



# **BANCO POPOLARE** GRUPPO BANCARIO



## **Sanford C. Bernstein 8<sup>th</sup> Annual Pan-European Strategic Decisions Conference 2011**

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London, 20<sup>th</sup> September 2011**





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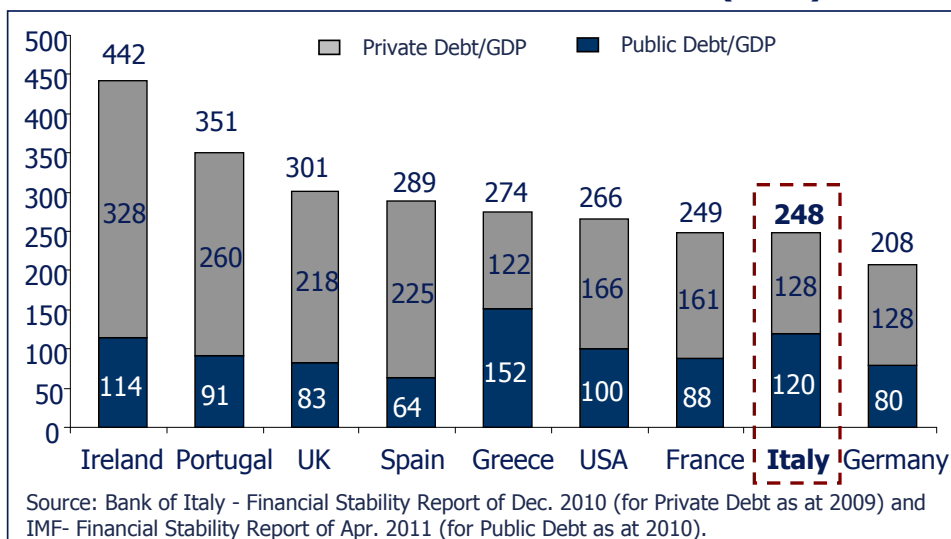
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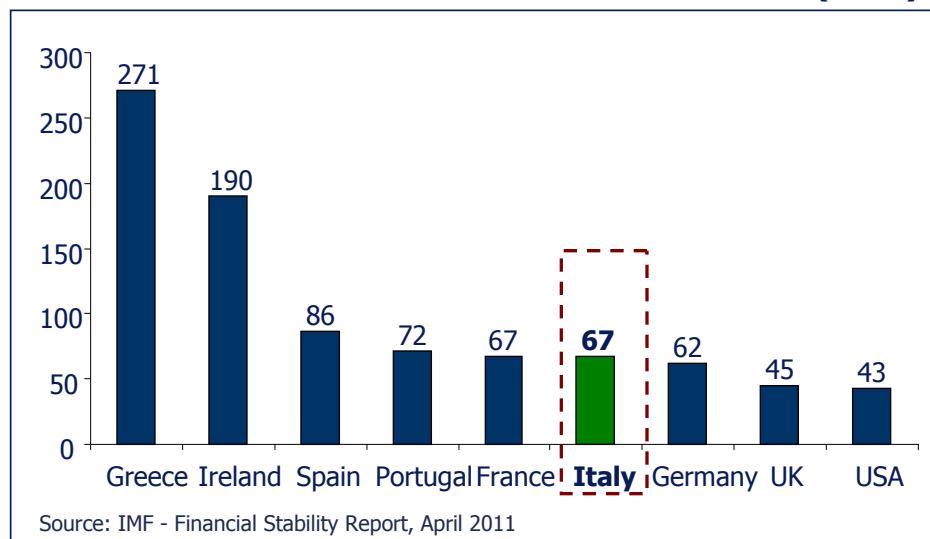
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# Financial sustainability indicators: international comparison

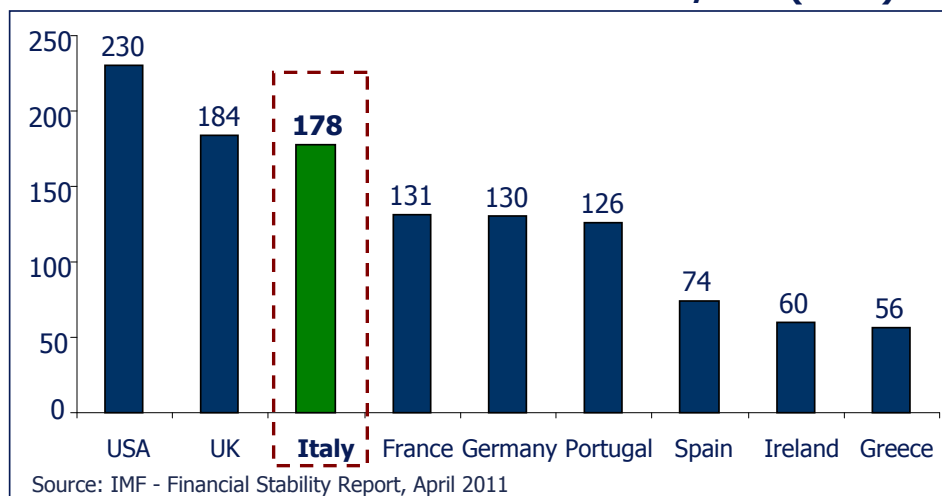
## Public and Private Debt/GDP (in %)



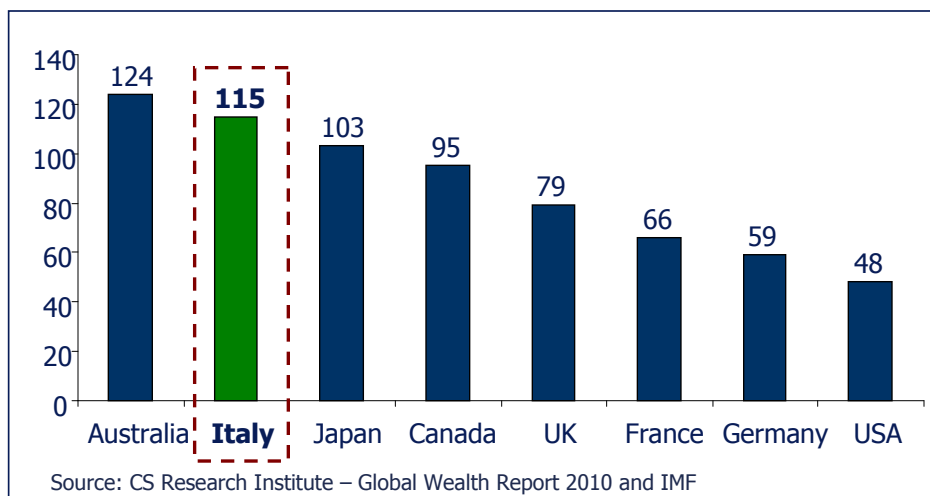
## Public Debt/Household Net Financial Wealth (in %)



## Household Net Financial Wealth/GDP (in %)



## Median net wealth per adult (\$/000)





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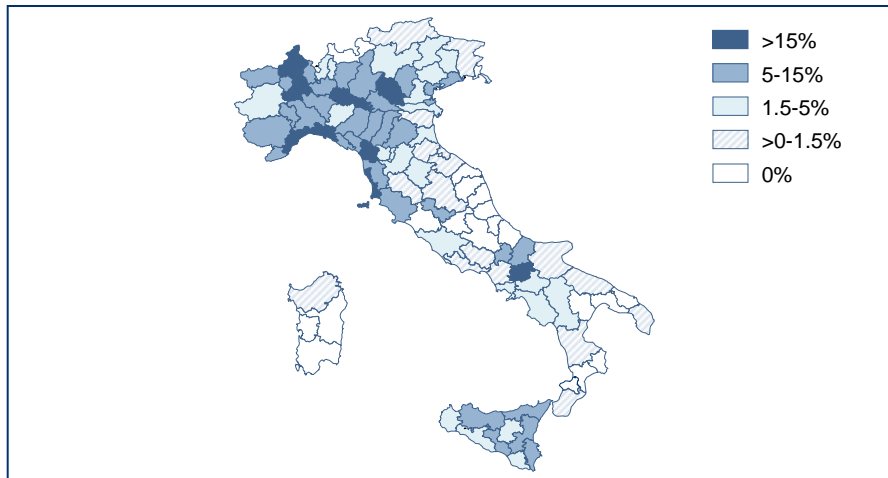
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*Appendix* 36

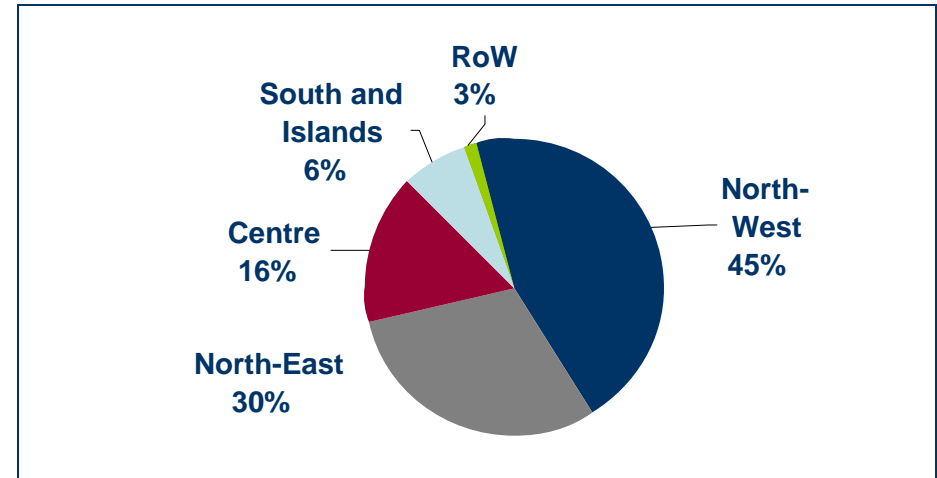


# Geographical mix: branch network located mainly in wealthy northern Italy, with strong positioning in attractive areas

**Market share by number of branches (31/12/10) (i)**



**Customer loans by geographical area (30/06/11)**



**Market share by loans and deposits in some of the main regions (as at 30/06/2011) (ii)**

	Loans	Deposits <sup>(iii)</sup>
▪ Veneto	7.58%	8.48%
▪ Lombardy	7.00%	6.01%
▪ Emilia Romagna	7.63%	6.58%
▪ Piedmont	6.71%	6.17%
▪ Liguria	8.74%	9.40%
▪ Tuscany	7.28%	7.47%
<b>ITALY</b>	<b>5.33%</b>	<b>4.79%</b>

**Group franchise at a glance**

- **Leading player in the Italian domestic market**, mainly concentrated in the wealthiest regions of Italy, with good market shares in both loans and deposits:
  - North West: 7.06% (loans) and 6.33% (deposits);
  - North East: 6.57% and 6.28%.
- **Strong base of domestic retail customers.**
- **Excellent geographical position:**
  - Economically resilient northern Italy accounts for 74.8% of the Banks of Territory branch network (more than 85% including Tuscany) as at 31/12/2010.
- **Franchise quality.**
- **Well-recognized brands in core market regions**

(i) Branch market shares are calculated as of 31 Dec. 2010 and are based on a total of 1,992 branches of the Banks of the Territory.

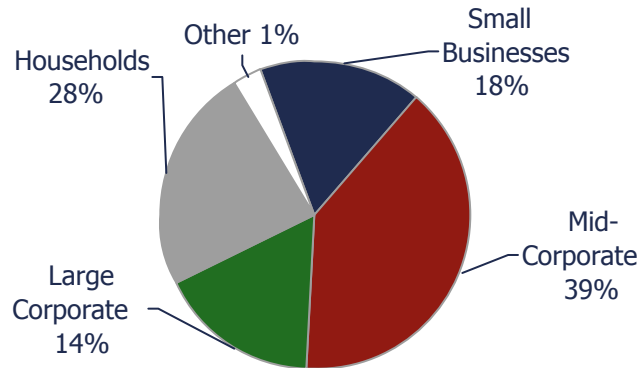
(ii) Referred to the so-called 'Core Business', composed of Non-financial Corporates, Small Business and Households.

(iii) Deposit market shares are based on the Bank of Italy's Statistical Bulletin and hence comprise banks' fund-raising in the form of deposits (with agreed maturity, sight, overnight and redeemable at notice), savings certificates, CDs, current accounts and repos.

# Group strengths: the business and leverage ratio

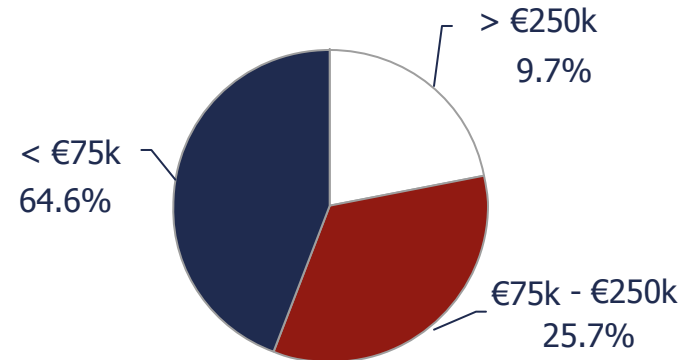
## Customer breakdown by segment (30/06/2011)

% on drawn amount - Loans of the Banks of the Territory, average data



## Customer breakdown (31/12/2010)

% on n. of customers with loans granted



## Leverage ratio and RWA/Total Assets ratio

### Leverage ratio

(Tangible TA /Tangible Net Equity)

20

19

Average of main Competitors\*

BP Group

### RWA / TA

69%

52%

Average of main Competitors\*

BP Group (Standard methodology)

Leverage ratios of main competitors include also those right issues approved but not yet completed as at 30/06/2011.

\* Data as at 30/06/2011 - ISP, UCG, UBI, MPS, BPM, BPER and Carige

## Comments

- Core banking activity mainly focused on households and small businesses/mid-corporate customers, that together represent 84% of customer loans.
- High fragmentation of the loan book, with **90%** of the total granted positions with an average amount <€250k.
- Leverage ratio is equal to **19**, lower than the average of italian main competitors (20) and the average of european banks (24).

Note: Loans of the Banks of the Territory + Efibanca;



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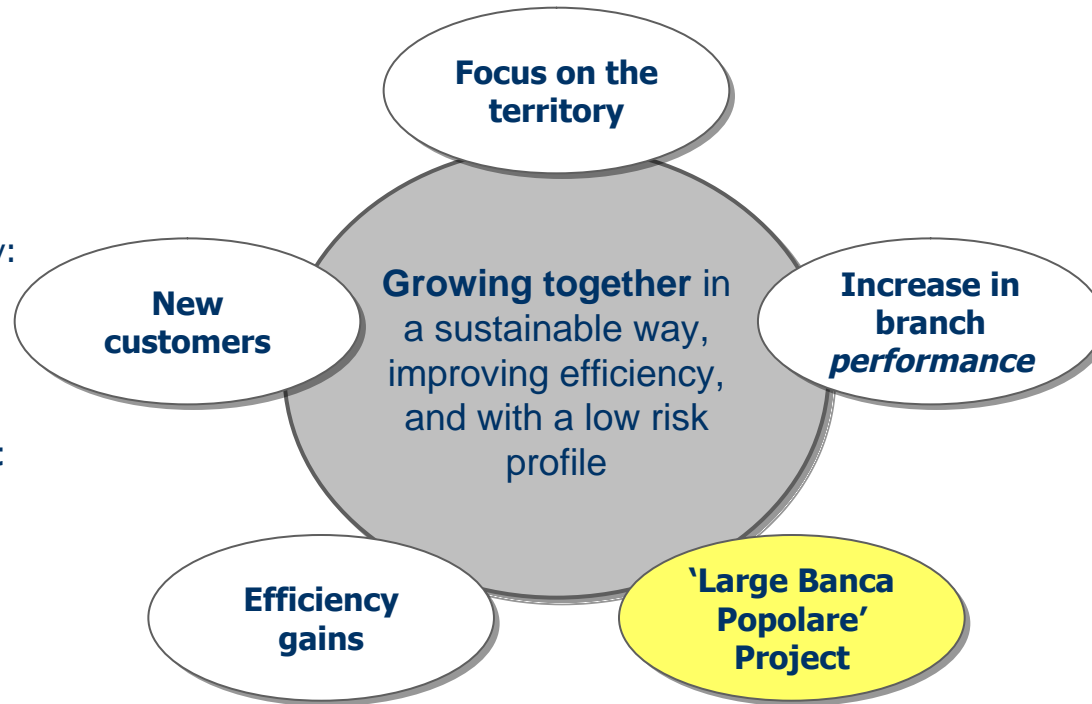
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# Business Plan 2011-2013/15: guidelines

- Efforts of the Territorial Divisions to be poured onto their historic franchise (one brand for each municipality).
- Strengthen the role of the branch through a higher focus on the relationship with SMEs and the development of the role of Branch Manager

- Satisfy customer needs, old and new, by:
  - Introducing **specific and innovative products services**
  - Using **integrated multi-channels that minimize the cost-to-serve**



- Branch restructuring by:
  - Rationalising and Reorganising the underperforming branches
  - Limiting the number of new branch openings in strategic areas
- Innovation of customer service models for SMEs, Affluent and Mid Corporate customers

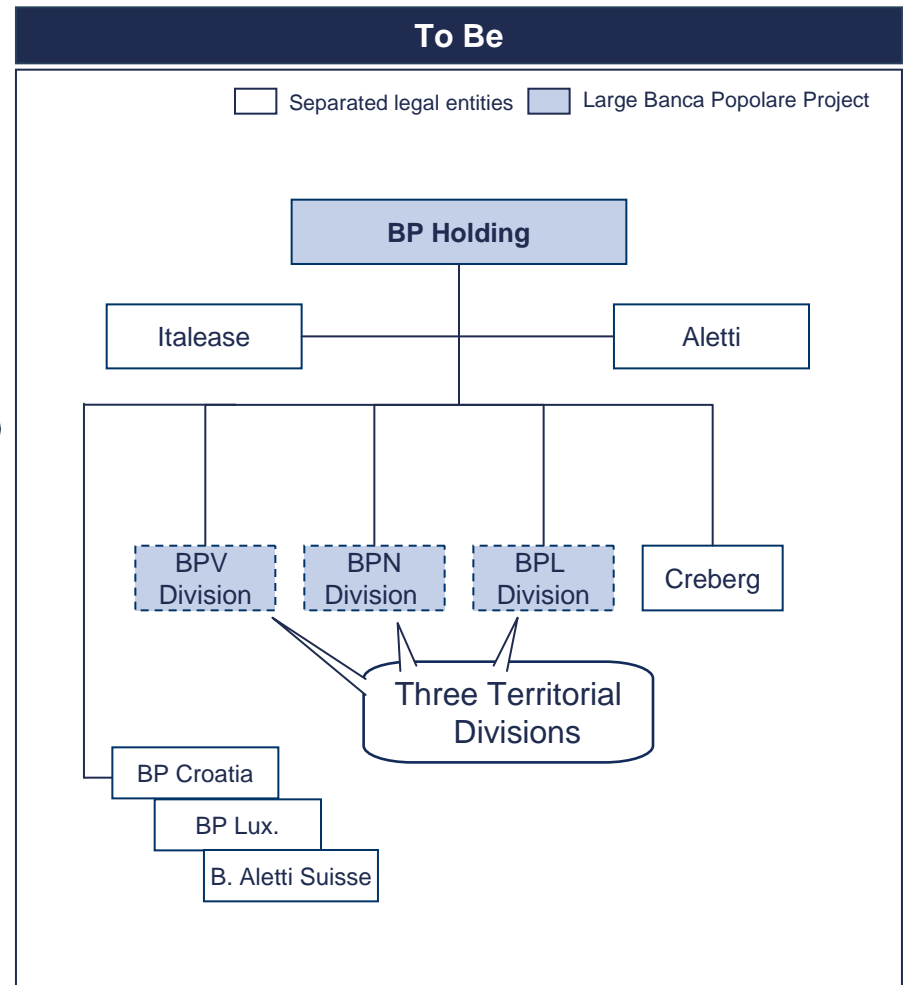
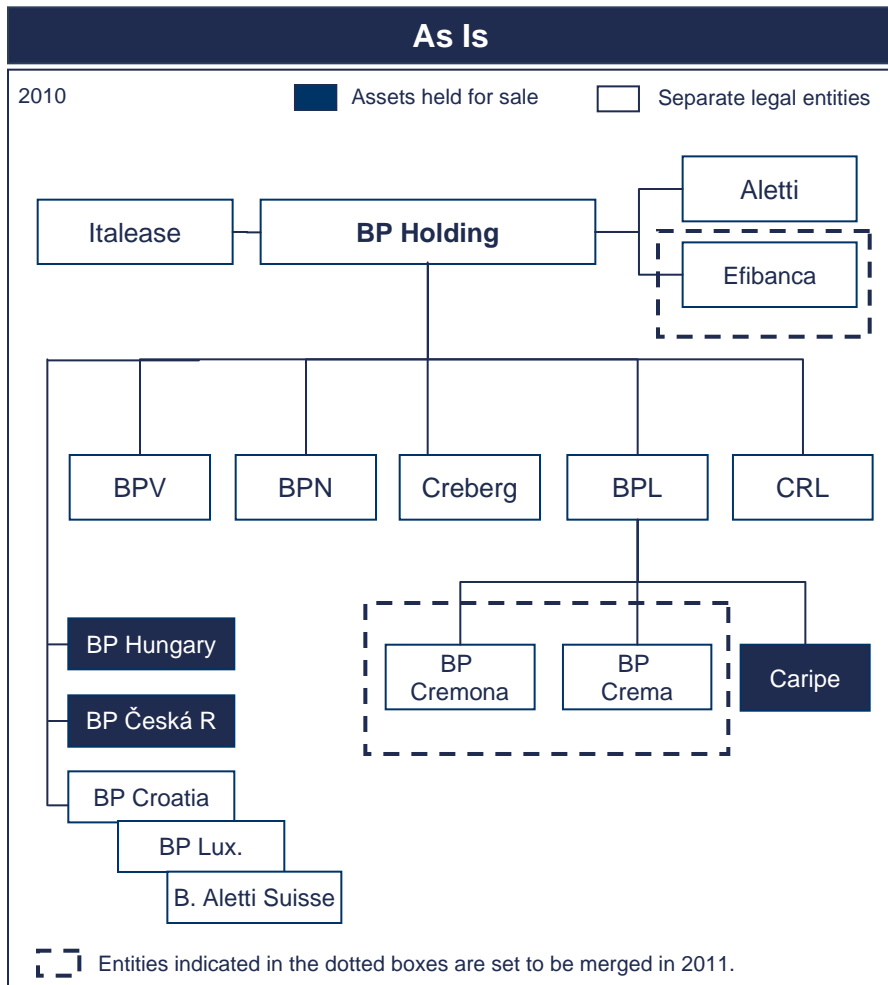
- Efficiency gains by:
  - Reduction of headquarter resources in favour of the commercial network.
  - Elimination of activity duplication between Holding, Banks of the Territory/Territorial Divisions and territorial areas.

- From optimisation of the federal model to the 'Large Banca Popolare' Project
  - strong simplification of Group structure
  - simplification of Group corporate governance



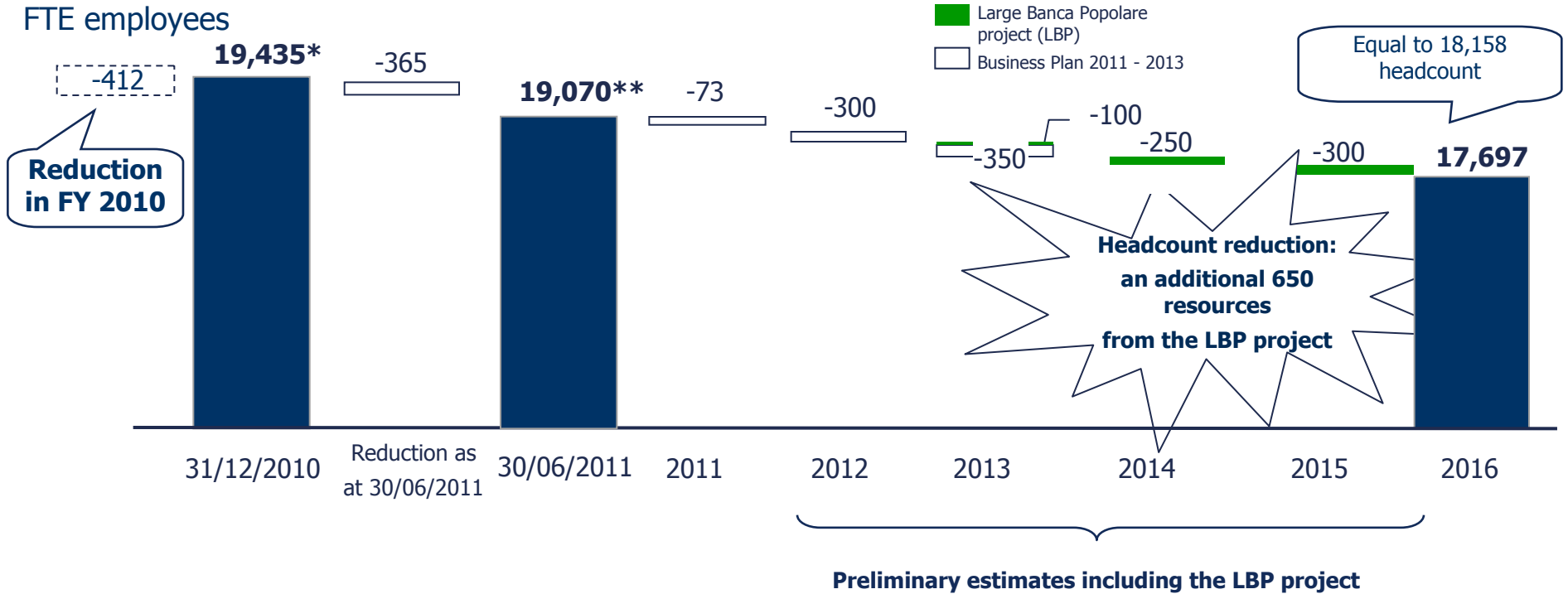
# New organizational structure: strong Group simplification

## Large Banca Popolare Project



# Banco Popolare Group Group headcount evolution 2011-2016 (FTE)

FTE employees



	2010	2011	2012	2013	2014	2015	Total
Previous target (2010-2013) - Dec. 2010	-300	-500	-250	-250			= -1,300
Revised target (2010-2013) - Mar. 2011	-412	-438	-300	-350			= -1,500
With LBP project (2010-2015)	-412	-438	-300	-450	-250	-300	= -2,150

\*Pro-forma figures net of BP Hungary which has exited the consolidation perimeter as a result of its classification as Non-current assets held for sale and discontinued operations

\*\*Net of 139 resources with departure effective from 01/07/2011.

# Large Banca Popolare project: financial impact

€/m, target impact (in 2016)

<b>A</b> <b>Personnel</b>	<ul style="list-style-type: none"><li>• Release of additional resources due to:<ul style="list-style-type: none"><li>- <b>review of the branch network structure</b></li><li>- <b>redistribution of activities</b> between central offices and the network</li><li>- <b>elimination of activities</b> related to the existence of separate legal entities</li></ul></li></ul>	<b>30</b>
<b>B</b> <b>Fiscal</b>	<ul style="list-style-type: none"><li>• <b>VAT inefficiency</b> on infra-Group services</li><li>• <b>Tax inefficiency</b> due to the double taxation of infra-Group dividends</li><li>• <b>Tax inefficiency</b> due to the non-deductibility (under IRAP) of infra-Group tax payments for interest expenses</li></ul>	<b>51</b>
<b>C</b> <b>Other Administrative Expenses</b>	<ul style="list-style-type: none"><li>• <b>Elimination of costs related</b> to the presence of separate legal entities (auditing firm, board directors and statutory auditors)</li><li>• <b>Savings from administrative expenses and rental costs</b></li><li>• Increase in costs due to the introduction of <b>Local Territorial Committees</b></li></ul>	<b>12</b>
<b>Total</b>		<b>93</b>

## **Simplified corporate governance structure**

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### **Change in corporate governance: from dual to traditional order**

- **Simplification of the Group's governance**, with return to a single Board of Directors
- Creation of a **Board of Directors composed of a maximum of 24 resources**, of which 3 up to 4 chosen among the top managers of the group; three of the 'executive' members of the Board of Directors shall represent half of the members of an **Executive Committee**, which shall also be composed of the Chairman and the two Deputy Chairmen, **for a total of 6 members**
- **Strengthening of the proximity to the territory**, through the creation of a "Local consulting and credit committee" for each of the Divisions, with the function of expressing non-binding advisory opinions **on major decisions regarding the local reality**

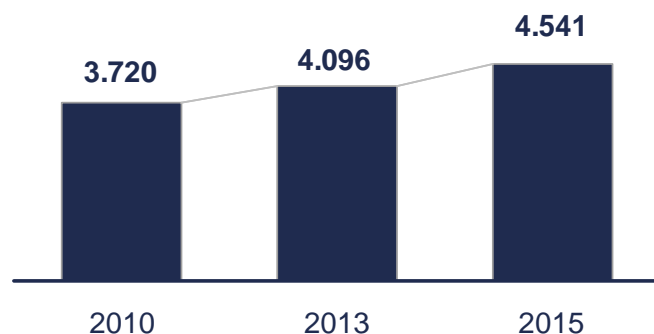
# Banco Popolare Group

## Financial targets

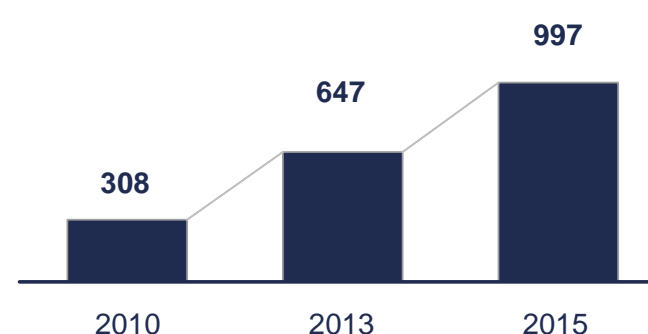
### Financial performance

€/m

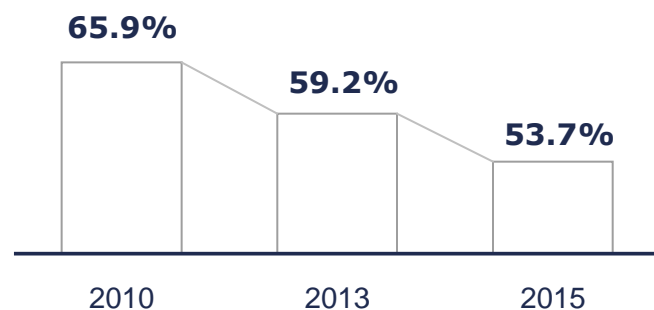
#### Total Income <sup>(1)</sup>



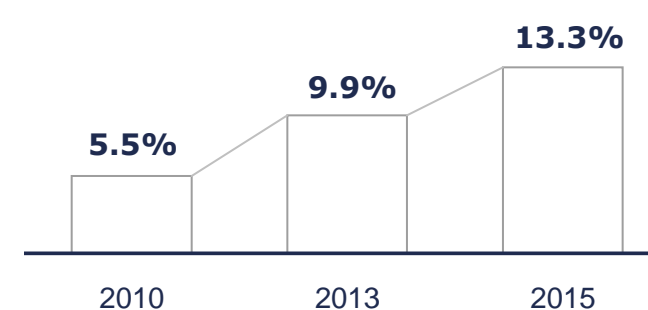
#### Net Income <sup>(1)</sup>



#### C/I ratio



#### ROTE <sup>(2)</sup>



#### Underlying assumptions



	<u>2011</u>	<u>2013</u>	<u>2015</u>		<u>2011</u>	<u>2013</u>	<u>2015</u>		<u>2011</u>	<u>2013</u>	<u>2015</u>
<b>GDP Italy:</b>	0.9%	1.4%	1.4%	<b>Euribor 1-m:</b>	1.2%	1.9%	3.1%	<b>Euribor 3-m:</b>	1.4%	2.1%	3.2%

Note:  
 (1) FY2010 results include the effect of the Fair Value Option, equal to €395.5m pre-tax and €267.7m post-tax, while in the planning period no Fair Value Option effect has been considered.  
 (2) ROTE calculated as Net Income on Net Tangible Equity.

# Banco Popolare Group

## Impact of business plan actions on future profitability

€/m	2013				2015			
	New target	of which Bus. Plan	of which LBP	Total in % on new target	New target	of which Bus. Plan	of which LBP	Total in % on new target
<b>Net interest income</b>	2,137	<b>98</b>	-	<b>+4.6%</b>	2,428	<b>150</b>	-	<b>+6.2%</b>
<b>Net commissions</b>	1,504	<b>101</b>	-	<b>+6.7%</b>	1,641	<b>145</b>	-	<b>+8.8%</b>
<b>Total income</b>	4,096	<b>216</b>	See note below	<b>+5.3%</b>	4,541	<b>303</b>	See note below	<b>+6.7%</b>
<b>Operating costs</b>	-2,427	<b>67</b>	<b>46</b>	<b>-4.7%</b>	-2,436	<b>126</b>	<b>63</b>	<b>-7.8%</b>
<b>Profit from operations</b>	1,669	<b>283</b>	<b>46</b>	<b>+19.7%</b>	2,104	<b>429</b>	<b>63</b>	<b>+23.4%</b>
<b>Loan loss provisions</b>	-541	<b>-16*</b>	-	<b>+3.0%</b>	-492	<b>-27*</b>	-	<b>+5.5%</b>
<b>Income before tax</b>	1,091	<b>267</b>	<b>46</b>	<b>+28.7%</b>	1,582	<b>403</b>	<b>63</b>	<b>+29.5%</b>
<b>Tax</b>	-437	<b>-87</b>	<b>-2**</b>	<b>+20.3%</b>	-586	<b>-126</b>	<b>4**</b>	<b>+20.8%</b>
<b>Net income</b>	647	<b>177</b>	<b>44</b>	<b>+34.2%</b>	997	<b>272</b>	<b>67</b>	<b>+34.0%</b>
<i>Of which: PPA</i>	-29	-	-		-28	-	-	

- In 2013, Business Plan actions with discontinuity projects and LBP bring a positive impact of 5.3% on Total Income (6.7% in 2015), improve Operating costs by 4.7% (7.8% in 2015) and contribute 34.2% to Net income (34.0% in 2015).
- In the “Large Banca Popolare” project (LBP), operating costs expected for 2013 and 2015 (€46m and €63m, respectively) include one-off costs incurred to incentivize headcount reduction (€6m in 2013 and €15m in 2015)

\* The increase of LLPs is mainly due to the stronger growth in customer loans deriving from Business Plan actions.

\*\* Tax includes the positive fiscal impact (€13m in 2013 and €24m in 2015) from the elimination of the double taxation on intra-group dividends.

# Business Plan: financial targets

€/m				CAGR on 2010 data ex. FVO (+€396m pre-tax and +€268m post-tax)			
	2010 <sup>(1)</sup>	2013 <sup>(2)</sup>	2015 <sup>(2)</sup>	CAGR on 2010 accounting data			
				2010-2013	2010-2015	2010-2013	2010-2015
Total Income	3,720	4,096	4,541	+3.3	+4.1	+7.2	+6.4
Operating costs	-2,452	-2,427	-2,436	-0.3	-0.1	-0.3	-0.1
Profit from operations	1,268	1,669	2,104	+9.6	+10.7	+24.2	+19.3
LLPs	-771	-541	-492	-11.2	-8.6	-11.2	-8.6
Net income	308	647	997	+28.1	+26.5	+152.3	+90.0
PPA impact	-234	-29	-28				
Net income excluding PPA	542	676	1,025	+7.7	+13.6	+35.2	+30.2

Cost / Income	65.9%	59.2%	53.7%
Cost of credit (bps)	78	52	45
Tax rate	n.s.	39%	35%

- Trend: growth of total income, together with a strong cost containment and an improvement in the cost of risk.
- 2011 – 2013/2015 targets have been sustained by a number of discontinuity actions and strategic projects to be realized over the 2011-13 period, with an inertial effect from 2013 to 2015.
- The 2013 Net income benefits from a reduction in the PPA effect, equal to €205m (€206m in 2015).

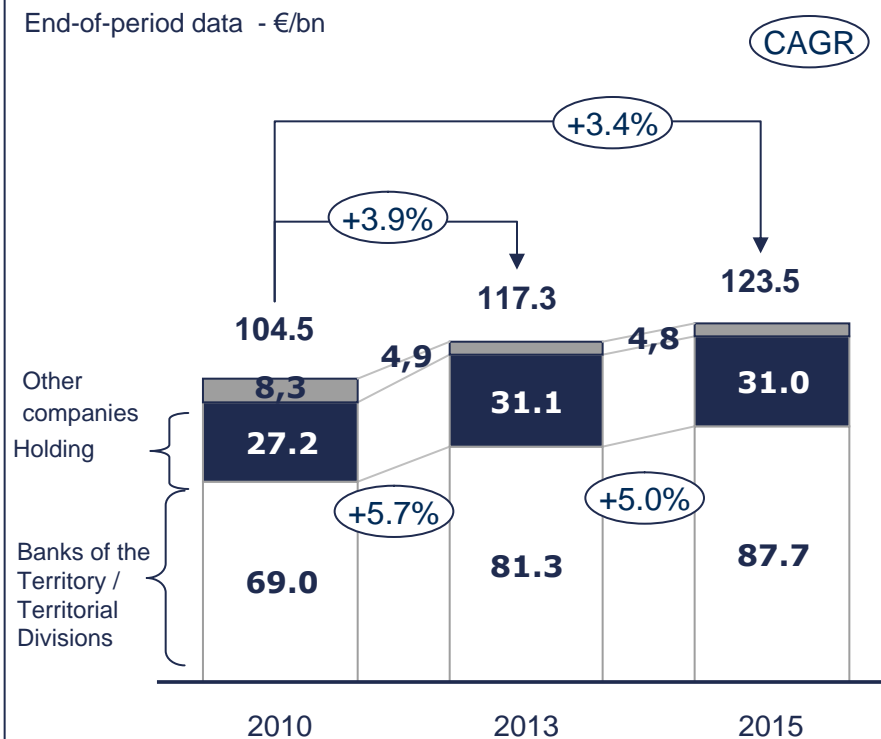
(1) 2010 data include the impact of the Fair Value Option.

(2) 2013 and 2015 data do not incorporate any impact from the Fair Value Option.

# Banco Popolare Group

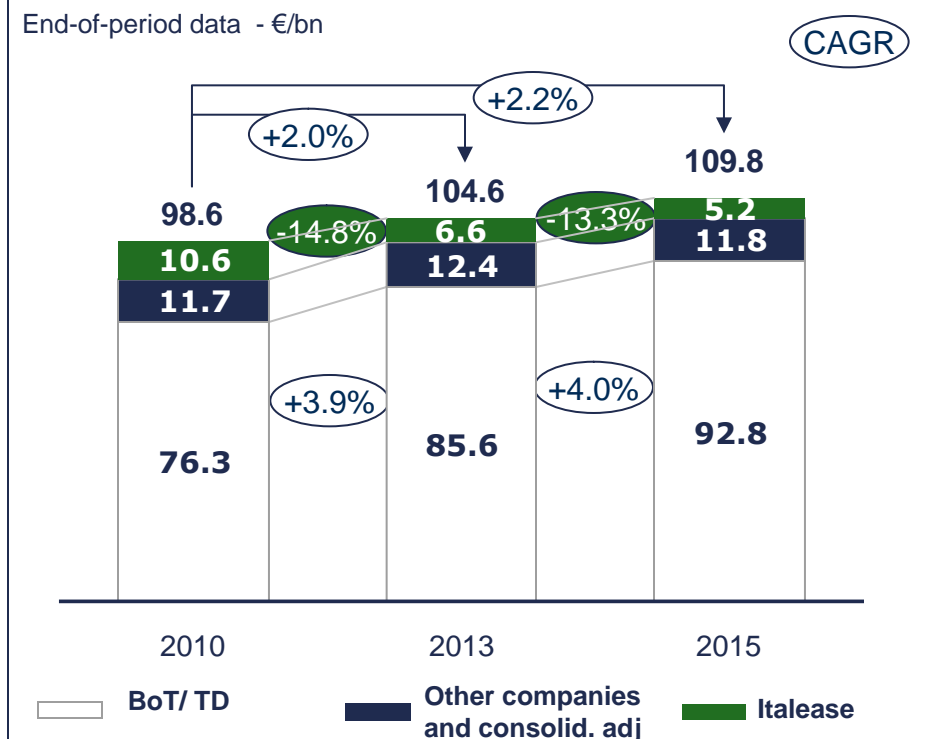
## Business Plan: volumes

### Total direct customer funds



- The growth of direct customers funds levers on the **Banks of the Territory (BoT)/ Territorial Divisions (TDs)** that provide access to high quality funding sources.
- The funding of the **Holding** company, which includes the EMTN programme and other wholesale funding sources, is expected to grow only during the 3-year period 2011-2013, remaining stable during the following 2 years.

### Total gross customer loans



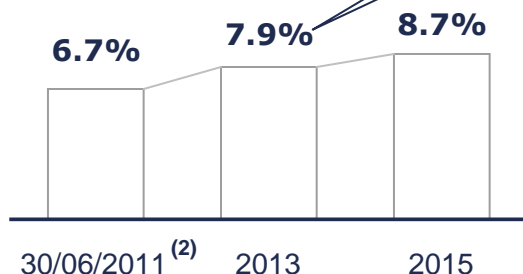
Perf. Customer loans of the BoT/TDs	2010	2013	2015
Short-term	26bn	30bn	33bn
M/L-term	50bn	56bn	60bn
Large Corporate	14%	10%	8%
MID Corporate	39%	42%	44%
Households and Small Corp.	45%	46%	46%
Other	2%	2%	2%



# Balance sheet and risk management targets

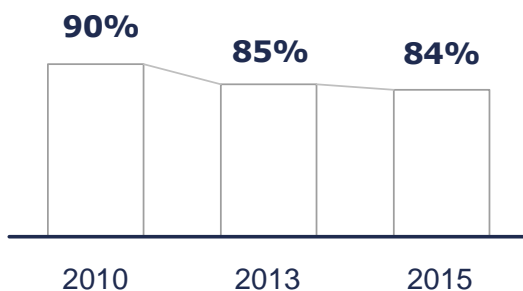
## Performance of the balance sheet...

### Core Tier 1 Ratio



2013 and 2015 data include the estimated impact of fully phased Basle 3 as well as the adoption of the Advanced Methodology (+80bps). Includes also positive impact of disposal of Agos/Ducato stake (currently on ice).

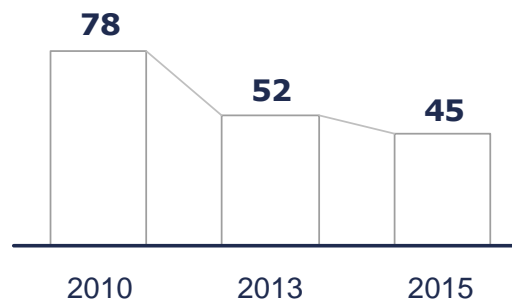
### Loan to Customer funds ratio



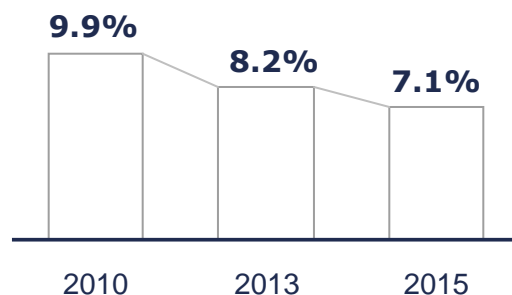
Common equity ratio <sup>(1)</sup>

## ... and risk management

### Cost of credit (bps) <sup>(3)</sup>



### Net impaired loans / Net customer loans <sup>(4)</sup>



(1) Common equity ratio calculated in accordance with Basle 3 requirements from 2013.  
 (2) Proforma including the estimated tax release impact on goodwill and other intangible assets (+20bps)  
 (3) Cost of risk calculated as loan loss provisions (net) on total gross customer loans.  
 (4) Impaired loans include NPLs + Watchlist + Restructured + Past Due.



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# Banco Popolare Group

## Highlights on Group results

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- **Consolidated net income reaches €191.4m in H1 2011**

  - of which: Banco Popolare 'Standalone' net income: +€237.8m

  - of which: Net contribution of Italease: -€46.4m

- **"Normalised" Group net income at €172.9m.**<sup>(1)</sup>

- **Good operating performance:**

  - Net Interest Income at €886m (-4.1% y/y)

  - Commissions at €654m (+1.8% y/y)

  - Operating Income at €1,885m, in line with H1 2010

  - Operating costs under control (+0.8% y/y). Excluding extraordinary costs related to the headcount reduction plan registered in Q2 2011 (equal to €6.6m), the change is +0.2%. In H1 2011, in line with the headcount reduction plan, the total number of employees decreased by 365.

  - Income Before Taxes From Continuing Operations at €315m (+14.7% y/y)

- **Growth volumes of the branch franchise:**

  - Loans to customers: +2.4% y/y and +1.1% vs dec.10

  - Direct customer funds: +2.3% y/y and +2.3% vs dec.10

  - Household mortgage loans (granted): +7.0% y/y

- **Satisfactory liquidity profile:** institutional funding needs fully covered for 2011 and for most of 2012.

- **Cost of credit risk at 79bps, substantially in line with the level of 2010, but improving in Q2 2011 over Q1 2011.**

(1) Net of Fair Value Option, PPA, gain/write-backs on government bond portfolio, profits from the disposal of equity investments and costs for the headcount reduction plan.

# Banco Popolare Group

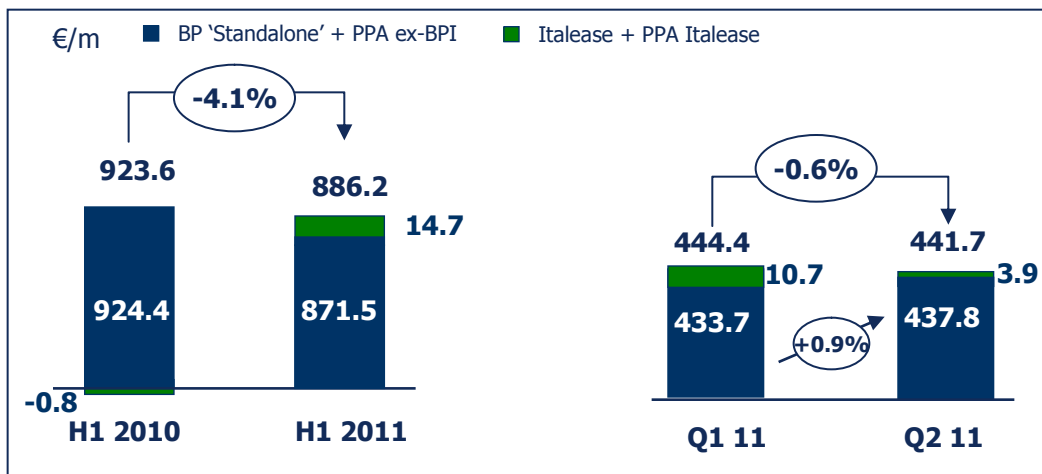
## H1 2011 'normalized' consolidated income statement

Reclassified income statement - €/m	Accounting data	PPA (ex-BPI + BIL)	Accounting data excluding PPA	Fair Value Option	Capital gain on Government securities	Capital gain on ICBPI disposal and non-current assets held for sale	Severance Costs	Normalized Income statement excl. PPA
Net interest income	886.2	(67.6)	953.8					953.8
Profit (loss) on equity investments carried at equity	22.9		22.9					22.9
<b>Net interest, dividend and similar income</b>	<b>909.1</b>	<b>(67.6)</b>	<b>976.6</b>	-	-	-	-	<b>976.6</b>
Net commissions	653.9		653.9					653.9
Other revenues	34.4	(18.8)	53.2					53.2
Net financial income	287.3	(7.8)	295.1	38.6	23.1			233.4
<b>Other operating income</b>	<b>975.6</b>	<b>(26.6)</b>	<b>1,002.2</b>	<b>38.6</b>	<b>23.1</b>	-	-	<b>940.5</b>
<b>Total income</b>	<b>1,884.7</b>	<b>(94.2)</b>	<b>1,978.9</b>	<b>38.6</b>	<b>23.1</b>	-	-	<b>1,917.1</b>
Personnel expenses	(755.3)		(755.3)				(6.6)	(748.7)
Other administrative expenses	(377.3)		(377.3)					(377.3)
Amortization and depreciation	(70.0)	(1.9)	(68.1)					(68.1)
<b>Operating costs</b>	<b>(1,202.7)</b>	<b>(1.9)</b>	<b>(1,200.8)</b>	-	-	-	<b>(6.6)</b>	<b>(1,194.1)</b>
<b>Profit from operations</b>	<b>682.0</b>	<b>(96.1)</b>	<b>778.1</b>	<b>38.6</b>	<b>23.1</b>	-	<b>(6.6)</b>	<b>723.0</b>
Net write-downs on impairment of loans, guarantees and commitment	(399.9)		(399.9)					(399.9)
Net write-downs on impairment of other financial transactions	(27.1)		(27.1)		(15.3)			(11.8)
Net provisions for risks and charges	(2.3)	0.0	(2.3)					(2.3)
Impairment of goodwill and equity investments	-		-					-
Profit (loss) on disposal of equity and other investments	62.7	(6.7)	69.4			47.2		22.3
<b>Income before tax from continuing operations</b>	<b>315.4</b>	<b>(102.8)</b>	<b>418.2</b>	<b>38.6</b>	<b>7.8</b>	<b>47.2</b>	<b>(6.6)</b>	<b>331.3</b>
Tax on income from continuing operations	(138.0)	29.2	(167.3)	(15.9)	(2.6)	(0.6)	1.8	(149.9)
Income (Loss) after tax from non-current assets held for sale	22.0		22.0			22.0		-
Minority interest	(8.0)	0.5	(8.4)					(8.4)
<b>Net income for the period</b>	<b>191.4</b>	<b>(73.1)</b>	<b>264.5</b>	<b>22.7</b>	<b>5.2</b>	<b>68.5</b>	<b>(4.8)</b>	<b>172.9</b>

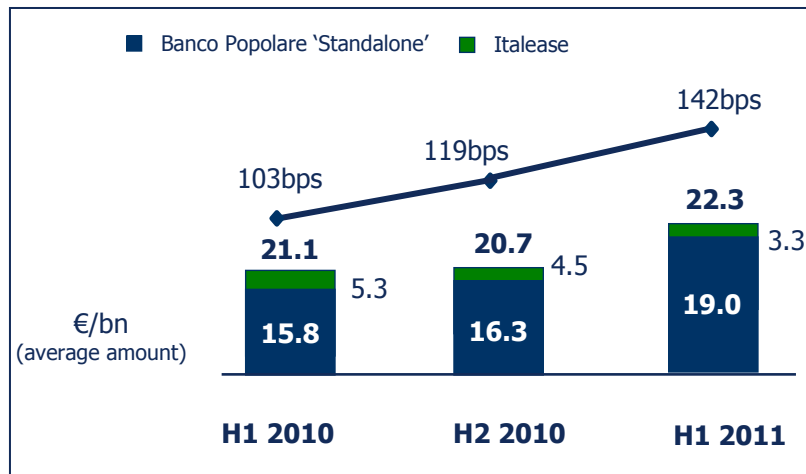
▪ On an annual basis, the PPA impact is expected to decrease to about **-€127m** (of which -€35m Italease) in 2011, **-€48m** (of which -€15m Italease) in 2012 and **-€28m** (of which -€8m Italease) in 2013.

# Banco Popolare Group Net Interest Income

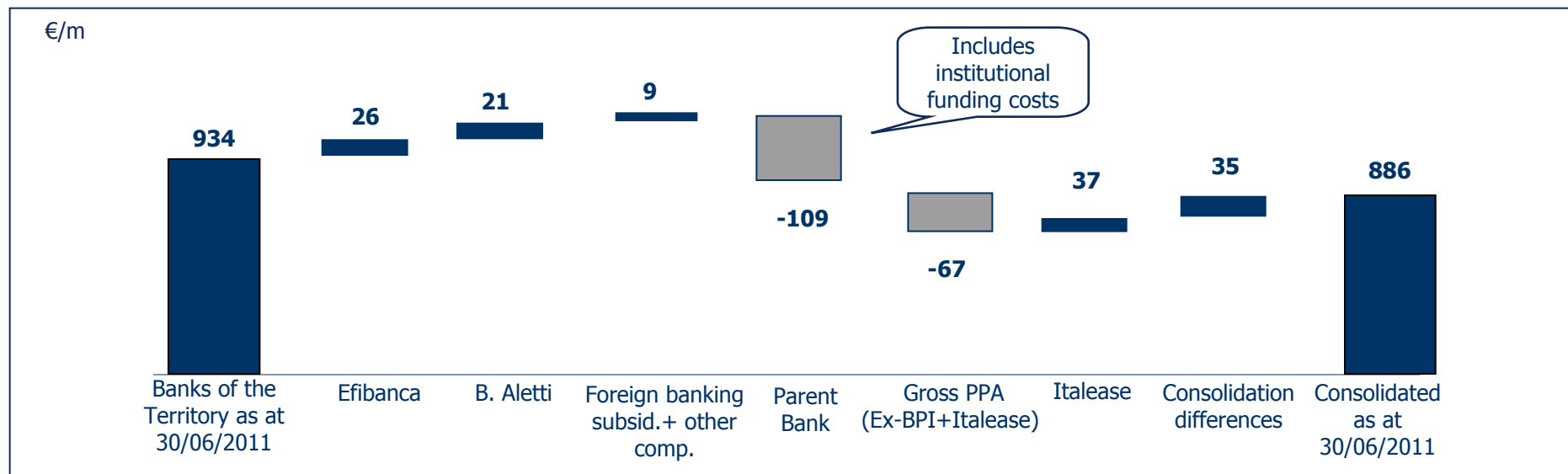
## Annual and quarterly trend



## Average spread of wholesale funding cost



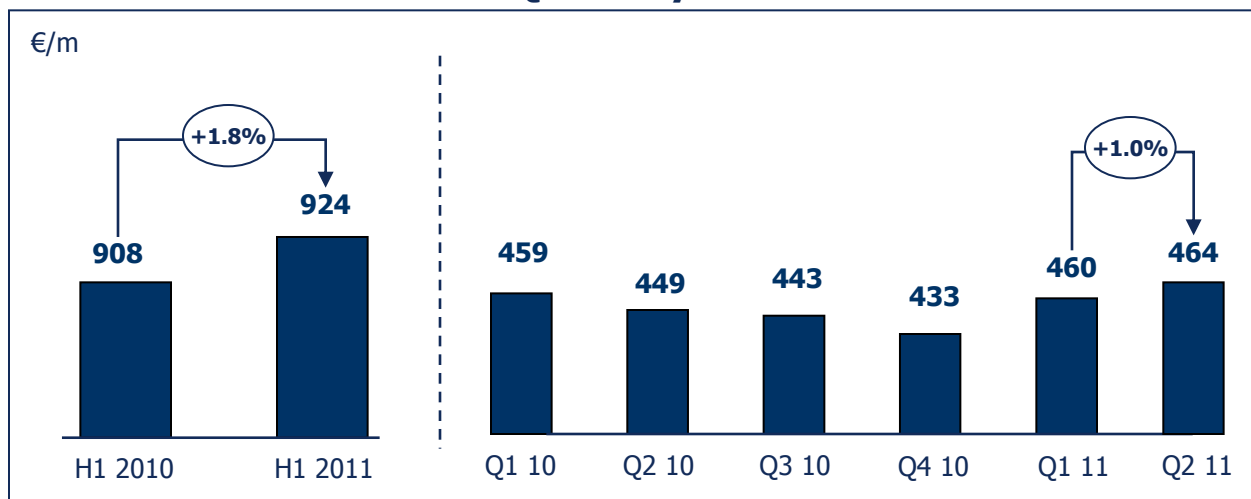
## Breakdown of Net Interest Income



## Banco Popolare 'Standalone'

# Customer Net Interest Income of the Banks of the Territory\*

### Quarterly trend

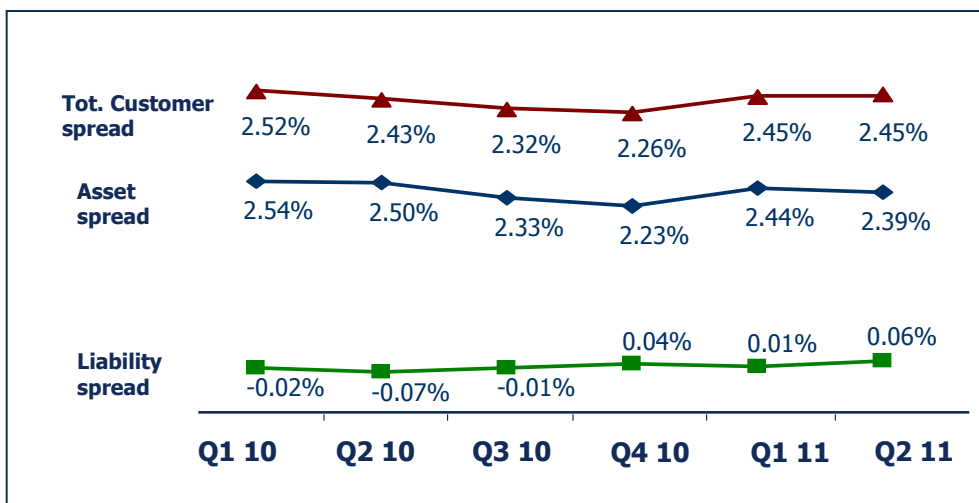


### Drivers

The NII of customer loans & funds of the Banks of the Territory recorded an increase of +1.8% y/y and of +1.0% vs. the previous quarter:

	H1 2011 vs. H1 2010
• Volumes:	+€37.1m
• Spread:	-€21.2m
	<b>+€15.9m</b>

### Customer spreads evolution



### Comments

- Stable total customer spread, thanks to the increase of the liability spread which has allowed to compensate the reduction of the increase in asset spread, with the latter deriving only from the increase in interest rates.
- The partial growth of the liability spread follows the Group's strategy to strengthen its liquidity position and to lengthen the maturity profile through retail bond issues (+5.8bn in H1 2011).
- The renewed action of asset repricing already shows a meaningful recovery of the asset spread as of July 2011.

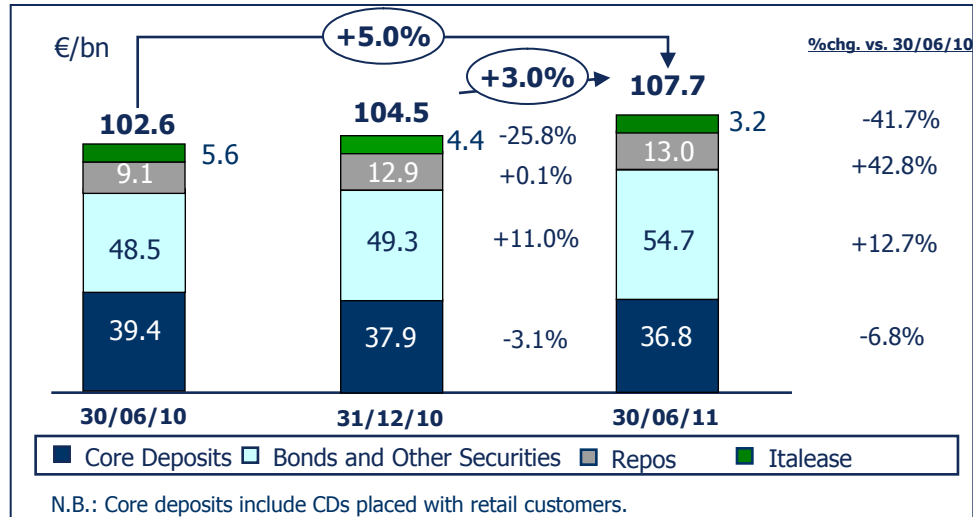
\*Analysis based on the customer funds and customer loans of the Banks of the Territory (performing loans).

# Banco Popolare Group

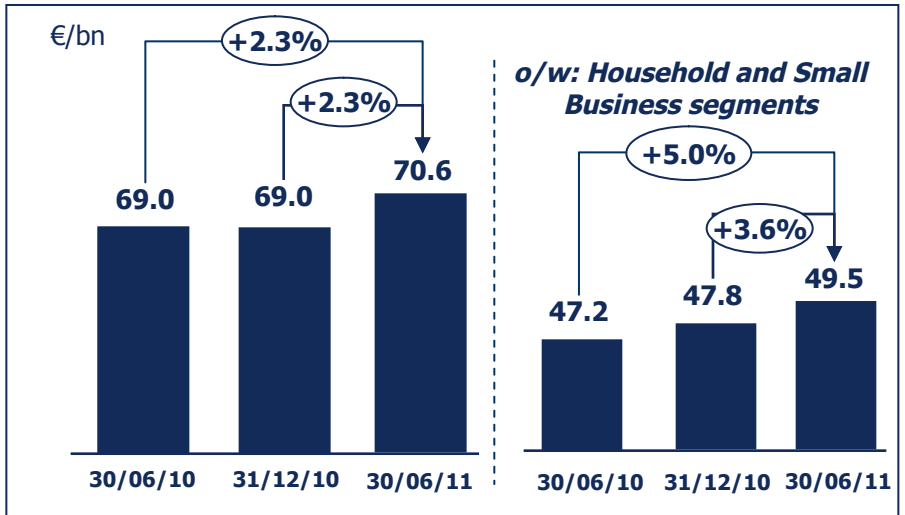
## Direct customer funds: focus on retail

### Total direct customer funds

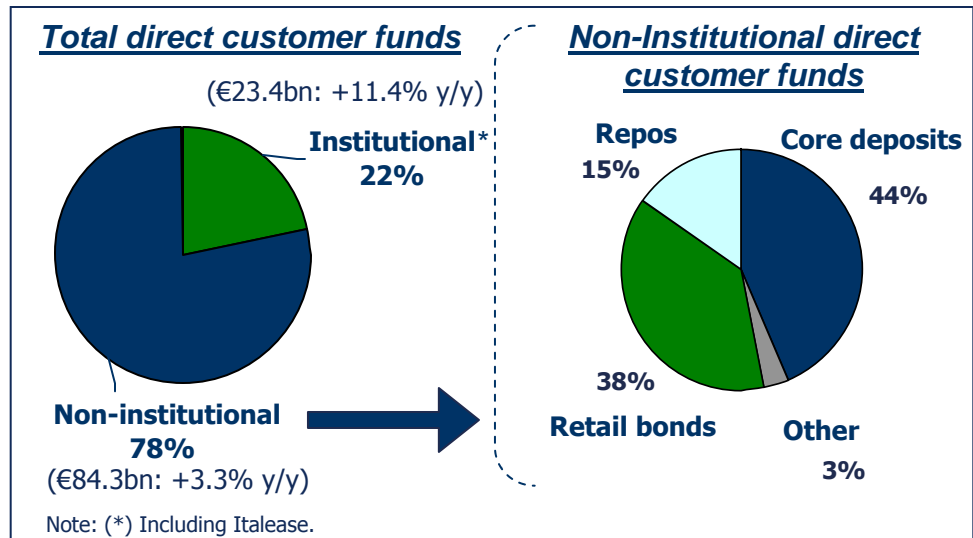
(stock)



### o/w: Direct cust. funds of the Banks of the Territory



### Direct customer funds breakdown 30/06/11 (€107.7bn)



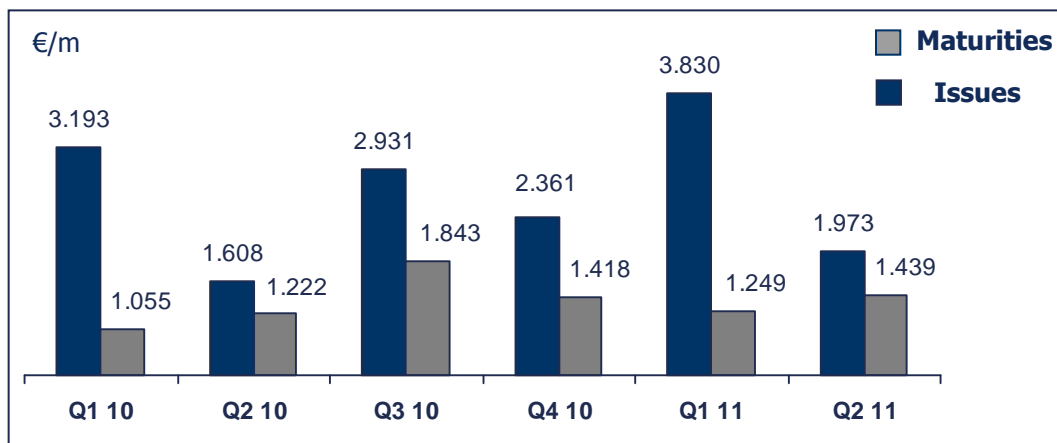
### Comments

- Total direct customer funds rise 5.0% y/y and 3.0% in the semester.
- Increase in direct customer funds of the Banks of the Territory in the core segments (Households and SMEs) is confirmed: +5.0% y/y and +3.6% in H1 2011.
- Growth of 3.3% y/y in Non-Istitutional direct customer funds (retail and corporate), accounting for 78% of the total; growth of 11.4% y/y in the Institutional component (including Italease funds), with a view to reinforce the Group's liquidity profile and to anticipate the coverage of upcoming maturities.

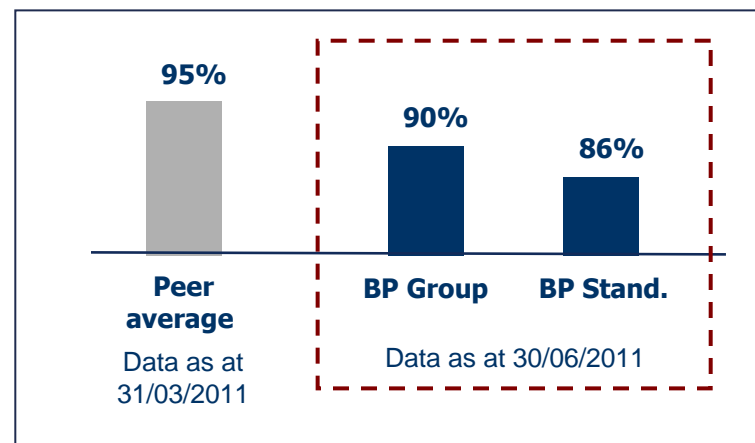
# Banco Popolare Group

## Balance sheet structure and funding

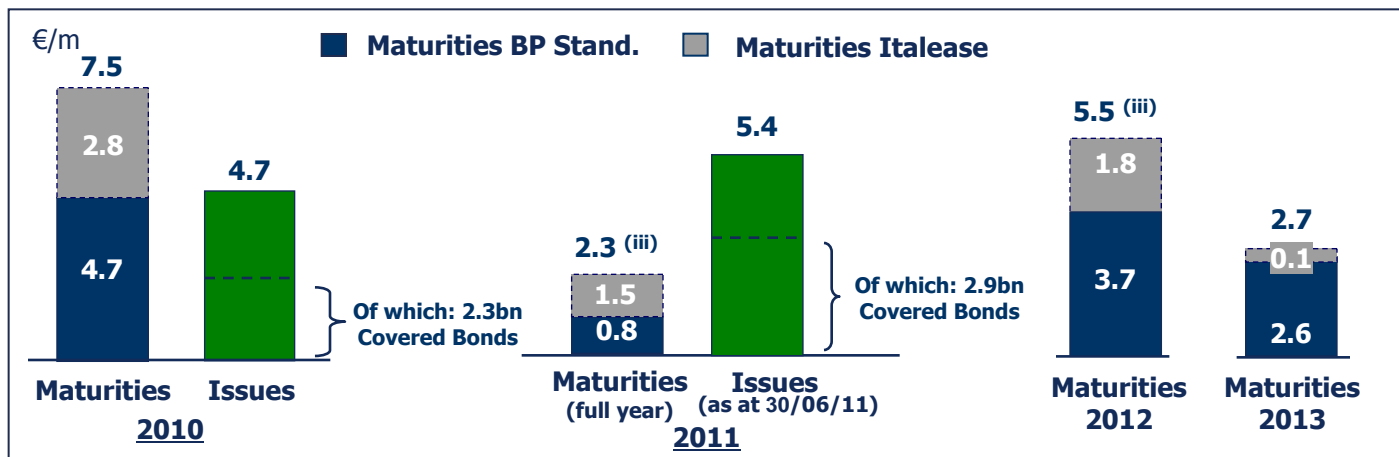
Retail maturities and issues in 2010 and 2011



Loan/Deposit<sup>(i)</sup> ratios vs. peers <sup>(ii)</sup>



Institutional funding need covered for 2011



Comments

- Funding needs of the year 2011 already covered with the issues of the first months of 2011.
- In addition, during H1 2011, Banco Popolare placed bonds via a third party network for ~€740m and further €750m in July.
- Roughly €16bn of liquid assets (eligible and available assets).

(i) 'Deposits' include the following liability items under the Bank of Italy accounting scheme: item 20 (Due to Customers), item 30 (Securities issued) and item 50 (Financial liabilities designated at fair value).

(ii) Peers include ISP, UCG, MPS, UBI, BPER, BPM and Carige. Data based on press release of FY2010 Group results as at 31/03/2011.

(iii) Including LT2 bonds under swap, for which the call option has not been exercised, the 2011 maturities would amount to €3bn and to €6bn in 2012.



# Banco Popolare Group

## Analysis of the Treasury securities portfolio: synthesis

€/m – data as at 30/06/2011

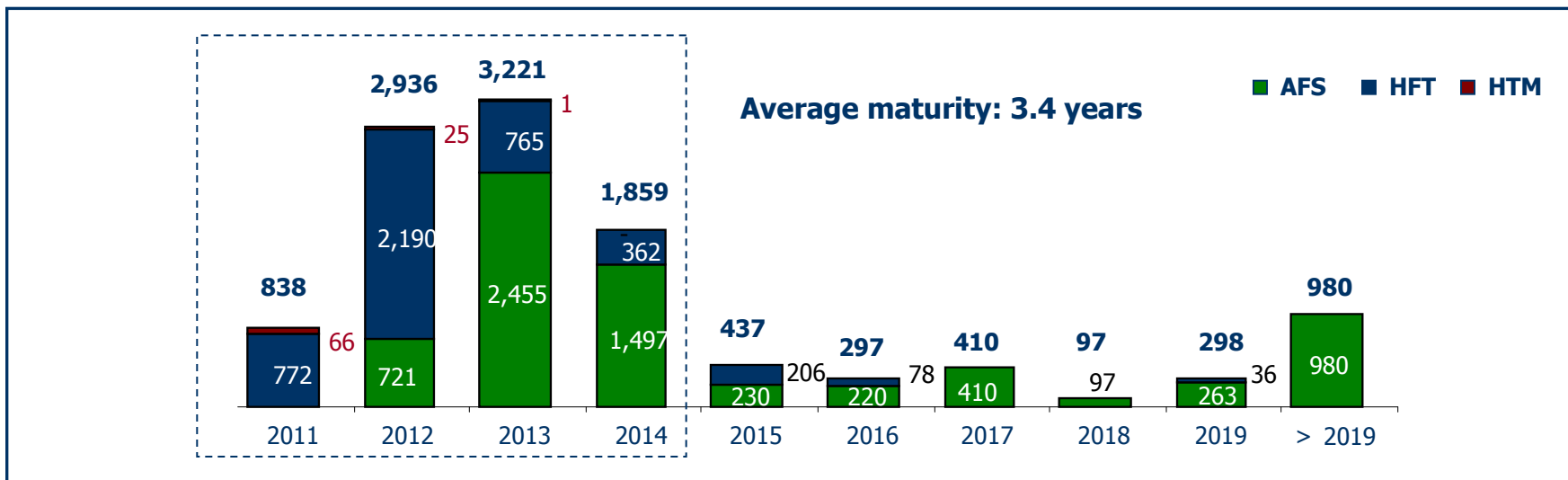
COUNTRY	Amount	% comp.	Accounting classification		
			AFS	HFT	HTM
ITALY	11,374	96.6%	6,873	4,408	93
SPAIN	199	1.7%	199	-	-
GREECE	60	0.5%	15	45	-
PORTUGAL	-	0.0%	-	-	-
IRELAND	-	0.0%	-	-	-
GERMANY	82	0.7%	25	57	-
<b>EU COUNTRIES</b>	<b>11,715</b>		<b>7,112</b>	<b>4,510</b>	<b>93</b>
EXTRA EU (Switzerland and Croatia)	32	0.3%	31	-	1
USA	27	0.2%	27	-	-
<b>TOTAL SOVEREIGN BONDS</b>	<b>11,774</b>	<b>100.0%</b>	<b>7,170</b>	<b>4,510</b>	<b>94</b>
<b>% of the Total</b>			<b>60.9%</b>	<b>38.3%</b>	<b>0.8%</b>

- Roughly **97%** of the Treasury securities portfolio is represented by Italian government bonds (amounting to **€11.4bn**), of which 60% are classified as AFS (increasing from 44% in Dec. 2010), while 39% are classified as HFT. Italian government bonds account for about 8% of total assets.
- The exposure towards Peripheral government bonds is limited to about **2%** of the total portfolio and amounts to **€259m**: €199m towards Spain and €60m towards Greece; no exposure towards Portugal and Ireland.

# Analysis of Treasury sec. portfolio: Italy, Spain and Greece

€/m

## FOCUS ON ITALIAN GOVERNMENT BONDS



## FOCUS ON GREEK GOVERNMENT BONDS

CLASSIFICATION	Amount	MATURITY
AFS	6.3	See comment below
AFS	9.0	
HFT	12.6	2014
HFT	31.9	2013
<b>TOTAL</b>	<b>59.8</b>	

▪ Bonds classified as AFS have been impaired by **€15m** in Q2 2011, on the basis of market prices as at 30/06/2011.

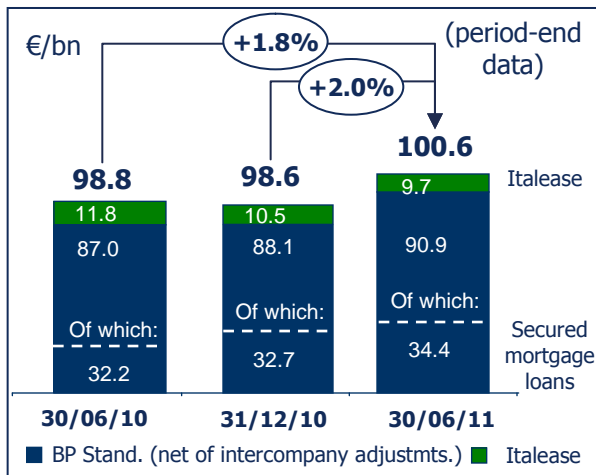
## FOCUS ON SPANISH GOVERNMENT BONDS

CLASSIFICATION	Amount	MATURITY
AFS	99.6	2014
AFS	99.1	2015
<b>TOTAL</b>	<b>198.7</b>	

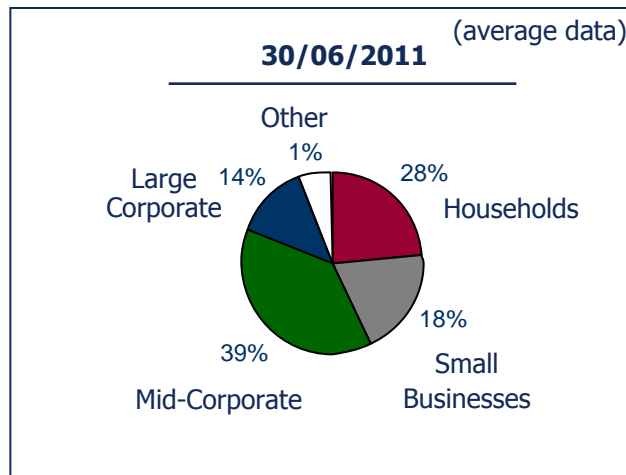
# Banco Popolare Group

## Customer loans: focus on Retail and SMEs

### Gross customers loans



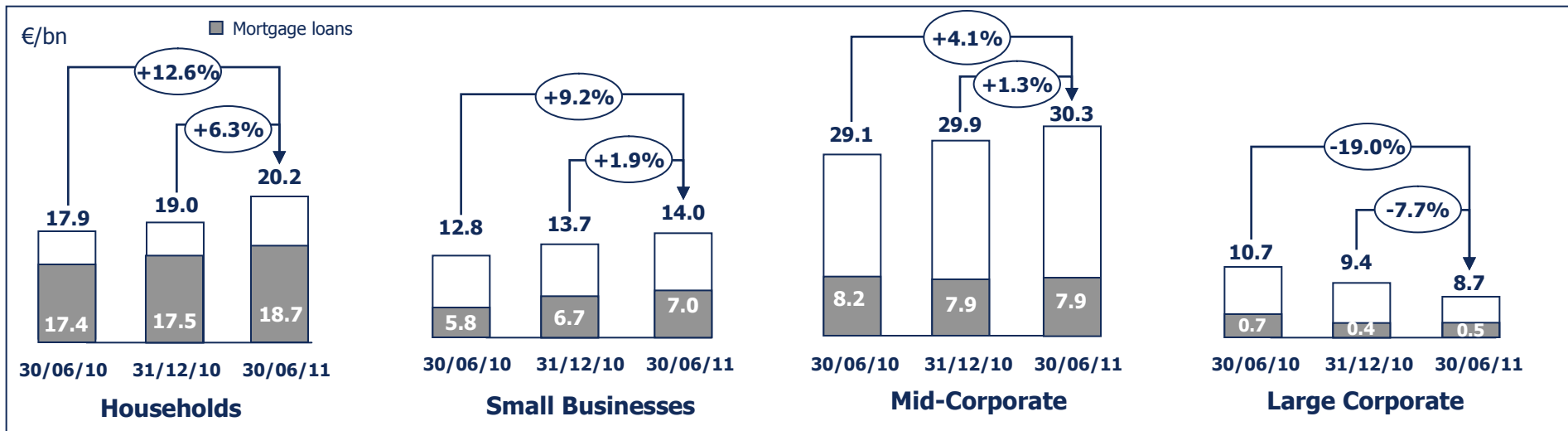
### Cust. Loans BdT by segments



### Comments

- Gross customer loans rose 1.8% y/y and 2.0% in the 6-month period.
- In particular, growth is confirmed in the core segments: Households +12.6% y/y (+6.3% vs. Dec. '10); Small Businesses +9.2% y/y (+1.9% vs. Dec. '10) and Mid-Corporate +4.1% y/y (+1.3% vs. Dec. '10).
- On the contrary, Large Corporate registered a reduction of -19.0% y/y and -7.7% in the six months.

### Banks of the Territory (BdT): increase in customer loans by segments (period-end data)



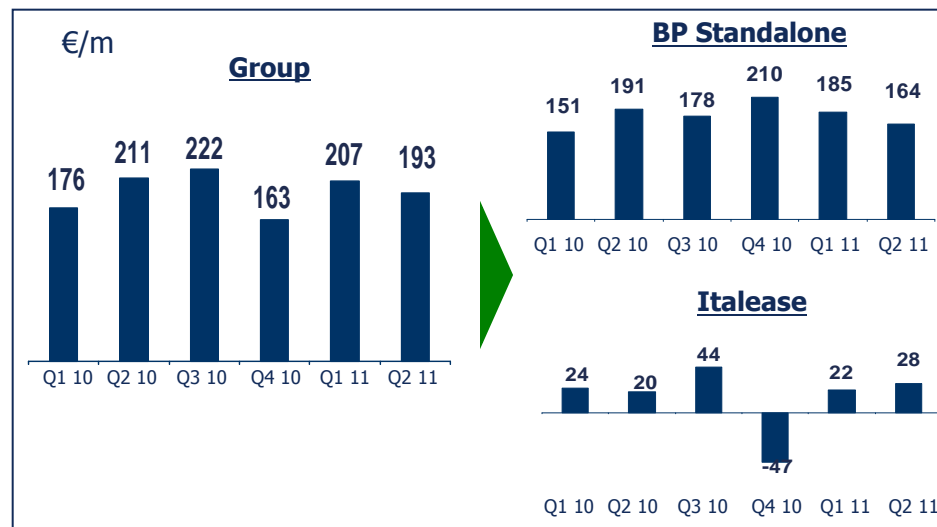
# Banco Popolare Group

## Asset quality: cost of credit risk

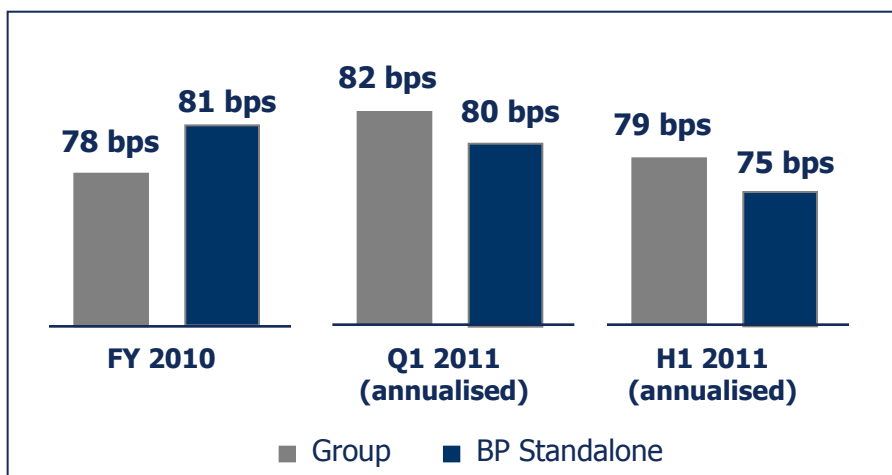
### Loan Loss Provisions

€/m	H1 2010	H1 2011	% change
• Net LLPs	386.6	399.9	+3.4%
Of which:			
- BP Standalone	342.0	349.8	+2.3%
<hr style="border-top: 1px dashed black;"/>			
• Gross cust. loans	98,811.3	100,639.1	+1.8%
Of which:			
- BP Standalone	89,471.4	93,202.6	+4.2%

### Quarterly evolution of LLPs



### Cost of credit risk

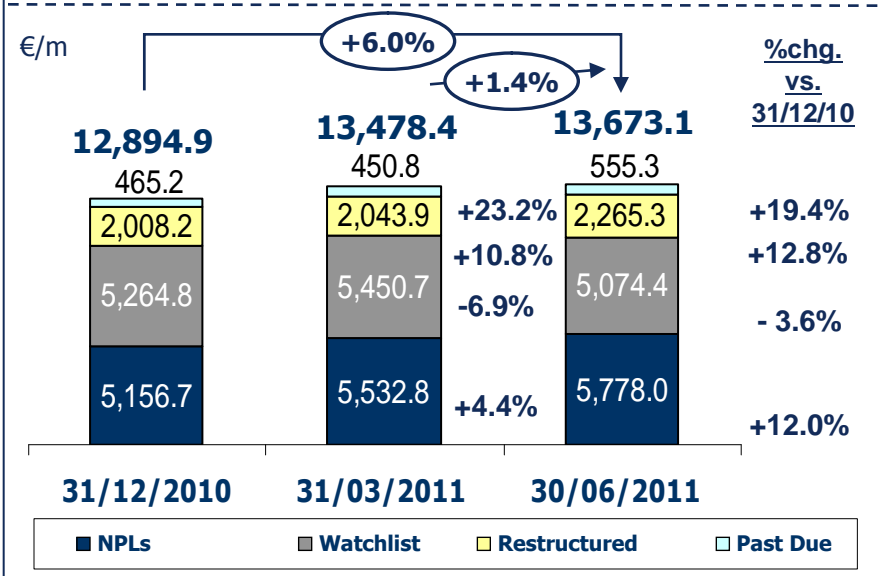
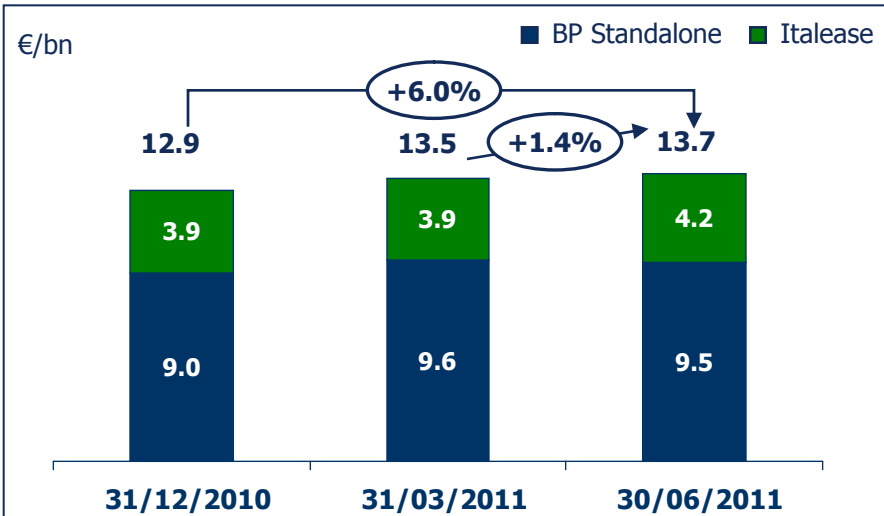


### Comments:

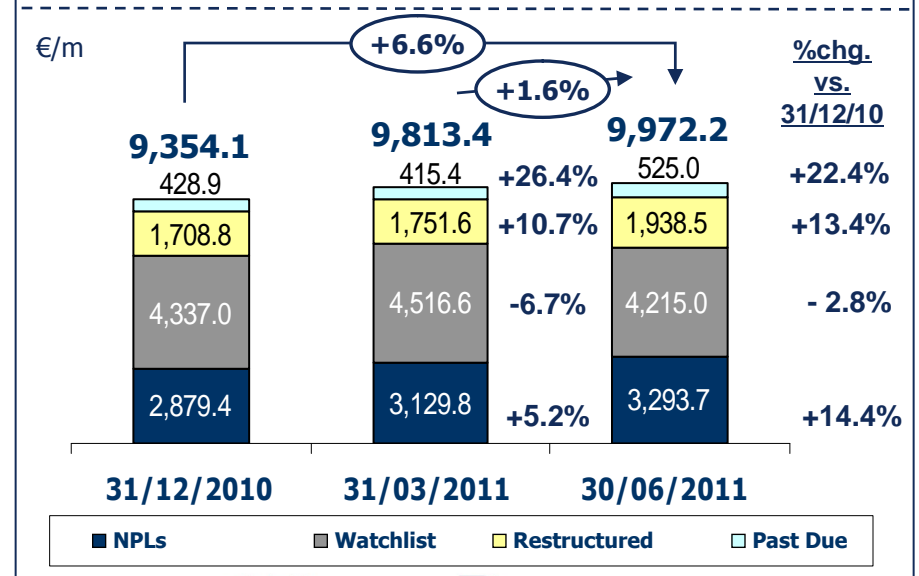
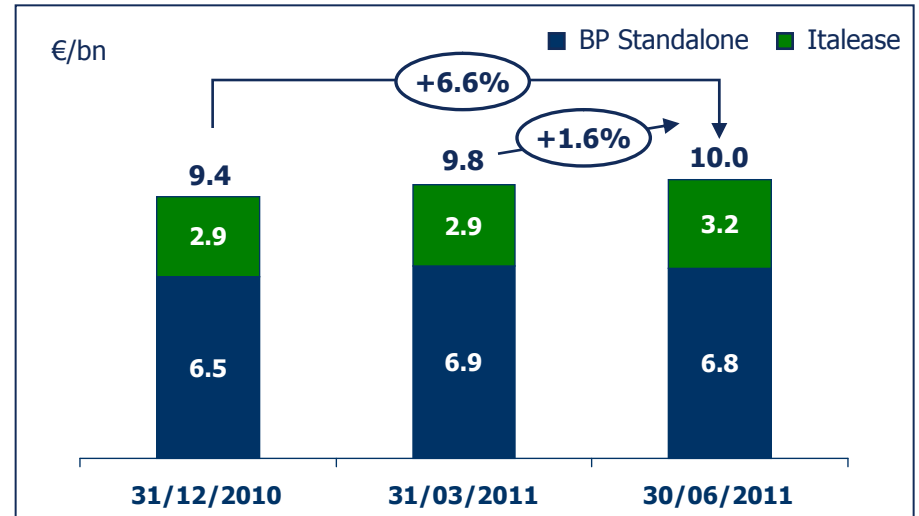
- The cost of credit risk of H1 2011 (**79 bps**) is almost in line with the level at year-end 2010, but improving vs. Q1 2011.
- On a 'Standalone' basis, the LLPs of Q2 2011 (€164m) decrease vs. Q1 2011, as well as with respect to the quarterly average of 2010 (€183m) and vs. Q2 2010.
- The increase in Italease LLPs vs. Q1 2011 is mainly due to the increase in provisions for one non-performing loan position; the cost of credit risk of Italease as a whole was 103bps (annualised) in H1 2011.

# Credit quality: Group impaired loans

Gross impaired loans

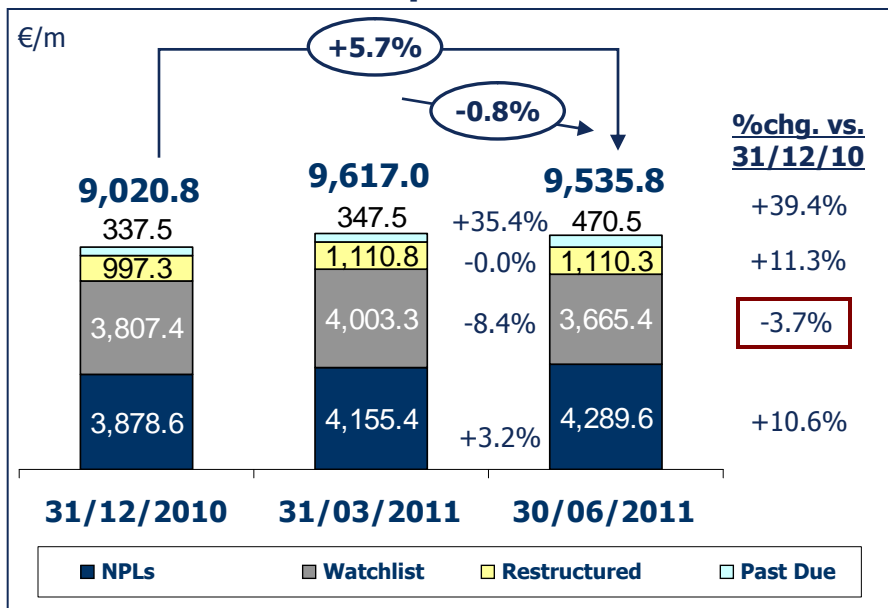


Net impaired loans

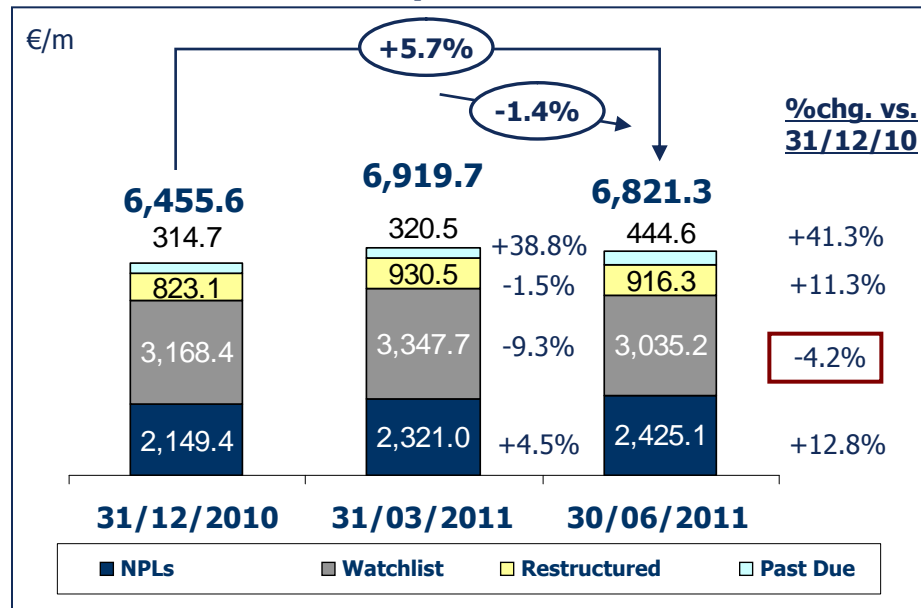


# Credit quality: focus on BP 'Standalone'

## Gross impaired loans



## Net impaired loans



## Coverage of impaired loans

	30/06/11	31/12/10
<b>• NPLs:</b>		
- Total coverage	92.3%	92.0%
- Accounting coverage	62.1%	62.7%
<b>• Watchlist loans:</b>		
- Total coverage	63.5%	61.3%
- Accounting coverage	17.2%	16.8%
<b>• Coverage of 'Restructured'</b>	17.5%	17.5%
<b>• Coverage of 'Past Due'</b>	5.5%	6.8%

4.7% net of BP Hungary portfolio

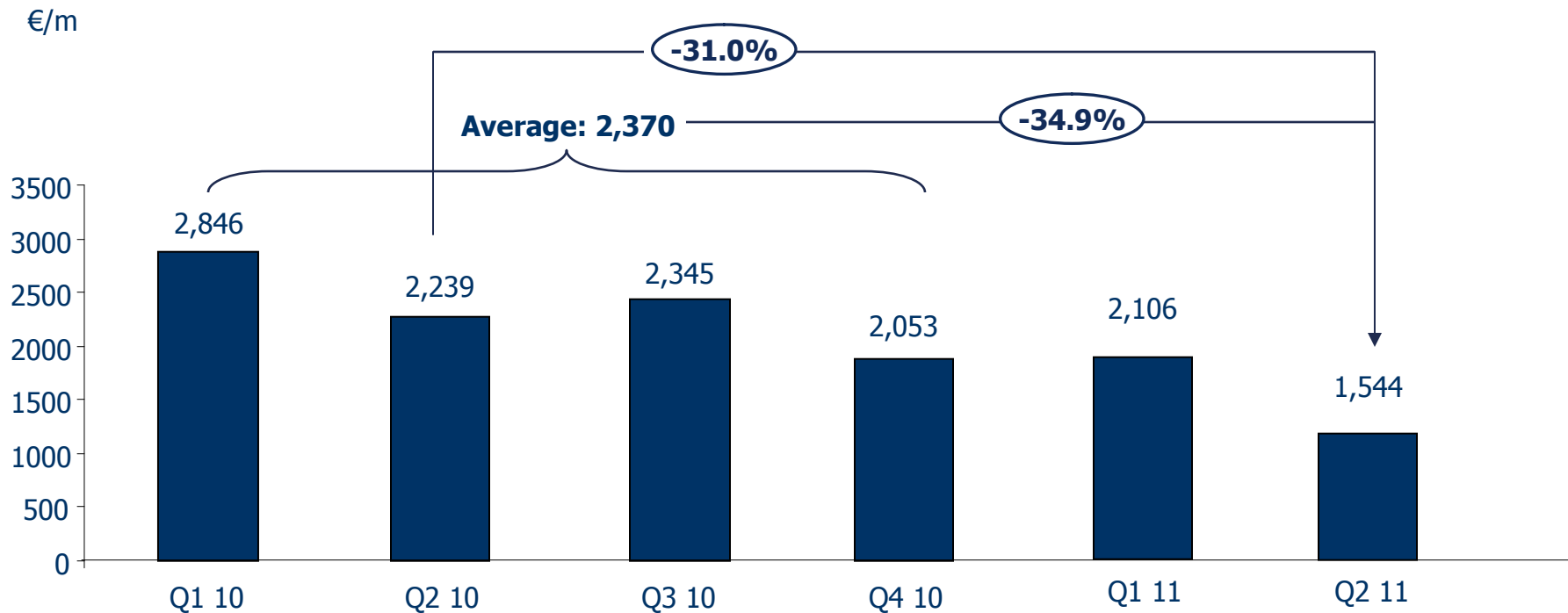
N.B.: NPL accounting coverage includes write-offs.  
Total coverage includes real estate collateral.

## Comments

- The evolution of **NPLs** in Q2 2011 is decelerating vs. the growth of the previous quarter. The coverage is in line with the 2010 year-end level. The portfolio <€250K (mainly secured mortgages), leads to less accounting provisions due to a better collateralization (for these specific positions, the total coverage is equal to 93%), anyhow excluding personal guarantees.
- The **Watchlists loan** portfolio decreases both vs. year-end 2010 and vs. the previous quarter. Such portfolio shows an increasing accounting coverage level and also an increasing total coverage level (inclusive of real estate collateral).
- The stock of **Restructured loans** is in line with the previous quarter and confirm the same coverage level.
- The growth in Q2 2011 of the stock of **Past-Due loans** is almost entirely due to a single position of about €100m which will be normalised during the next semester. The coverage level is diluted by the deconsolidation of the BP Hungary portfolio, which was characterised by a high level of provisions (67% as at year-end 2010).

# Significant fall in the flows of new impaired loans

Gross quarterly flows of new impaired loans

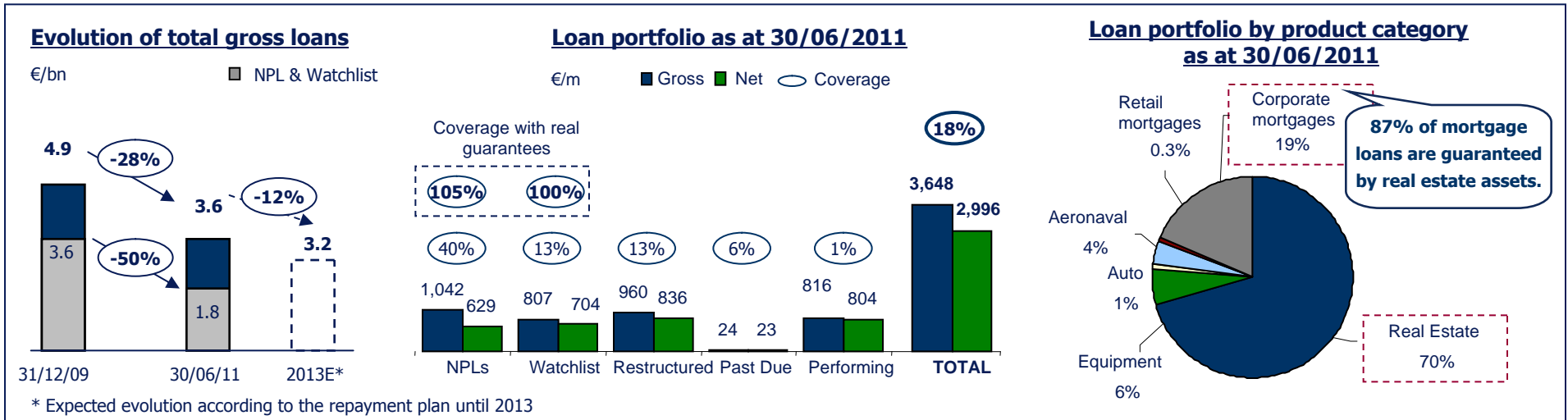


## Comments:

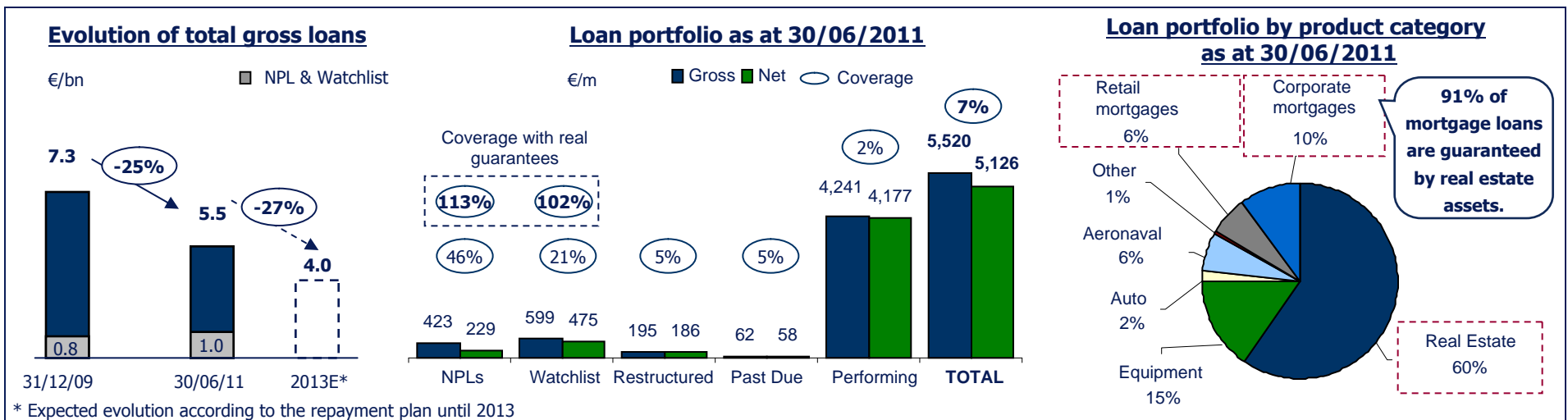
- The flows of new impaired loans in second quarter 2011 decreases on an annual basis (-31.0%), but also vs. the quarterly average of 2010 (-34.9%), as well as vs. the first quarter of 2011 (-26.7%).

# Banca Italease: Release and 'Residual' portfolio

## Release portfolio



## Residual portfolio

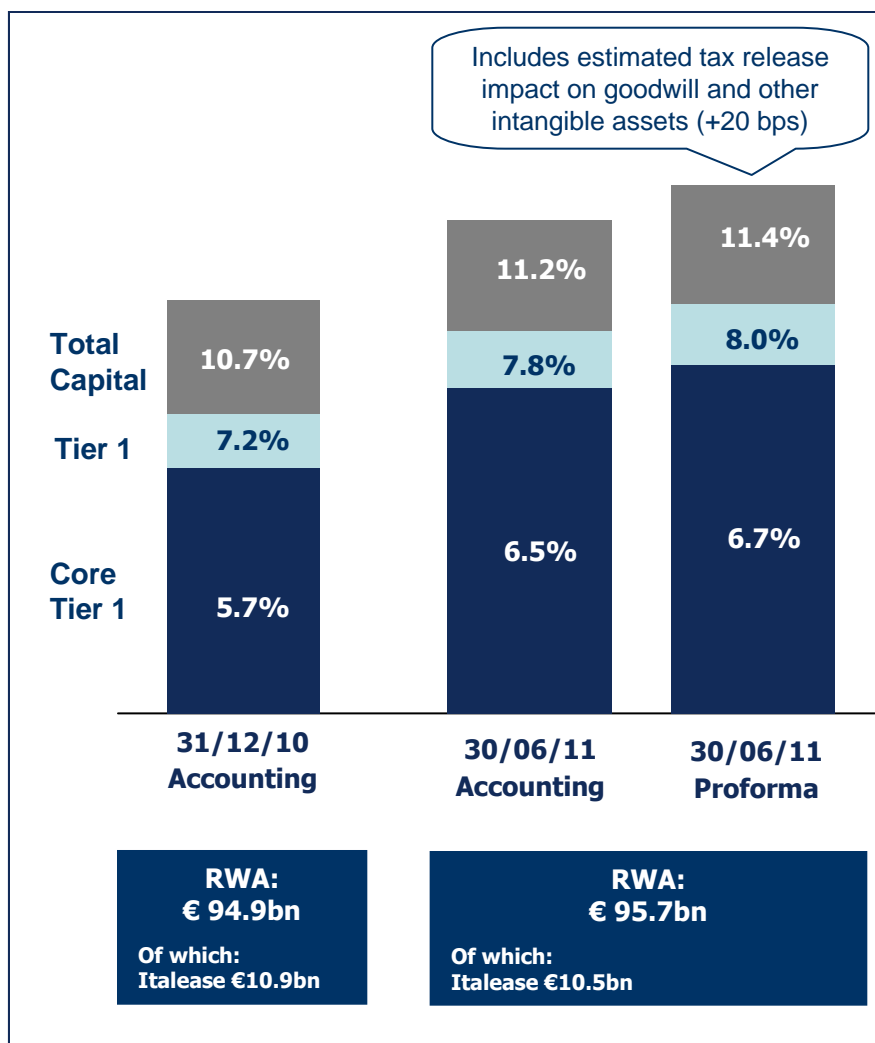




# Banco Popolare Group Capital adequacy

## Banco Popolare Group Capital Ratios

Still based on Standard  
Methodology



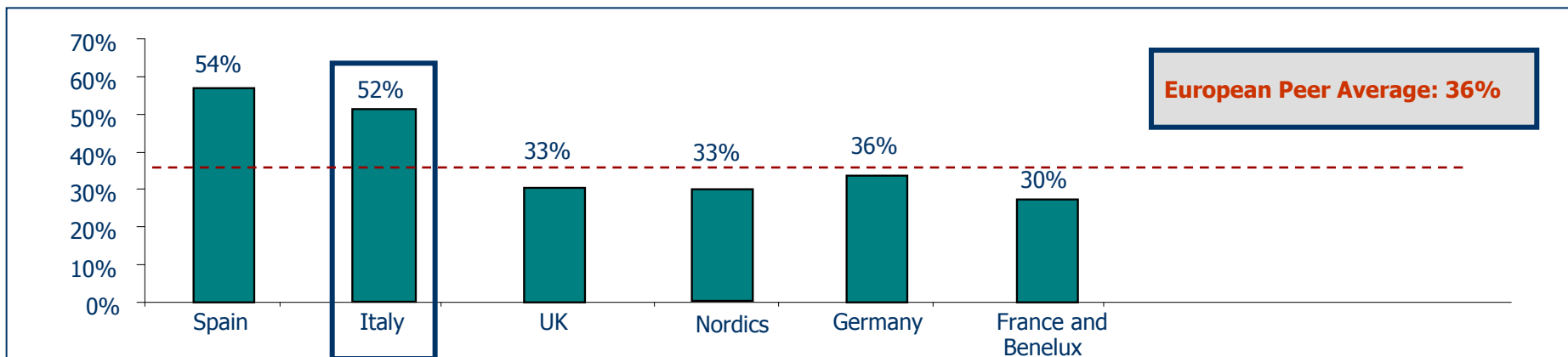
### The evolution of capital ratios in H1 2011 includes:

- Impacts deriving from 'Capital Management actions' (finalisation of capital increase, Tremonti Bond redemption) and effect of 'Milleproroghe' Decree under Basle 2 framework: **+66bps**.
- Group H1 2011 performance (net of dividend payout) including the disposal of certain stakes of equity investments (i.e. ICBP, Bormioli, BP Ceska): **+20bps**.
- Risk Weighted Assets evolution registered in the period: **-8bps**.

**N.B.:** The Group's RWA/Total Assets ratio stood at **69%** on 30 June 2011, which compares with an Italian peer average of 52% on 31 March 2011 and with a European peer average of about 36%.

# RWA/Total Assets ratio: Banco Popolare vs. peers

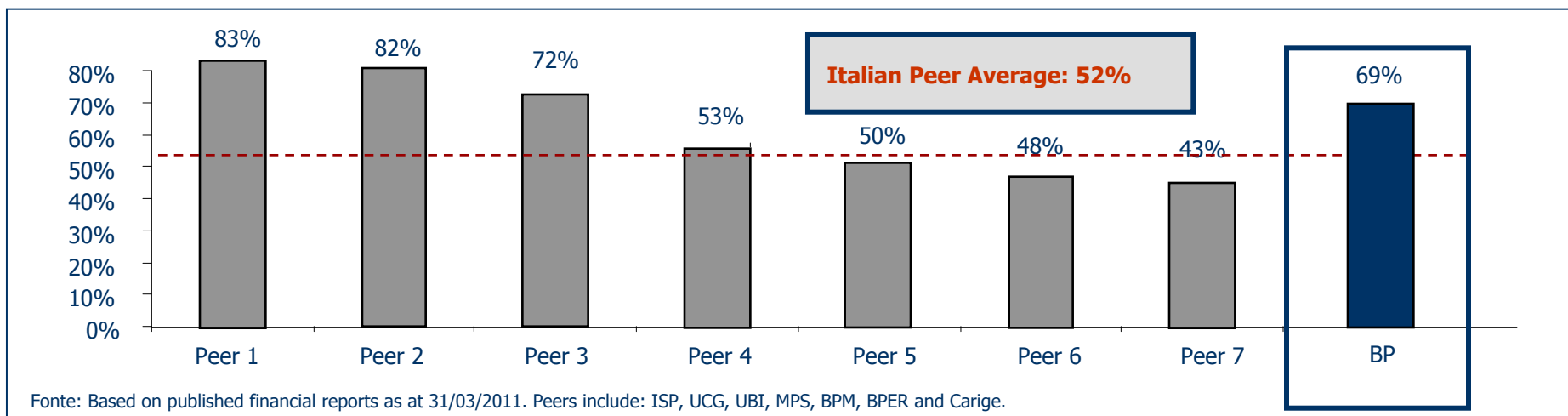
## European comparison: FY2011E



Source: Internal analysis on the basis of reports published by brokers.

N.B. In addition to the above-exposed countries, the European Peer Average includes also Portugal, Ireland, Austria, Greece and a UK Asian bank.

## Italian comparison: data published for 30 June 2011



Fonte: Based on published financial reports as at 31/03/2011. Peers include: ISP, UCG, UBI, MPS, BPM, BPER and Carige.

Notes: The Peer average is calculated as the sum of total RWA over the sum of total assets.

## **Conclusions**

---

### **The first half of 2011 has been characterized by:**

- Capital strengthening (€2bn capital increase and disposal of non-strategic stakes of equity investments).
- Good and strengthening of the liquidity position (wholesale bond maturities fully covered for 2011 and in good part for 2012).
- Good performance at operating and commercial level.
- Annualized cost of credit risk in H1 2011 substantially in line with FY 2010, but improving on a quarterly basis.
- Generation of a 'normalized' net income of €173mln.



**The Business Plan 2011-2013/15 and the Large Banca Popolare project are set to further strengthen the Group's financial profile in terms of capital, liquidity, asset quality and profitability.**



## *Appendix*

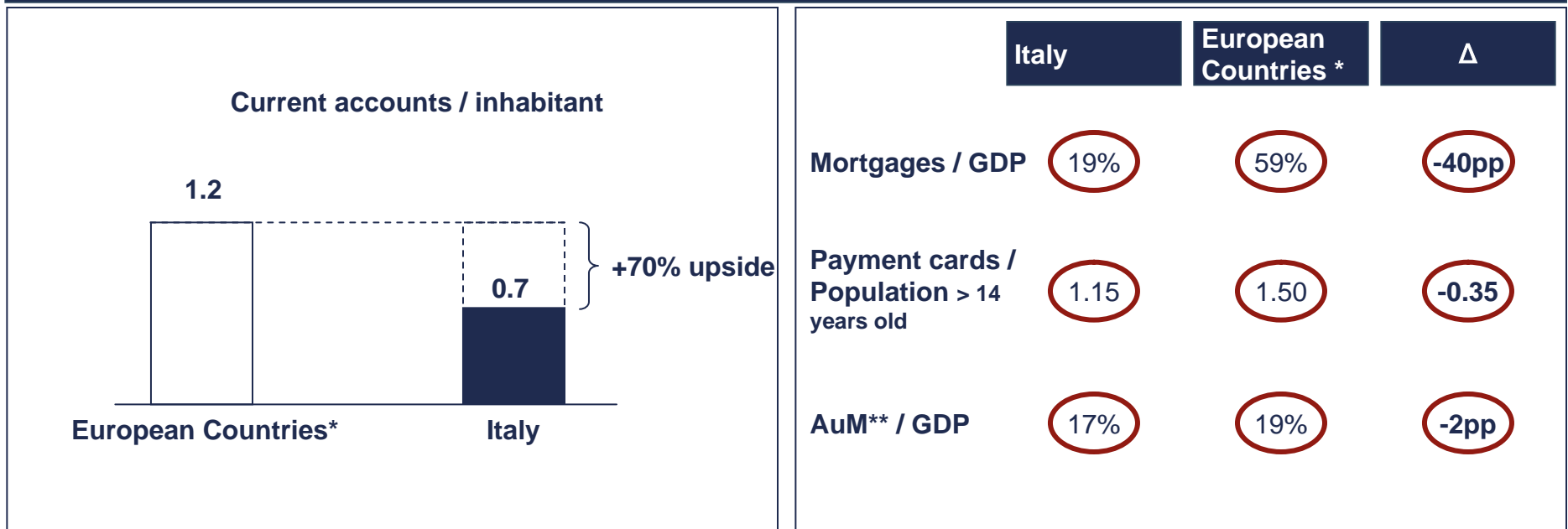




## Appendix

# Opportunities in the Italian market

### Italian banking system indicators vs. European Countries



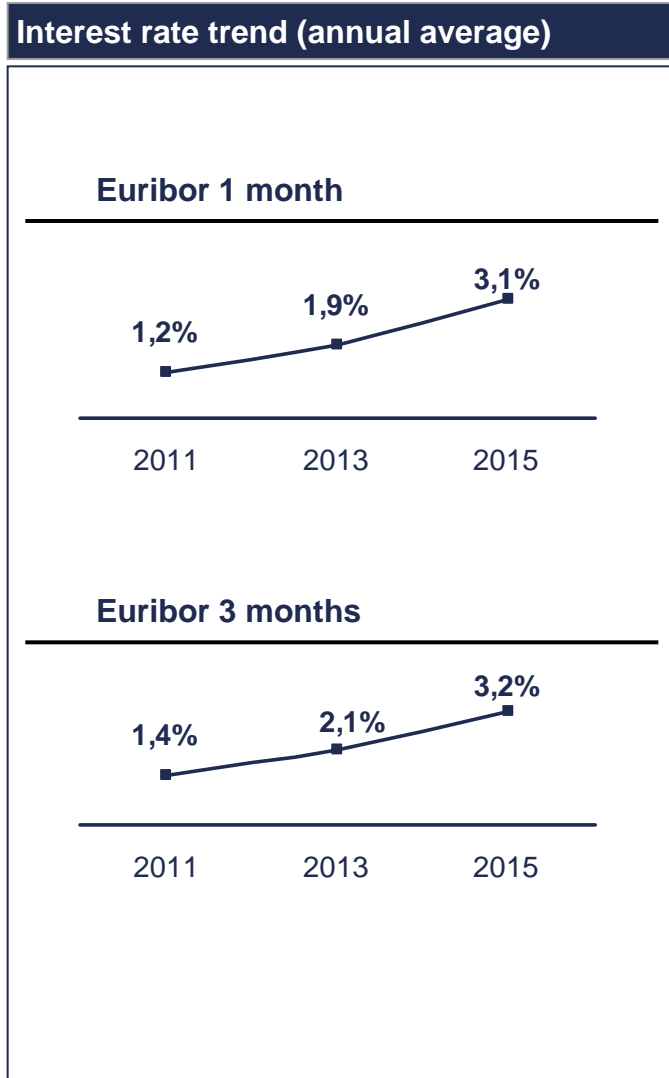
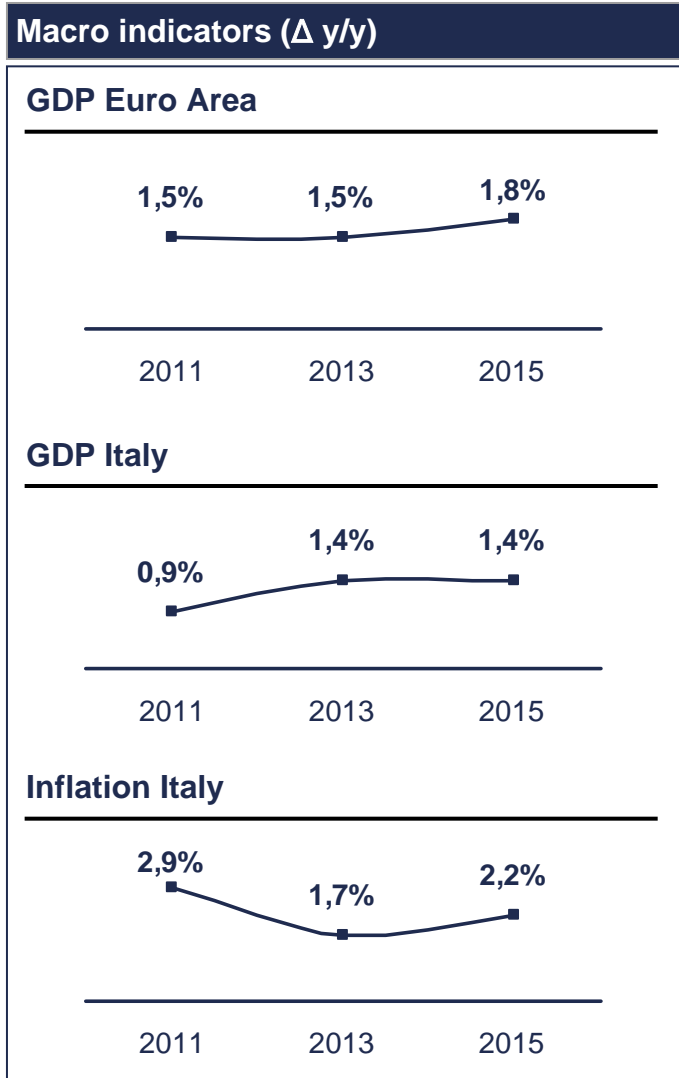
Sources: BCE (data on payment cards, current accounts European countries and Italy as at 2009), Central Banks (for Italian Mortgages), EIU (data as at 2010).

\* The benchmark is composed by France, Spain and Germany. Data of current account per inhabitant include also the UK.

\*\* Mutual Funds.

## Appendix

# Macroeconomic assumptions underlying the 2011-2013/2015 plan

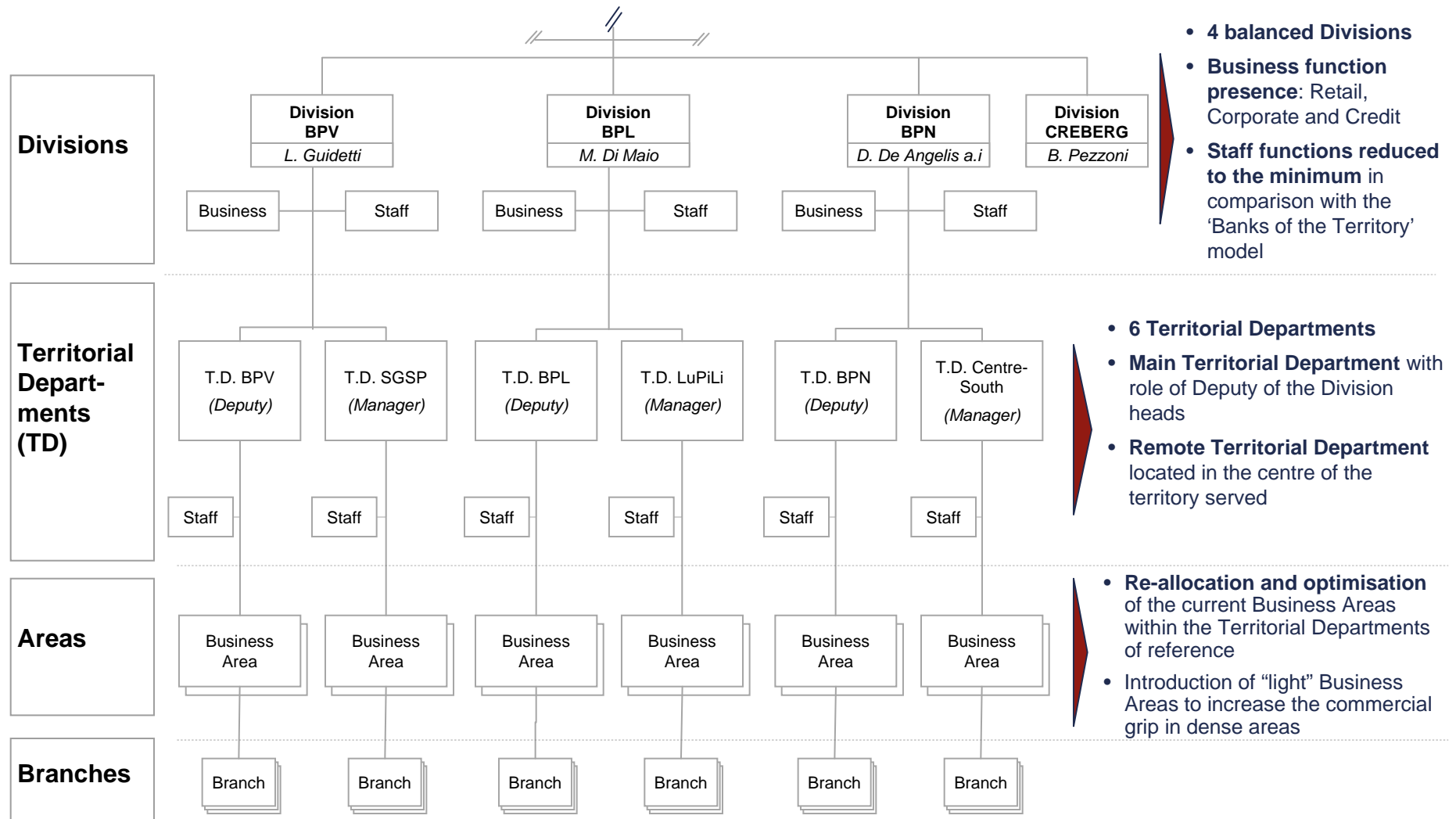


**Conservative interest rate** assumptions have been used in comparison with the more recent estimates made by macroeconomic analysts.

Source: Prometeia March 2011 and Euromonitor for the year 2015 only Source: Prometeia March 2011

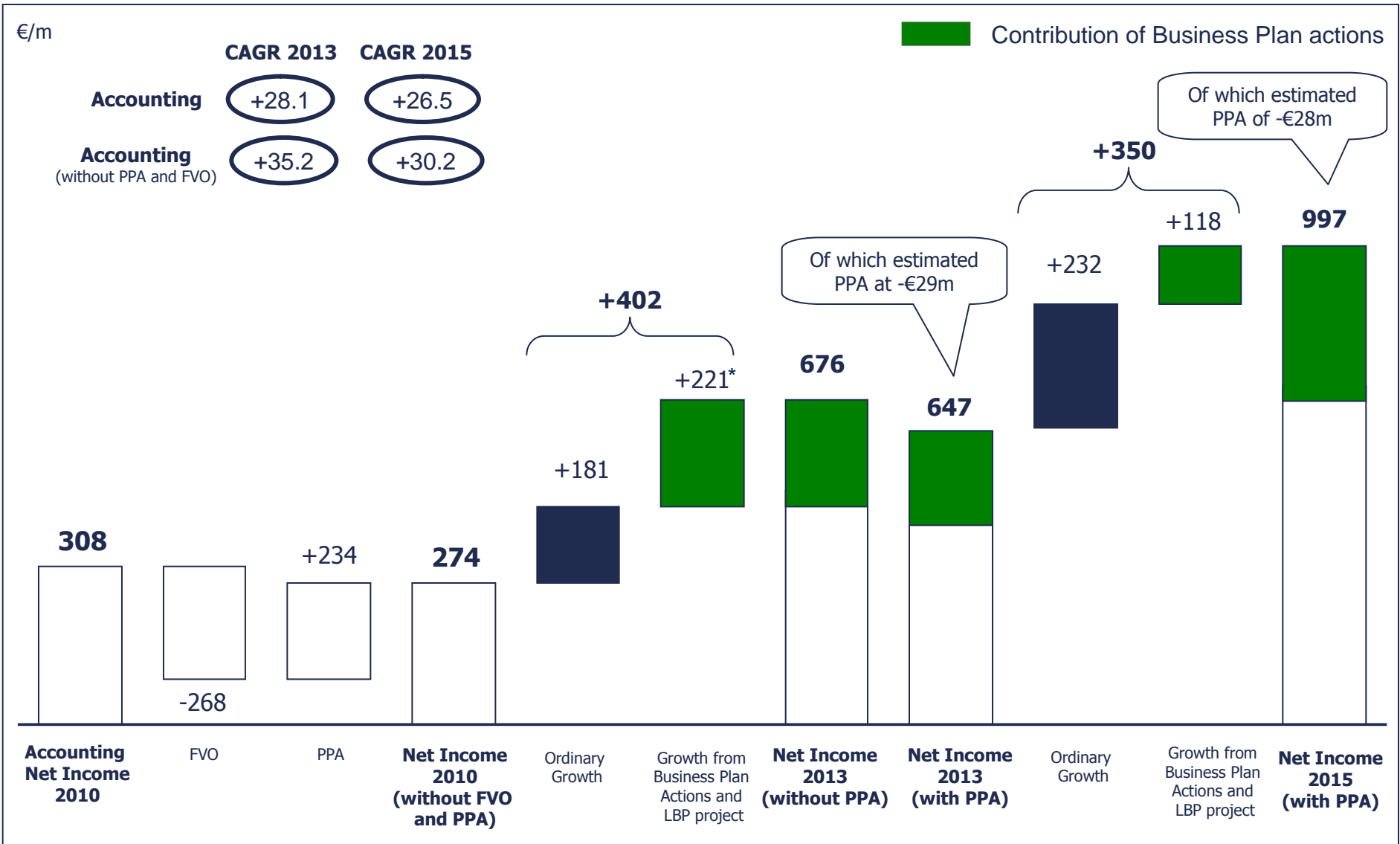
## Appendix

# Commercial structure with 4 layers and very light staff functions



## Appendix

# Net Income growth



\* Please refer to slide 34 for details.



# Projects for Efficiency

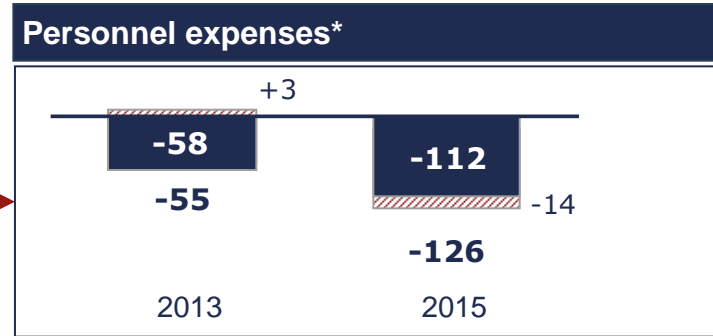
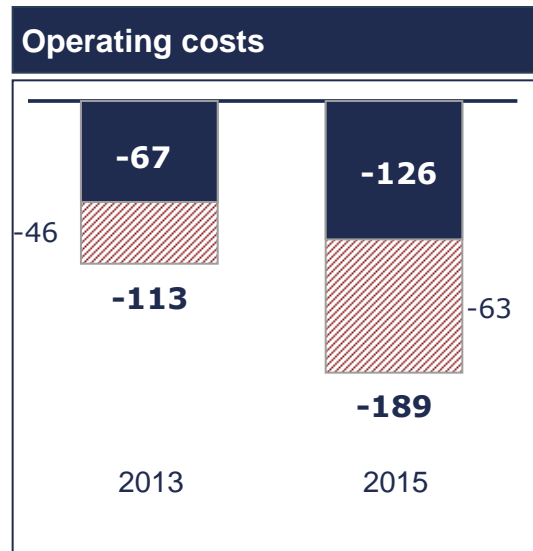
Projects	Actions
1 Simplification of the Group structure	<ul style="list-style-type: none"> <li>• Large Banca Popolare project and sale of 2 foreign Banks</li> </ul>
2 Territorial reorganisation	<ul style="list-style-type: none"> <li>• Removal of commercial overlapping among branches through the large Banca Popolare project</li> </ul>
3 Organisational simplification of the Holding and the Banks of the Territory/Territorial Divisions and operational simplification of the branches	<ul style="list-style-type: none"> <li>• A new Governance and a new territorial model for the release of resources and elimination of inefficiencies and duplication in activities</li> </ul>
4 Action focus on franchise structure	<ul style="list-style-type: none"> <li>• Transfer of 400 resources from areas of low attractiveness to attractive areas</li> </ul>
5 "One customer, One Bank"	<ul style="list-style-type: none"> <li>• Assignment to a single Bank of customers shared between different Banks</li> </ul>
6 Cost control actions	<ul style="list-style-type: none"> <li>• Cost savings on administrative expenses and infra-group VAT</li> </ul>
7 Real estate asset valorisation	<ul style="list-style-type: none"> <li>• Rationalisation of 50% of Italease non-core fixed assets by 2013</li> </ul>

**Target 2013: to release beyond 2,000 human resources to sustain customer base development and allow staff reduction**

# Operating Costs: impact of Business Plan projects

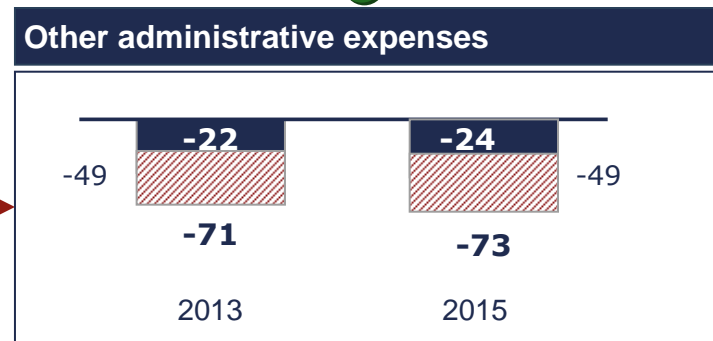
€/m

 Impact of the Large Banca Popolare



# Projects

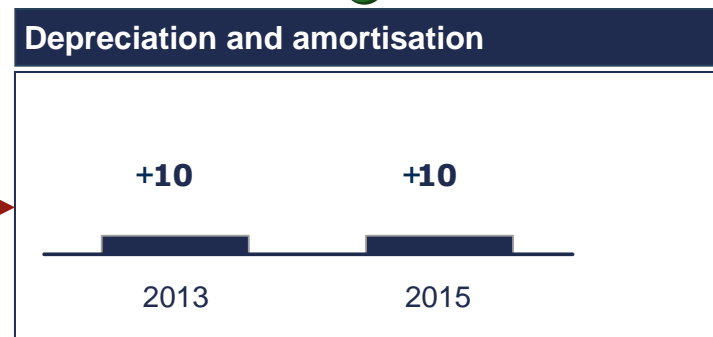
1-5



1

2

6



\* Data includes one-off costs (€6m in 2013 and €15m in 2015) related to the headcount reduction plan.

# Projects for Growth

## Projects

- 1 **Strengthening of the local network bank model:**
  - Return to the central role of the Branch
  - Change of the Retail-Corporate threshold from €2.5m to €5m of turnover

- 2 **Retail development:**
  - **New customer relationship managers**
  - Introduction of a **new organisational function** dedicated to business development
  - Identification of **branches for customer development and dedicated MBO**

- 3 **Corporate development thanks to client managers released by:**
  - New Retail-Corporate segmentation threshold
  - Elimination of multiple relations of clients with Group BoT/TDs

- 4 **New service models for:**
  - Small businesses and Agriculture
  - Affluent
  - Mid Corporate

- 5 **Synergies between Banca Aletti and Banks of the Territory/Territorial Divisions**

- 6 **New branches** in historical areas and areas of minor presence

## Actions

- Transfer from Corporate Customer Centres **to the branches of 15,000 Small Businesses** with up to €5m of turnover

- Introduction of 900 resources dedicated to the development of business with Small Businesses and Affluent customers
- Release of new **"Youbanking"** on-line channel

- **Banca Aletti cross-selling** for more than 2,000 Bank of the Territory/TD customers

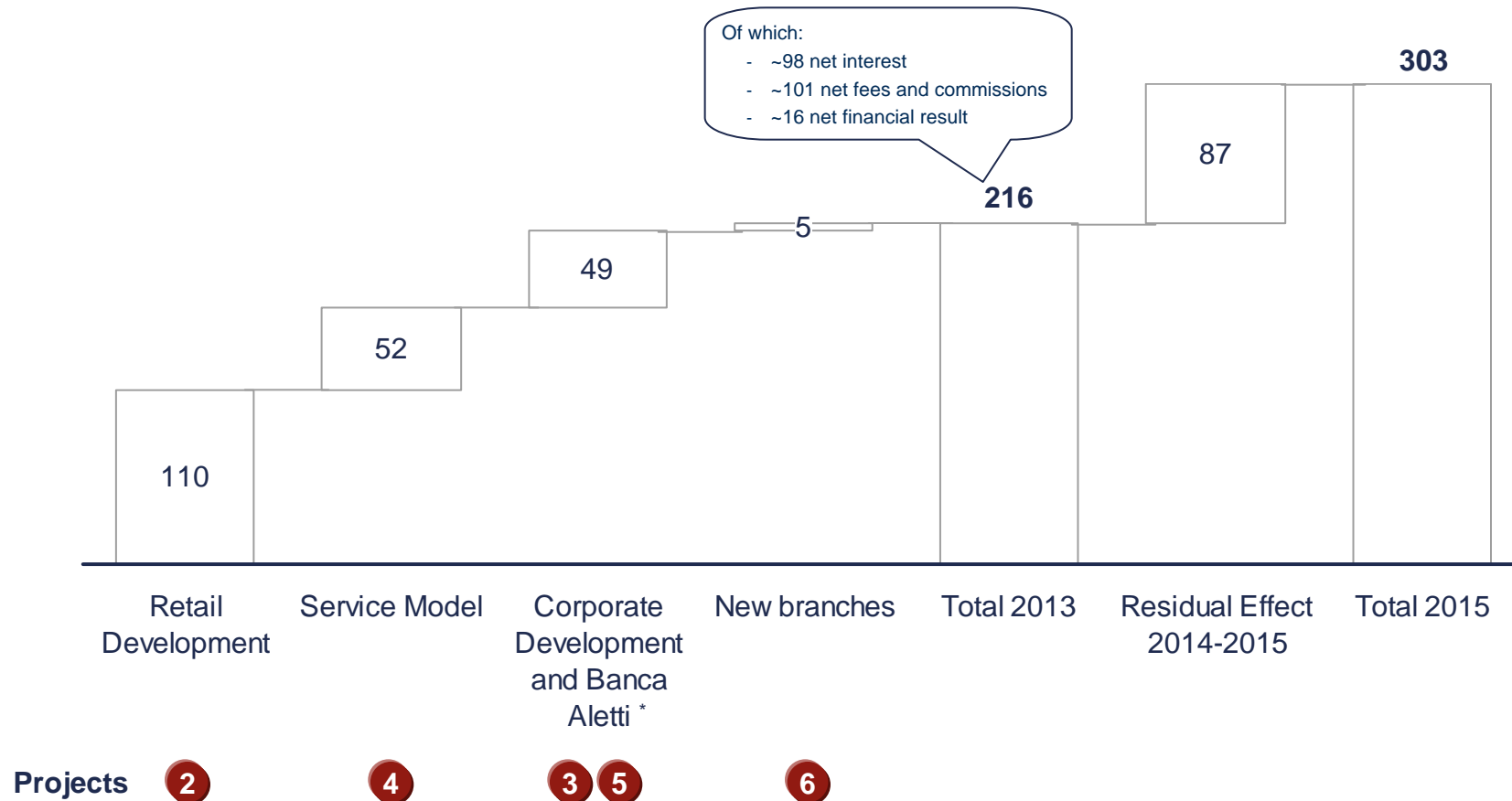
- Opening of **30 new branches**

**Target: 185k new customers in 3 years\***

\*To which about 65,000 from ordinary growth can be added.

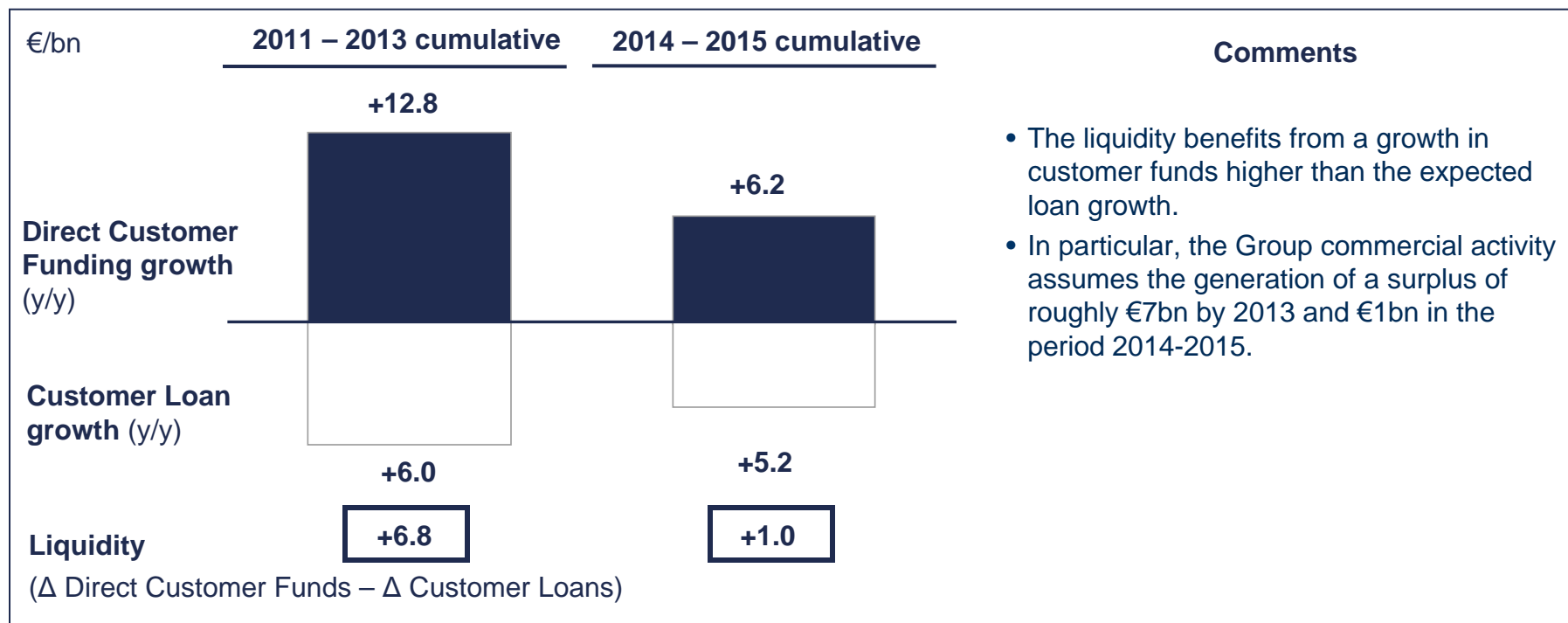
# Projects for Growth: summary of expected benefits

Impact on Total Income from Business Plan actions, 2013 vs. 2010, €/m



\*Includes the Net Financial Result generated by Banca Aletti as a result of increased production volumes of Business Plan actions

# Liquidity trend: growth thanks to commercial policy



## Key Liquidity ratios

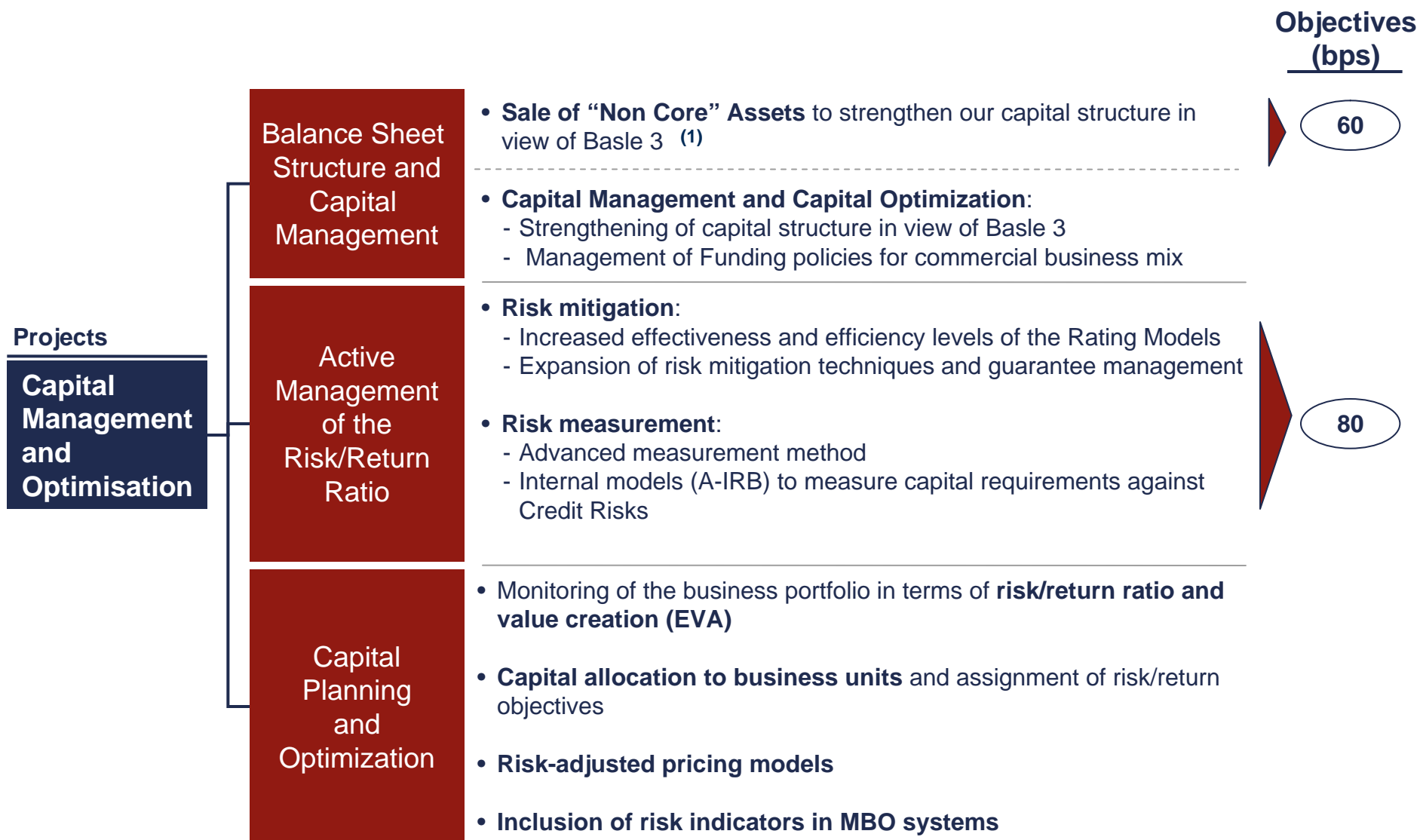
	2013	2015
<b>Loan/Deposit Ratio*</b>	85%	84%
<b>NSFR (in force from 2018)</b>	>100%	>100%
<b>LCR (in force from 2015)</b>	~100%	>100%

## Redemptions and issues on the wholesale market

- Institutional bond redemptions in 2011-2013 amount to €10.6bn (€9.5bn as at 31/05/2011)
- Issues already completed in Q1 2011: €4.1bn
- Institutional bond redemptions in the period 2014-2015 amount to €6.8bn

Note: \* 'Deposits' include the following liability items under the Bank of Italy accounting scheme: item 20 (Due to Customers), item 30 (Securities issued) and item 50 (Financial liabilities designated at fair value). The ratio is calculated, conservatively, using gross customer loans.

# Capital strengthening policies



(1) Includes positive impact of Agos Ducato (Business Plan presented to the market on 30 June 2011).

## Actions to contain credit risks

### Lending policy guidelines

- Portfolio reallocation based on the prospective risk level of the industry sectors, and corresponding adjustment of loan volumes, taking into account also the specific weight of each sector at single Commercial Bank (Banks of the Territory) level.
- Preventive focus on customers giving signs of possible loan impairment across the single industry sectors, by adopting methods based on trend analysis and macroeconomic forecasts.

### Monitoring of the performing loan portfolio

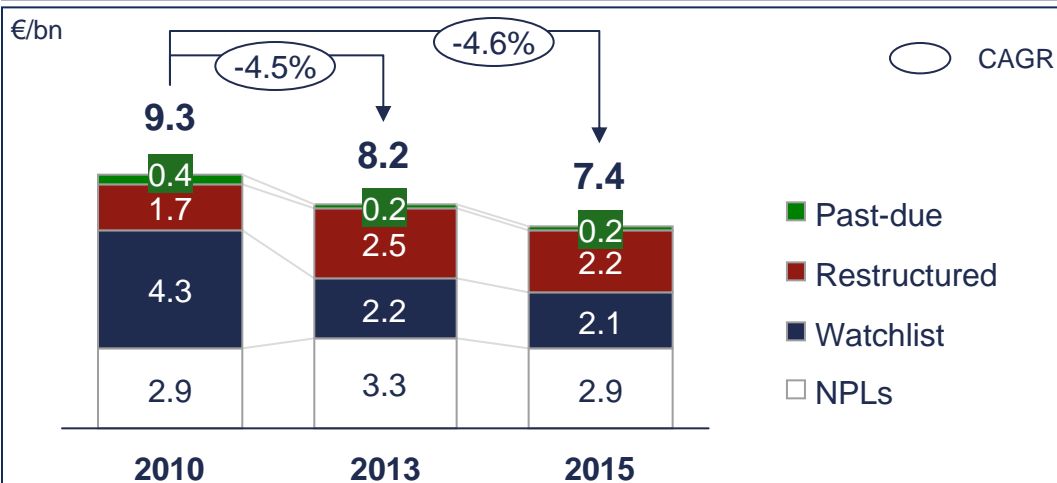
- The Management and Monitoring process was revised with respect to the performing loan portfolio, to Rationalise and simplify the existing tools and rules. In brief, the main actions were:
  - Revision of detection events and rules.
  - Revision and simplification of business classifications.
  - Rationalisation of the IT platform and of the management / monitoring processes, through a more efficient trend monitoring and management, focusing on counterparties evidencing signs of distress.
  - Revision and expansion of reporting and control for the Retail Banks (Banks of the Territory).

### Management of impaired loans

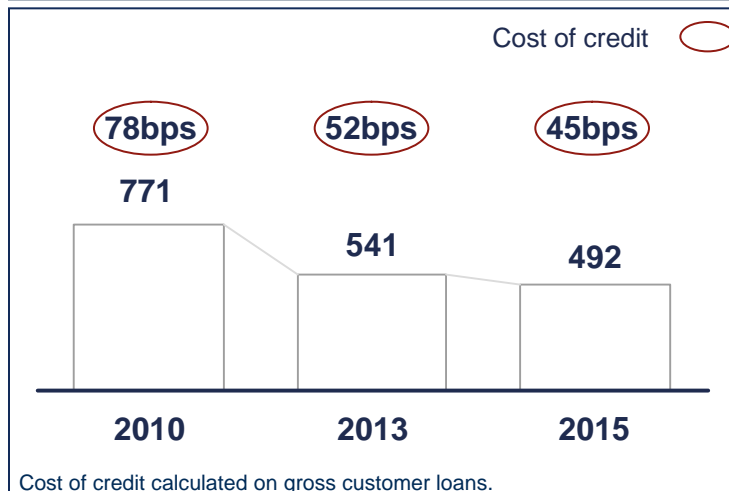
- Beefing up of the resources dedicated to this specific activity, which among other things entails a stronger involvement of Branch Managers and of local Account Managers.

## Focus on credit: Banco Popolare Group

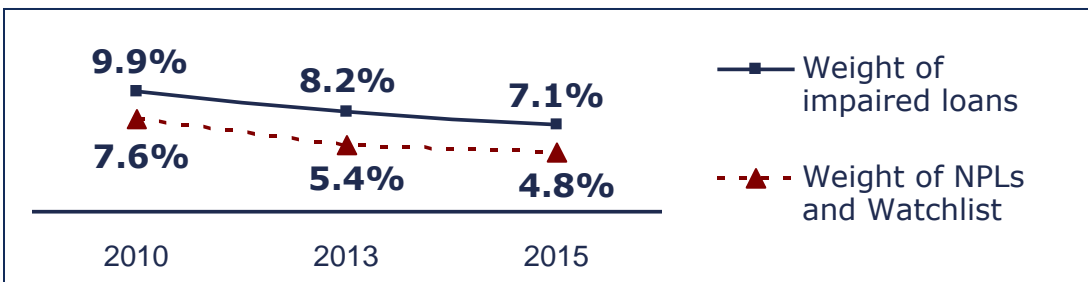
### Evolution of net impaired loans



### Loan Loss Provisions



### Evolution of net impaired loan to net customer loans ratio



### NPL coverage

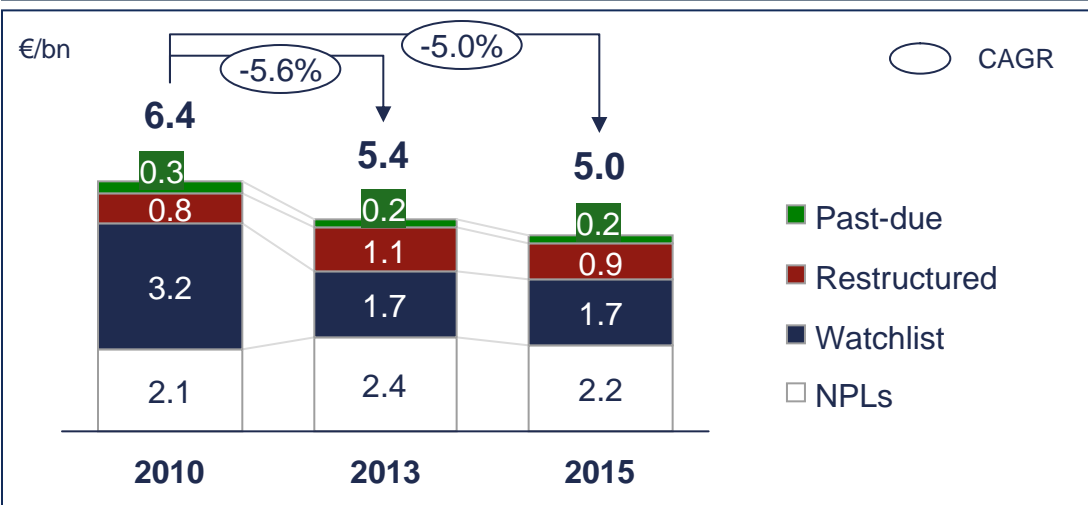
	2010	2013	2015
- Total (incl. real estate collateral only, i.e. no personal guarantees)	95.9%	98.7%	>100%
- Accounting (including write-offs)	59.5%	62.3%	62.9%

- **In 2013**, net NPLs grow at a CAGR of 3.9% versus 2010, while net Watchlist decrease by 20.8%.
- **In 2015**, net NPLs are expected in line with the 2010 level (CAGR: +0.0%), while net Watchlist loans decrease at a CAGR of 13.6%.

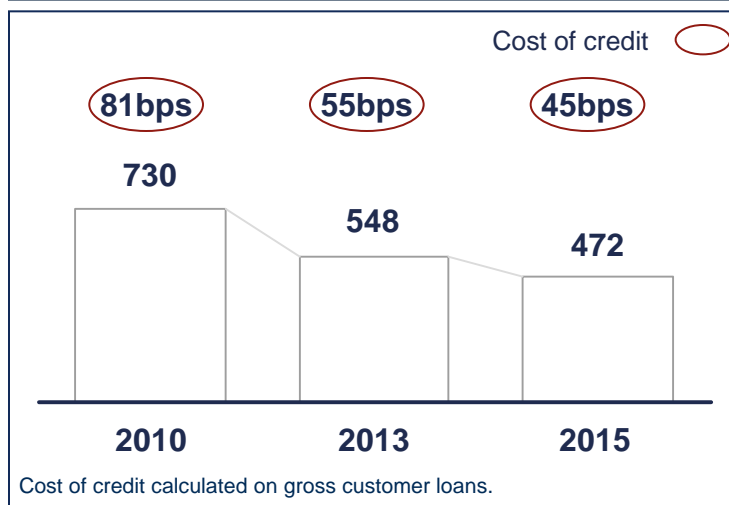


## Focus on credit: Banco Popolare standalone

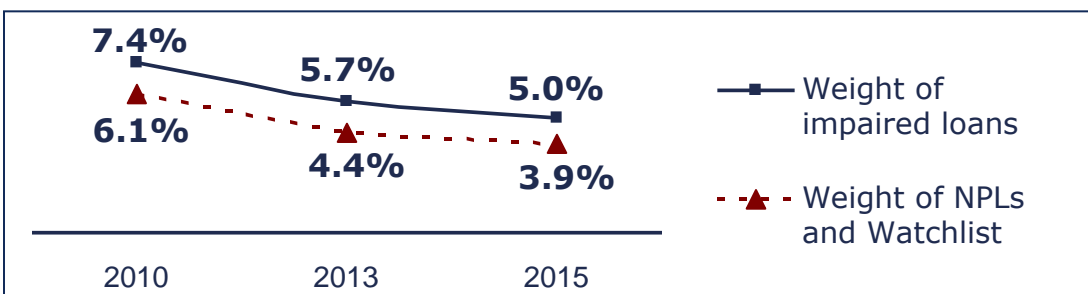
### Evolution of net impaired loans



### Loan Loss Provisions



### Evolution of net impaired loan to net customer loans ratio

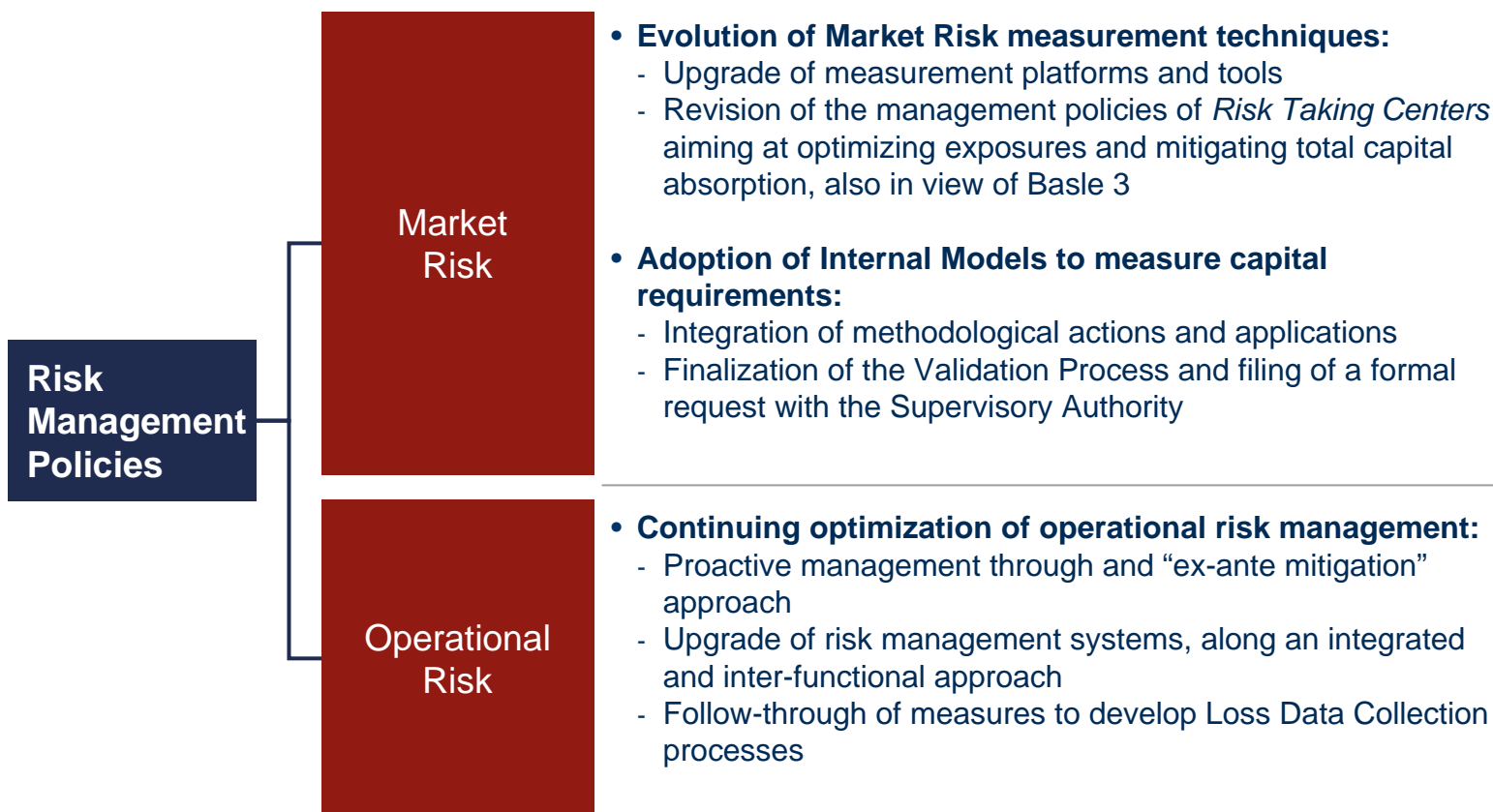


### NPLs coverage

	2010	2013	2015
- Total (incl. real estate collateral only, i.e. no personal guarantees)	92.0%	95.6%	>100%
- Accounting (including write-offs)	62.7%	66.6%	67.0%

- **In 2013**, net NPLs grow at a CAGR of 4.5% versus 2010, while net Watchlist decrease by 18.5%.
- **In 2015**, net NPLs are expected in line with the 2010 level (CAGR: +0.0%), while net Watchlist loans decrease at a CAGR of 11.4%.

# Market and Operational risk management policies



# Large Banca Popolare project: the implementation path

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- Extraordinary Shareholders' Meeting for statutory changes

November 2011

- Merger Act finalisation

by December 2011

- Completion of the roll out of the IT systems

June 2012

- 
- Effectiveness of fiscal and accounting impact

January 2011

# Appendix: Banco Popolare Group

## Consolidated income statement as at 30/06/2011: breakdown

Reclassified income statement - €/m	H1 2011		H1 2011			
	Banco Popolare Group (PPA line-by-line)		Banco Popolare (Standalone)	PPA ex-BPI	Italease	PPA Italease
Net interest income	886.2	916.4	(44.9)	37.3	(22.7)	+€14.6m
Profit (loss) on equity investments carried at equity	22.9	27.6		(4.7)		
<b>Net interest, dividend and similar income</b>	<b>909.1</b>	<b>944.0</b>	<b>(44.9)</b>	<b>32.6</b>	<b>(22.7)</b>	
Net commissions	653.9	651.1		2.8		
Other revenues	34.4	35.4	(18.8)	17.8		
Net financial income	287.3	290.9	(3.7)	4.2	(4.2)	
<b>Other operating income</b>	<b>975.6</b>	<b>977.4</b>	<b>(22.4)</b>	<b>24.9</b>	<b>(4.2)</b>	
<b>Total income</b>	<b>1,884.7</b>	<b>1,921.4</b>	<b>(67.4)</b>	<b>57.5</b>	<b>(26.8)</b>	
Personnel expenses	(755.3)	(742.0)		(13.3)		
Other administrative expenses	(377.3)	(353.8)		(23.6)		
Amortization and depreciation	(70.0)	(55.8)	(1.9)	(12.3)		
<b>Operating costs</b>	<b>(1,202.7)</b>	<b>(1,151.5)</b>	<b>(1.9)</b>	<b>(49.2)</b>	<b>-</b>	
<b>Profit from operations</b>	<b>682.0</b>	<b>769.9</b>	<b>(69.3)</b>	<b>8.3</b>	<b>(26.8)</b>	
Net write-downs on impairment of loans, guarantees and commitments	(399.9)	(349.8)		(50.2)		
Net write-downs on impairment of other financial transactions	(27.1)	(27.5)		0.4		
Net provisions for risks and charges	(2.3)	1.8	0.0	(4.1)		
Impairment of goodwill and equity investments	-	-		-		
Profit (loss) on disposal of equity and other investments	62.7	54.5	(6.7)	14.9		
<b>Income before tax from continuing operations</b>	<b>315.4</b>	<b>449.0</b>	<b>(76.0)</b>	<b>(30.7)</b>	<b>(26.8)</b>	
Tax on income from continuing operations	(138.0)	(167.5)	20.7	0.2	8.5	
Income (Loss) after tax from non-current assets held for sale	22.0	22.0		-		
Minority interest	(8.0)	(10.8)	0.3	2.4	0.1	
<b>Net income for the period</b>	<b>191.4</b>	<b>292.7</b>	<b>(54.9)</b>	<b>(28.1)</b>	<b>(18.3)</b>	
				+€237.8m		
				-€46.4m		

## Appendix: Banco Popolare Group

# H1 2011 'normalized' consolidated income statement

Reclassified income statement - €/m	Accounting data	PPA (ex-BPI + BIL)	Accounting data excluding PPA	Fair Value Option	Capital gain on Government securities	Capital gain on ICBPI disposal and non-current assets held for sale	Severance Costs	Normalized Income statement excl. PPA
Net interest income	886.2	(67.6)	953.8					953.8
Profit (loss) on equity investments carried at equity	22.9		22.9					22.9
<b>Net interest, dividend and similar income</b>	<b>909.1</b>	<b>(67.6)</b>	<b>976.6</b>	-	-	-	-	<b>976.6</b>
Net commissions	653.9		653.9					653.9
Other revenues	34.4	(18.8)	53.2					53.2
Net financial income	287.3	(7.8)	295.1	38.6	23.1			233.4
<b>Other operating income</b>	<b>975.6</b>	<b>(26.6)</b>	<b>1,002.2</b>	<b>38.6</b>	<b>23.1</b>	-	-	<b>940.5</b>
<b>Total income</b>	<b>1,884.7</b>	<b>(94.2)</b>	<b>1,978.9</b>	<b>38.6</b>	<b>23.1</b>	-	-	<b>1,917.1</b>
Personnel expenses	(755.3)		(755.3)				(6.6)	(748.7)
Other administrative expenses	(377.3)		(377.3)					(377.3)
Amortization and depreciation	(70.0)	(1.9)	(68.1)					(68.1)
<b>Operating costs</b>	<b>(1,202.7)</b>	<b>(1.9)</b>	<b>(1,200.8)</b>	-	-	-	<b>(6.6)</b>	<b>(1,194.1)</b>
<b>Profit from operations</b>	<b>682.0</b>	<b>(96.1)</b>	<b>778.1</b>	<b>38.6</b>	<b>23.1</b>	-	<b>(6.6)</b>	<b>723.0</b>
Net write-downs on impairment of loans, guarantees and commitment	(399.9)		(399.9)					(399.9)
Net write-downs on impairment of other financial transactions	(27.1)		(27.1)		(15.3)			(11.8)
Net provisions for risks and charges	(2.3)	0.0	(2.3)					(2.3)
Impairment of goodwill and equity investments	-		-					-
Profit (loss) on disposal of equity and other investments	62.7	(6.7)	69.4			47.2		22.3
<b>Income before tax from continuing operations</b>	<b>315.4</b>	<b>(102.8)</b>	<b>418.2</b>	<b>38.6</b>	<b>7.8</b>	<b>47.2</b>	<b>(6.6)</b>	<b>331.3</b>
Tax on income from continuing operations	(138.0)	29.2	(167.3)	(15.9)	(2.6)	(0.6)	1.8	(149.9)
Income (Loss) after tax from non-current assets held for sale	22.0		22.0			22.0		-
Minority interest	(8.0)	0.5	(8.4)					(8.4)
<b>Net income for the period</b>	<b>191.4</b>	<b>(73.1)</b>	<b>264.5</b>	<b>22.7</b>	<b>5.2</b>	<b>68.5</b>	<b>(4.8)</b>	<b>172.9</b>

▪ On an annual basis, the PPA impact is expected to decrease to about -€127m (of which -€35m Italease) in 2011, -€48m (of which -€15m Italease) in 2012 and -€28m (of which -€8m Italease) in 2013.

## Appendix: Banco Popolare Group

# Consolidated income statement as at 30/06/2011: annual change

Reclassified income statement - €/m	INCLUDING PPA line-by-line			EXCLUDING PPA line-by-line		
	H1 2011	H1 2010	% Chg.	H1 2011	H1 2010	% Chg.
Net interest income	886.2	923.6	(4.1%)	953.8	1,048.3	(9.0%)
Profit (loss) on equity investments carried at equity	22.9	21.2	7.9%	22.9	21.2	7.9%
<b>Net interest, dividend and similar income</b>	<b>909.1</b>	<b>944.8</b>	<b>(3.8%)</b>	<b>976.6</b>	<b>1,069.5</b>	<b>(8.7%)</b>
Net commissions	653.9	642.5	1.8%	653.9	642.5	1.8%
Other revenues	34.4	29.9	n.s.	53.2	49.9	n.s.
Net financial income	287.3	276.0	4.1%	295.1	279.7	5.5%
<b>Other operating income</b>	<b>975.6</b>	<b>948.4</b>	<b>2.9%</b>	<b>1,002.2</b>	<b>972.1</b>	<b>3.1%</b>
<b>Total income</b>	<b>1,884.7</b>	<b>1,893.2</b>	<b>(0.5%)</b>	<b>1,978.9</b>	<b>2,041.5</b>	<b>(3.1%)</b>
Personnel expenses	(755.3)	(744.5)	1.5%	(755.3)	(744.5)	1.5%
Other administrative expenses	(377.3)	(386.7)	(2.4%)	(377.3)	(386.7)	(2.4%)
Amortization and depreciation	(70.0)	(62.2)	12.6%	(68.1)	(60.2)	13.3%
<b>Operating costs</b>	<b>(1,202.7)</b>	<b>(1,193.4)</b>	<b>0.8%</b>	<b>(1,200.8)</b>	<b>(1,191.4)</b>	<b>0.8%</b>
<b>Profit from operations</b>	<b>682.0</b>	<b>699.8</b>	<b>(2.5%)</b>	<b>778.1</b>	<b>850.2</b>	<b>(8.5%)</b>
Net write-downs on impairment of loans, guarantees and commitment	(399.9)	(386.6)	3.4%	(399.9)	(386.6)	3.4%
Net write-downs on impairment of other financial transactions	(27.1)	(26.9)	0.7%	(27.1)	(26.9)	0.7%
Net provisions for risks and charges	(2.3)	(22.6)	(90.0%)	(2.3)	(22.6)	(90.0%)
Impairment of goodwill and equity investments	-	(1.0)	(100.0%)	-	(1.0)	(100.0%)
Profit (loss) on disposal of equity and other investments	62.7	12.3	n.s.	69.4	45.7	51.8%
<b>Income before tax from continuing operations</b>	<b>315.4</b>	<b>275.0</b>	<b>14.7%</b>	<b>418.2</b>	<b>458.8</b>	<b>(8.8%)</b>
Tax on income from continuing operations	(138.0)	144.5	(195.5%)	(167.3)	85.8	(294.9%)
Income (Loss) after tax from non-current assets held for sale	22.0	23.3	(5.7%)	22.0	27.3	(19.4%)
Minority interest	(8.0)	(5.9)	34.8%	(8.4)	(12.5)	(32.5%)
<b>Net income for the period excluding PPA</b>				<b>264.5</b>	<b>559.5</b>	<b>(52.7%)</b>
PPA impact after tax				(73.1)	(122.5)	(40.3%)
<b>Net income for the period including PPA</b>	<b>191.4</b>	<b>436.9</b>	<b>(56.2%)</b>	<b>191.4</b>	<b>436.9</b>	<b>(56.2%)</b>

Of which PPA ex-BPI: -€54.9m  
Of which PPA Italease: -€18.2m

## Appendix: Banco Popolare Group

# Consolidated income statement as at 30/06/2011: quarterly change

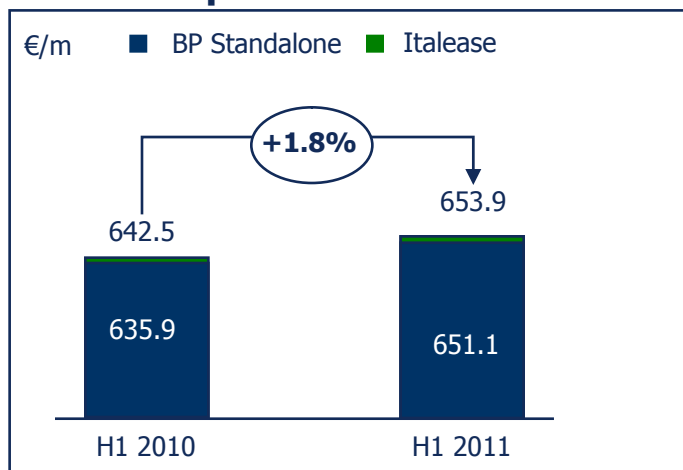
Reclassified income statement - €/m	INCLUDING PPA line-by-line			EXCLUDING PPA line-by-line		
	Q2 2011	Q1 2011	% Chg.	Q2 2011	Q1 2011	% Chg.
Net interest income	441.7	444.4	(0.6%)	475.0	478.8	(0.8%)
Profit (loss) on equity investments carried at equity	13.9	9.0	53.8%	13.9	9.0	53.8%
<b>Net interest, dividend and similar income</b>	<b>455.6</b>	<b>453.5</b>	<b>0.5%</b>	<b>488.9</b>	<b>487.8</b>	<b>0.2%</b>
Net commissions	320.2	333.7	(4.1%)	320.2	333.7	(4.1%)
Other revenues	25.8	8.7	197.2%	35.2	18.1	94.7%
Net financial income	220.0	67.3	226.9%	221.9	73.2	203.0%
<b>Other operating income</b>	<b>565.9</b>	<b>409.7</b>	<b>38.1%</b>	<b>577.2</b>	<b>425.0</b>	<b>35.8%</b>
<b>Total income</b>	<b>1,021.5</b>	<b>863.1</b>	<b>18.4%</b>	<b>1,066.1</b>	<b>912.8</b>	<b>16.8%</b>
Personnel expenses	(378.7)	(376.6)	0.5%	(378.7)	(376.6)	0.5%
Other administrative expenses	(188.5)	(188.9)	(0.2%)	(188.5)	(188.9)	(0.2%)
Amortization and depreciation	(38.0)	(32.0)	18.8%	(37.1)	(31.0)	19.4%
<b>Operating costs</b>	<b>(605.2)</b>	<b>(597.5)</b>	<b>1.3%</b>	<b>(604.2)</b>	<b>(596.5)</b>	<b>1.3%</b>
<b>Profit from operations</b>	<b>416.3</b>	<b>265.7</b>	<b>56.7%</b>	<b>461.8</b>	<b>316.3</b>	<b>46.0%</b>
Net write-downs on impairment of loans, guarantees and commitment	(192.7)	(207.2)	(7.0%)	(192.7)	(207.2)	(7.0%)
Net write-downs on impairment of other financial transactions	(25.5)	(1.6)	1512.4%	(25.5)	(1.6)	n.s.
Net provisions for risks and charges	(7.7)	5.4	(241.7%)	(7.7)	5.4	n.s.
Profit (loss) on disposal of equity and other investments	14.9	47.8	(68.9%)	15.7	53.7	(70.8%)
<b>Income before tax from continuing operations</b>	<b>205.3</b>	<b>110.1</b>	<b>n.s.</b>	<b>251.6</b>	<b>166.6</b>	<b>51.0%</b>
Tax on income from continuing operations	(88.5)	(49.6)	78.6%	(99.7)	(67.6)	47.5%
Income (Loss) after tax from non-current assets held for sale	16.4	5.6	193.6%	16.4	5.6	193.6%
Minority interest	(1.9)	(6.1)	(69.0%)	(2.1)	(6.3)	(66.6%)
<b>Net income for the period excluding PPA</b>				<b>166.2</b>	<b>98.3</b>	<b>69.1%</b>
PPA impact after tax				(34.9)	(38.3)	(8.9%)
<b>Net income for the period including PPA</b>	<b>131.4</b>	<b>60.0</b>	<b>n.s.</b>	<b>131.4</b>	<b>60.0</b>	<b>118.8%</b>

Of which PPA ex-BPI: -€25.6  
Of which PPA Italease: -€9.3

## Appendix: Banco Popolare Group

# Net commissions

### Group Net commissions

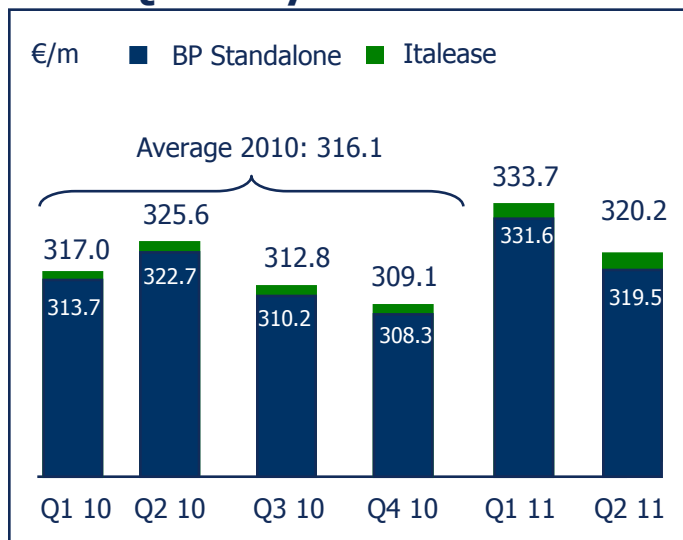


### Analysis of Net commissions

€/m

	H1 2011 (Group)	of which: BP Standalone	H1 2010 (Group)	of which: BP Standalone	% chg. (Group)	% chg. (Standalone)
Mgmt. brokerage and advisory serv.	303.8	303.7	302.3	302.4	0.5%	0.4%
Management of c/a and cust. relations	223.0	222.7	213.3	213.3	4.5%	4.4%
Payment and collection services	62.5	62.8	55.2	55.5	13.4%	13.2%
Guarantees given	30.2	30.6	30.3	30.8	-0.4%	-0.6%
Other services	34.4	31.2	41.4	33.9	-17.0%	-7.9%
<b>Total</b>	<b>653.9</b>	<b>651.1</b>	<b>642.5</b>	<b>635.9</b>	<b>1.8%</b>	<b>2.4%</b>

### Quarterly evolution



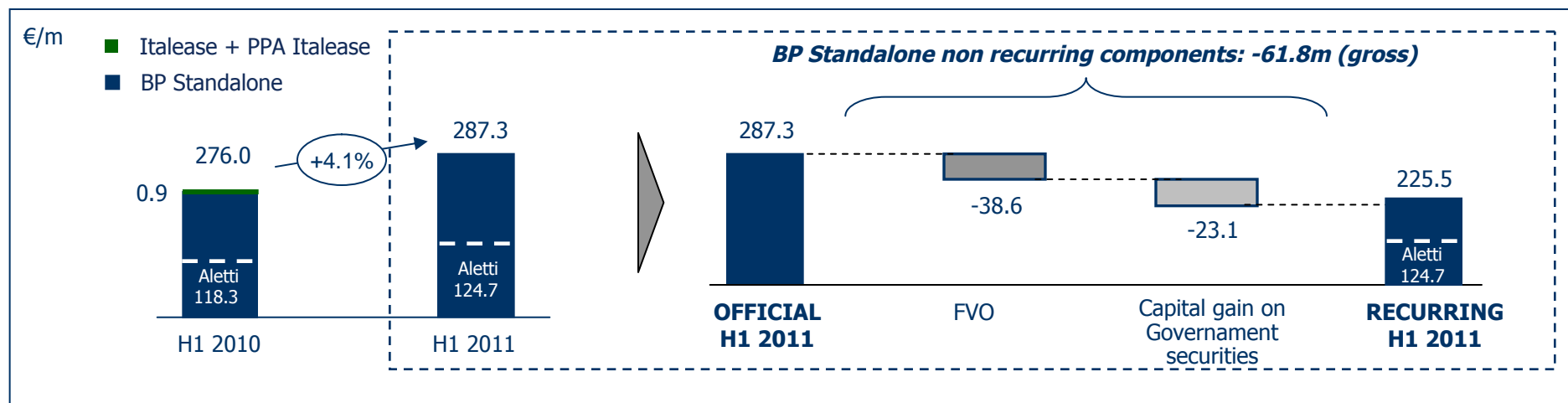
### Composition of 'Management, brokerage and advisory services'

	H1 2011	H1 2010	% Chg.
Placement of savings products:	216.3	207.8	4.1%
- Securities sale and distribution	46.2	44.9	210.4%
- Asset management	67.9	73.6	-7.8%
- Bancassurance	102.2	119.3	-14.4%
Consumer credit	24.0	32.2	-25.5%
Credit cards and other	23.7	20.1	17.9%
Custodian banking services	6.3	7.6	-17.0%
Trading activities of branch customers	26.9	25.3	6.7%
Foreign currency activity of branch customers	4.7	8.9	-47.3%
Other	1.9	0.5	322.3%
<b>Total</b>	<b>303.8</b>	<b>302.3</b>	<b>0.5%</b>

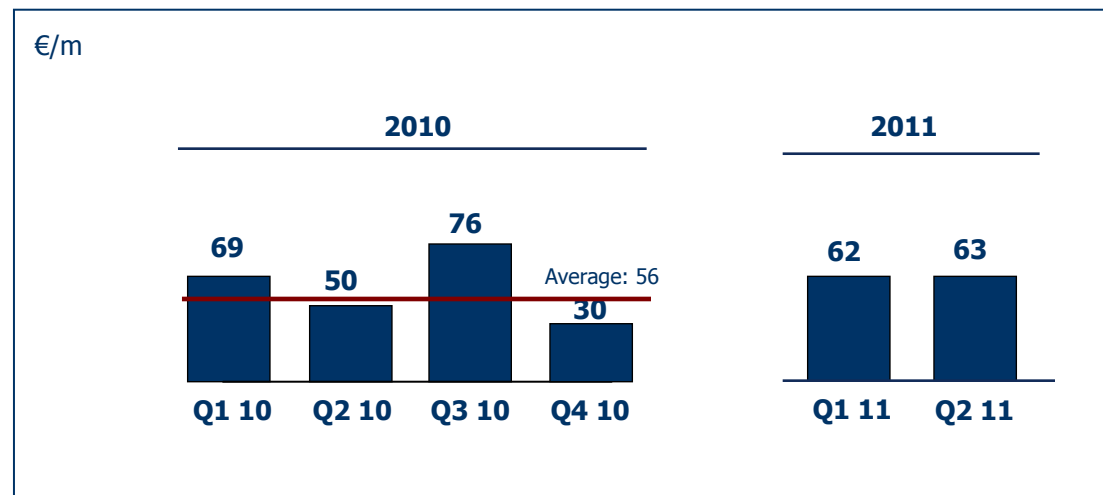


# Appendix: Banco Popolare Group Net Financial Result

## Group Net Financial Result



## Banca Aletti contribution to Net Financial Result



## Comments

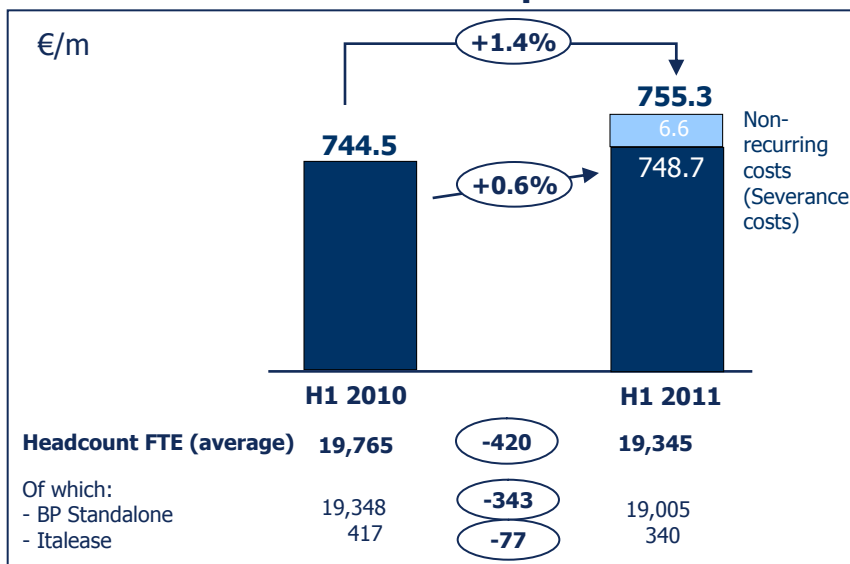
- The NFR reached €287.3m in the first half of 2011. Excluding +€61.8m of non-recurring items, it amounted to +€225.5m.
- The contribution of Banca Aletti to the NFR<sup>(i)</sup> remains stable in the second quarter of 2011, equal to €63m (vs. €62m in Q1 2011), and higher than the quarterly average in 2010 of €56m.

(i) Contribution mainly related to the structuring of investment products sold to clients through the Group's retail branch network; includes structured bonds, certificates, policies, capital-guaranteed, absolute return products, etc.

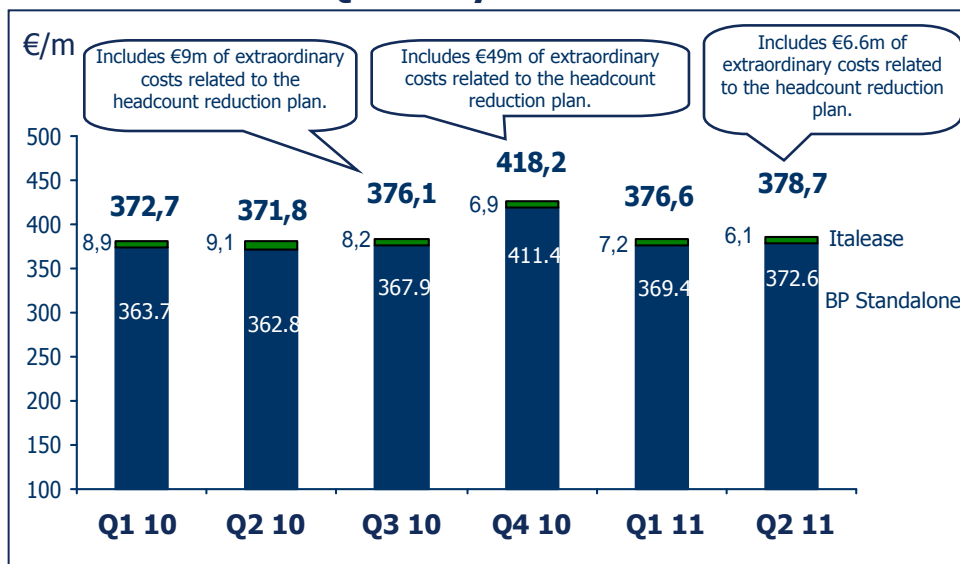
# Appendix: Banco Popolare Group

## Operating costs: personnel expenses

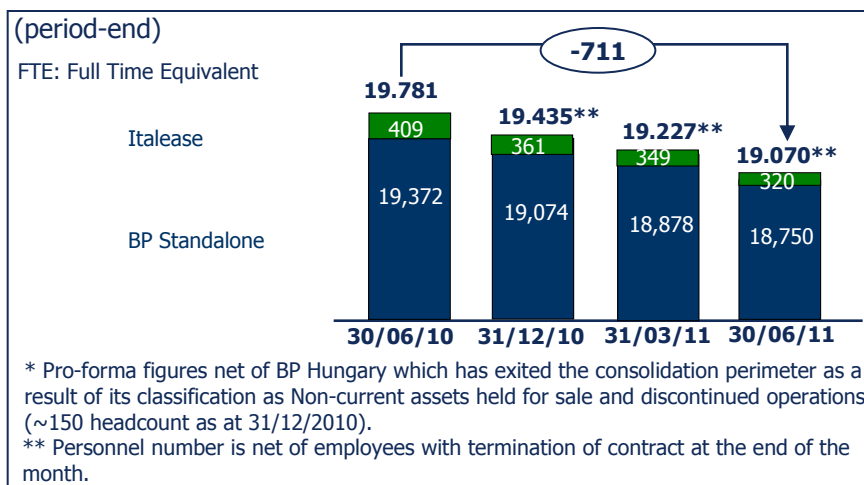
### Personnel expenses



### Quarterly evolution



### FTE employees\*



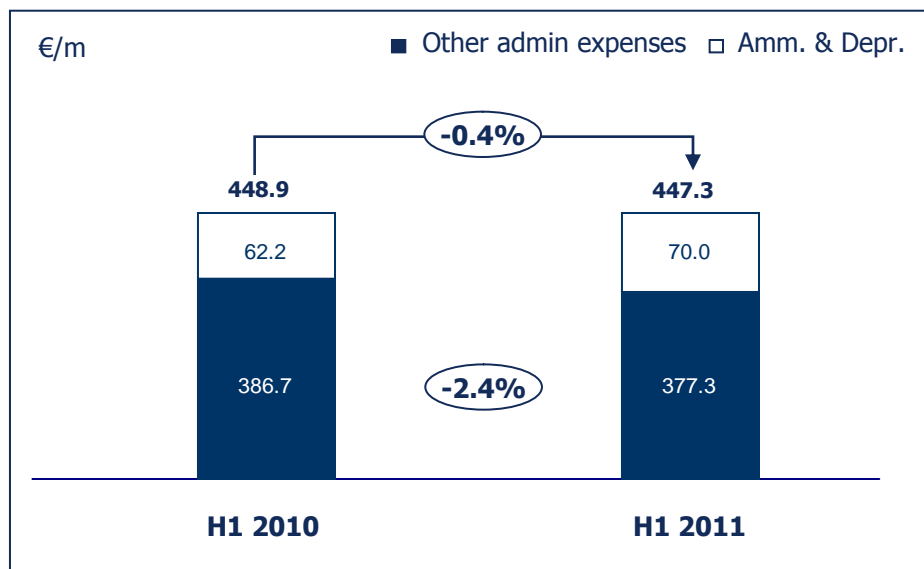
### Comments

- The first half of 2011 includes €6.6m of non-recurring costs related to the headcount reduction plan.
- Furthermore, H1 2011 includes costs related to increases of the National Labour Contract expected to amount to about €30m for the full year 2011.
- Group FTE: the average number is down by 420 employees, whilst the period-end data register a decrease of 711 FTE, net of 139 employees who exited with effects from 01/07/2011.

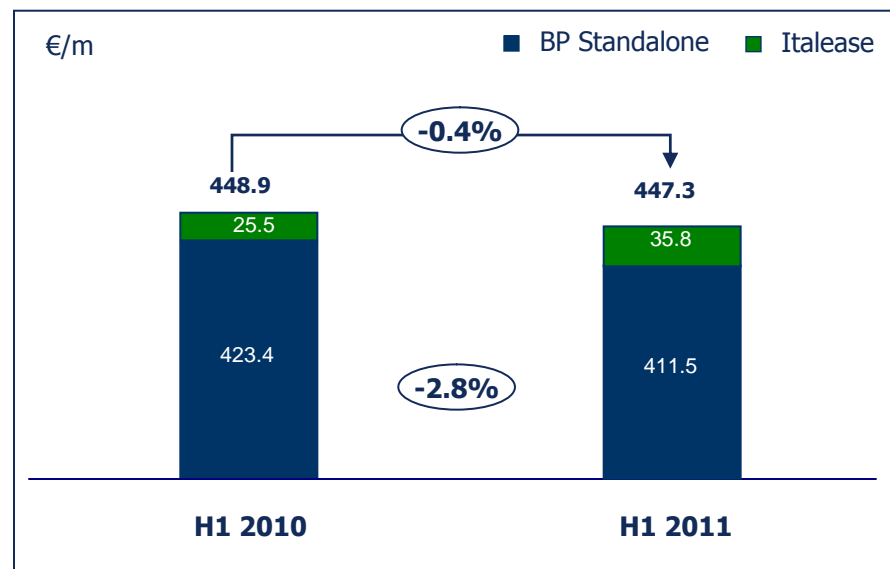
## Appendix: Banco Popolare Group

# Operating costs: non-personnel expenses

**Total non-personnel expenses:  
analysis by category**



**Total non-personnel expenses:  
Standalone and Italease**



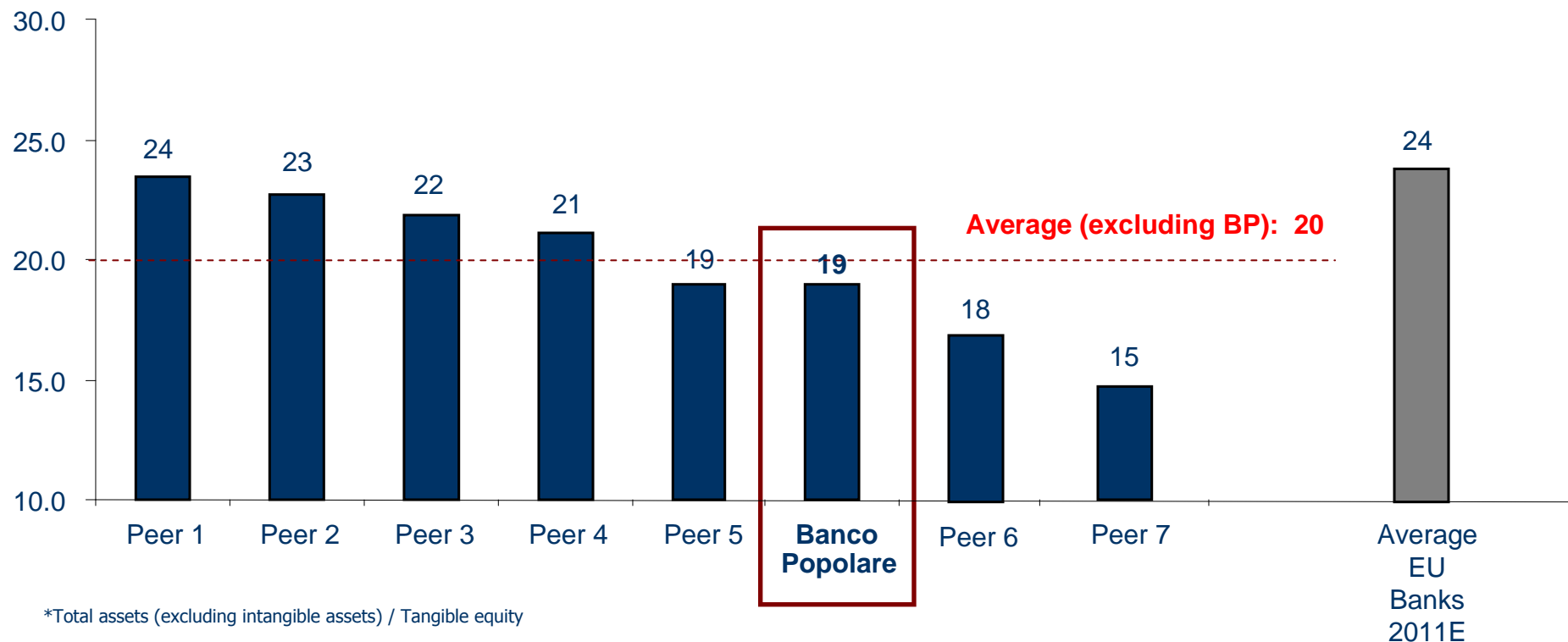
### Comments:

- Cost reduction is progressing at Group level (-0.4%), with a drop of 2.4% y/y of Other administrative expenses.
- For the Standalone perimeter, total costs decrease 2.8% y/y (from €423.4m to €411.5m), in particular due to lower rental costs and lower operating expenses related to real estate assets/branches.
- At Italease level, costs increase by €10.3m mainly for extraordinary items, due in particular to legal fees and due to higher amortization of repossessed real estate assets.

## Appendix

# Leverage ratio: benchmark with other Italian banks

Tangible total assets/Tangible book value\*



**The Group enjoys a low leverage level and, moreover, is not exposed to so-called 'toxic assets'.**

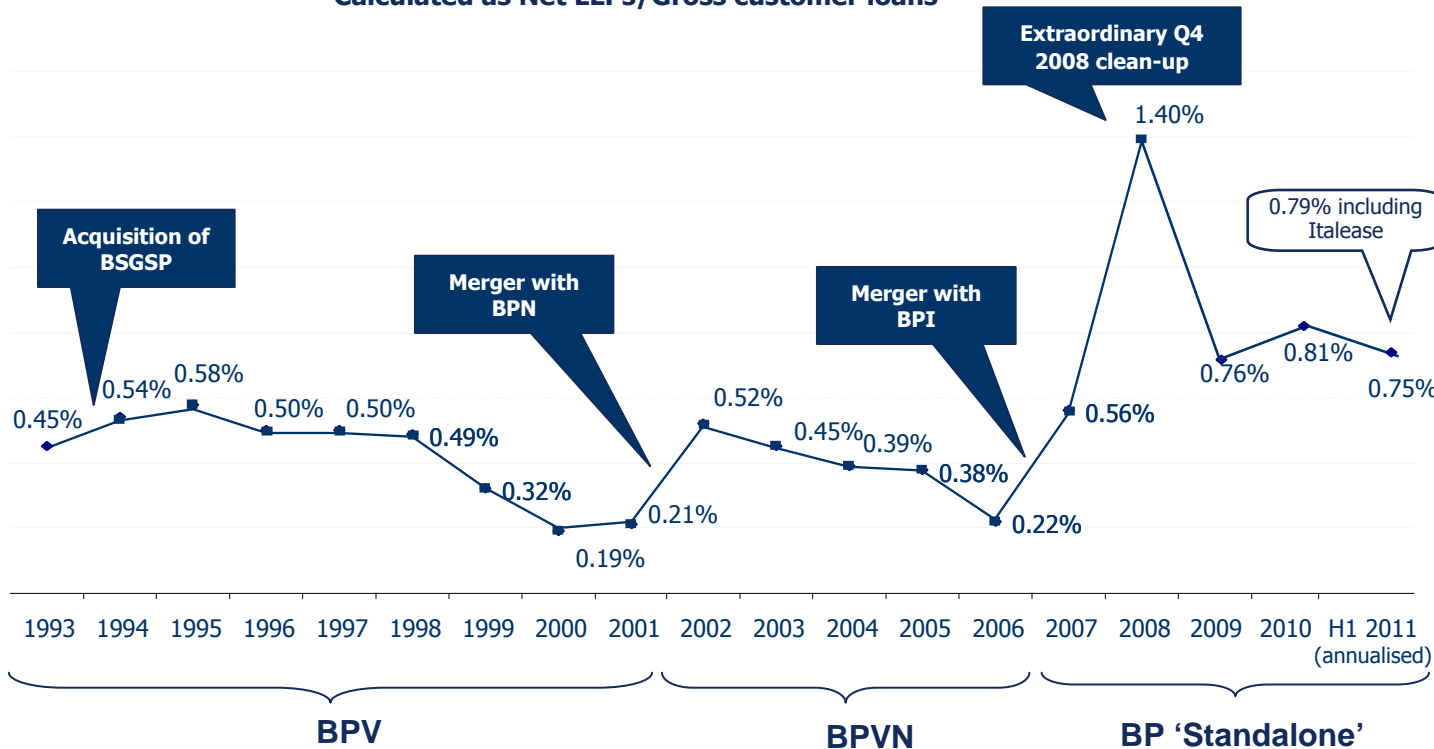
### Notes:

- Source: H1 2011 Reports. Data includes the right issues approved but not yet completed as at 30/06/2011.
- Peer list includes: ISP, UCG, UBI, MPS, BPM, BPER and Carige.

# Appendix: Banco Popolare Group

## Historic cost of credit risk: evolution

**Stated cost of credit risk**  
Calculated as Net LLPs/Gross customer loans



### Comments:

- 2010 cost of credit risk still above the historic average, reflecting the weak economic environment and stringent credit risk management criteria.
- A stable result is expected in 2011, while for 2012 the cost is expected to decrease, with a further drop expected in 2013.

Notes: Calculation based on Annual Reports.

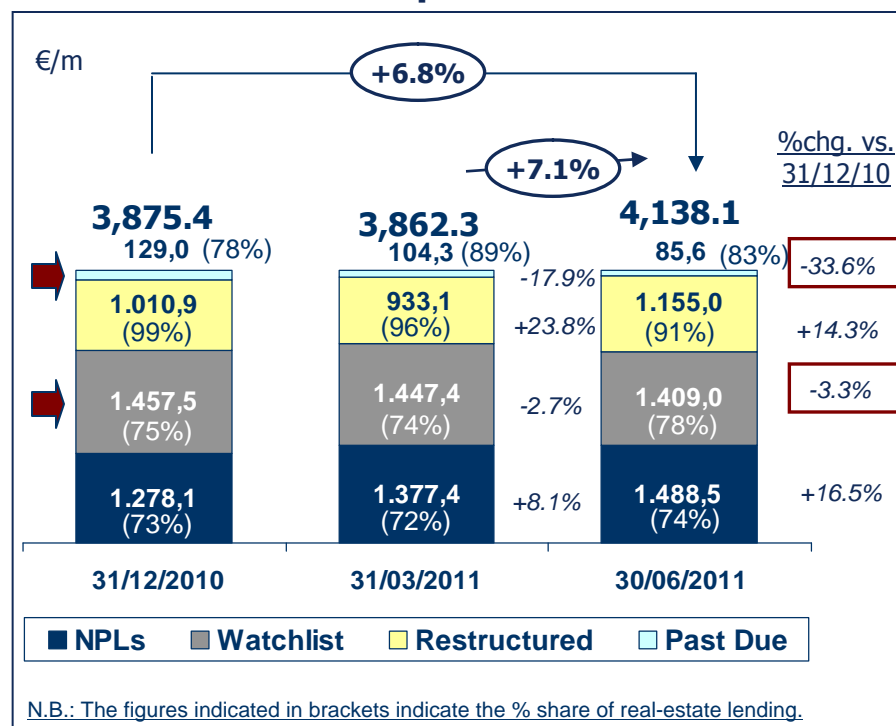
2006-2007 figures based on IAS, previous years on Italian Gaap; 2006-2007 and 2008 excluding time factor, with 2006 including disposal of NPLs.

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

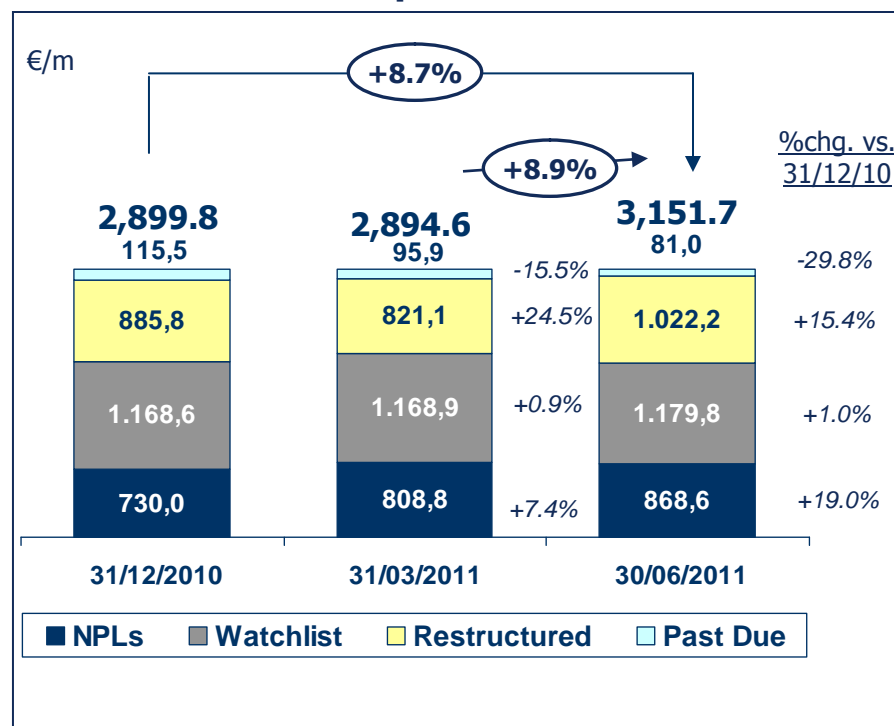
## Appendix: Italease

# Italease: consolidated impaired loans

### Gross impaired loans



### Net impaired loans



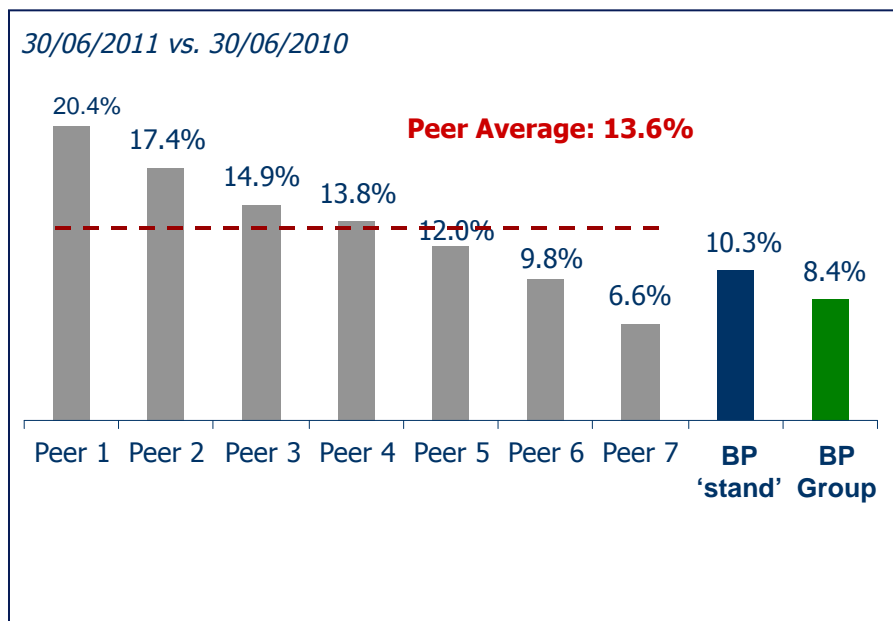
## Comments:

- The weight of real estate (highly collateralised) increases both in the NPL portfolio (to 74% in June 2011) and in Watchlist loans (to 78% in June 2011).
- The increase in the impaired loan portfolio in Q2 2011 is substantially due to a single position of €183m (of which: €132m in Release and €51m in "Residual" portfolio), which has already been restructured in August, and to another position of €23m (entirely in the "Residual" portfolio) which has entered into a bankruptcy procedure providing for the total repayment of the preferred creditors (such as Banco Popolare).

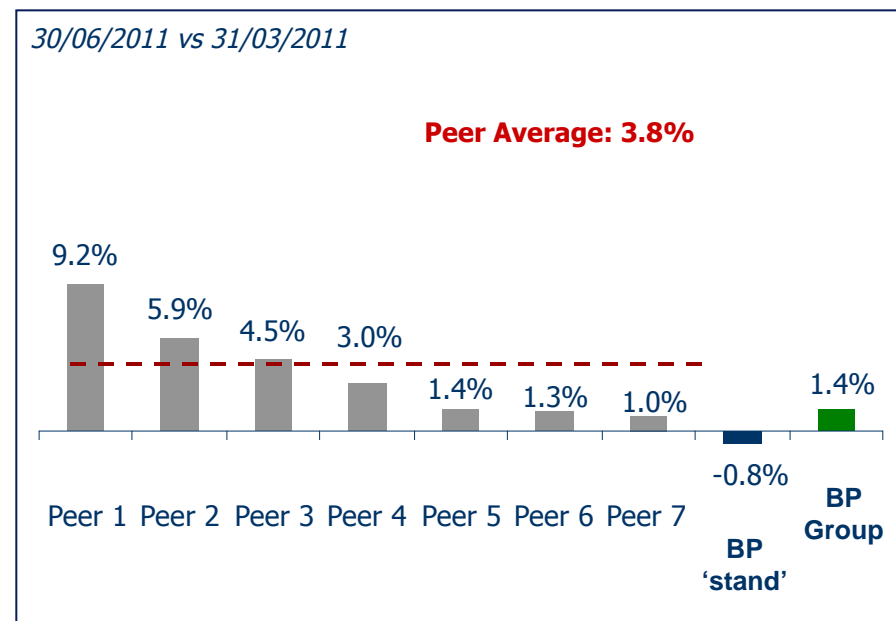
## Appendix: Banco Popolare Group & 'standalone'

# Asset quality: trend in gross impaired loans

### Yearly trend in gross impaired loans vs. domestic peers<sup>(i)</sup>



### Quarterly trend in gross impaired loans vs. domestic peers<sup>(i)</sup>

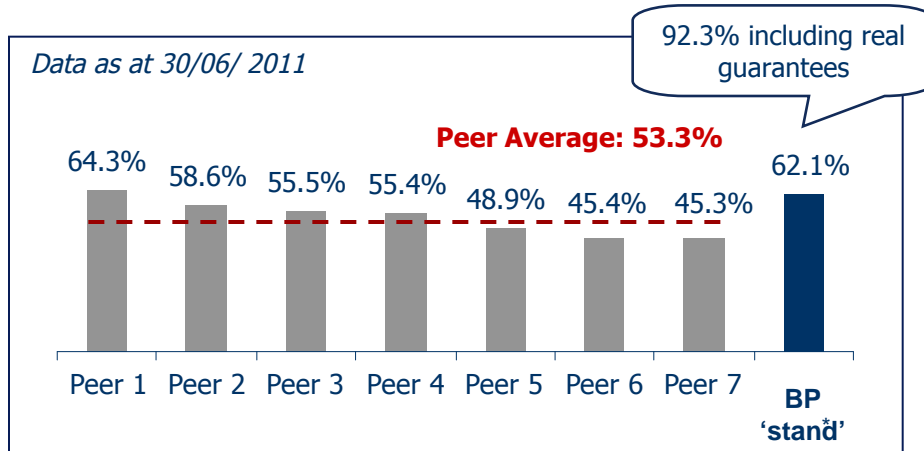


(i) Peers include ISP, UCG, MPS, UBI, BPER, BPM and Carige. Data based on latest reported figures as at 30/06/2011.

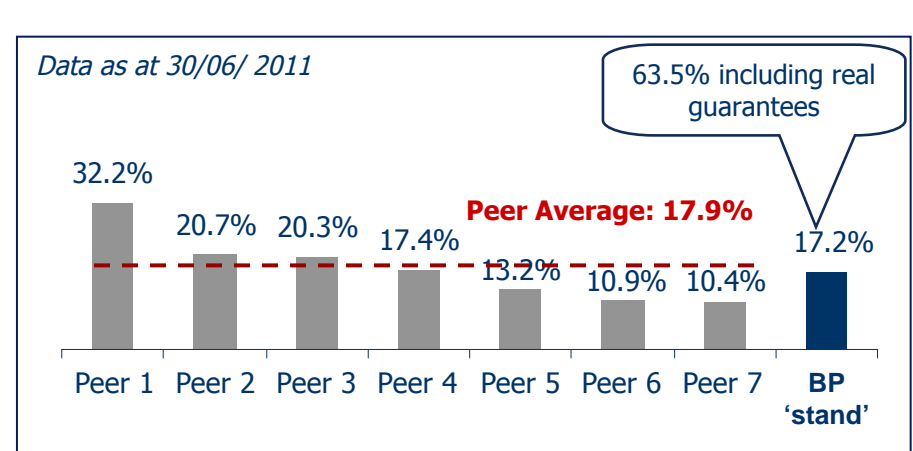
# Appendix: Banco Popolare 'standalone'

## Healthy coverage levels vs. domestic peer average

**NPL coverage ratio vs. domestic peers<sup>(i)</sup>**

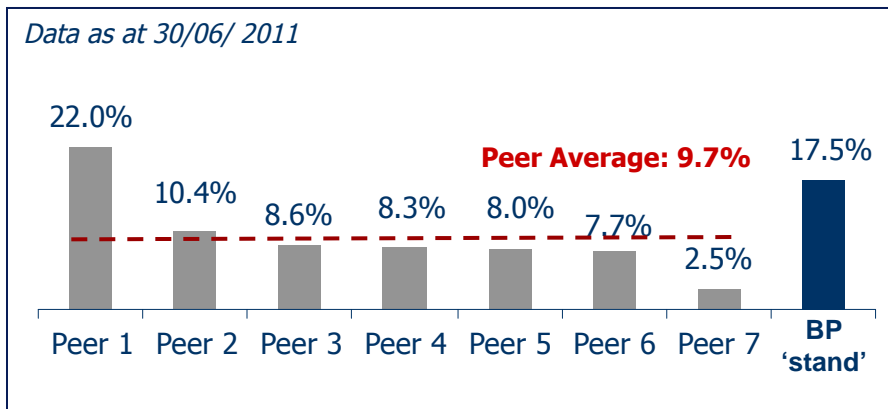


**Watchlist coverage ratio vs. domestic peers<sup>(i)</sup>**

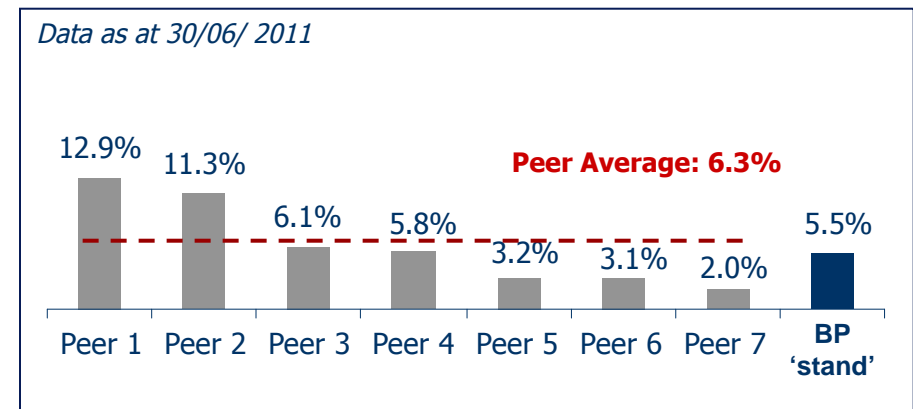


(\* ) Banco Popolare NPLs coverage includes write-offs<sup>(ii)</sup>.

**Restructured coverage ratio vs. domestic peers<sup>(i)</sup>**



**Past-Due coverage ratio vs. domestic peers<sup>(i)</sup>**



(i) Peers include ISP, UCG, MPS, UBI, BPER, BPM and Carige. Data based on latest reported figures as at 30/06/2011.

(ii) Coverage ratio adjusted for write-offs which the bank makes to a significant degree for non-performing loans under bankruptcy procedures together with the entire use of the specific NPL-related accounting reserves already booked against such loans.



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## Appendix

# Pipeline of IR events in 2011

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### Preliminary Pipeline of IR events in 2011

Date	Place	Events
15 February 2011	London	HSBC South European Banks Conference
25 March 2011	Verona	Press release on FY 2010 results
25 March 2011	Verona	Banco Popolare: Conference call on FY 2010 results
30 March 2011	London	Morgan Stanley - 2011 European Financials Conference
30 April 2011	Lodi	Annual Meeting of Shareholders (2nd call)
13 May 2011	Verona	Press release on Q1 2011 results
13 May 2011	Verona	Banco Popolare: Conference call on Q1 2011 results
09 June 2011	Paris	Goldman Sachs European Financials Conference
30 June 2011	Verona	Press release on the approval of the Business Plan 2011 - 2013/2015
30 June 2011	Milan	Presentation of the Business Plan 2011 - 2013/2015
15 July 2011	Verona	Press release on New Model of 'Large Banca Popolare' Project
18 July 2011	Verona	Banco Popolare: Conference call on New Model of 'Large Banca Popolare' Project
26 August 2011	Verona	Press release on H1 2011 results
26 August 2011	Verona	Banco Popolare: Conference call on H1 2011 results
01 September 2011	London	Nomura Financial Services Conference
20 September 2011	London	Sanford Bernstein Pan-European Strategic Decisions Conference 2011
21 September 2011	London	KBW UK & European Financials Conference 2011
06 October 2011	London	BofA Merrill Lynch Banking and Insurance CEO Conference
11 November 2011	Verona	Press release on Q3 2011 results
11 November 2011	Verona	Banco Popolare: Conference call on Q3 2011 results

N.B. The above pipeline does not include ongoing roadshows, meetings and possible other Investor Conferences.