



Deutsche Bank Italian Conference

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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 of 0.91 as of 31 March 2009.
- 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

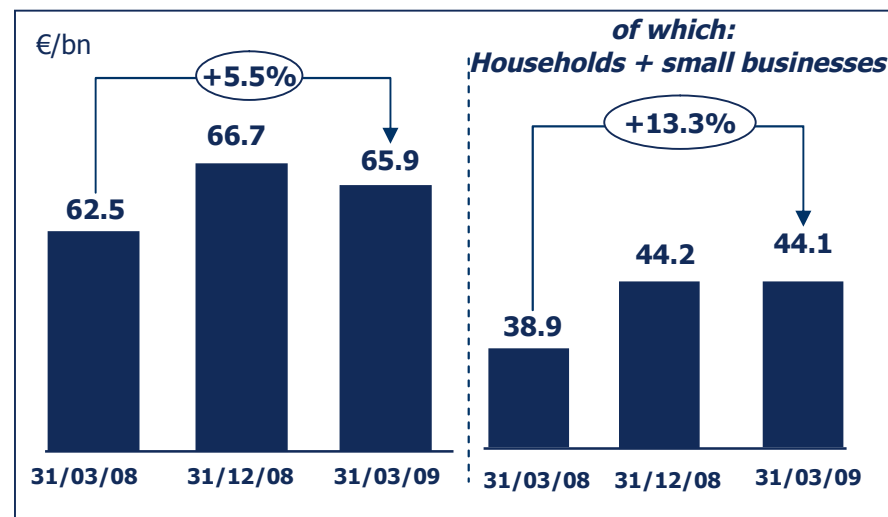
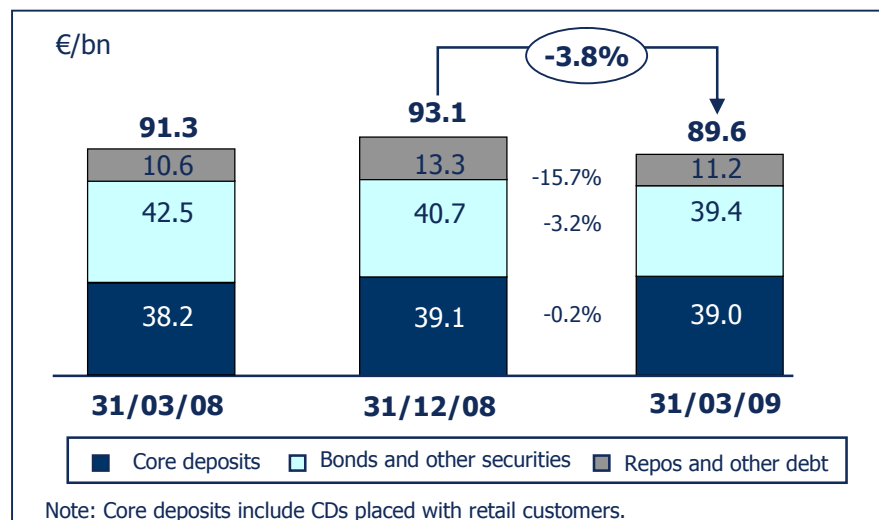
- No exposure to the subprime mortgage sector, monoliners, CDOs/CBOs (see slide 6).
- No investment in structured credit products.
- No investment in structured investment products on market variables.
- Low VAR of the trading book: max. about **€14m** (holding period = 1 day; confidence interval = 99%).

Direct customer funds: growth in retail segment

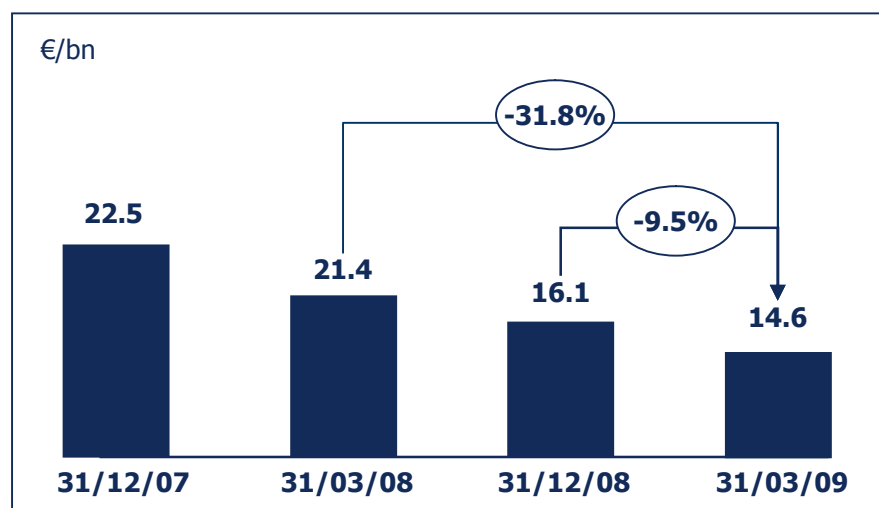
Group direct customer funds

(period-end data)

Direct customer funds of commercial banks



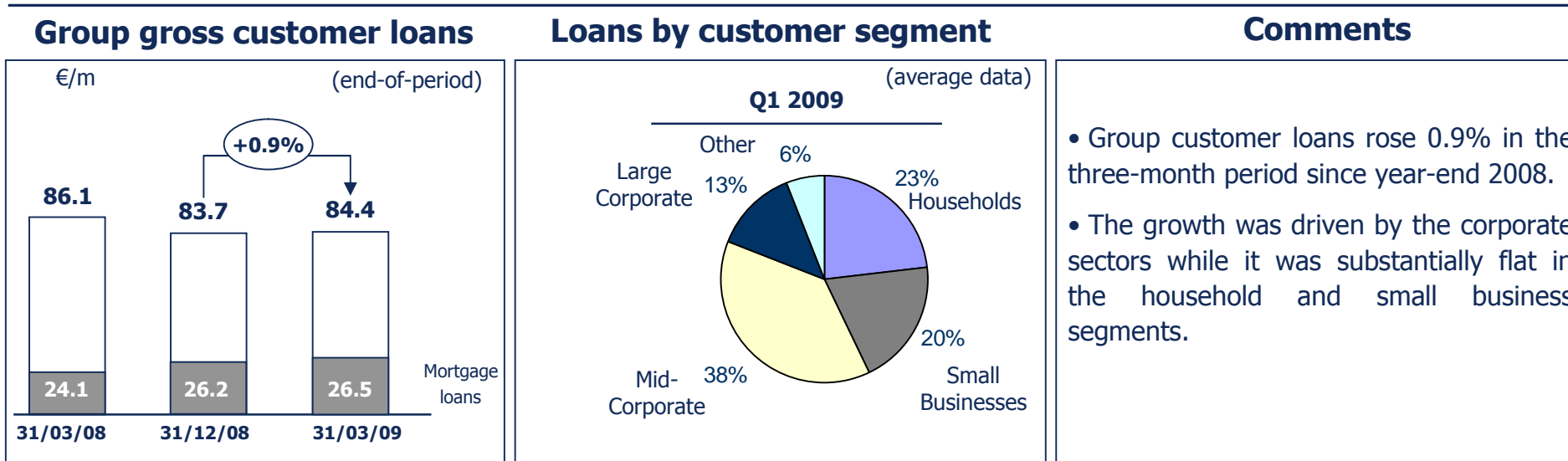
Wholesale funding (EMTN and London)



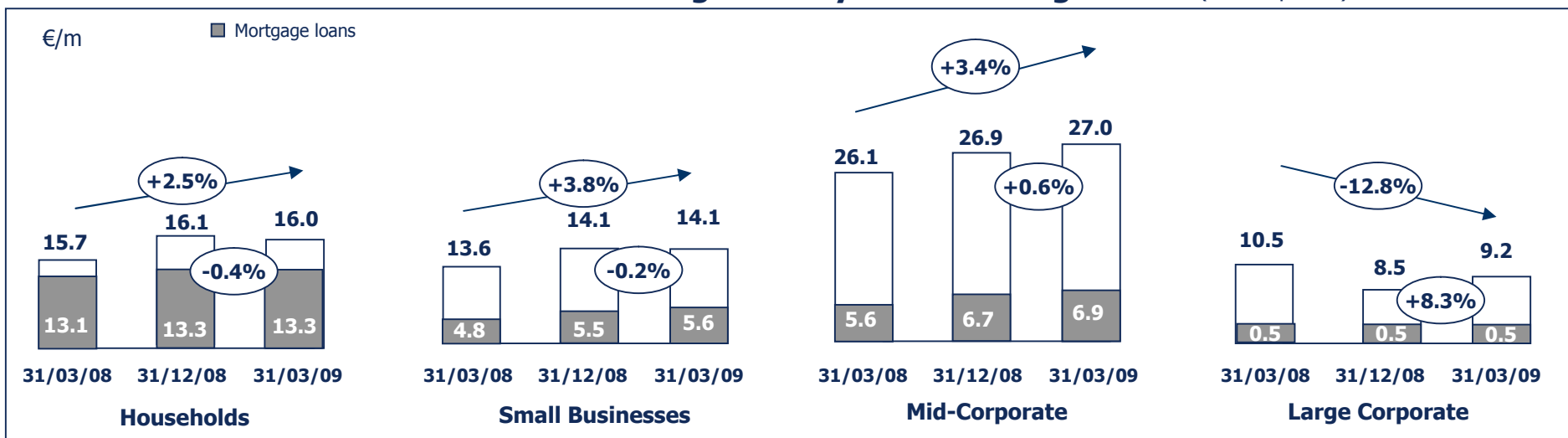
Comments

- Group direct customer funds decreased 3.8% over year-end 2008 and 1.9% year-on-year.
- The decrease is largely due to the corporate segment while the family and small businesses segments record an increase of 13% in direct customer funds year-on-year.
- The trend of a gradual decline in the institutional funding components (EMTN/ECP/ECD) in favour of the retail segment is confirmed.

Customer loans: focus on Retail and SME



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



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

Proprietary securities portfolio

Focus on the proprietary securities portfolio as of 31/03/2009

Assets	Amount (€/bn)	Comp. (%)
- Treasury securities	6.2	62.1%
- Senior investment grade bond ⁽ⁱ⁾	2.3	23.4%
- 'SUBPRIME', CLO, CDO e CBO	0	0%
- Monoliners	0	0%
- Emerging markets: bonds and equity sec.	0	0%
- ABS (AAA rating)	0.1	1.4%
- Equity securities	0.7	7.3%
- Group securities	0.2	1.7%
- Other securities	0.4	4.1%
Subtotal	9.9	100%
- Group securities (Efibanca and other companies)	0.8	
Total	10.8	

(i) Of which €1,1bn Italian-based issuers

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

- Absence of major financial market risks.



Income statement: revenues and costs

P&L – post PPA

-2.2% on pro-forma basis (excluding the 33 Tuscany-based branches sold in Sept. 2008)

Memo

€/m	Q1 09	Q1 08	chg %	Q4 08	FY 2008
Total income:	1,081.8	1,086.9	-0.5%	766.8	3,744.3
• Net interest income	532.1	551.7	-3.5%	542.8	2,243.7
• Profit (loss) on equity investments carried at equity	13.6	10.7	n.s.	(51.8)	(13.6)
• Other operating income:	536.1	524.5	2.2%	275.8	1,514.2
- <i>Net commissions</i>	218.9	296.9	-26.2%	239.4	1,061.5
- <i>Other revenues</i>	47.1	45.9	2.5%	0.8	255.9
- <i>Net financial income</i>	270.1	181.7	48.6%	35.6	196.8
Operating costs:	(604.1)	(579.8)	4.2%	(578.6)	(2,333.2)
• Personnel expenses	(369.8)	(366.5)	0.9%	(380.1)	(1,487.2)
• Other administrative expenses	(196.6)	(171.7)	14.5%	(154.0)	(675.4)
• Amortization and depreciation	(37.6)	(41.6)	-9.4%	(44.5)	(170.6)
Profit from operations	477.7	507.1	-5.8%	188.3	1,411.0

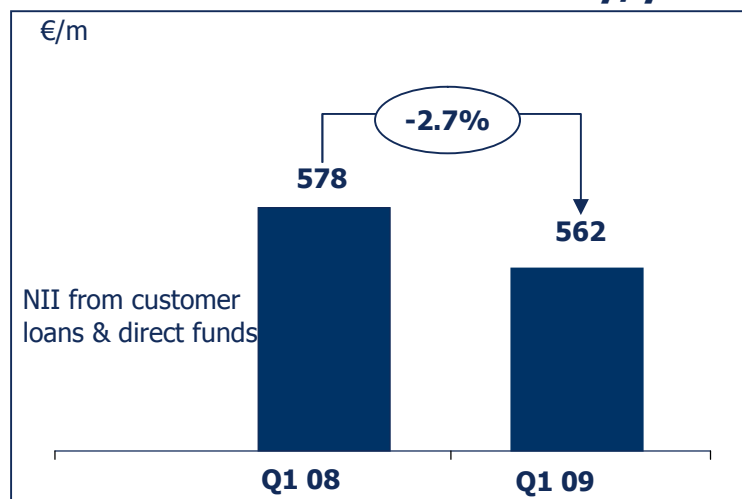


Trend in net interest income & spread:

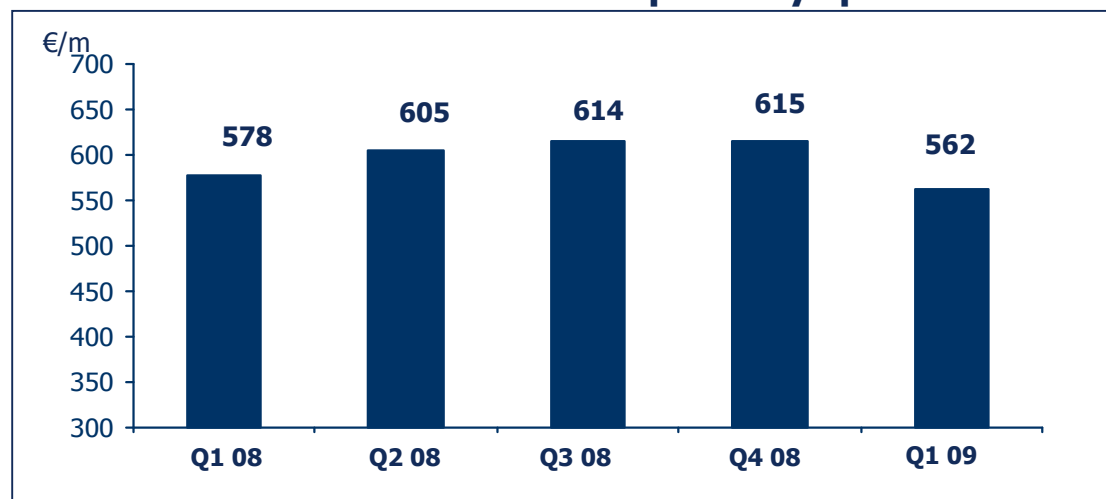
Customer loans and direct funds of the banks of the Territory

Excludes other Group companies
(Banco Popolare Holding BP, Banca
Aletti, Efibanca) and the PPA effect.

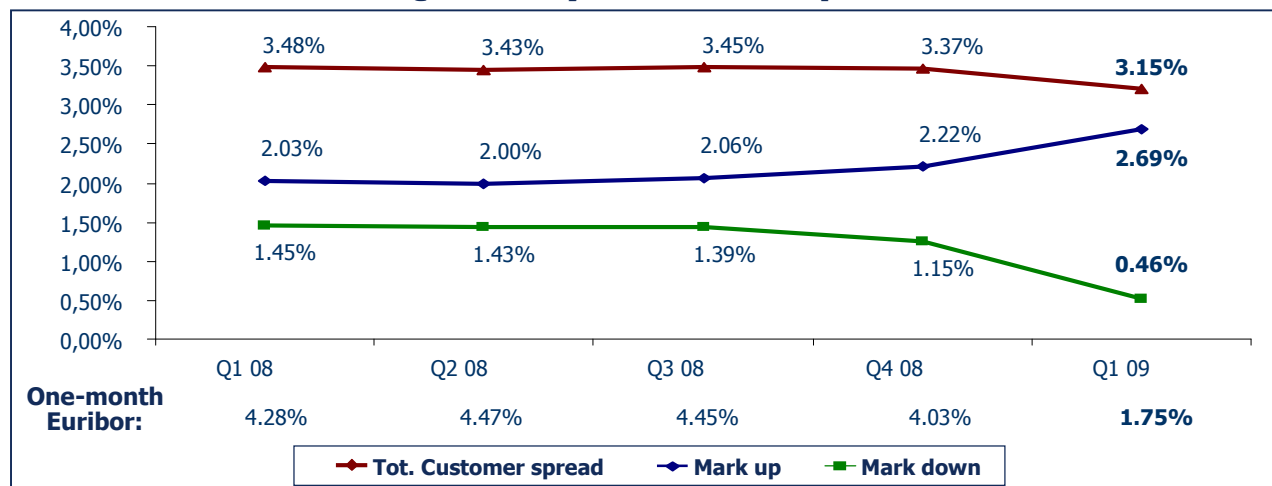
Net interest income: y/y



Net interest income: quarterly spread



Quarterly customer spreads



Drivers

The NII from customer loans and direct funds of the banks of the territory recorded a decline of **2,7%** corresponding to **-€15.8m**, of which:

- Volume effect related to customer loans and direct funds: **+€16.6m**
 - Lower spread, largely due to the decrease in the mark-down: **-€27.6m**
 - Time effect of days (i): **-€4.8m**
- €11.0m**

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

(i) A 'time effect of days' has been calculated considering that in Q1 2009 there is 1 day less in comparison with Q1 2008.

Analysis of net interest income & spread

Customer loans and funds of the banks of the Territory

Year-on-year change:
-€11.0m (excluding 'time effect of days')

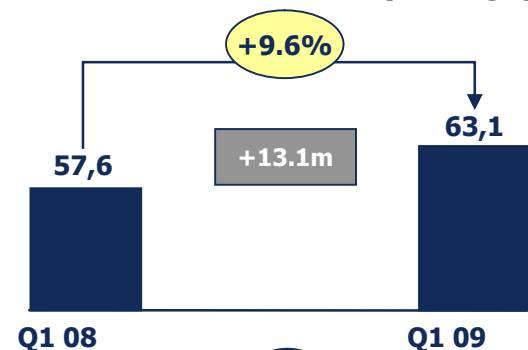
Drivers

Volumes: +€16.6m (net interest income)

Customer spread: -€27.6m (net interest income)

€/bn

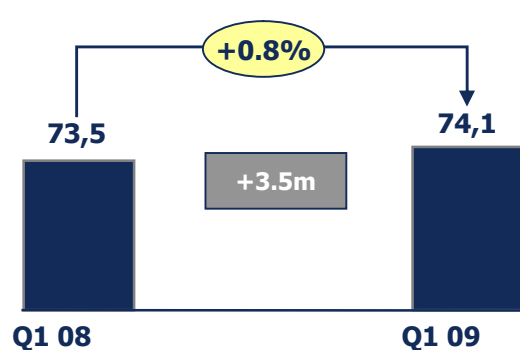
Direct customer funds (average)



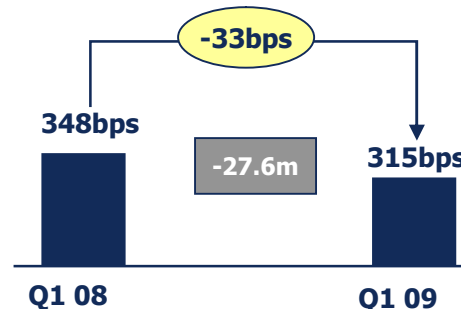
+

€/bn

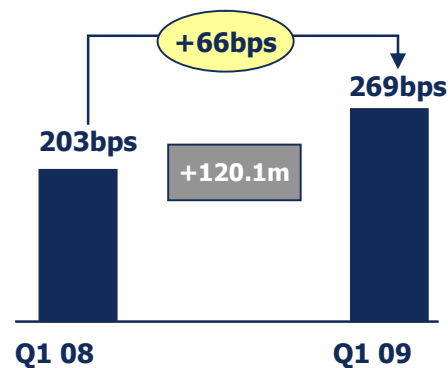
Gross domestic customer loans (average)



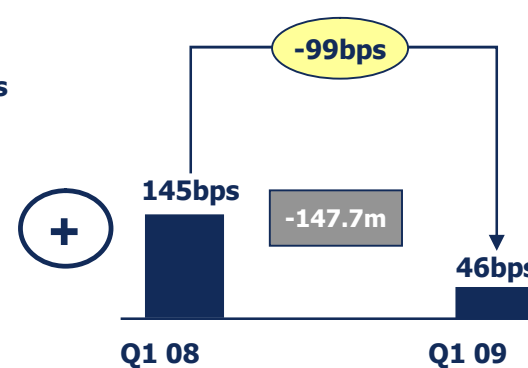
Total customer spread (average)



Mark up (average)



Mark down (average)





Sensitivity of NII to a decrease in interest rates

Negative shock: -100bps

Expected impact on Group NII:

~ -4%

**MODERATE SENSITIVITY OF THE GROUP'S CONSOLIDATED NII TO A
DECREASE IN INTEREST RATE CHANGES, THANKS TO:**

- Partial coverage of sight deposits (with fixed rate swaps).
- Positive net balance of fixed rate customer loans versus fixed rate customer funds.

Other operating income: net commissions

€/m

Analysis of Net commission income

Memo

	Q1 09	Q1 08	Chg %
Management, brokerage and advisory services	125.0	187.2	-33.2%
Recovery of expenses from cheking accounts and other	37.1	46.0	-19.3%
Payment and collection services	27.4	30.3	-9.5%
Guarantees given	14.2	12.6	13.2%
Other services	15.2	20.8	-26.9%
Total	219.0	296.9	-26.2%

Q4 08	FY 2008
153.3	653,7
37.5	170,7
30.0	120,8
13.9	53,2
4.6	63,1
239.4	1.061,5

Composition of 'Management, brokerage and advisory services'

	Q1 09	Q1 08	Chg %
Assets administration	32.5	76.1	-57.3%
Bancassurance	10.5	46.3	-77.3%
Consumer credit and other	26.7	24.1	10.8%
Securities sale and distribution	34.8	17.6	98.0%
Custodian bank	3.3	7.6	-56.6%
Trading activity of the branches' customers	11.5	8.5	34.8%
Others	5.7	7.0	-17.7%
Total	125.0	187.2	-33.2%

Q4 08	FY 2008
38.5	226.4
31.7	154.1
49.4	125.9
1.9	67.2
4.4	22.7
12.9	37.0
14.5	20.3
153.3	653.7

Comments:

- The inflows of bancassurance products, that suffered a strong slowdown in Q4 2008 and in Q1 2009, enjoyed a sharp recovery in the month of April, with about €500m of product placements. This positive trend is expected to be confirmed also over the coming months.

Other operating income: net financial income

Net financial income

Comments

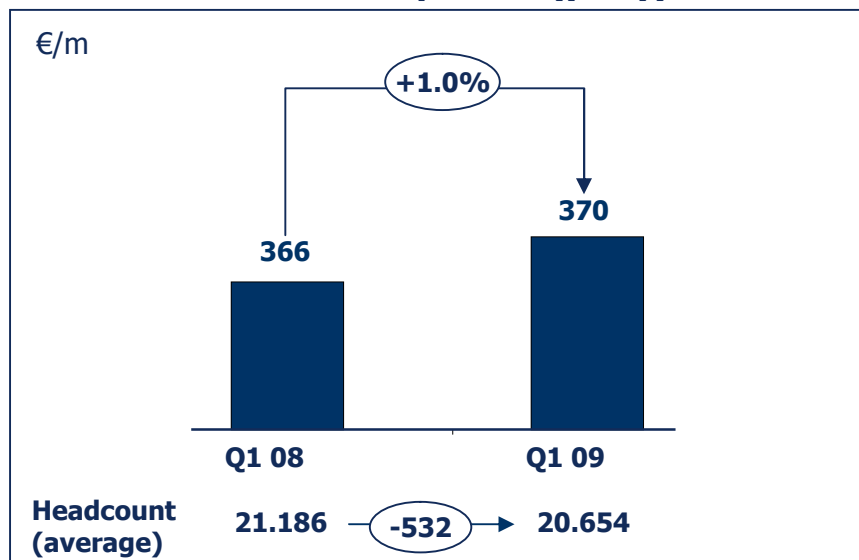
€/mln	Q1 09	Q1 08	chg %
• Net result of financial liabilities designed at FV	104.2	229.5	-54.6%
<i>of which: creditworthiness</i>	<i>80.3</i>	<i>209.7</i>	<i>-61.7%</i>
• Hedging activity	(0.8)	(1.1)	-27.3%
• Dividends from participations	1.1	2.8	-60.7%
• Net result of prop portfolio and trading activity	161.6	(53.4)	n.s.
<i>of which: Banca Aletti</i>	<i>55.7</i>	<i>33.1</i>	<i>68.3%</i>
• Profit (loss) from disposal of 'non core' equity stake	4.0	3.9	2.6%
Net financial income	270.1	181.7	48.6%

Of which €101.2m from financial positions related to interest rates risk.

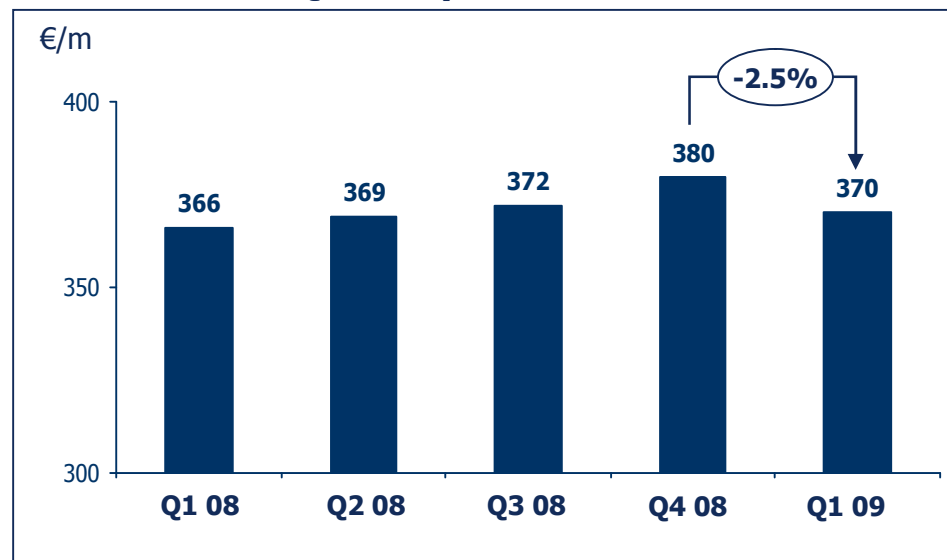
- The net financial income was impacted by a change in the methodology used for the measurement of the fair value which has allowed to contain the positive impact and, in the future, the volatility which has characterised this item. As specified in more detail in the Appendix, this change thus translated (1) in the elimination of the positive impact, generated until year-end 2008, relative to bonds placed with retail customers and (2) in a downward revision of Banco Popolare's CDS to a level just above the current market pricing.
- In the light of an expected sharp fall in interest rates, and with a view to protect the Group's income statement, the traditional ALM hedging strategies (hedging of sight positions and maintenance of fixed-rate asset balances) were complemented by the stipulation of fixed-rate derivative contracts, which have allowed to generate a pre-tax income of about €101m.

Operating costs: personnel expenses

Personnel Expenses (y-o-y)



Quarterly evolution



Staff by category and employment contract

	<u>31/03/09</u>	<u>31/03/08</u>
Total headcount (end of period)	20,633	21,183
- Executive managers	329	355
- Managers	7,381	7,357
- Clerks	11,916	12,301
- Other	1,007	1,170

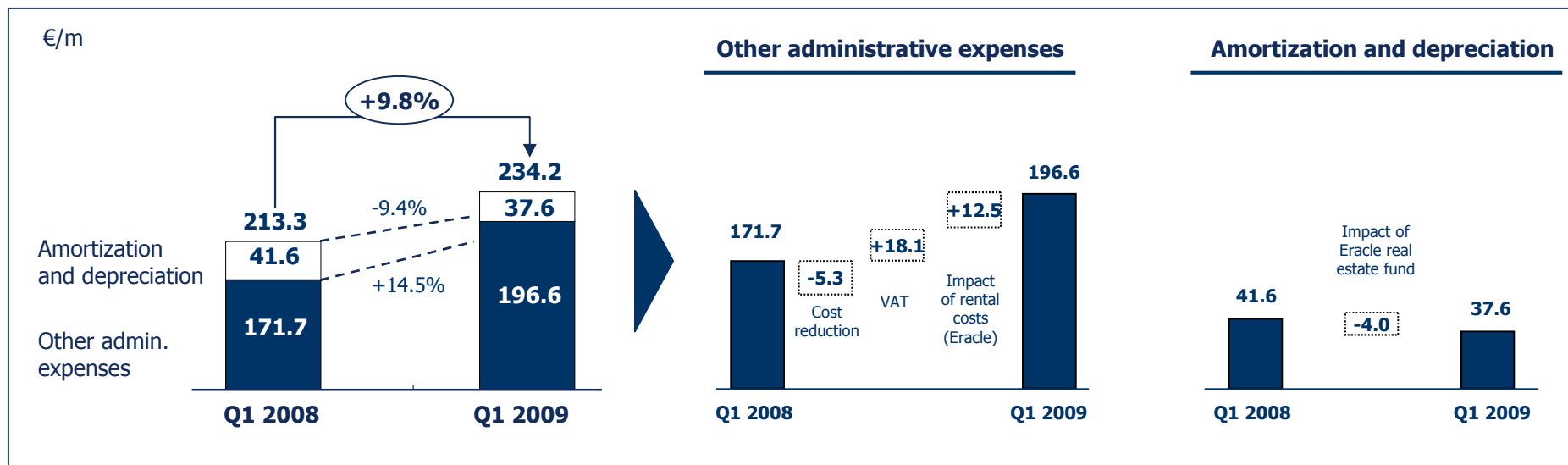
Comments

Personnel costs under control:

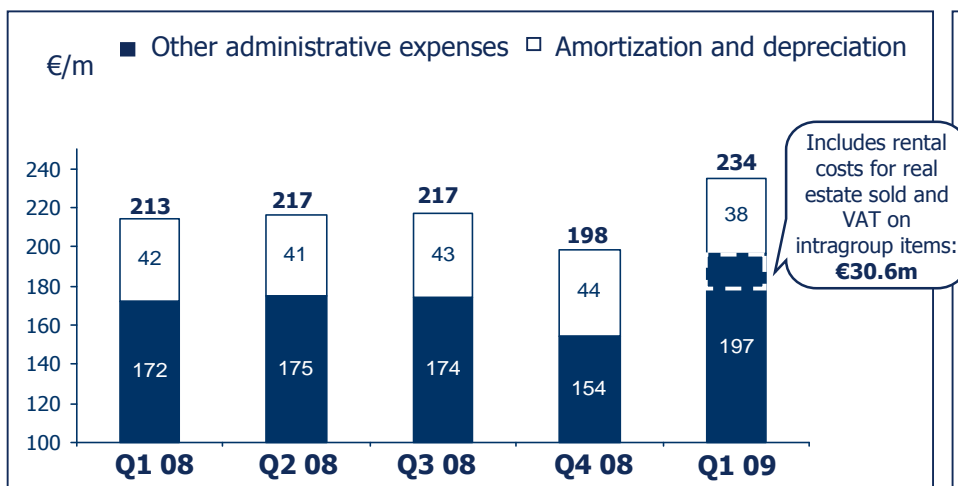
- Personnel expenses increased 1.0% year-on-year.
- Average headcount fell by 532 employees, largely as a result of the non-substitution of turnover.
- Containment of related variable personnel expenses such as missions and transfers.

Operating costs: non-personnel expenses

Analysis of total non-personnel expenses...



... quarterly evolution



Comments

- The increase in total non-personnel expenses (+9.8% year-on-year and +19.4% q-o-q) is due to:
 - higher rental costs for a total of €12,5m in relation to the disposal of real estate assets finalised in December 2008;
 - elimination of the VAT exemption for the invoicing of intragroup items, which in Q1 2009 accounted for €18.1m.
 - Continuation of the cost reduction measures, have translated into cost savings of €5.3 m in Q1 2009.
- Amortisation and depreciation fell by €4.0m (about €16 on an annual basis), thanks to the above-mentioned disposal of real estate assets.

Income statement: Post operating profit

P&L - post PPA

Memo

€/m	Q1 09	Q1 08	chg %	Q4 08	FY2008
Profit from operations	477.7	507.1	-5.8%	188.3	1,411.0
Net write-downs on impairment of loans, guarantees and commit.	(132.9)	(70.5)	88.4%	(816.2)	(1,170.4)
Net write-downs on impairment of other assets	(3.2)	(1.3)	137.4%	(147.8)	(199.5)
Net provisions for risks and charges	(15.9)	(12.5)	27.5%	(159.2)	(200.9)
Impairment of goodwill and equity investments	-	-	n.s.	(873.8)	(873.8)
Profit (loss) on disposal of equity and other investments	100.8	1.5	n.s.	358.2	501.2
Income before tax from continuing operations	426.5	424.3	0.5%	(1,450.5)	(532.4)
Tax on income from continuing operations	(209.4)	(157.5)	n.s.	488.0	140.5
Integration charges after tax	-	(3.0)	n.s.	(4.6)	(36.2)
Income (loss) after tax from non-current assets held for sale	0.0	12.4	n.s.	110.0	125.9
Minority interest	1.5	(16.0)	-109.1%	1.9	(31.2)
Income of the period	218.6	260.3	-16.0%	(855.2)	(333.4)

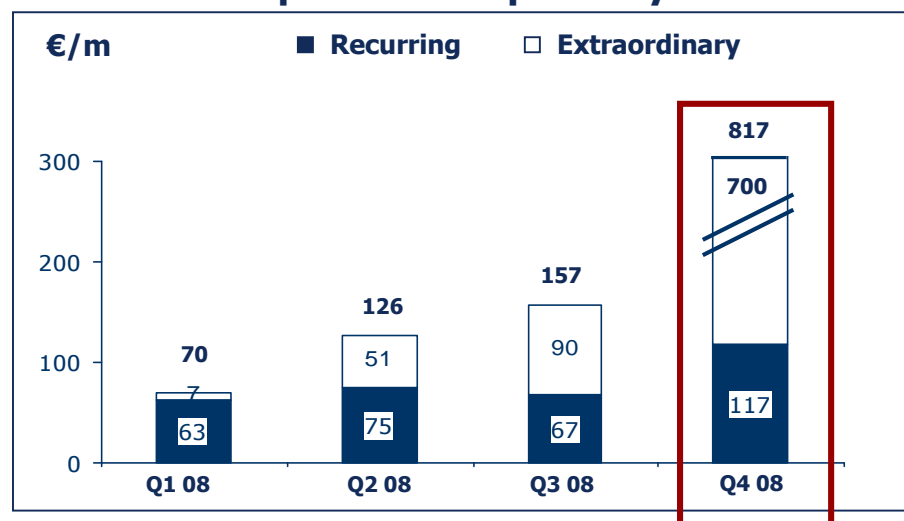
Includes -€57.5m for the settlement of outstanding tax litigations related to former BPI Group.

Cost of credit risk: FY 2008

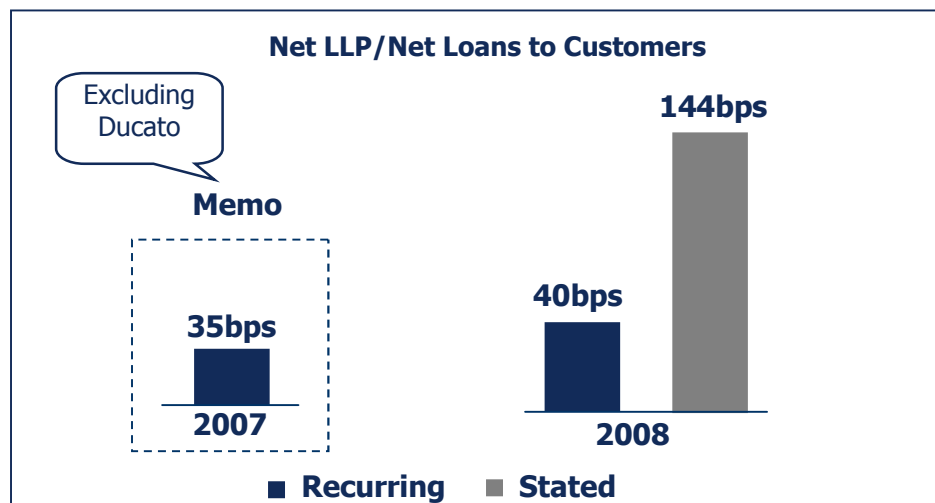
Loan Loss provisions

€/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 €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.

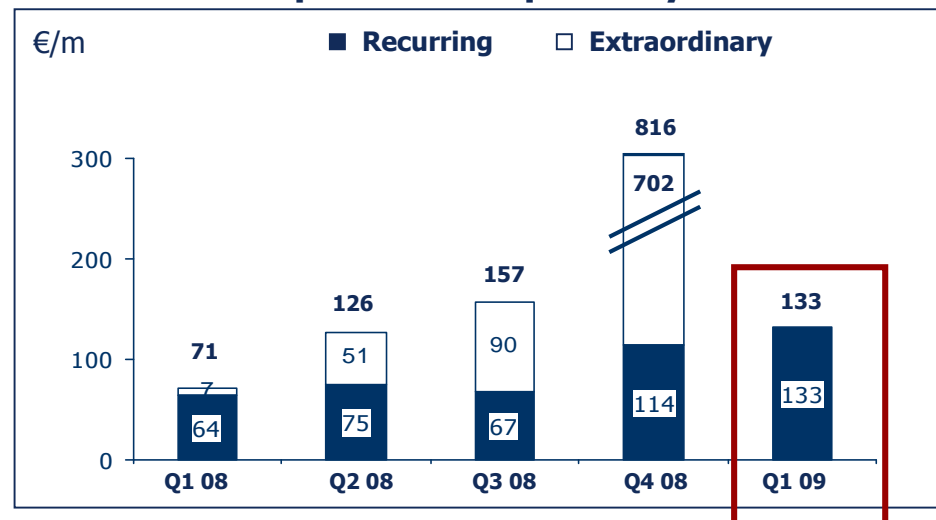
Nota: FY 2007 data have been adjusted for comparison, to account for the change in the consolidation scope (JV between Agos and Ducato finalized in December 2008).

Cost of credit risk: Q1 2009

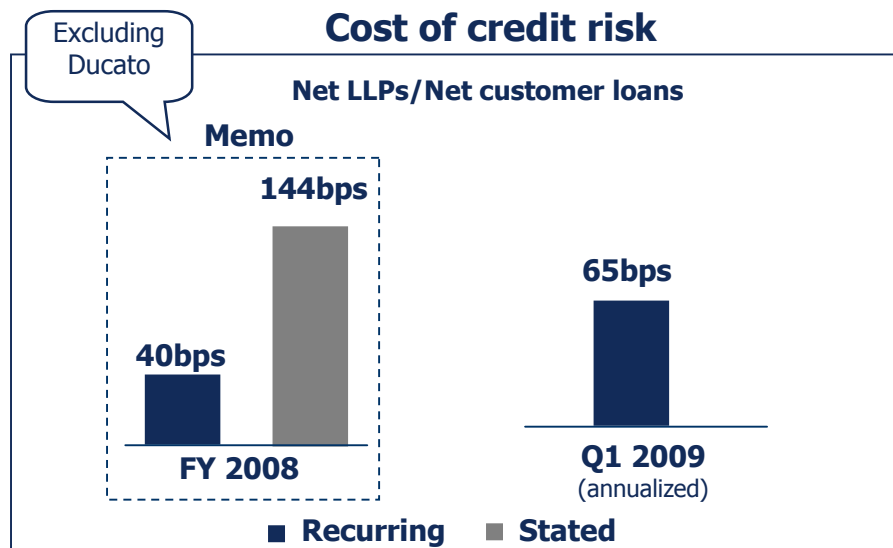
Loan loss provisions

€/m	31/03/2009	31/03/2008
Loan loss provisions (net)	132.9	70.5
Net customer loans	81,713.4	85,782.7

Loan loss provisions: quarterly evolution

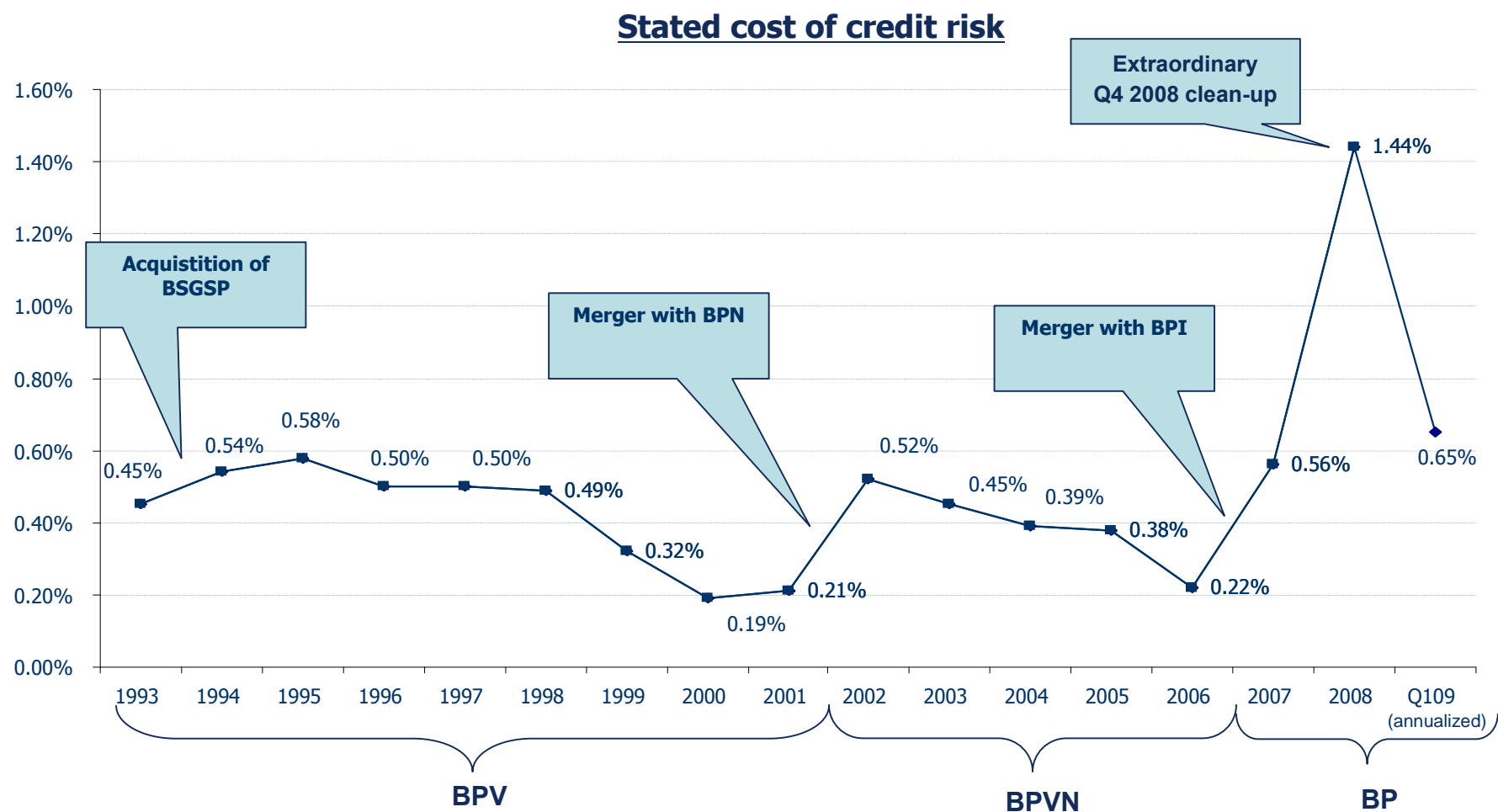


Cost of credit risk



- In Q1 2009, the annualized cost of credit risk was **65bps**, which is in line with the cost of **70bps** expected for the full year.

Historic cost of credit risk



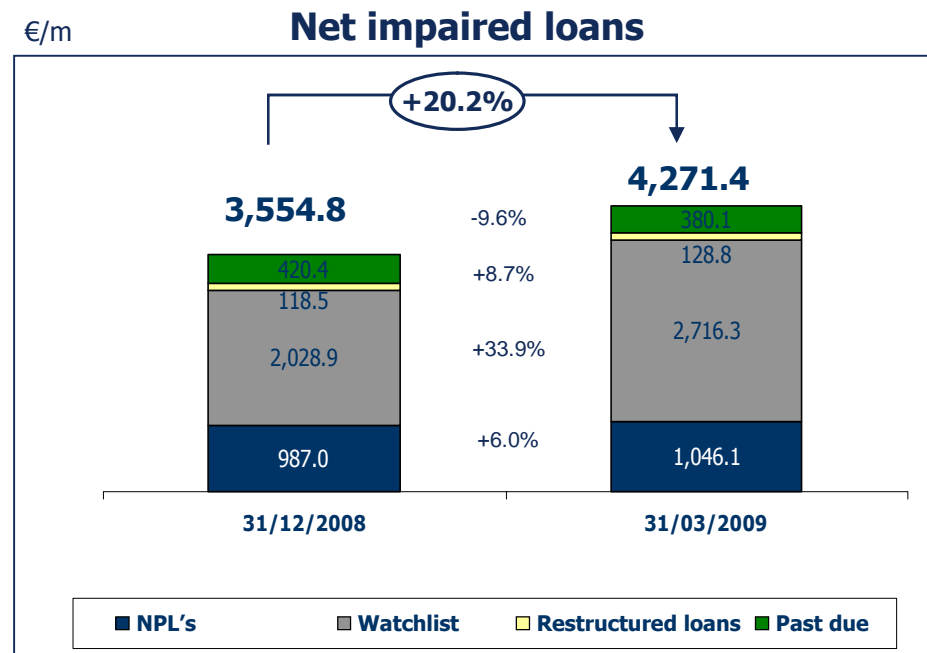
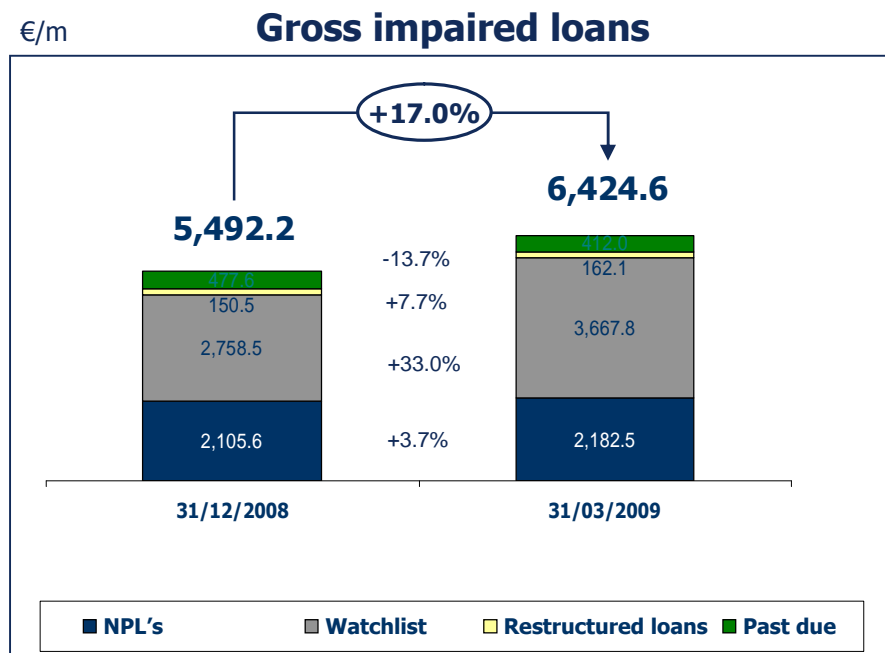
Notes

Calculation based on Annual Reports.

2006-2007 figures based on IAS, previous years on Italian Gaap; 2006-2007 and 2008 excluding time factor, with 2006 including disposal of NPLs.

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

Asset quality: impaired loans and coverage ratios



Coverage of impaired loans

About 93% including real estate collateral

	31/03/09	31/12/08
• NPL coverage:	72.6%	73.1%
• Watchlist loan coverage:	26.1%	26.4%
• Coverage of 'Past Due':	7.8%	12.0%

N.B.: Coverage of NPLs is inclusive of write-downs.

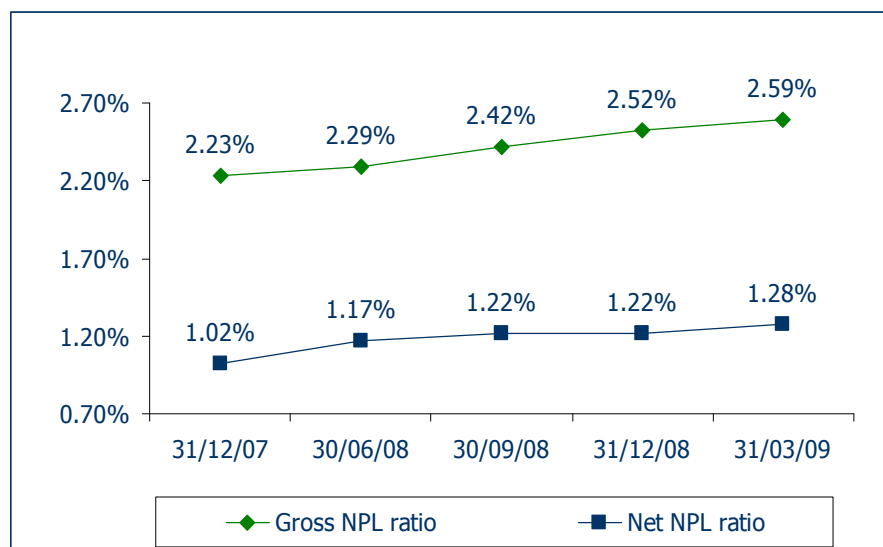
Comments

Watchlist loans: the increase of 33.0% in the quarter is essentially due to positions for a total of €503m which were classified into the watchlist loan category in the first months of 2009, **albeit already identified and provisioned against in the FY 2008 account** (see page 71 of the Group's 2008 Annual Report). The impact on the profit and loss account of these positions is, therefore, limited to the related time value. The coverage remains basically stable at 26%.

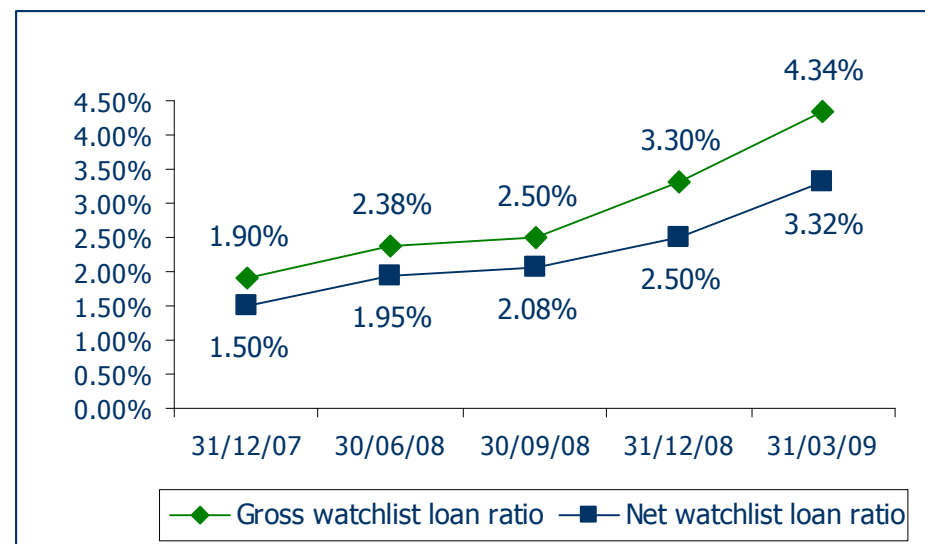
'Past due' positions are those with a payment delay of more than 180 days.

Asset quality: ratio analysis

NON-PERFORMING LOAN RATIOS



WATCHLIST LOAN RATIOS





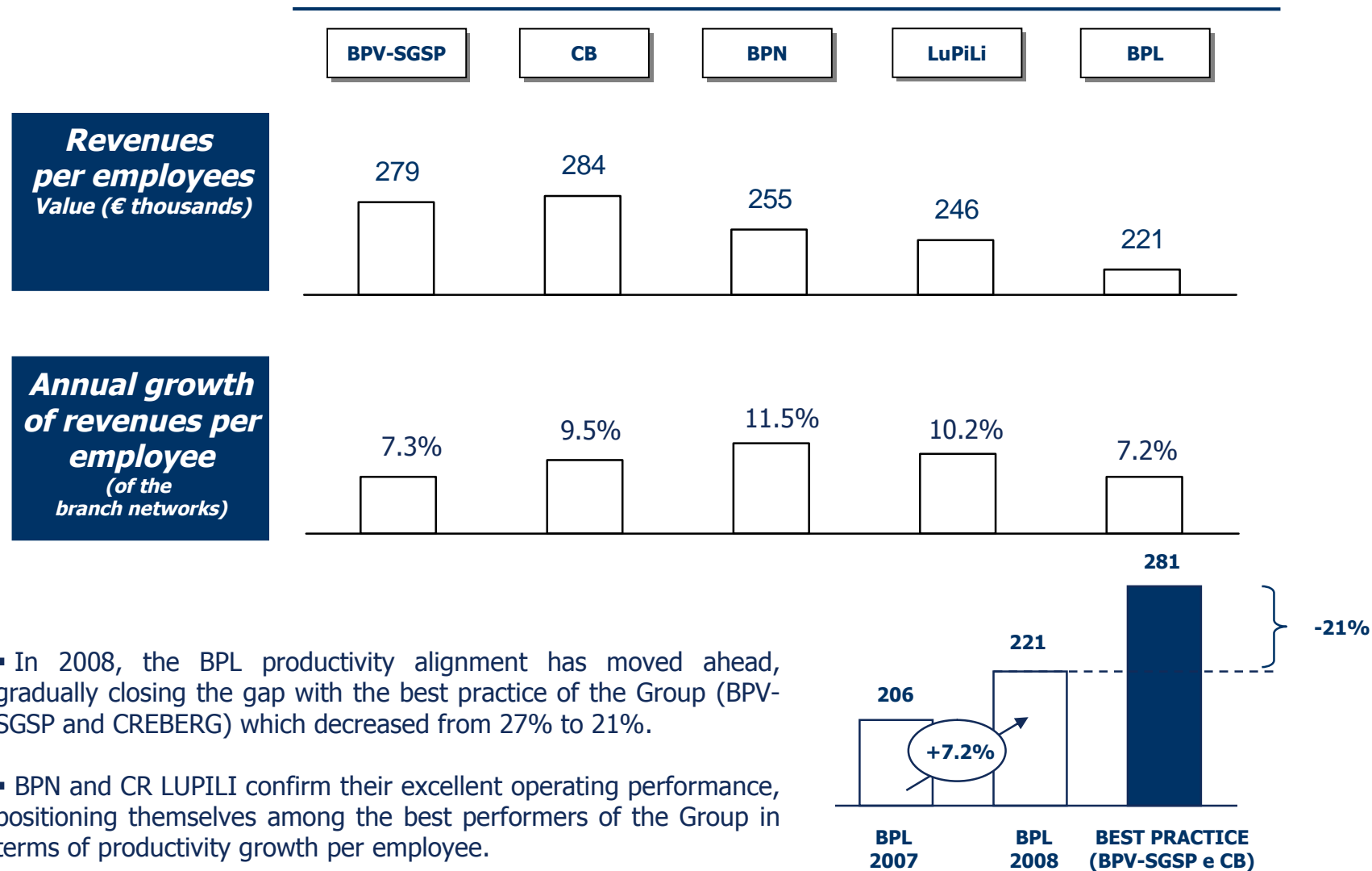
Operating guidelines for 2009

- 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 and ALM dynamic initiatives.
- 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.
- Manage credit risks with utmost attention in a weak operating environment.
- 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.
- Move ahead with initiatives aimed at strengthening the Group's capital position.



Progressive productivity alignment of the retail banks

Commercial banks' 2008 core revenues - YoY % change





Banca Italease: Expected timing of the Public Tender Offer

Timing	Action
06/05/2009	Authorization from the Bank of Italy for the acquisition of control of Banca Italease
12/05/2009	Green light by Consob for the Offering Circular
13/05/2009	Publication of the notice
14/05 – 01/07/2009	Offer period
08/07/2009	Payment
09-15/07/2009	Any possible reopening of the offer period
22/07/2009	Payment



Appendix



Income statement - post PPA

Reclassified consolidated income statement

Reclassified income statement (thousand euro)	Q109	Q108 (*)	Changes
Net interest income	532,086	551,662	(3.5%)
Profit (loss) on equity investments carried at equity	13,551	10,722	26.4%
Net interest, dividend and similar income	545,637	562,384	(3.0%)
Net commissions	218,948	296,869	(26.2%)
Other revenues	47,060	45,919	2.5%
Net financial income	270,132	181,731	48.6%
Other operating income	536,140	524,519	2.2%
Total income	1,081,777	1,086,903	(0.5%)
Personnel expenses	(369,841)	(366,505)	0.9%
Other administrative expenses	(196,580)	(171,728)	14.5%
Amortization and depreciation	(37,639)	(41,564)	(9.4%)
Operating costs	(604,060)	(579,797)	4.2%
Profit from operations	477,717	507,106	(5.8%)
Net write-downs on impairment of loans, guarantees and commitments	(132,865)	(70,519)	88.4%
Net write-downs on impairment of other assets	(3,186)	(1,342)	137.4%
Net provisions for risks and charges	(15,899)	(12,469)	27.5%
Impairment of goodwill and equity investments	-	-	n.s.
Profit (loss) on disposal of equity and other investments	100,778	1,483	n.s.
Income before tax from continuing operations	426,545	424,259	0.5%
Tax on income from continuing operations	(209,397)	(157,460)	33.0%
Income after tax from continuing operations	217,148	266,799	(18.6%)
Income (Loss) after tax from non-current assets held for sale***	(20)	12,400	n.s.
Integration charges after tax	-	(2,979)	n.s.
Net income for the year	217,128	276,220	(21.4%)
Minority interest	1,451	(15,962)	n.s.
Net income for the year attributable to the Parent company	218,579	260,258	(16.0%)

(*) Data adjusted for comparison to account for changes in the consolidation scope and of discontinued operations under IFRS 5.

(**) Includes results of shareholdings acquired as part of the merchant banking activity.

Memo

Q408 (*)	FY 2008 (*)
542,818	2,243,737
(51,811)	(13,618)
491,007	2,230,119
239,437	1,061,487
793	255,888
35,597	196,792
275,827	1,514,167
766,834	3,744,286
(380,066)	(1,487,202)
(154,024)	(675,436)
(44,461)	(170,600)
(578,551)	(2,333,238)
188,283	1,411,048
(816,192)	(1,170,395)
(147,786)	(199,457)
(159,190)	(200,922)
(873,796)	(873,796)
358,200	501,175
(1,450,481)	(532,347)
487,960	140,494
(962,521)	(391,853)
110,001	125,944
(4,604)	(36,249)
(857,124)	(302,158)
1,938	(31,214)
(855,186)	(333,372)

Evolution of Group quarterly P&L - pre PPA

€/m (thousand euro)	2009	2008*			
	Q1	Q4	Q3	Q2	Q1
Net interest income	570,384	604,156	612,777	627,092	598,828
Profit (loss) on equity investments carried at equity	13,551	(51,811)	5,745	21,726	10,722
Net interest, dividend and similar income	583,935	552,345	618,522	648,818	609,550
Net commissions	218,948	239,437	232,921	292,260	296,869
Other revenues	58,226	12,777	181,150	50,347	58,459
Net financial income	270,217	36,797	37,751	(58,287)	216,731
Other operating income	547,391	289,011	451,822	284,320	572,059
Total income	1,131,326	841,356	1,070,344	933,138	1,181,609
Personnel expenses	(369,841)	(380,066)	(371,943)	(368,688)	(366,505)
Other administrative expenses	(196,580)	(154,024)	(174,348)	(175,336)	(171,728)
Amortization and depreciation	(36,609)	(41,692)	(41,713)	(40,068)	(40,210)
Operating costs	(603,030)	(575,782)	(588,004)	(584,092)	(578,443)
Profit from operations	528,296	265,574	482,340	349,046	603,166
Net write-downs on impairment of loans, guarantees and commitments	(132,865)	(816,192)	(157,219)	(126,465)	(70,519)
Net write-downs on impairment of other assets	(3,186)	(145,599)	(27,253)	(24,376)	(1,342)
Net provisions for risks and charges	(15,899)	(159,190)	(8,234)	(21,029)	(12,469)
Impairment of goodwill and equity investments	-	(402,057)	-	-	-
Profit (loss) on disposal of equity and other investments	100,975	379,158	20,040	118,867	1,483
Income before tax from continuing operations	477,321	(878,306)	309,674	296,043	520,319
Tax on income from continuing operations	(226,237)	455,133	(132,912)	(97,981)	(179,347)
Income after tax from continuing operations	251,084	(423,173)	176,762	198,062	340,972
Income (Loss) after tax from non-current assets held for sale**	(20)	120,008	1,367	5,346	12,244
Integration charges after tax	-	(4,604)	(7,386)	(21,280)	(2,979)
Net income for the year	251,064	(307,769)	170,743	182,128	350,237
Minority interest	(1,099)	65	(5,521)	(19,775)	(18,432)
Income for the year excluding PPA impacts	249,965	(307,704)	165,222	162,353	331,805
PPA impacts after tax	(31,386)	(547,482)	(34,738)	(31,281)	(71,547)
Net income for the year attributable to the Parent company	218,579	(855,186)	130,484	131,072	260,258

(*) Adjusted for comparison to account for changes in consolidation scope and of discontinued operations under IFRS 5.

(**) Includes results of shareholdings acquired as part of the merchant banking activity.

Quarterly income statement: PPA impact line-by-line

€/m

	2009	2008			
	Q1	Q4	Q3	Q2	Q1
<i>(thousand euro)</i>					
Net interest income	(38,298)	(61,338)	(42,868)	(47,744)	(47,166)
Profit (loss) on equity investments carried at equity	-	-	-	-	-
Net interest, dividend and similar income	(38,298)	(61,338)	(42,868)	(47,744)	(47,166)
Net commissions	-	-	-	-	-
Other revenues	(11,166)	(11,984)	(12,156)	(10,165)	(12,540)
Net financial income	(85)	(1,200)	-	-	(35,000)
Other operating income	(11,251)	(13,184)	(12,156)	(10,165)	(47,540)
Total income	(49,549)	(74,522)	(55,024)	(57,909)	(94,706)
Personnel expenses	-	-	-	-	-
Other administrative expenses	-	-	-	-	-
Amortization and depreciation	(1,030)	(2,769)	(1,440)	(1,354)	(1,354)
Operating costs	(1,030)	(2,769)	(1,440)	(1,354)	(1,354)
Profit from operations	(50,579)	(77,291)	(56,464)	(59,263)	(96,060)
Net write-downs on impairment of loans, guarantees and commitments	-	-	-	-	-
Net write-downs on impairment of other assets	-	(2,187)	1,300	-	-
Net provisions for risks and charges	-	-	-	-	-
Impairment of goodwill and equity investments	-	(471,739)	-	-	-
Profit (loss) on disposal of equity and other investments	(197)	(20,958)	(1,126)	3,711	-
Income before tax from continuing operations	(50,776)	(572,175)	(56,290)	(55,552)	(96,060)
Tax on income from continuing operations	16,840	32,827	18,537	22,350	21,887
Income after tax from continuing operations	(33,936)	(539,348)	(37,753)	(33,202)	(74,173)
Income (Loss) after tax from non-current assets held for sale	-	(10,007)	91	(3,261)	156
<i>Integration charges after tax</i>	-	-	-	-	-
Net income for the year	(33,936)	(549,355)	(37,662)	(36,463)	(74,017)
Minority interest	2,550	1,873	2,924	5,182	2,470
Net income for the year attributable to the Parent company	(31,386)	(547,482)	(34,738)	(31,281)	(71,547)

Major extraordinary items in Q1 2009

€/m

		Q1 2009	
		Pre-tax	Post tax
<u>POSITIVE EXTRAORDINARY ITEMS:</u>			
• Profit/Loss on the disposal of equity and other investments		+€100.8	+€74.5
<i>o/w</i>	- Real estate fund (ERACLE) (i)	+€96.6	+€70.5
	- ICBP	+€3.2	+€3.1
	- Other	+€1.0	+€0.9
• Net financial income		+€84.3	+€56.9
<i>o/w</i>	- Fair value option on own bonds issued	+€80.3	+€53.0
	- Disposal of non-strategic assets	+€4.0	+€3.9

NEGATIVE EXTRAORDINARY ITEMS:

• Tax on income from continuing operations		- €57.5
<i>o/w</i>	- Settlement of outstanding tax litigations related to former BPI Group	- €57.5

COMMENTS:

(i) The final tranche of capital gain related to the sale of operating real estate assets (Eracle real estate fund), equal to €11.7m pre-tax, is to be booked in Q2 2009.



Changes in the consolidation scope

After the end of first quarter 2008, the consolidation scope underwent a number of changes. The main changes regard the sale of Bipielle Ducato, S.p.A., Banca Popolare di Mantova and other minor companies. Data referring to periods before first quarter 2009 have been adjusted to account for changes in consolidation scope, so as to make the comparison between Q1 2009 and 2008 results easier.

After 31st March 2008, a number of corporate transactions were finalized, that have already been described in the 2008 Annual Report, among which the sale of a business line comprising 33 branches to Credito Emiliano and the transfer of 456 real estate units to the Eracle Fund, with all fund units being sold to institutional investors. These deals must be taken into due account when comparing quarterly results.



Fair value option (1/2)

Changes in fair value measurement of financial liabilities in issue under “fair value option”

In first quarter 2009, in particular as of the end of February, Banco Popolare's credit spreads as reflected by CDS quotations surged suddenly, driven by extraordinary factors, connected among other things to the performance of the associate Banca Italease and to assumptions as to its possible reorganization. This situation caused a growing market illiquidity for Banco Popolare CDS, that became particularly manifest at the end of March. This triggered a review of the actual fair value representativeness of prices defined through a measurement technique that is based merely on CDS quotations. Considering the unique situation of temporary illiquidity of the CDS market and in the light of a confirmed pricing policy for the repurchase of financial liabilities on the secondary market from retail customers, based on the adoption of credit spreads in line with those outstanding at the time of issue, when preparing the quarterly report on operations as at 31st March 2009, some changes were introduced in the fair value measurement of financial liabilities issued by the Group and designated at fair value, in particular with regard to the method used to calculate changes in Banco Popolare's creditworthiness.



Fair value option (2/2)

Changes in fair value measurement of financial liabilities in issue under “fair value option”

As regards financial liabilities sold to retail customers, the past method was completely dismissed, replaced by the use of actual prices quoted on the secondary market of securities in issue. As a result of this change, 212 millions were charged to income for the quarter, namely the profit recognized in financial years 2008 and 2007 on the fair value measurement of the financial liabilities under examination. As regards financial liabilities sold to institutional customers, the measurement method in use on 31st December 2008 was confirmed. Among the various inputs, this method takes into consideration the change in Banco Popolare's creditworthiness, however, considering the present market situation, the end-of-March data of the Credit Default Swap market referring to Banco Popolare was downgraded. As a result of this adjustment, 292 millions were credited to income in first quarter 2009 as a result of the downgrading of Banco Popolare's creditworthiness. In terms of net financial income, these changes caused the recognition of an 80 million net profit associated with the change in Banco Popolare's creditworthiness, which is significantly lower than the profit that would have been recognized if we had adopted the same fair value measurement methods used when preparing the annual report as at 31st December 2008.



Purchase price allocation (1/2)

P&L impacts caused by the Purchase Price Allocation of the business combination with Gruppo Banca Popolare Italiana

In keeping with the relevant international accounting standard (IFRS 3), the income statement of Gruppo Banco Popolare includes the economic impacts from the Purchase Price Allocation – PPA under IFRS 3 relating to both the first quarter 2009 and the prior year's quarters on a comparative basis. In order to provide a like-to-like comparison, please note that PPA impacts can be significantly different in the period under comparison. For a full and transparent disclosure, shown below are the impacts deriving from the recognition of profit adjustments reported by the income generation units acquired by Gruppo Banca Popolare Italiana due to the higher values recognized in the consolidated financial statements on the date of effectiveness of the merger as a result of applying the accounting standard IFRS 3.

- **Net interest income:** the P&L impact was – 38.3 millions as at 31st March 2009 and –47.2 millions as at 31st March 2008, and is mainly attributable to the greater value recognized during PPA to loans acquired under the merger.

- **Other operating income:** the impact was – 11.3 millions as at 31st March 2009, primarily represented by the amortization of intangible assets having a defined useful life recognized upon the PPA. The impact on the income statement as at 31st March 2008 was – 47.5 millions, of which 35 millions relating to the greater value recognized during PPA to a minority stake sold as part of our merchant banking business, and 12.5 millions to the amortization of the above mentioned intangible assets.



Purchase Price Allocation (2/2)

P&L impacts caused by the Purchase Price Allocation of the business combination with Gruppo Banca Popolare Italiana

As a result, the following impacts have been reported by the aggregates shown below:

- | | |
|---|--|
| • total income: | - 49.5 millions in 2009 and – 94.7 millions in 2008; |
| • profit from operations: | - 50.6 millions in 2009 and – 96.1 millions in 2008; |
| • income/loss before tax : | - 50.8 millions in 2009 and – 96.1 millions in 2008; |
| • income tax: | + 16.8 millions in 2009 and +21.9 millions in 2008; |
| • net profit on discontinued operations | + 0.2 millions in 2008; |
| • minority interest: | +2.5 millions in 2009 and +2.5 millions in 2008. |

The overall effect on the consolidated net income was –31.4 millions as at 31st March 2009 and –71.5 millions as at 31st March 2008.



Main non-recurring P&L items

Main non-recurring items included in the Q1 2009 income statement

In compliance with the directives spelled out in Consob's Communication n. DEM/6064293 dated July 28th, 2006, the attachments and the report on operating performance highlight the effect of non-recurring items.

The impact on the Group's net income of non-recurring items in the first three months of 2009 totaled 80.6 millions. Its main positive constituents are the impact from the book value reduction of financial liabilities in issue measured at fair value as a result of the deterioration of our credit risk (80.3 millions gross of tax effect), and profit upon disposal of equity and other investments (100.8 millions gross of tax effect). Non-recurring negative constituents are the non-recurring charge of 57.5 millions, net of tax effect, charged to income as a result of the decision to settle outstanding tax litigations regarding the pre-merger conduct of some companies belonging to the former Gruppo Banca Popolare Italiana, by resorting to a fast-track composition with immediate tax audit and remedy.

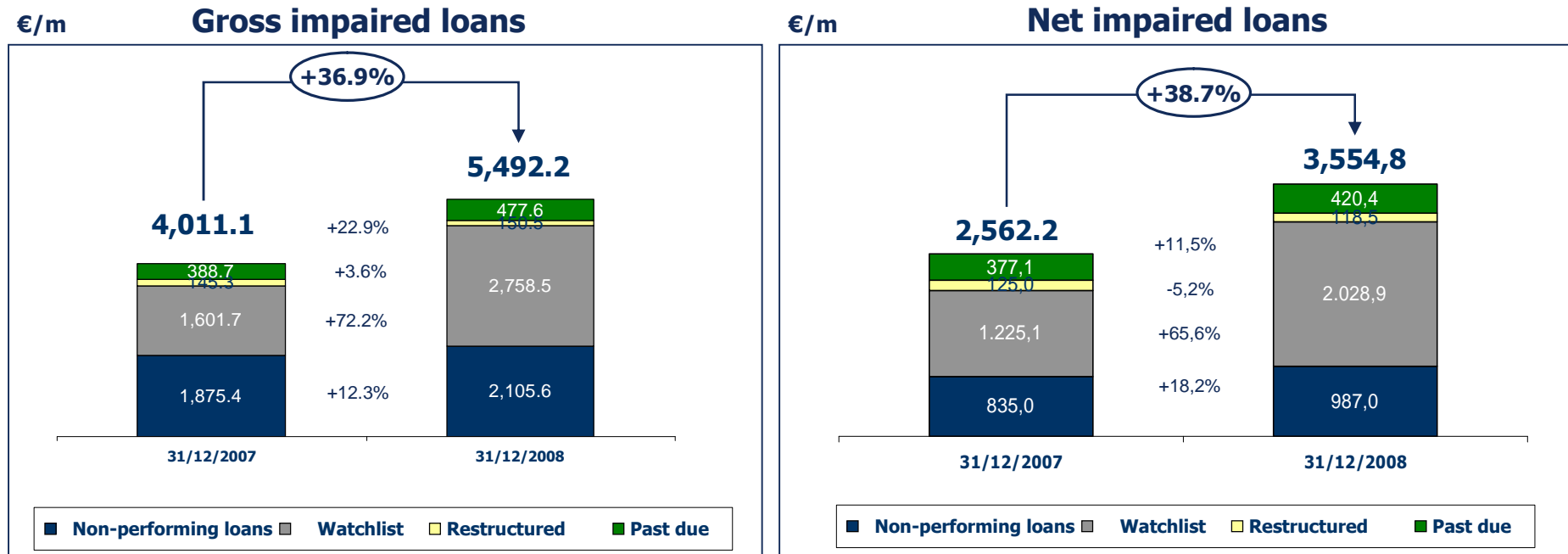
Trend in “adjusted” profitability: FY 2008

€/m				<i><u>Memo</u></i>	
				<u>% change</u>	<u>% change</u> (pre-PPA accounting data)
	<u>2008</u>	<u>2007</u>			
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.

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.



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..



Other operating income: net financial income

€/m				Focus on the proprietary securities portfolio as of 31/12/2008		
Net financial income				Assets	Amount (€/bn)	Comp. (%)
	2008	2007	chg %			
• 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%
of which: Banca Aletti	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.

Major negative extraordinary items in FY 2008

updated

Gross amounts in €/m

	2008	o/w: Q4 2008
• PROFIT (LOSS) ON EQUITY INVESTMENTS CARRIED AT EQUITY	-€48	-€48
o/w: - Index policies of Popolare Vita, with Lehman Brothers' securities as underlying	-€48	-€48
• NET WRITE-DOWNS ON IMPAIRMENT OF LOANS, GUARANTEES & COMMITMENTS.	-€850	-€702
o/w: - Real estate sector	-€300	-€300
- Other commercial loans	-€276	-€267
- Gruppo IT Holding	-€128	-€128
- Lehman Brothers and Icelandic banks	-€91	-€1
- Gruppo HOPA/FINGRUPPO	-€55	-€6
• NET WRITE-DOWNS ON IMPAIRMENT OF OTHER FINANCIAL TRANSACTIONS	-€162	-€116
o/w: - London Stock Exchange	-€66	-€66
- Merchant Banking	-€35	-€35
- Lehman Brothers	-€24	-
- HOPA/Fingruppo	-€13	-€1
• NET PROVISIONS FOR RISKS AND CHARGES	-€147	-€132
o/w: - Real estate sector	-€90	-€90
- Index policies of Eurovita, with Icelandic banks as underlying	-€30	-€30
- HOPA/Fingruppo	-€15	-
• IMPAIRMENT OF GOODWILL AND EQUITY INVESTMENTS	-€402	-€402
o/w: - Banca Italease	-€326	-€326
• INTEGRATION CHARGES (gross):	-€50	-€6
SUB TOTAL	-€1,659	-€1,406
Impairment of goodwill (accounted for under the PPA effect)	-€472	-€472
TOTAL MAJOR NEGATIVE EXTRAORDINARY ITEMS	-€2,131	-€1,878

Major positive extraordinary items in FY 2008

Gross amounts in €/m

	2008	o/w: Q4 2008
• OTHER REVENUES <i>o/w: - Disposal of 33 Tuscany-based branches</i>	+€118 <i>+€118</i>	-
• PROFIT (LOSS) ON THE DISPOSAL OF EQUITY AND OTHER INVESTMENTS <i>o/w: - Real Estate fund (ERACLE) (i)</i> <i>- Linea</i>	+€501 <i>+€358</i> <i>+€97</i>	+€361 <i>+€358</i> <i>-</i>
• TAX ON INCOME FROM CONTINUING OPERATIONS <i>o/w: - Tax benefit from goodwill deduction</i> <i>- Fiscal effect of extraordinary items</i>	+€482 <i>+€381</i> <i>+€101</i>	+€502 <i>+€381</i> <i>+€121</i>
• INCOME FROM NON-CURRENT ASSETS HELD FOR SALE <i>o/w: - Ducato</i>	+€126 <i>+€133</i>	+€107 <i>+€110</i>

(i) Net of the cost of the operation and of the portion of capital gain which remains to be booked in 2009.



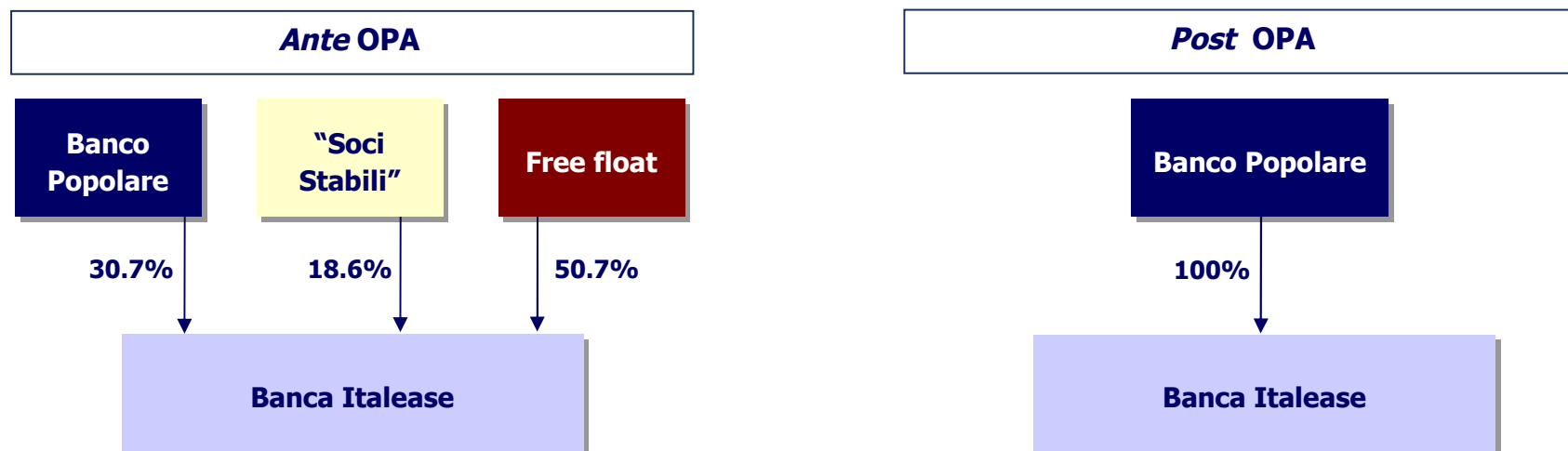
Capital adequacy: capital ratios at a glance

Group capital ratios

	Accounting ratios as at 31/12/2008	Pro-forma ratios	Ratios Pro-forma post Government bond, BIL and disposal of Factorit
Core Tier 1 Ratio	5.0%	5.7%	6.5%
Tier 1 Ratio	6.4%	7.2%	8.0%
Total capital ratio	10.6%	11.2%	11.6%

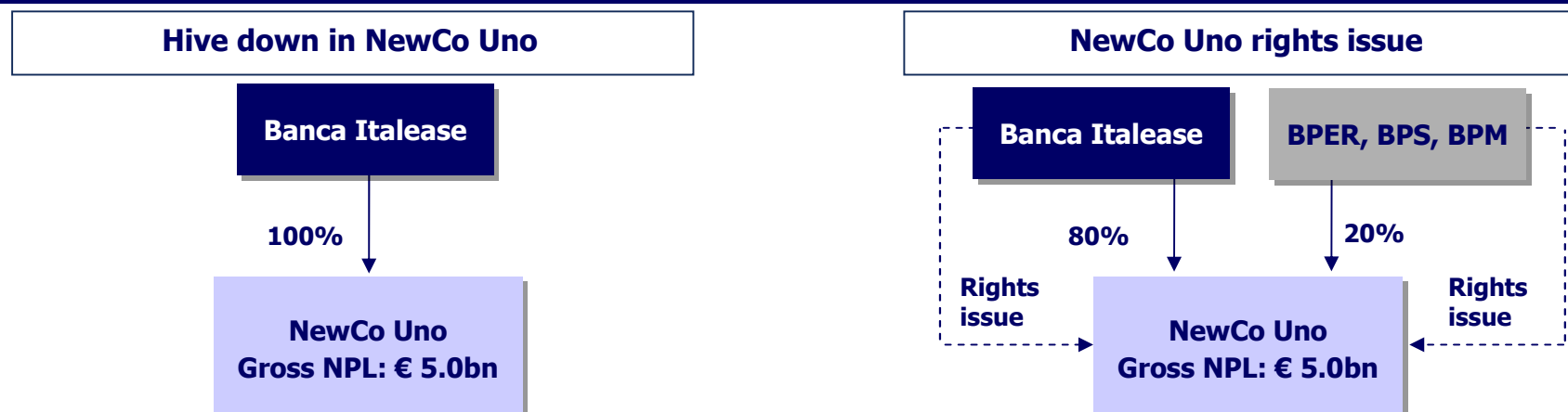
Banca Italease: Summary of the Reorganization plan (1/2)

Step 1: Public Tender Offer on 69.3% of Banca Italease share capital

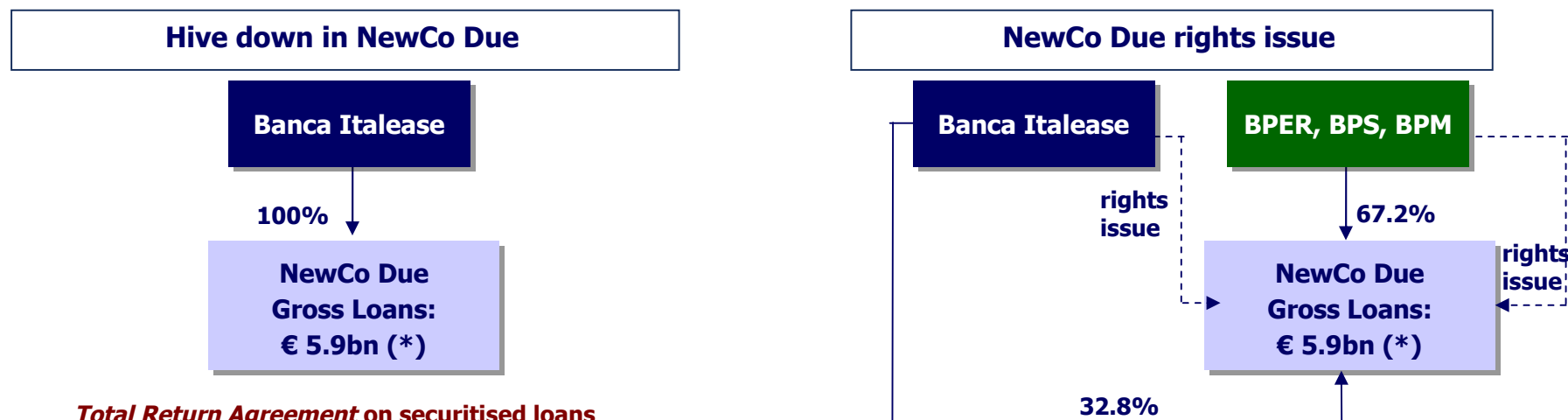


Banca Italease: Summary of the Reorganization plan (2/2)

Step 2: hive down of non performing loans in NewCo Uno



Step 2: hive down of unsecuritised loans in NewCo Due



Total Return Agreement on securitised loans

(*) Including a physiological percentage of NPL.

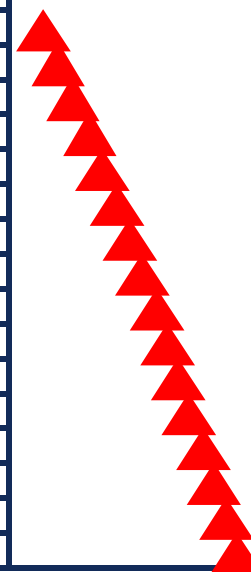
NB: 'NPL' here including non-performing loans, watchlist loans, past due and restructured loans.



Preliminary programme of IR events in 2009

work in progress

Date	Place	Event
25 March 2009	Verona	Press release on FY 2008 results
25 March 2009	Verona	Banco Popolare: Conference call on FY2008 results
1 April 2009	London	Morgan Stanley - European Financials Conference
25 April 2009	Verona	Annual Meeting of Shareholders (2nd call)
15 May 2009	Verona	Press release on Q1 2009 results
15 May 2009	Verona	Banco Popolare: Conference call on Q1 2009 results
21 May 2009	Rome	Unicredit XII Italian Conference
28 May 2009	Milan	Deutsche Bank Italian Conference
05 June 2009	Frankfurt	Goldman Sachs European Financials Conference
28 August 2009	Verona	Press release on H1 2009 results
29 August 2009	Verona	Banco Popolare: Conference call on H1 2009 results
3 September 2009	London	Nomura Euro Banks Conference
16 September 2009	London	KBW European Financials Conference
30 September 2009	London	Merrill Lynch European Banking and Insurance Conference
13 November 2009	Verona	Press release on Q3 2009 results
14 November 2009	Verona	Banco Popolare: Conference call on Q3 2009 results





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