets: bonds and equity sec.	0	0%
• Profit (Loss) from disposal of 'non core' equity stakes	84.2	231.4	-63.6%	- ABS (AAA rating)	0.1	1.4%
Net financial income	233.0	610.6	-61.8%	- Shares in investment management comp.	0.8	7.3%
				- Equity securities	0.1	1.1%
				- Group securities	1.8	17.7%
				- Other securities	0.4	4.0%
				Total	10.4	100%

Comments:

- The net financial income was strongly affected by the global market crisis in the year 2008.
- The proprietary securities portfolio (about €10.4bn) – although mostly composed of Treasury securities and senior investment grade bonds – was affected by the widening in spreads, both with respect to the Italian Treasury and the bank issuers which represent a large part of the 'corporate portfolio'.
- The 'mark-to-market' loss on the securities portfolio was kept in the order of 3% of the outstanding stock (hence below the yield of the underlying portfolio), thereby confirming the good quality of the asset portfolio.

(i) Of which: €1.1bn Italian-based issuers

Source: Finance Department, including Group securities

- Absence of risks related to securities in connection with the SUBPRIME mortgage sector.
- Absence of major financial market risks.

Trend in “adjusted” profitability

€/m	<u>2008</u>	<u>2007</u>	<u>% change</u>	<u>Memo</u>
				<u>% change</u> <small>(pre-PPA accounting data)</small>
Total income	3,755	3,639	+3.2%	- 1.0%
Profit from operations	1,429	1,289	+10.8%	- 1.5%
Income before tax from continuing operations	1,018	931	+9.3%	- 84.6%
Net income for the period (pre-PPA)	433	491	-11.7%	- 51.9%

On an “adjusted” basis, the Group has confirmed a positive operating performance in 2008. “Adjusted” data exclude the net financial income, the extraordinary part of the provisioning policy and other extraordinary items.



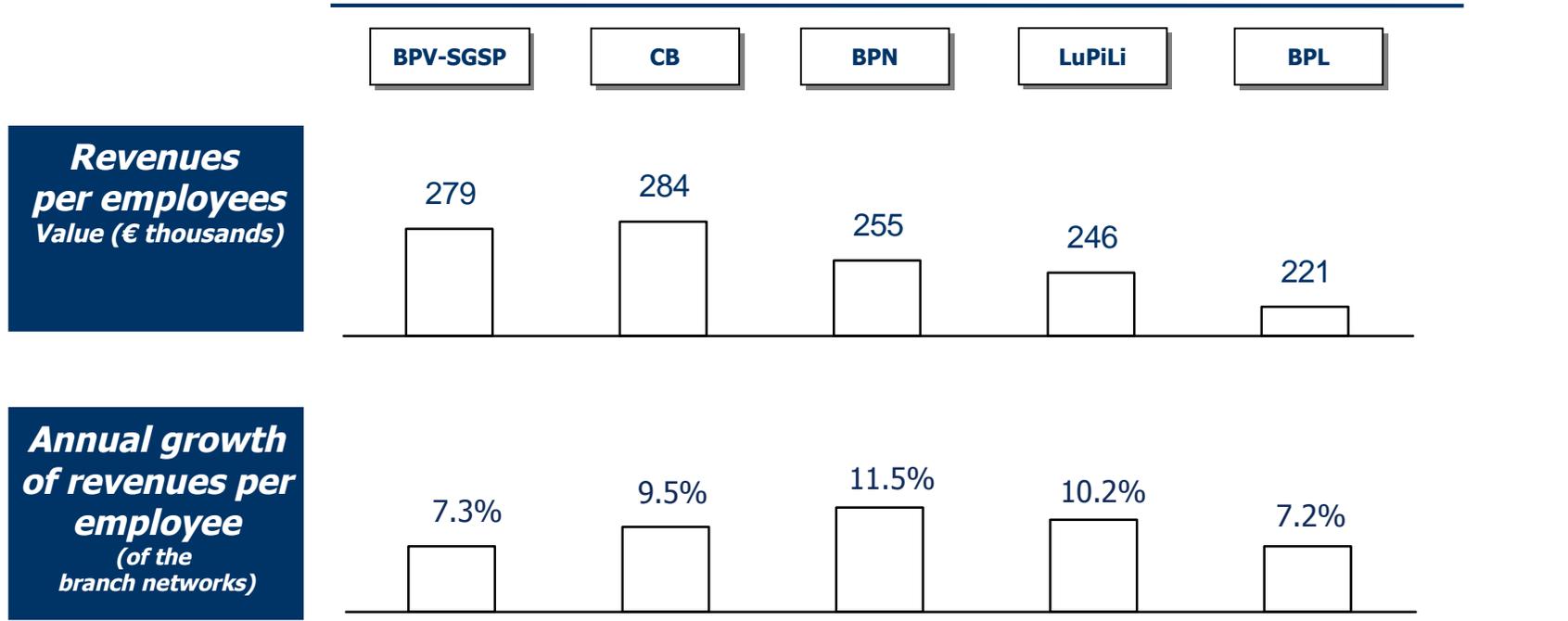
Guidelines for 2009

- **Maintain a strict focus on cost control in an environment characterized by strong pressure on revenues.**
- **Consolidate the positive results achieved in terms of strengthening of the liquidity profile.**
- **Manage credit risks with utmost attention in a weak operating environment.**
- **Move ahead with initiatives aimed at strengthening the Group's capital position.**
- **Defend the Net Interest Income in an environment characterized by a sharp decline in interest rates (about -300 bps over 2008), through an adequate repricing of loans.**
- **Compensate lower commissions from asset management through an increase in commissions from consumer credit and traditional banking business. At the same time, reshape the asset management business through new initiatives over the medium term.**

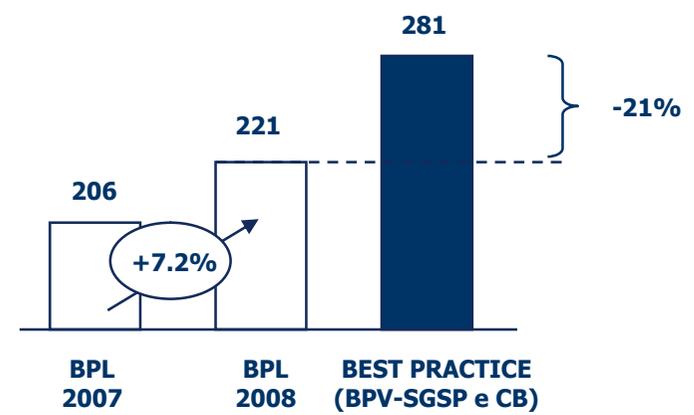


Progressive productivity alignment of the retail banks

Commercial banks' 2008 core revenues - YoY % change



- In 2008, the BPL productivity alignment has moved ahead, gradually closing the gap with the best practice of the Group (BPV-SGSP and CREBERG) which decreased from 27% to 21%.
- BPN and CR LUPILI confirm their excellent operating performance, positioning themselves among the best performers of the Group in terms of productivity growth per employee.





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