



Banca Italease



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Key messages

- **Restructuring plan of Banca Italease agreed with banking partners through:**
 - **launch of a voluntary tender offer on 69.3% of Banca Italease share capital currently not owned by Banco Popolare aiming at delisting the company**
 - **reorganization of leasing, factoring and financing business of Banca Italease through the set up of two dedicated NewCos**
- **Monitoring and controlling credit risk in order to maximize the NPL's recovery**





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Section 1

Introduction

- *Banca Italease: recent events*



Worsening of Banca Italease asset quality

- As of March, 13th 2009 Banca Italease Board of Directors within the analysis of the loan portfolio registered a significant worsening of the group loan portfolio
- Such event, partially already recorded in 3Q08 results, increased due to the current economic slowdown

	31.12.2007	31.12.2008
Gross non-performing loans	€ 336m	€ 626m
Gross watchlist loans	€ 202m	€ 3.7bn
Gross past due loans	€ 75m	€ 179m

- Banca Italease NPL's stock is highly concentrated in single large real estate leasing contracts set before June 2007
- Net write downs on loan portfolio in 2008 will therefore reach € 850m





Further considerations on loan portfolio

- Although gross watchlist loans rose dramatically from € 202m as of 31.12.2007 to roughly € 3.7bn as of 31.12.2008, past due and unpaid installments related to these contracts amounted approx. € 180m
- Approx. 90% of watch list loans is represented by real estate leases with some prestigious underlying properties located in Milan and Rome
- In lease contracts the company keeps the ownership of the real estate property leased hence the recovery of the preemption is easier and faster





Section2

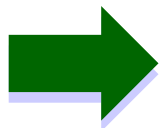
Key terms of the transaction

- *Transaction rationale*
- *Deal structure*
- *Impacts on capital ratios*



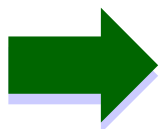
Transaction rationale

Master agreement



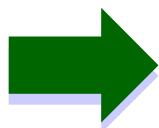
- Banco Popolare, Banca popolare dell'Emilia Romagna, Banca Popolare di Sondrio and Banca Popolare di Milano signed a master agreement envisaging a reorganization of Banca Italease Group subordinated to obtaining the needed legal authorisations and taking into account the different kind of transactions

Transaction scope



- Obtaining full risk control managing economic and balance sheet impacts
- Sharing reorganization project with the banking partners

Industrial rationale



- Differentiated management of the various banking channels and effective management of NPL collection





Shareholders' agreement

Signing an agreement between Banco Popolare on one side and BPER, BPS and BPM on the other side envisaging the following phases needed for completing the transaction:



- **Tender offer aimed at delisting Banca Italease**
- **Authorisatios of the re-organisation plan**
- **Reorganisation of Banca Italease business, through the contribution of certain assets and liabilities to two newco ("Newco Uno" e "NewCo Due")**



Deal structure: Public Tender Offer

Step 1: PTO

- **Banco Popolare launches a Public Voluntary Tender Offer for all the Banca Itelease share it does not already owns. The key terms of the transaction are as follows**
 - **shares tendered: ~ 69.3% of Banca Itelease share capital**
 - **PTO price: € 1.50 for each share of Banca Itelease**
 - **maximum cash out for the PTO: in case of complete adherence to the PTO, the maximum cash out for Banco Popolare could reach € 179m including shares issued to serve stock option plans**
 - **the Offer is conditional upon the occurrence of the following events: achievement of a stake at least equal to 90% of the fully diluted share capital and unconditional approval by Authorities**
 - **BPER, BPS, BPM and Reale Mutua agree to tender to the PTO all the shares owned in Banca Itelease**
 - **indicative preliminary timetable: completion of the PTO by the first half of 2009**

The aim of the PTO is to achieve the delisting of Banca Itelease, in order to put in place the transactions envisaged within the reorganisation project

Deal structure: reorganisation

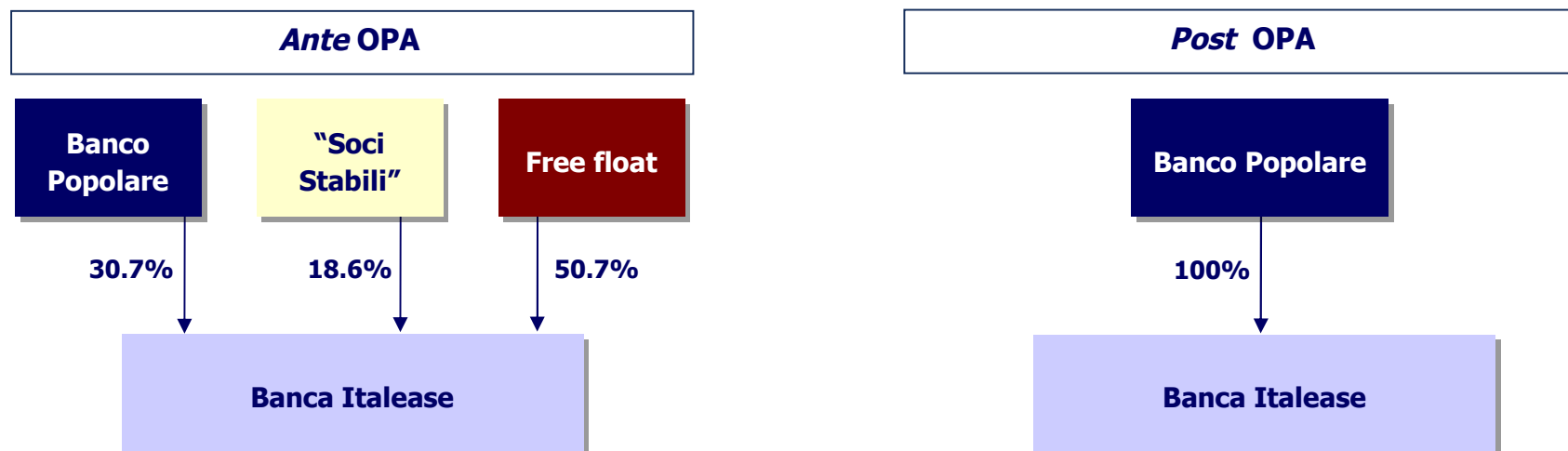
Step 2: Reorganization

- Reorganisation plan of Banca Italease activities envisaged through allocation of Banca Italease Group activities among Banco Popolare, BPER, BP Sondrio e BPM, according to the following main criteria:
 - distribution channel of loan portfolio (banking channel or other)
 - classification of the loan portfolio (in bonis or non performing)
 - status of the loan portfolio (securitised or unsecuritised)
- The structure identified and shared among Banco Popolare, BPER, BP Sondrio and BPM, envisages the set up of two new entities ("NewCo Uno" and "NewCo Due"), adequately capitalized, in which to hived down the formerly selected activities
- The current banking shareholders will be differently involved in NewCo Uno and NewCo Due, with reference to agreements underlying the Reorganization project

- Gross unsecuritised non performing loans hived down (max € 5.0bn) into NewCo Uno along with the related loss provisions
- Gross loans *in bonis* (mortgages and leases) hived down (~ € 5.9bn) into NewCo Due mainly originated by banking channel

Summary of the Reorganization plan (1/2)

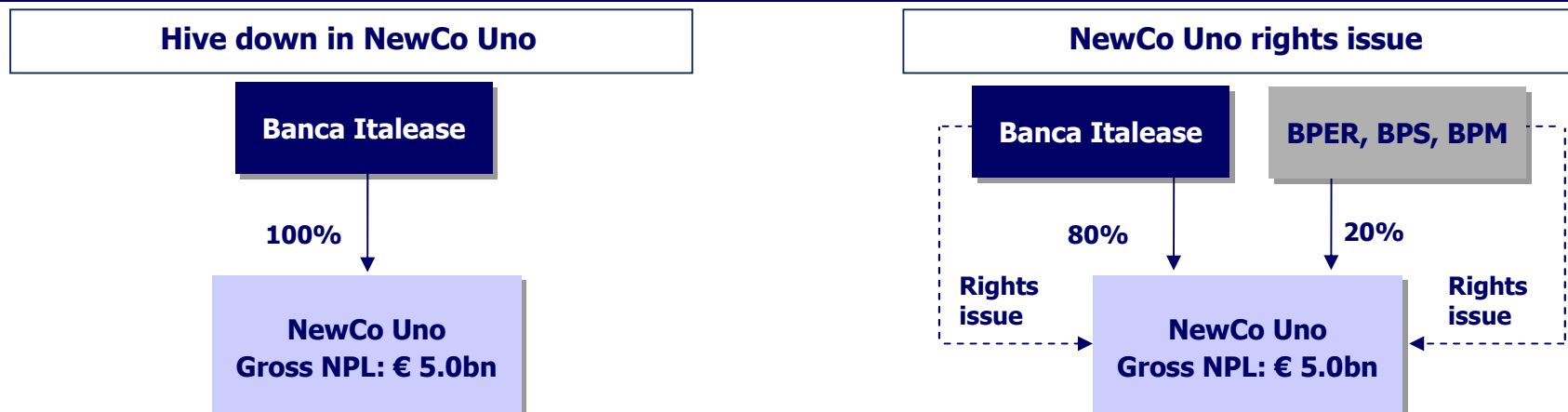
Step 1: Public Tender Offer on 69.3% of Banca Italease share capital



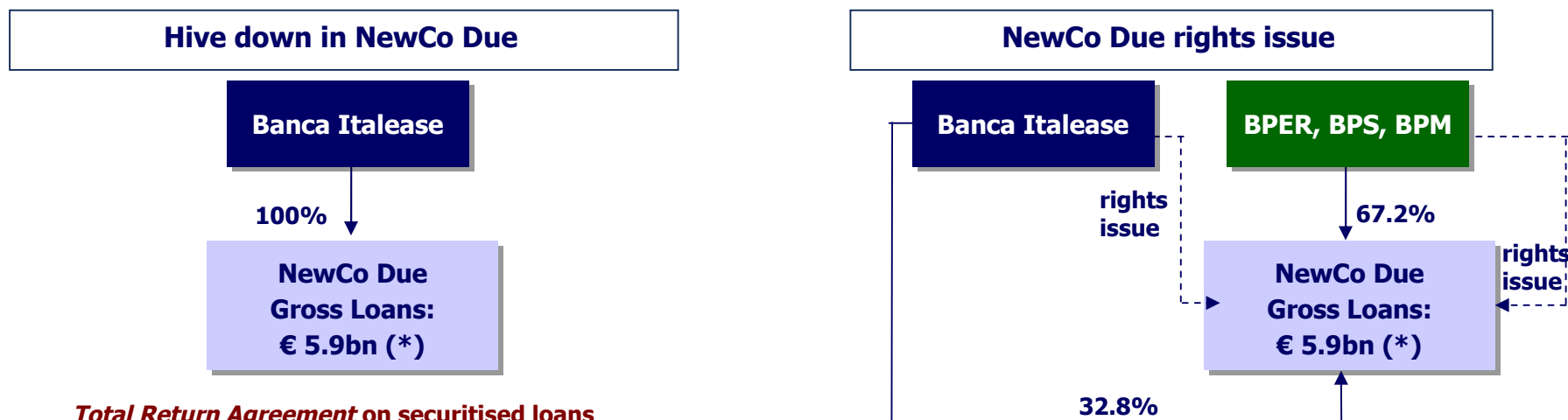
Summary of the Reorganization plan (2/2)

updated

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.



Funding

- **NewCo Uno will be financed *pro quota* by the shareholding banks**
- **NewCo Due will be financed by BPER, BPS and BPM**
- **No further funding needs for Banca Italease in 2009. Banco Popolare liquidity position expected for 2009-2011 is widely positive and able to fully satisfy any further Banca Italease funding needs**



Impacts of the whole transaction on regulatory capital ratios

	<i>Post transaction</i>
Core Tier 1 Capital Ratio	-83 bps
Tier 1 Capital Ratio	-107 bps
Total Capital Ratio	-139 bps



Further possible transactions

- **Disposal of Factorit (expected positive impact: ~15-20 bps on Core Tier 1 ratio)**
- **Selection of a potential industrial partner to manage NewCo Uno real estate assets (possible impact on capital ratios still under evaluation)**



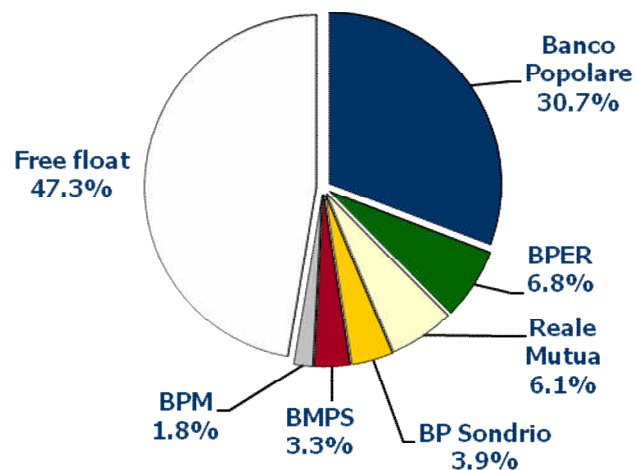


Annex



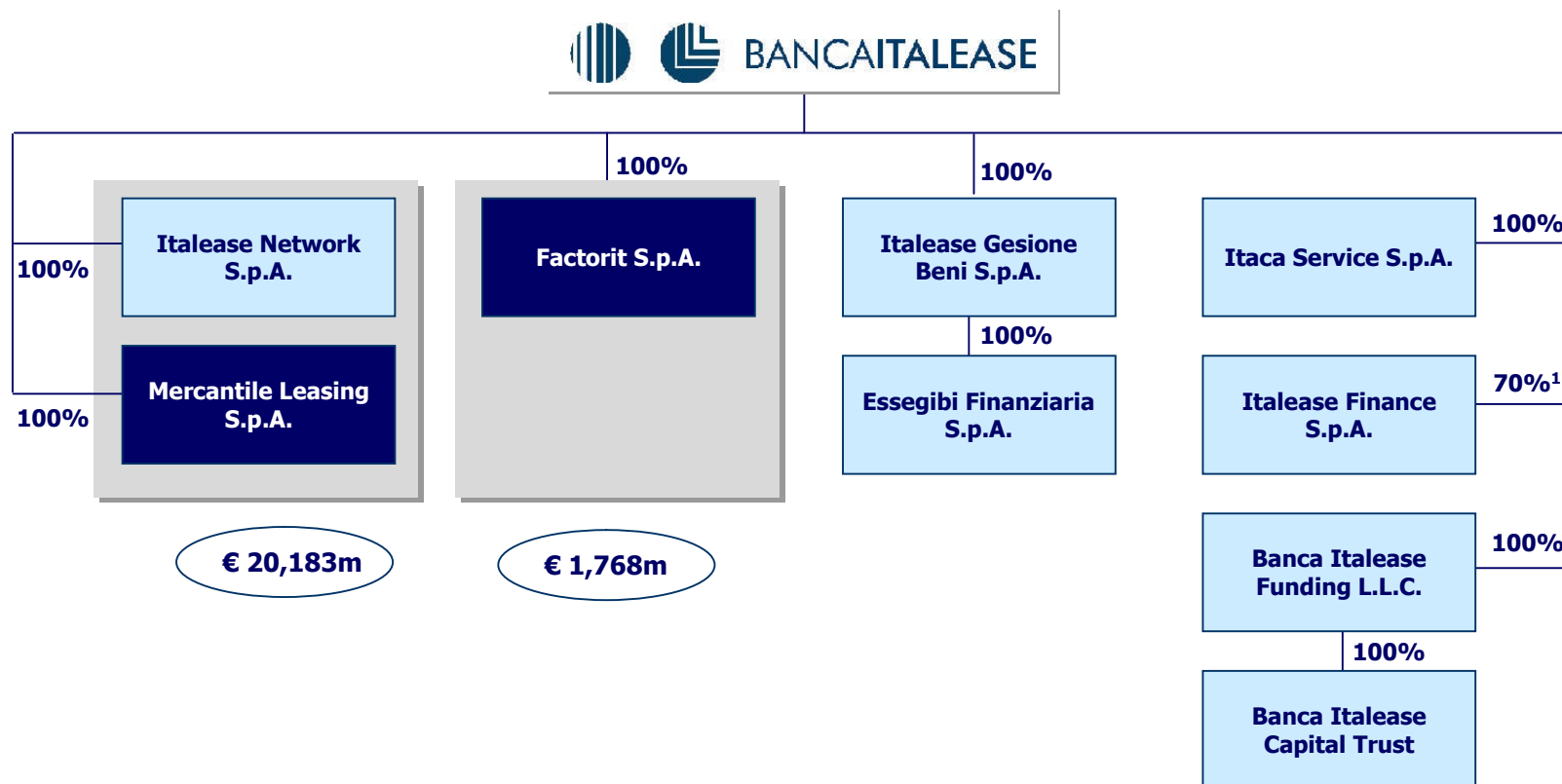
The shareholding held in Banca Italease

Current Banca Italease shareholding structure



- **Banco Popolare shareholding in Banca Italease is equal to 30.7%**
- **Banco Popolare has supported Banca Italease activities, providing necessary funds to underpin its business and subscribing former required rights issues**

Banca Italease Group Structure



1) 30% Finanziaria Internazionale Securitisation Group S.p.A.

2) The figure related to leasing division includes: i) loans for leasing contracts equal to € 16.5bn ii) medium-long term loans equal to € 2,4bn and iii) other operations equal to € 1.3bn

Besides the companies included into the consolidation perimeter of the banking group, there are other companies not included within the banking group according to Testo Unico bancario discipline (Art. 60 TUB)

Source: group website and Banca Italease consolidated Interim Report as of September, 30 2008.

Banca Italease: consolidated results as of 30.09.2008

Consolidated Income Statement (€ m)	9M 2007	9M 2008	Var. %	Consolidated Balance sheet (€ m)	2007	9M 2008	Var. %
Interest margin	217	210	-3.1%	Cash and cash equivalents	0	0	-30.0%
Net commissions	51	51	-1.5%	Financial assets at FV, HFT, AFS, HTM	212	137	-35.4%
Profit (loss) from trading activities	(657)	(5)	-99.3%	Loans to banks	304	463	52.0%
Dividend and similar income	(0)	3	n.m.	Loans to customers	23,438	21,951	-6.3%
Total Revenues	(389)	259	n.m.	Tangible and intangible assets	585	61	-89.6%
Net write-downs / write-backs on impairment	(142)	(94)	-33.6%	Other assets	1,235	1,355	9.7%
Net income from banking activities	(531)	165	n.m.	Total Assets	25,774	23,966	-7.0%
Administrative expenses	(123.5)	(105.3)	-14.7%	Debt to banks	5,737	7,901	37.7%
Net provisions for risks and charges	(10)	(2)	-79.8%	Debt to customers	7,426	5,341	-28.1%
Impairment / write-backs on tangible/intangible assets	(15)	(6)	-60.4%	Outstanding securities	10,347	8,739	-15.5%
Other operating income (loss)	1	2	99.7%	Financial liabilities at FV and HFT	151	75	-50.5%
Total operating costs	(147)	(111)	-24.5%	Other liabilities	573	596	4.1%
Profit of associates and on disposal of investments	0	5	n.m.	Equity attributable to minorities	2	0	-81.2%
Impairment on goodwill	-	(248)	n.a.	Shareholders' Equity	1,539	1,314	-14.6%
Profit (Loss) before tax	(678)	(189)	-72.1%	Total liabilities	25,774	23,966	-7.0%
Taxes	202	(34)	n.m.	Key ratios	9M 2007	9M 2008	Var. bps
Net income	(476)	(223)	-53.1%	Cost Income (excl. D&A)	n.s.	39.9%	n.a.
Profit / (Loss) from discontinued operations	-	1	n.a.	ROE	n.s.	n.s.	n.m.
Profit (Loss) before minorities	(476)	(222)	-53.4%	Tier 1 Capital ratio	n.s.	7.6%	n.a.
Minority interest	1	(0)	n.m.	Total Capital ratio	n.s.	9.0%	n.a.
Net income/(loss) attributable to shareholders	(476)	(222)	-53.3%				

Source: Banca Italease consolidated Interim Report as of September, 30 2008.

Banca Italease: quarterly results as of 30.09.2008

€ m	1Q 2008	2Q 2008	3Q 2008
Interest income and similar revenues	349.4	360.6	353.9
Interest expense and similar charges	(276.4)	(284.6)	(292.9)
Net Interest Income	73.0	76.0	61.0
Net Commissions	17.8	18.7	14.2
Profit / (Loss) on disposal or repurchase	0.2	0.9	1.8
Dividend and similar income	(2.2)	(2.9)	0.7
Total Revenues	88.8	92.7	77.6
Net write-downs / write-backs on impairment	(24.6)	(25.8)	(44.4)
Net write-downs/write-backs of other fin. activities	(0.8)	1.3	(0.1)
Net income from banking activities	63.3	68.2	33.1
Personnel costs	(22.9)	(23.4)	(22.0)
Other administrative expenses	(12.8)	(12.8)	(11.3)
Other operating income (loss)	0.2	1.7	0.1
Impairment/write-backs on tangible/intangible assets	(2.2)	(2.1)	(1.8)
Net provisions for risks and charges	(0.1)	(1.4)	(0.4)
Total operating costs	(37.8)	(38.1)	(35.4)
Net operating result	25.5	30.1	(2.3)
Profit of associates	(0.3)	-	-
Impairment on goodwill	-	-	(247.6)
Profit on disposal of investments	2.5	1.1	1.6
Profit (Loss) before tax	27.7	31.2	(248.3)
Taxes	(12.4)	(16.7)	(4.8)
Profit (Loss) before minorities	-	-	1.5
Minority interest	0.1	(0.1)	(0.2)
Net income/(loss) attributable to shareholders	15.4	14.5	(251.8)

€ m	1Q 2008	2Q 2008	3Q 2008
Cash and cash equivalents	0	0	0
Financial assets at FV, HFT, AFS, HTM	138	178	137
Loans to banks	255	379	463
Loans to customers	22,924	22,383	21,951
Tangible and intangible assets	582	309	61
Fiscal assets	260	241	272
Other assets	925	1,164	1,083
Total Assets	25,084	24,654	23,966

€ m	1Q 2008	2Q 2008	3Q 2008
Debt to banks	5,967	8,214	7,901
Debt to customers	7,059	5,134	5,341
Outstanding securities	9,884	8,947	8,739
Financial liabilities at FV and HFT	98	118	75
Fiscal liabilities	27	21	-
Other liabilities	491	650	596
Equity attributable to minorities	2	0	0
Shareholders' Equity	1,555	1,571	1,314
Total liabilities	25,084	24,654	23,966

Regulatory Capital (€ m)	1Q 2008	2Q 2008	3Q 2008
Tier I Capital	n.d.	1,448	1,455
Tier II Capital	n.d.	279	279
Total Capital	n.d.	1,727	1,734
Risk Weighted Assets (RWA)	n.d.	19,531	19,248
Core Tier I ratio	n.a.	7.4%	6.8%
Tier I ratio	n.a.	7.4%	7.6%
Total Capital ratio	n.a.	8.8%	9.0%

Sources: Banca Italease, 2008 consolidated Interim Reports.



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