Presentation of Group H1 2016 results

Pier Francesco Saviotti, CEO

Verona, 5 August 2016 @ 18:45 CEST – conference call & webcast

Disclaimer

The distribution of this presentation in other jurisdictions may be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of, and observe, these restrictions. To the fullest extent permitted by applicable law, the companies involved in the proposed business combination disclaim any responsibility or liability for the violation of such restrictions by any person.

<u>This presentation does not constitute or form part of, and should not be construed as, any offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of Banco Popolare or any member of its group, nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities in Banco Popolare or any member of its group, or any commitment whatsoever.</u>

The information contained in this presentation is for background purposes only and is subject to amendment, revision and updating. Certain statements in this presentation are forward-looking statements under the US federal securities laws about Banco Popolare. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Banco Popolare do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

Agenda

H1 2016 performance in a snapshot (1/2)

Capital

Strong capital position

- Thanks to the completion of the ~€1bn rights issue, the CET 1 ratio rose to 14.8% phase-in and to 14.1% fully-loaded, even if it is already pricing in a significant amount of the expected additional provisions to reach the NPL coverage ratios agreed for the new Group with the ECB as part of the Merger Plan with BPM.
- Banco Popolare reported a very good result in the EBA Stress Test, with a CET 1 ratio under the baseline scenario of 14.61% (the best Italian bank) and of 9.05% under the adverse scenario (the second best Italian bank), without including the rights issue.

Credit

Constant improvement of the Group's risk profile:

- After the €1bn decline in 2015, the gross NPL stock shrank further by €495m in H1, also thanks to the disposals of Bad loans finalized in June, for a gross value of roughly €227m.
- The NPL coverage ratios increased compared to year-end 2015: from 43.7% to 45.6% (+1.9p.p.) for total NPLs and from 56.3% to 59.3% (+3.0p.p.) for bad loans*, notwithstanding the disposal finalized in June of unsecured Bad loans, which by definition are highly provisioned against.
- Already in the first quarter, before the capital increase, Banco Popolare had started to bring the NPL coverage ratios in line with the targets set by the ECB as part of the Merger Plan with BPM (target coverage for the combined entity: ~62% for Bad loans and ~49% for total NPLs).

Funding and liquidity

Rising funding and strong liquidity position

- Customer direct funding at €83.1bn, up by €1.0bn in the half-year.
- Unencumbered eligible assets (mainly Italian Government bonds) totaling ~€14bn, exceeding bond maturities up until mid-2018.
- LCR >150% and NSFR >100%**.

BANCO POPOLARE

Note: (*) Coverage including write-offs.
(**) NSFR figure includes certificates with capital protection.

H1 2016 performance in a snapshot (2/2)

Profitability and operational efficiency

- H1 2016 closed with a loss (pre-FVO) of €387.2m (of which €324.5m in Q1), due to discontinuity elements connected with loan loss provisions, in addition to significant systemic charges coming due in the first six months of the year (costs associated with the SRF and with the optional regime to convert eligible DTAs into tax credits).
- In H1 2016, Banco Popolare focused on developing commercial business (deposits and loans) and went ahead with the optimization of operational efficiency and with cost-containment:
  - personnel expenses dropped by 4.9% y/y, driven by the strong headcount reduction;
  - other administrative expenses, net of systemic charges, went down by 2.5% on a yearly basis.

Commercial performance

- M/L TERM LENDING: More than €5bn total lending, up by 3.4% compared to H1 2015, of which: €0.9bn to Households and Other Individuals; €1.2bn to Small Businesses; €2.7bn to Mid Corporate and €0.3bn to Large Corporate and Public Agencies.
- CONSUMER CREDIT: €417m loans disbursed by Agos Ducato, up by 2.8% on a yearly basis.
- INDIRECT FUNDING: €6.0bn indirect funding products sold in the first-half.
- CARDS: Payment cards stock (credit and debit) up by almost 62 thousand units in the six months, of which more than 40 thousand YouCard.
- ON-LINE BANKING: Stock of YouWeb contracts up by more than 53,000 units in the six months, adding up to approx. 1.2m.
- CHECKING ACCOUNTS: Commercial checking accounts (retail and business) confirmed at 2.3 million, with an increase in the associated direct funds.

Banco Popolare Group

Consolidated income statement at 30 June 2016: changes

Reclassified income statement €/m	H1 2016	H1 2015	y/y % chg.
Net interest income	691.3	789.1	(12.4%)
Income (loss) from investments in associates carried at equity	63.5	61.3	3.5%
Net interest, dividend and similar income	**754.7**	**850.4**	**(11.2%)**
Net fee and commission income	639.3	771.1	(17.1%)
Other net operating income	46.6	48.8	(4.6%)
Net financial result (excluding FVO)	98.8	143.3	(31.1%)
Total income	**1,539.4**	**1,813.6**	**(15.1%)**
Personnel expenses	(648.9)	(682.6)	(4.9%)
Other administrative expenses	(404.0)	(327.6)	23.3%
Amortization and depreciation	(63.2)	(58.8)	7.5%
Operating costs	**(1,116.1)**	**(1,069.0)**	**4.4%**
Profit (loss) from operations	**423.3**	**744.6**	**(43.2%)**
Net adjustments on loans to customers	(980.4)	(375.3)	161.2%
Net adjustments on receivables due from banks and other assets	(7.4)	(25.9)	(71.5%)
Net provisions for risks and charges	(2.0)	(49.6)	(96.0%)
Profit (loss) on the disposal of equity and other investments	0.3	(4.0)	n.s.
Income (loss) before tax from continuing operations	**(566.2)**	**289.8**	**n.s.**
Tax on income from continuing operations (excluding FVO)	174.9	3.2	n.s.
Income (loss) after tax from discontinued operations	(1.5)	(7.8)	(80.9%)
Income (loss) attributable to minority interests	5.6	5.1	8.8%
Net income (loss) for the period excluding FVO	**(387.2)**	**290.3**	**n.s.**
Fair Value Option result (FVO)	9.8	4.2	135.1%
Tax on FVO result	(2.7)	(1.4)	95.6%
Net income (loss) for the period	**(380.2)**	**293.1**	**n.s.**

Includes one-off items shown in Slide 7

Includes systemic charges:
- **Single Resolution Fund**
- **Fee to convert eligible DTAs into tax credits**

In H1 2016, net loan loss provisions reported a strong discontinuity from their normalized course (ranging between 80 and 100bp on gross loans), as in Q1 NPL coverage ratios started to be brought in line with ECB targets for the new Group as part of the Merger Plan with BPM.

Quarterly consolidated income statement: trend

Reclassified income statement €/m	Q2 2016	Q1 2016	q/q % chg.
Net interest income	339.7	351.5	(3.4%)
Income (loss) from investments in associates carried at equity	27.4	36.1	(24.2%)
Net interest, dividend and similar income	**367.1**	**387.7**	**(5.3%)**
Net fee and commission income	322.5	316.8	1.8%
Other net operating income	23.7	23.8	(0.4%)
Net financial result (excluding FVO)	40.9	57.9	(29.4%)
Total income	**754.2**	**786.2**	**(4.1%)**
Personnel expenses	(323.4)	(325.5)	(0.7%)
Other administrative expenses	(199.4)	(204.6)	(2.6%)
Amortization and depreciation	(32.9)	(30.3)	8.3%
Operating costs	**(555.6)**	**(560.5)**	**(0.9%)**
Profit (loss) from operations	**198.6**	**225.7**	**(12.0%)**
Net adjustments on loans to customers	(296.0)	(684.4)	(56.7%)
Net adjustments on receivables due from banks and other assets	(9.1)	1.7	n.s.
Net provisions for risks and charges	1.4	(3.4)	n.s.
Profit (loss) on the disposal of equity and other investments	0.6	(0.3)	n.s.
Income (loss) before tax from continuing operations	**(104.5)**	**(460.7)**	**(77.3%)**
Tax on income from continuing operations (excluding FVO)	40.1	134.7	(70.2%)
Income (loss) after tax from discontinued operations	(0.0)	(1.5)	(99.7%)
Income (loss) attributable to minority interests	2.6	2.9	(10.3%)
Net income (loss) for the period excluding FVO	**(61.8)**	**(324.5)**	**(81.0%)**
Fair Value Option result (FVO)	(5.3)	15.0	n.s.
Tax on FVO result	1.5	(4.1)	n.s.
Net income (loss) for the period	**(65.6)**	**(313.6)**	**(79.1%)**

Includes one-off items shown in Slide 7

Includes systemic charges:
- **Single Resolution Fund**
- **Fee to convert eligible DTAs into tax credits**

In H1 2016, net loan loss provisions reported a strong discontinuity from their normalized course (ranging between 80 and 100bp on gross loans), as in Q1 NPL coverage ratios started to be brought in line with ECB targets for the new Group as part of the merger plan with BPM.

Non-recurring P&L items and systemic charges

€/mln	2016 H1 Pre-tax	2016 H1 Post-tax	2015 H1 Pre-tax	2015 H1 Post-tax	P&L Items
INCENTIVISED EXITS AND OTHER EXTRAORDINARY PERSONNEL EXPENSES	-	-	(11.6)	(7.8)	Personnel expenses
WRITE-DOWNS ON REAL ESTATE ASSETS	(2.0)	(1.5)			*Amortization and Depreciation*
			(3.8)	(2.2)	*Loss on the disposal of investments*
WRITE-DOWNS ON AFS	(8.8)	(6.5)	(2.9)	(2.1)	*Net adjustments on other assets*
TAX DISPUTES	-	-	(17.7)	(12.2)	Net provisions for risks and charges
BANCA ITALEASE TAX ASSETS	-	-	85.1	85.1	Tax on income from continuing operations
DISCONTINUED OPERATIONS (BP LUX.)	(1.5)	(1.5)	(7.8)	(7.8)	Income (loss) after tax from discontinued operations
ANNUAL CONTRIBUTION TO SRF	(44.3)	(32.0)			*Other Administrative Expenses*
			(23.0)	(16.7)	Net provisions for risks and charges
FEE TO CONVERT ELIGIBLE DTAs INTO TAX CREDITS FOR FY 2015 AND H1 2016	(40.4)	(29.0)	-	-	*Other Administrative Expenses*
FAIR VALUE OPTION	9.8	7.1	4.2	2.8	FVO result
TOTAL EXTRAORDINARY ITEMS AND SYSTEMIC CHARGES	**(87.2)**	**(63.3)**	**22.5**	**39.1**	

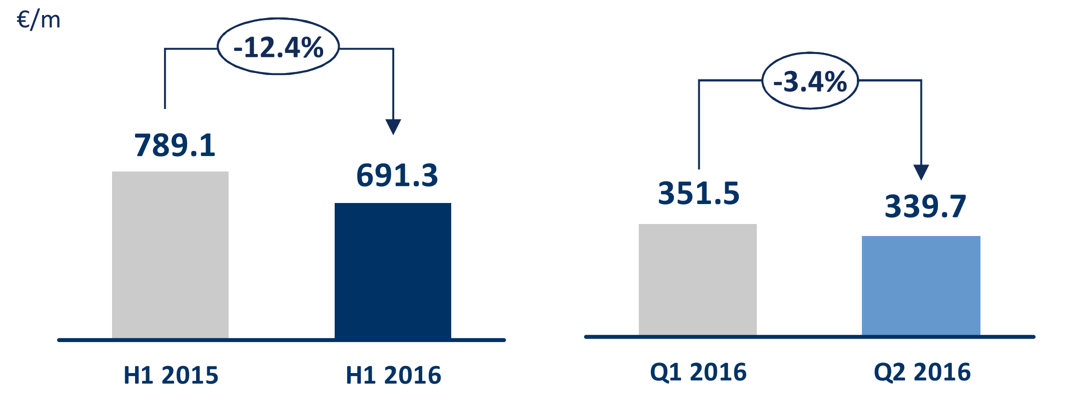
With regard to the **systemic charges** reported in our Group's income statement, please note that:

- Recurring charges associated with the Single Resolution Fund (SRF) recognized under the line-item Other Administrative Expenses in 2016 totaled €44.3m (recorded in Q1 2016), and refer to the total annual contribution for 2016. In 2015, the contribution amounted to €38.0m (total annual contribution), of which €23m were recognized in Q1 under the line-item Provisions for risks and charges, later on increased by €15m, and the entire amount was then reclassified under the line-item Other Administrative Expenses in Q4.
- The fee to convert eligible DTAs into tax credits recognized in Q2 2016, totaling €40.4m, includes €27.1m of annual fee for fiscal year 2015 (€19.4m after-tax) and €13.3m (€9.6m after-tax) of estimated six-monthly fee for 2016. Financial year 2015 had not been burdened by this charge.

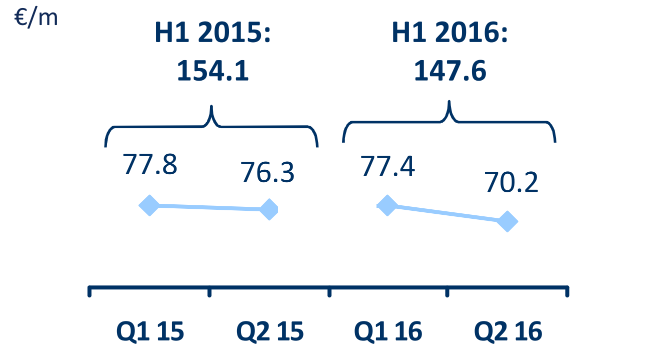
Banco Popolare Group

Net interest income

Evolution of Net interest income

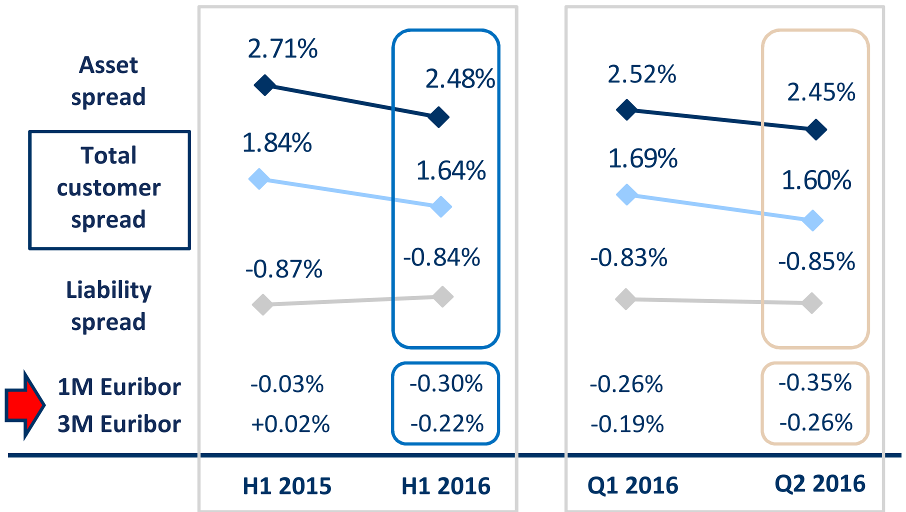


Evolution of wholesale funding cost



Customer spread evolution

(commercial network)



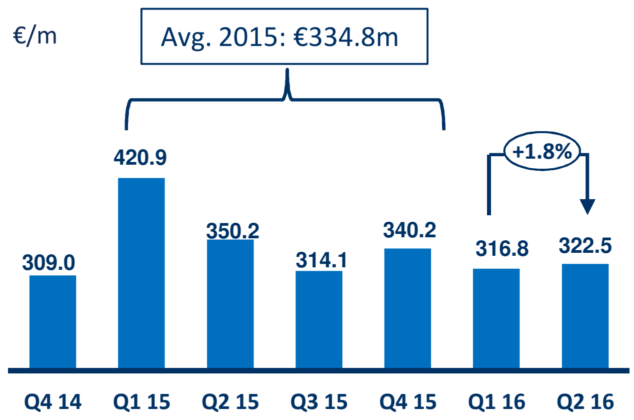
- NII decreases by 12.4% on a yearly basis and by 3.4% on a quarterly basis due to the following factors:
  - falling Euribor rates (1M: -27bp y/y and -9bp q/q; 3M: -24bp y/y and -7bp q/q);
  - strong competitive pressure on customer loan pricing (asset spread at branch network level -23bp y/y and -7bp q/q);
  - declining interest income from securities portfolio (-7.6% y/y and -3.6% q/q).
- In this context, worth mentioning among the elements that have been limiting the decrease of NII are the containment of the liability spread at branch network level, in spite of the falling Euribor rates, and the decline in the cost of wholesale funding.

Net Fees and Commissions

Analysis of Net commissions

€/m	H1 2016	H2 2015	H1 2015	% Chg. YoY
Mgmt. brokerage and advisory services	290.9	294.2	414.9	-29.9%
Management of c/a and customer relations	237.2	251.8	245.1	-3.2%
Payment and collection services	56.1	60.0	60.2	-6.8%
Guarantees given	27.7	24.8	25.6	8.3%
Other services	27.5	23.5	25.3	8.4%
Total	**639.3**	**654.3**	**771.1**	**-17.1%**

Quarterly evolution



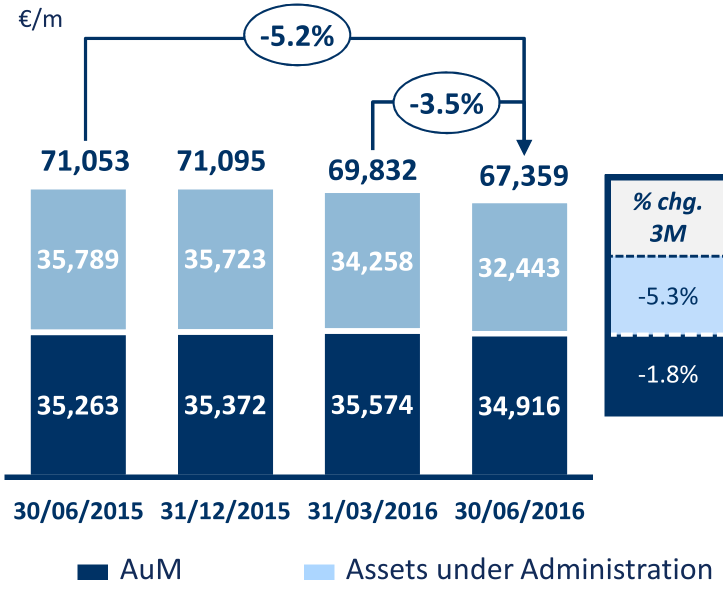
Composition of ' Management, brokerage and advisory services'

€/m	H1 2016	H2 2015	H1 2015	% Chg.
Placement of savings products:	211,0	214,3	329,0	-35,9%
- Securities sale and distribution	*21,8*	2,3	*1,6*	*1292,1%*
- Asset management	*135,9*	149,6	*257,3*	*-47,2%*
- Bancassurance	*53,3*	62,4	*70,1*	*-24,0%*
Consumer credit	15,6	17,5	18,2	-13,9%
Credit cards	13,8	17,2	14,6	-5,5%
Custodian banking services	8,8	8,9	8,4	4,9%
FX & trading activities of branch customers	24,9	23,8	32,4	-23,3%
Other	16,8	12,7	12,3	36,1%
Total	**290,9**	**294,2**	**414,9**	**-29,9%**

- Net fees and commissions fell by 17.1% y/y, while they went up by 1.8% q/q.
- The yearly decline was mainly driven by the volatility on financial markets, which influenced customers' propensity to invest. Moreover, the comparison with H1 2015 is not homogeneous, since affected by a performance of an extraordinary nature, which had been registered in the first quarter of 2015.

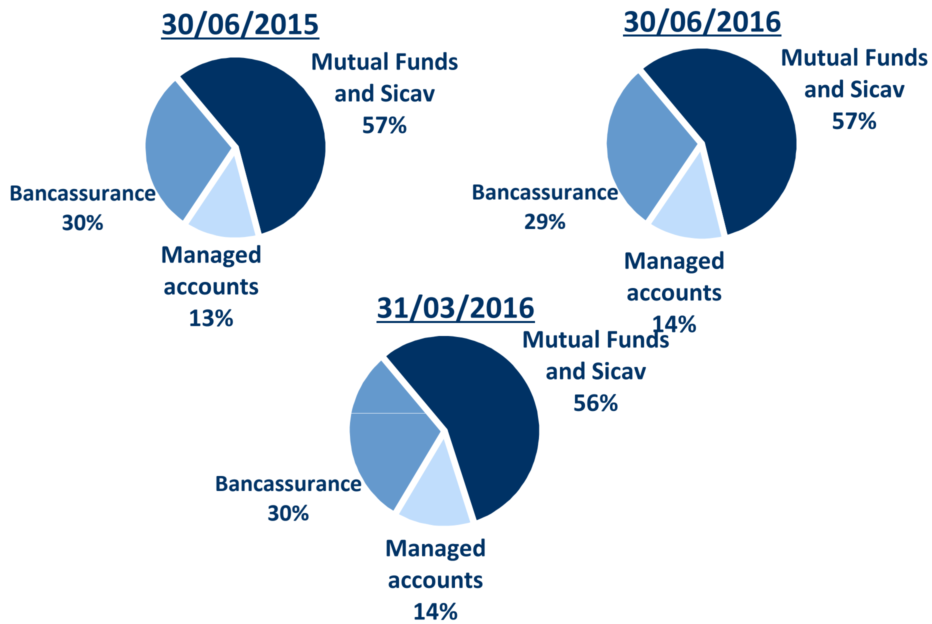
Indirect customer funding

Total Indirect Funding
(stock)



% chg. 3M	*% chg. 12M*
-5.3%	-9.4%
-1.8%	-1.0%

Breakdown of Assets under Management
(stock)

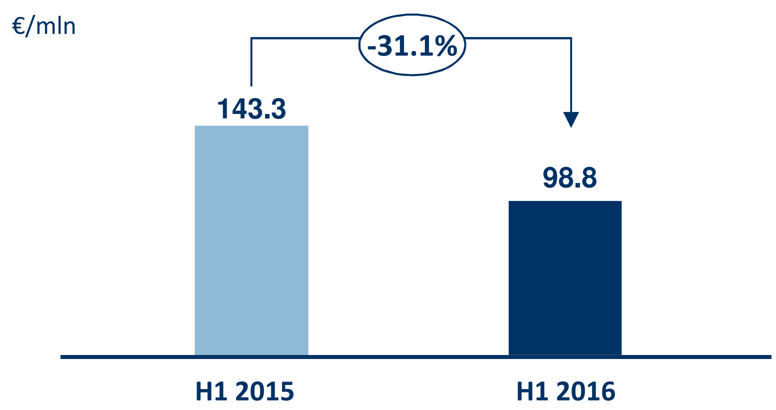


- The decline in indirect funding (-5.2% y/y and -3.5% q/q) is driven by an extraordinary transaction executed with a customer, which led to a significant transfer of administrated assets, as well as by the negative market performance, in particular for the financial and banking sector. The asset management segment reported a limited dip (-1.0% y/y and -1.8% q/q).
- Net of the market effect, assets under management register a growth, both on an annual basis (+2.0%) and in the first half (+1%).

Net Financial Result

NFR excluding FVO

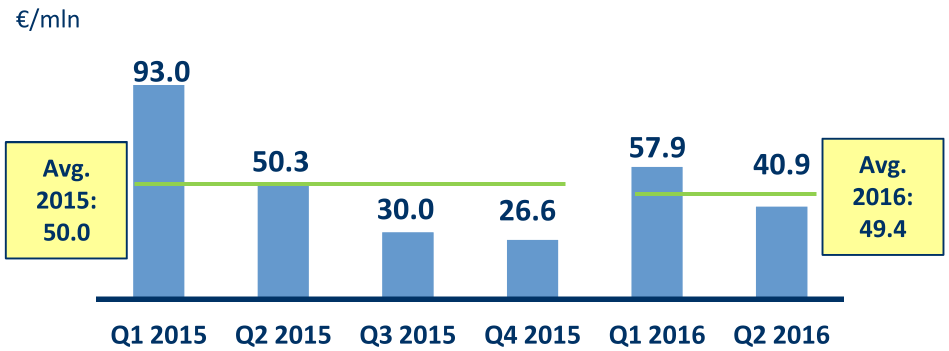
Cumulated gross FVO : **€42.4m**



	H1 2016	H1 2015	% chg. y/y
Net Financial Result	98.8	143.3	-31.1%
of which: Banca Aletti	12.4	63.5	-80.4%
% contribution of Banca Aletti to NFR	12.6%	44.3%	-71.6%

Net of one-off capital gains reported in Q4 2015

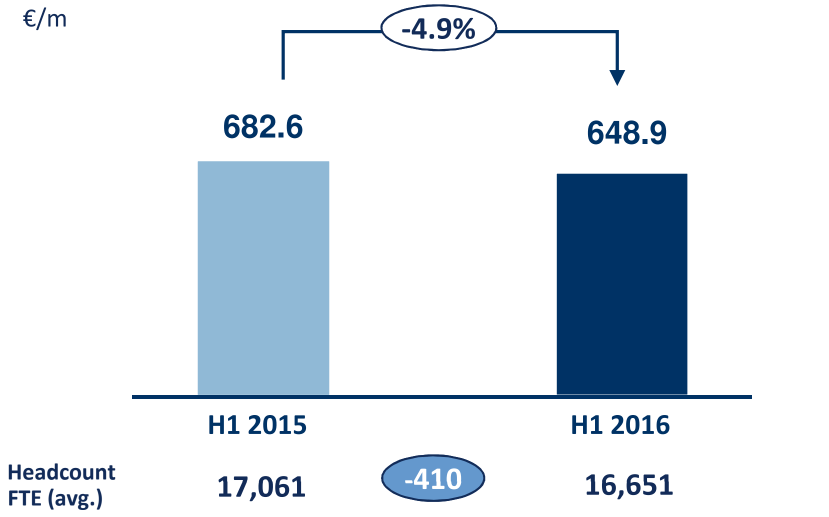
Proforma NFR (Quarterly evolution)



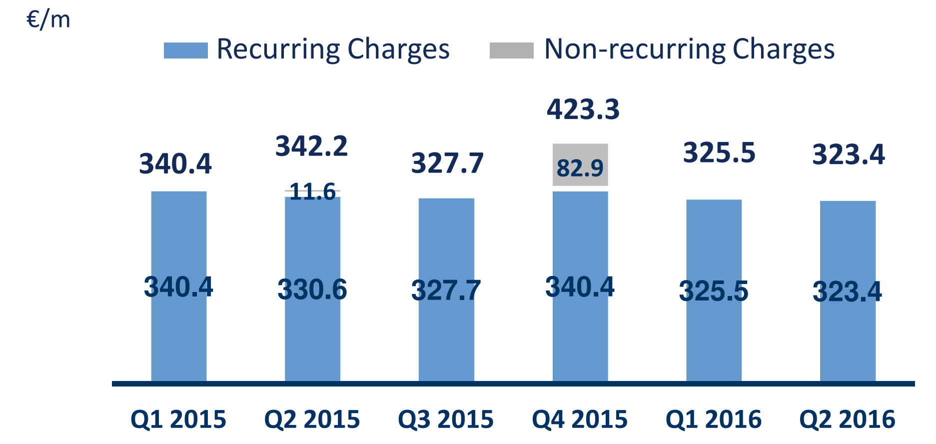
- The Net Financial Result (NFR), amounting to €98.8m, reported a 31.1% decline year-on-year, reflecting the financial markets performance.
- Also the contribution to NFR by Banca Aletti has been affected by the negative market performance and by the declining interest rates, prompting customers to veer towards less market-correlated and unstructured products, thus influencing also the subsidiary's certificates business and trading activities.
- The quarterly average performance in H1 (€49.4 m) was basically in line with the quarterly average reported in 2015 (€50.0m, net of the capital gains on the disposal of stakes in ICBPI and Arca).

Operating costs: personnel expenses

Personnel expenses

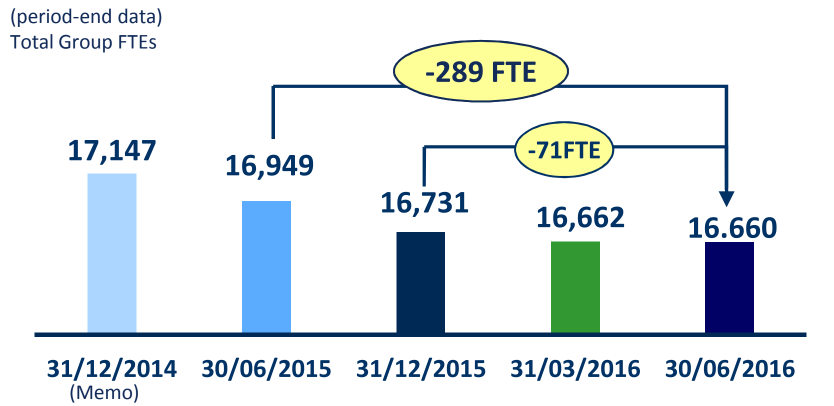


Quarterly Evolution



FTE employees

Net Reduction



Personnel expenses fell by 4.9% y/y, mainly driven by the headcount reduction:

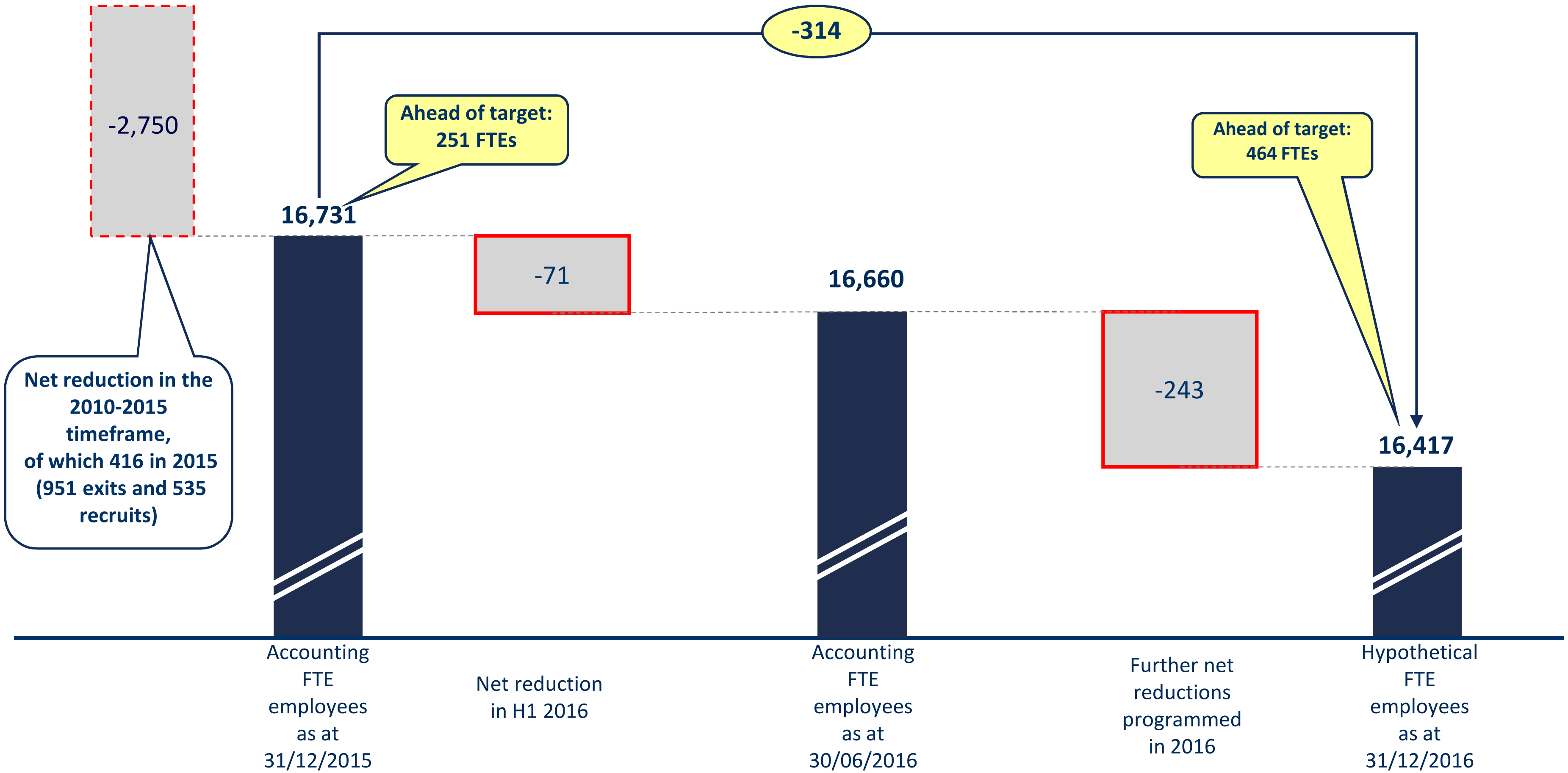
- the average headcount declined by 410 FTEs y/y;
- the end-of-period figure reports a reduction of 71 FTEs in the half-year, and of 289 FTEs y/y.

FTE: Full Time Equivalent

Banco Popolare Group

Headcount evolution in 2016

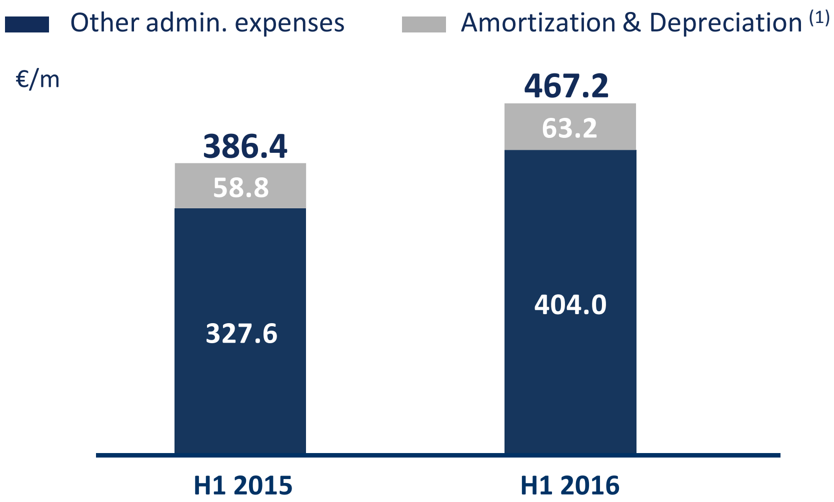
FTEs (including temporary workers)



- **The headcount reduction is well ahead of the Business Plan target.**
- **In H2 2016, an additional reduction of 243 FTEs is expected, over-delivering by 464 FTEs on the 2016 target.**

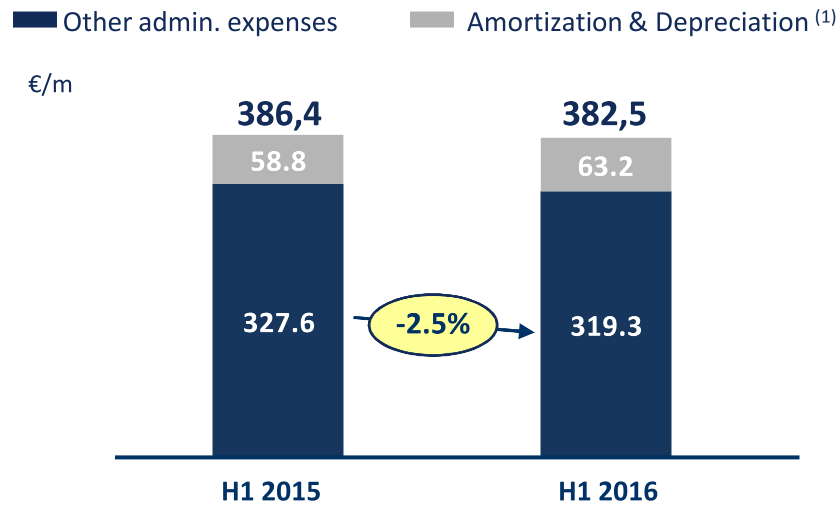
Operating costs: other expenses

Total non-personnel expenses
(including systemic charges)



(1) Net amortization and depreciation

Total non-personnel expenses
(excluding systemic charges)



(1) Net amortization and depreciation

€/m Systemic Charges	H1 2016	H1 2015	% chg. y/y
Total Non-Personnel Expenses	**467.2**	**386.4**	**20.9%**
Other administrative expenses	**404.0**	**327.6**	**23.3%**
of which: charges tied to Single Resolution Fund (SFR)	*44.3*	-	*n.s.*
of which: charges tied to the conversion regime for DTAs	40.4	-	n.s.
Total Systemic Charges	***84.7***	-	*n.s.*
Other administrative expenses excluding systemic charges	**319.3**	**327.6**	**-2.5%**
Amortisation & Depreciation	**63.2**	**58.8**	**7.5%**

*In Q1 2015, the costs for the SRF contribution, totaling €23m, were recognized under the line-item "provisions for risks and charges".

- Other administrative expenses increased by 23.3% y/y, exclusively driven by the costs for the SRF contribution (€44.3m) and for the annual DTA fee for 2015 and the first half of 2016 (totaling €40.4m). Net of the above charges, the item reported a 2.5% decline y/y.
- Amortization and Depreciation increased by +7.5% y/y, with an "ordinary" growth (+4.0%) entirely attributable to investments carried out within the IT sector.
- Further contribution to cost reduction will stem from the closure of additional 120 branches finalized between April and May 2016.

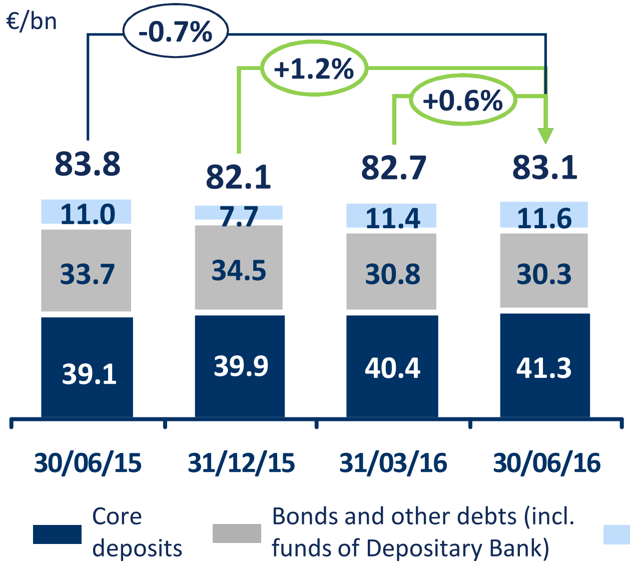
Agenda

BANCO POPOLARE

Banco Popolare Group

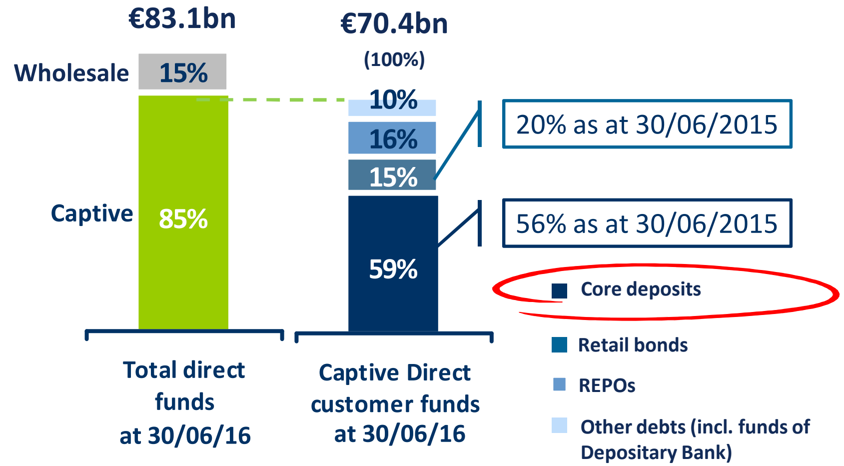
Direct customer funds: trends and breakdown

Total direct customer funds



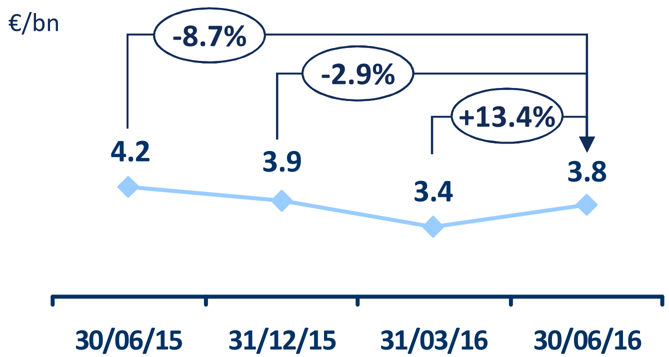
3M % chg.	6M % chg.	12M % chg.
+1.2%	+49.5%	+5.4%
-1.6%	-12.1%	-10.2%
+2.1%	+3.4%	+5.7%

Direct customer funds: breakdown by segment



Evolution of time deposits

(Certificates of deposit included)



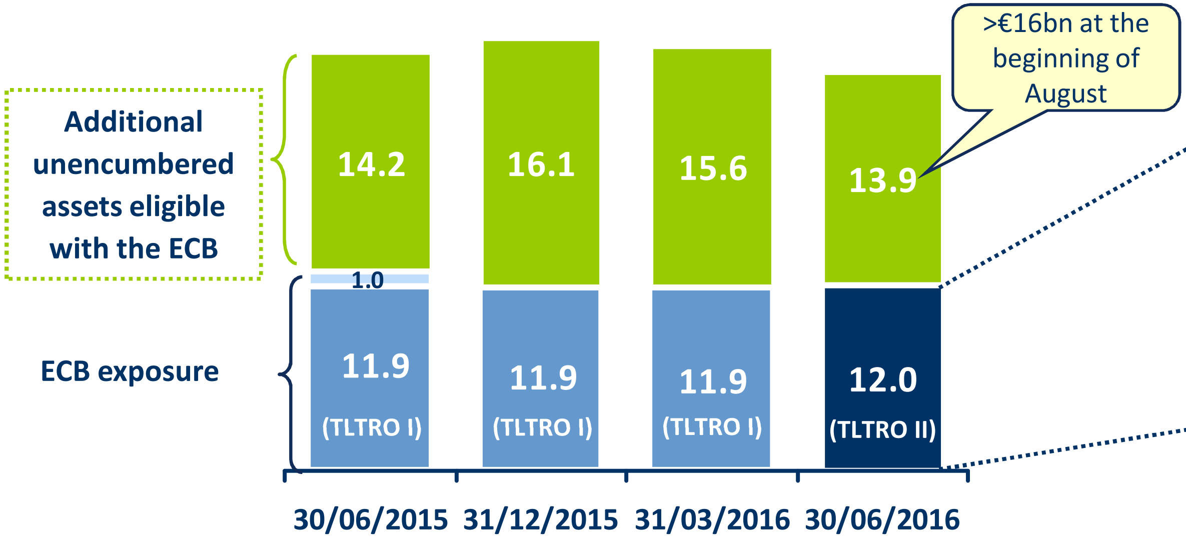
- Direct customer funds increased by €1.0bn in the half-year (+1.2%), of which roughly €0.5bn in Q2. The good performance in the first six months of 2016 enabled us to report a subdued decline y/y (-0.7%), caused exclusively by the decision to reduce the Bond and other debts segment, which fell by 10.2% y/y and by 12.1% in the six months, to the advantage of checking accounts and deposits first, and of repos in the second place.
- Core deposits (checking accounts and deposits) reported a constant growth, up by +5.7% y/y (+3.4% in the six months), thus further increasing its weight within the branch captive funding (from 56% in June 2015 to 59% in June 2016).
- Wholesale funding once again confirmed its limited weight (15%).
- Direct funding data do not include the liquidity generated by the sale of certificates*, whose stock rose to €5.7bn, +28.1% y/y and +8.0% in 6 months.

BANCO POPOLARE

*Certificates are recognized under the line-item "Debt securities held for trading" and, therefore, are considered as Assets under Administration.

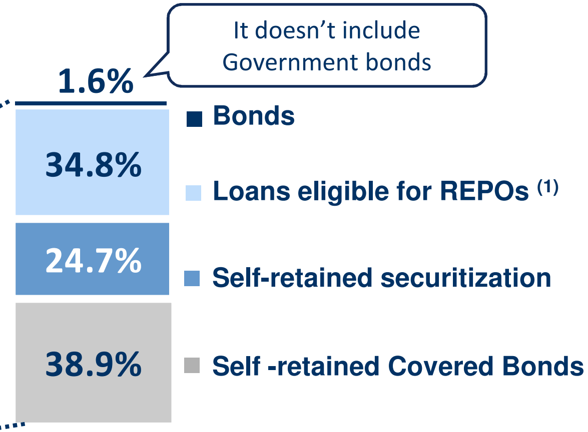
Group liquidity: strong position

Liquidity buffer



Details of assets in the 'ECB Pooling'

(% breakdown as at 30/06/2016)



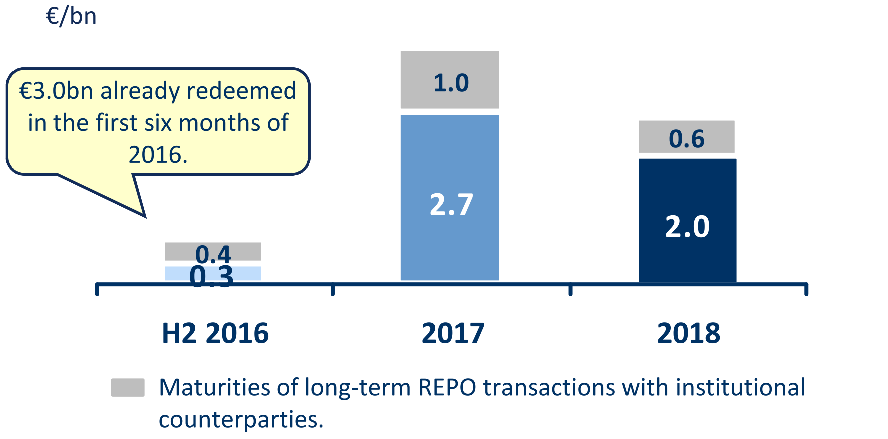
Note: (1) Loans to SMEs

- ECB exposure at 30/06/2016 was €12.0bn, entirely represented by the new TLTRO II, which already at the June 24 auction replaced the €11.9bn exposure under TLTRO I (fully repaid). Note that the maximum TLTRO II drawing for the Group comes in at about €15bn.
- At the end of June 2016, additional unencumbered eligible assets (net of haircuts) stood at €13.9bn, and were mainly represented by Italian Government bonds. The decline over March was mainly due to the increase in repo transactions (the net repo position increased by €1.3bn in the quarter).
- Basel 3 liquidity ratios : LCR >150%; NSFR >100%, calculated along the most recent rules of the Quantitative Impact Study *

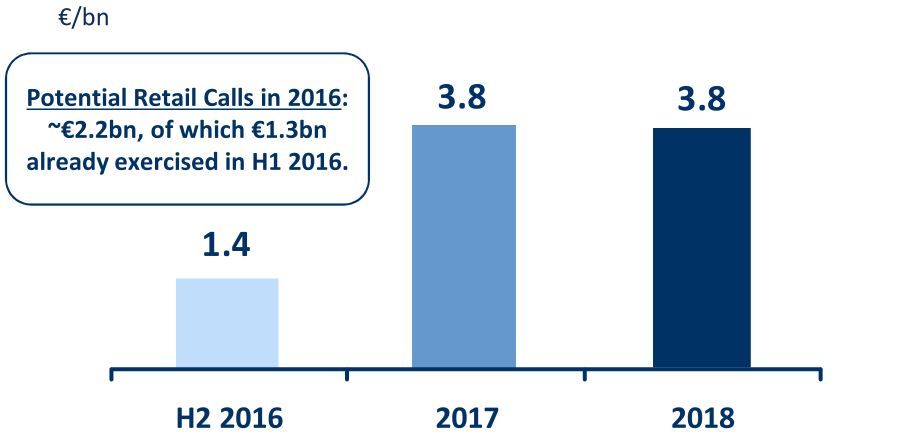
* Data not yet mandatory as the final rules have not been defined yet. NSFR figure includes certificates with capital protection.

Wholesale and Retail maturity profile

Wholesale maturities



Retail bond maturities



Note: Retail maturities exclude the potential exercise of the calls, which is evaluated on a case-by-case basis.

Wholesale market:

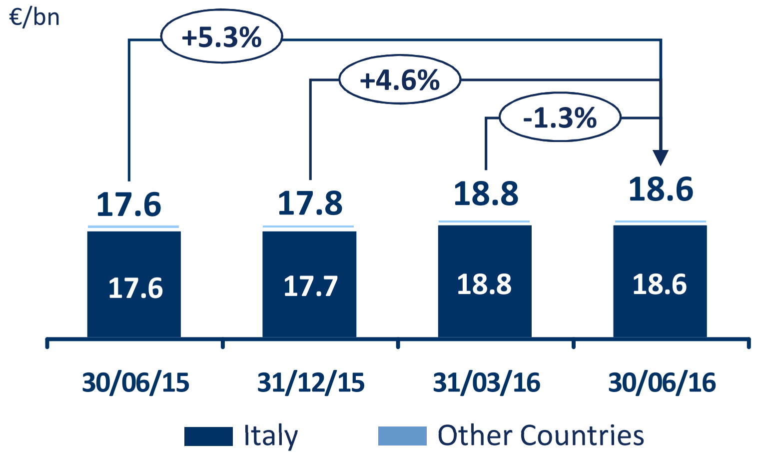
- In H1 2016, with the redemption of approx. €3.0bn (of which €2.7bn bonds and €0.3bn long-term repos), 80% of wholesale funding maturities for 2016 has already been dealt with.
- In the first six months, the Group issued €1.5bn of own bonds on third party networks (of which €1bn in Q1 and €0.5bn in Q2), that were very well received and enabled the Group to expand its funding sources.

Retail market:

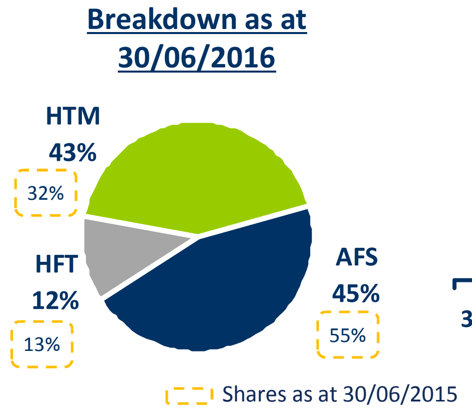
- In H1 alone, a total of €3.0bn retail bonds expired (of which €1.3bn for exercised calls).
- In order to optimize the cost of funding, retail bond issues have been reduced in the first six months of the year, in favour of core direct funding forms.

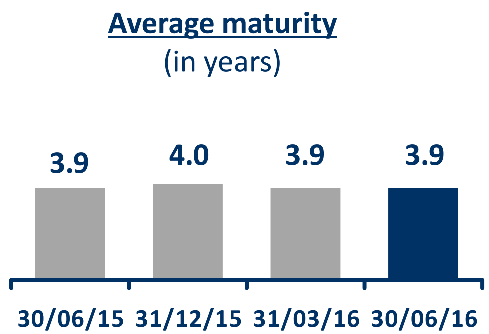
Treasury securities portfolio: evolution

Total Government bond portfolio
(Nominal amounts)

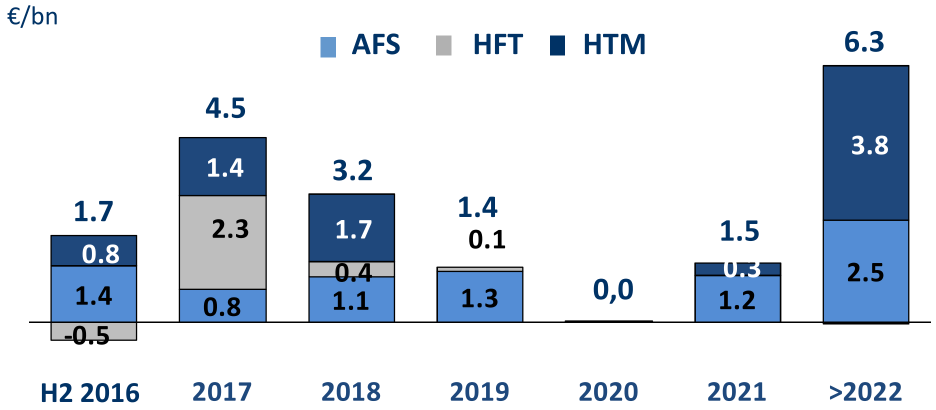


Italian Government bonds
(Nominal amounts)





Focus on Italian Government bonds:
(Maturities profile – Nominal values)



- At the end of June, the Government bond portfolio, almost entirely made up of Italian securities, added up to nominal €18.6bn, up by 5.3% y/y and down by 1.3% in Q2.
- Most Italian Government Bonds are classified as AFS (45%) and HTM (43%), while the HFT component remains relatively small (12%). The average time to maturity remained stable at 3.9 years.
- At 30/06/2016, affected by the market performance, the gross AFS reserve on Government bonds was €82m (vs. +€152m at March 2016), while the gross unrealized gains on HTM securities added up to €325m (vs. +€350m at March 2016).

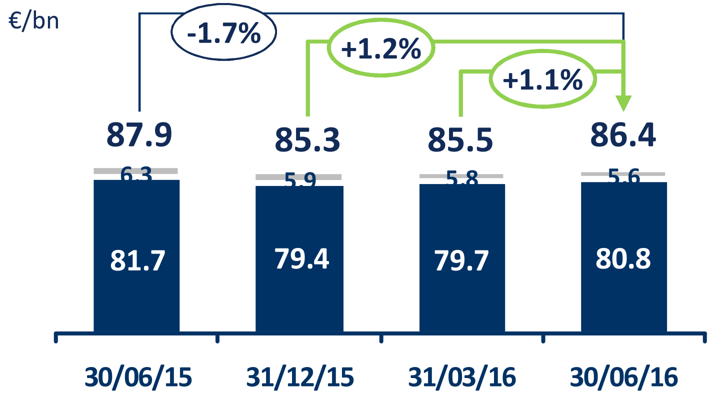
BANCO POPOLARE

Agenda

BANCO POPOLARE

Customer loans: evolution and breakdown

Gross customer loans



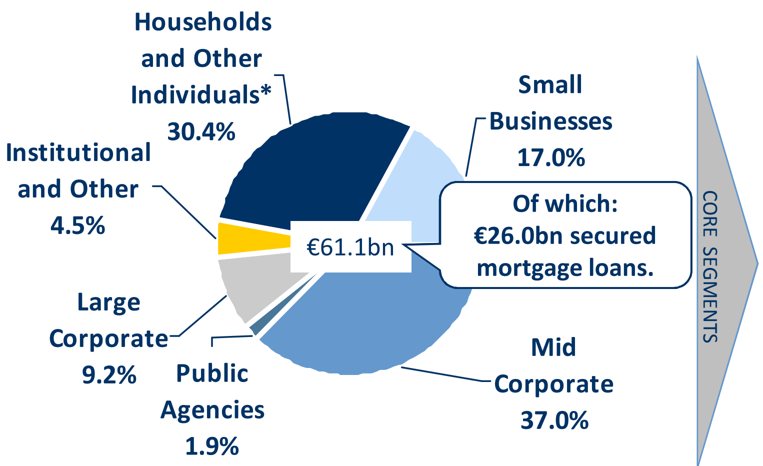
of which: Leasing Division (ex Italease + Release) net of intercompany transactions

- Gross customer loans increased by more than €1bn in the half-year (+1.2%), of which +€0.9bn in Q2 (+1.1%).
- The y/y decline (-1.7%) was entirely driven by non-core elements, such as the run-off of the Leasing Division and the disposal of Bad loans in H2 2015 and in Q2 2016.
- The good customer loan dynamic was sustained by M/L term lending exceeding €5bn (of which €3bn in Q2), up by 3.4% over H1 2015, of which: €0.9bn to Households and Other Individuals; €1.2bn to Small Businesses; €2.7bn to Mid Corporate and €0.3bn to Large Corporate and Public Agencies.

Performing customer loans: customer breakdown

(Management accounting data: exclude Bad loans, Leasing Division perimeter, REPO transactions and other minor accounting elements)

Breakdown as at 30/06/2016

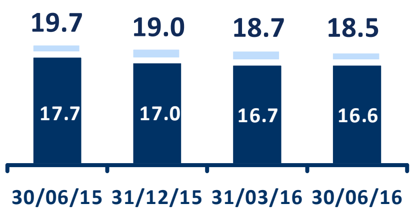


Note: (*) The segment "Households & Other Individuals" includes also businesses and professionals with a turnover <€100K.

€/bn

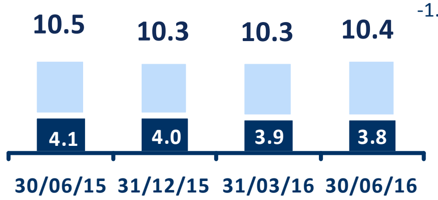
Households and Other Individuals

% chg. 12M	% chg. 3M
-5.9%	-1.0%



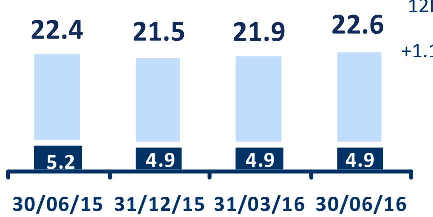
Small Businesses

% chg. 12M	% chg. 3M
-1.7%	+0.2%



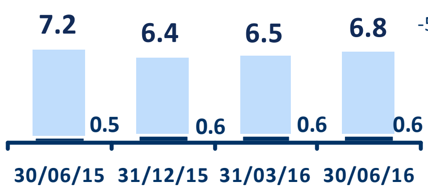
Mid Corporate

% chg. 12M	% chg. 3M
+1.1%	+3.4%



Large Corporate + Public Agencies

% chg. 12M	% chg. 3M
-5.9%	+4.9%



of which: Secured mortgage loans

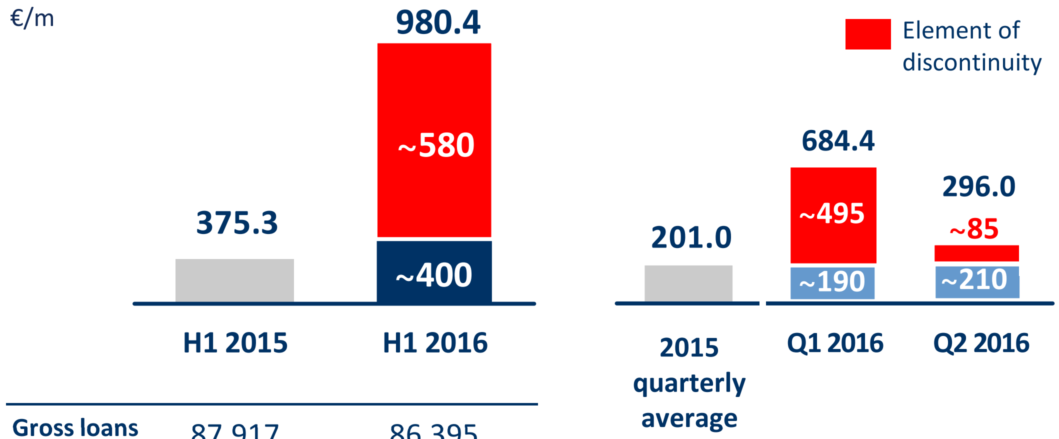
Note: 2015 performing customer loan data reflect slight segmentation changes introduced in 2016.

BANCO POPOLARE

Banco Popolare Group

Cost of credit risk

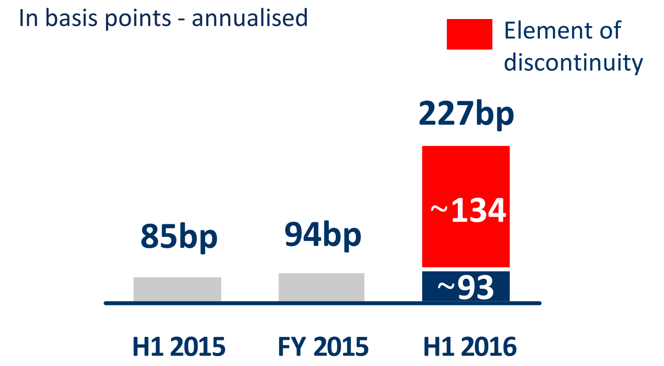
Loan Loss Provisions



	H1 2015	H1 2016
Gross loans (period-end data)	87,917	86,395

Cost of Credit Risk

(on gross customer loans, period-end data)

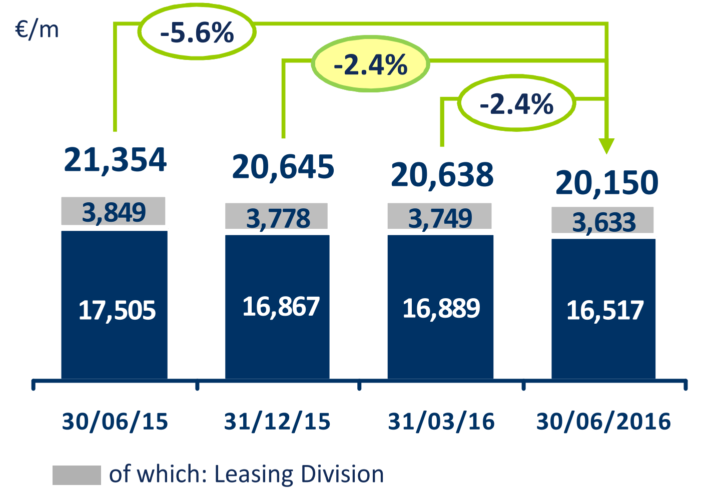


- The cost of credit risk in H1 has been showing a strong discontinuity from its normalized course, as already in the first quarter, before the launch of the rights issue, the NPL coverage ratios were being brought in line with the ECB targets under the Merger Plan with BPM (target coverage for the combined entity: ~62% for Bad loans and ~49% for total NPLs).
- The increase of the average NPL coverage to bring it in line with the targets set by the ECB can produce a significant discontinuity in terms of P&L impacts in the various quarters. Indeed, the recognition of higher loan loss provisions depends on the timing of the decisions taken by the corporate Boards relating to potential disposals of loan portfolios or to the change in the valuation process of some loan categories (change in estimate).
- Net of the above disruptive elements, in H1 the cost of credit risk stood at 93bp (annualised), in line with the level reported at the end of 2015 (94bp) and within the expected 80-100bp range for the current full year.

Banco Popolare Group

Group NPLs: evolution

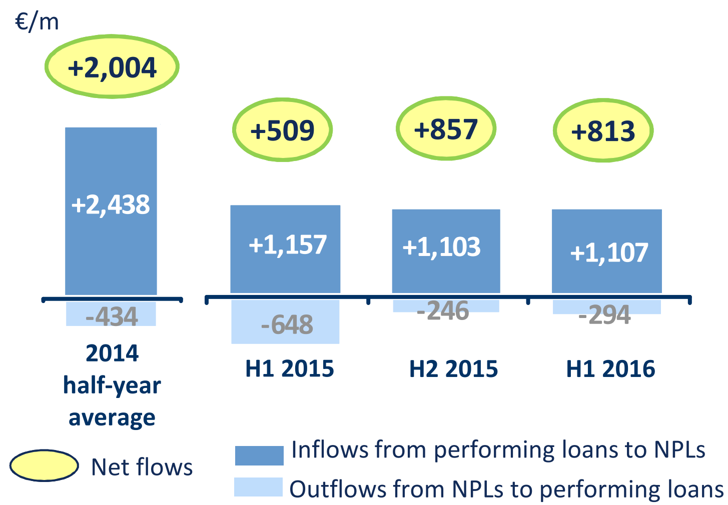
Stock of gross NPLs



GROSS EXPOSURES	30/06/15	31/12/15	31/03/16	30/06/16	% chg. 12M	% chg. 6M	% chg. 3M
Bad loans	10,723	10,471	10,667	10,330	-3.7%	-1.3%	-3.2%
Unlikely-to-pay loans	10,231	9,911	9,736	9,625	-5.9%	-2.9%	-1.1%
Past Due loans	400	263	234	195	-51.3%	-26.1%	-16.8%
TOTAL NPLs	**21,354**	**20,645**	**20,638**	**20,150**	**-5.6%**	**-2.4%**	**-2.4%**

NET EXPOSURES	30/06/15	31/12/15	31/03/16	30/06/16	% chg. 12M	% chg. 6M	% chg. 3M
Bad loans	6,277	6,458	6,080	6.100	-2.8%	-5.6%	+0.3%
Unlikely-to-pay loans	7,494	7,390	7,344	7,248	-3.3%	-1.9%	-1.3%
Past Due loans	338	209	190	157	-53.5%	-24.7%	-17.2%
TOTAL NPLs	**14,109**	**14,057**	**13,614**	**13,505**	**-4.3%**	**-3.9%**	**-0.8%**

Net flows to NPLs



- After the c. €1bn reduction reported in 2015, the gross NPL stock shrank by further €495m in the first 6 months (-2.4%), of which -€488m in Q2, also thanks to the sale of bad loans for about €227m finalized in June.
- The annual decrease of Bad loans (-3.7%) once again compares very favorably to the trend of Italian Banking sector, which increases by +3.2%[1].
- The decline in Unlikely-to-pay (-5.9% y/y and -1.1% in the quarter) and in Past Dues (-51.3% y/y and -16.8% in the quarter) is confirmed.
- Also net of impairments, the NPLs register a significant decrease on an annual basis, equal to €0.6bn (-4.3% y/y and -0.8% in the quarter).
- New NPL inflows in H1 (+€1,107m) are consistent with the normalising trend started already in 2015 (-4.3% vs. H1 2015). As a result, the net flow in H1 2016 (+€813m) ends up being greater than in H1 2015 exclusively due to fewer reclassifications to performing loans, while it is in line with H2 2015.

(1) Sector data at May 2016. Source: Bank of Italy, Supplement to the Statistical Bulletin, July 2016.

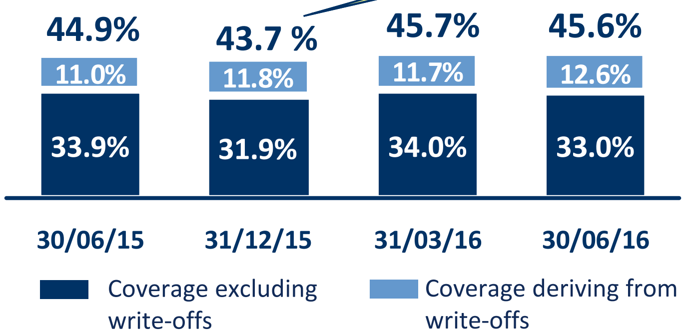
Coverage of Group NPLs

Evolution of the coverage of NPLs

Excludes both real and personal guarantees

Coverage of NPLs (including write-offs)

Disposal of unsecured Bad loans.



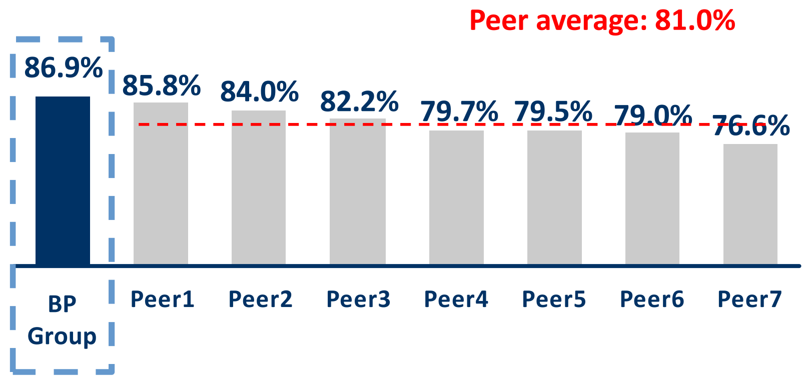
	30/06/2015		31/12/2015		31/03/2016		30/06/2016	
	Excl. write-offs	**Incl. write-offs**	Excl. write-offs	**Incl. write-offs**	Excl. write-offs	**Incl. write-offs**	Excl. write-offs	**Incl. write-offs**
Bad loans	41.5%	**58.1%**	38.3%	**56.3%**	43.0%	**59.7%**	41.0%	**59.3%**
- Incl. real guarantees	*97.2%*	***98.0%***	*103.7%*	***102.6%***	*105.2%*	***103.6%***	*105.8%*	***104.0%***
Unlikely-to-pay	26.8%		25.4%		24.6%		**24.7%**	
- Incl. real guarantees	*85.8%*		*85.8%*		*85.7%*		***88.8%***	
Past Due loans	15.3%		20.7%		18.8%		19.2%	

~130% at *Fair Value*

N.B.: The value of the pledge considered for the coverage ratios reported in this table is capped at the residual exposure outstanding with borrowers; conversely, the data at Fair Value consider the full fair value of the pledge. For Leasing, the value of the asset is always capped at the salvage value (VPR – Valore di Pronto Realizzo).

- Solid NPL coverage ratios confirmed: at 45.6% (including write-offs) for total NPLs (+1.9p.p. vs. year-end 2015) and at 59.3% for bad loans (+3p.p. vs. year-end 2015). The coverage did not increase in Q2 due to the disposal finalized in June of unsecured Bad loans, which by definition are highly provisioned against.
- Thanks to the high percentage of secured loans (76.7% for Bad loans and 75.6% for Unlikely-to-pay loans), the coverage of Bad loans including collateral is over 100% and for Unlikely-to-pay loans it comes in at 88.8%.
- As a result, the high percentage of secured loans over total NPLs compared to the main Italian players (accounting data as at 31/12/2015) should be taken into due consideration when analyzing the coverage levels of our Group.

Share of loans assisted by guarantees on total net NPLs



(*) Peers include ISP, UCG, MPS, UBI, BPER, BPM and Carige.
Arithmetic mean.
Source: FY 2015 Annual Reports. Table A.3.2 of the Integrative Note.

BANCO POPOLARE

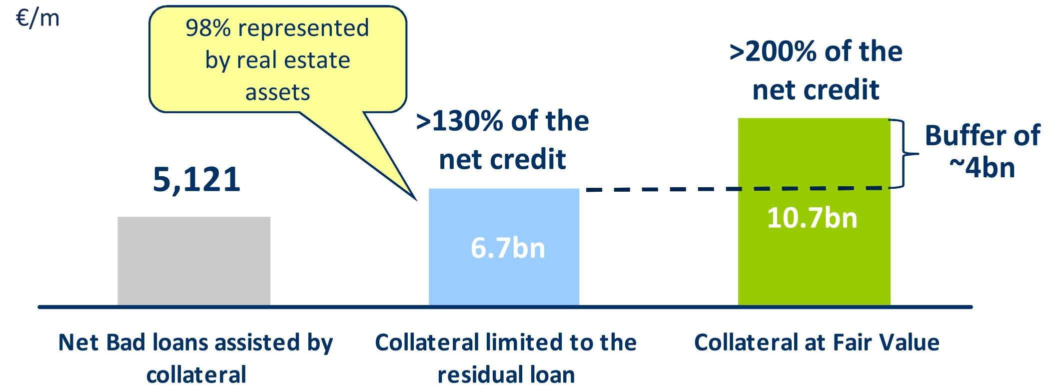
Bad loans: high collateralisation and coverage

- The Group is characterized by a very high percentage of secured Bad loans: 76.7% of the total.
- The collateral value drives the coverage of the secured component to 116.9% (159.5% with collateral measured at Fair Value).
- Also the unsecured portion (23.3% of the total) enjoys a very high coverage ratio, at 82.7%.
- Thus, the 59.3% stated coverage of total Bad loans rises to 104.0% when including collateral (130.5% if measured at fair value), and is proportionally solid if compared to the Italian banking sector, which on average reports a lower collateralization level.

€/m

BAD LOANS	GROSS EXPOSURES	Share on gross exposures (in %)	Accounting coverage (incl. Write-offs)	Coverage including collateral limited to the residual loan	Coverage including collateral at fair value
Assisted by collateral	7,920	76.7%	45.1%	116.9%	159.5%
Not assisted by collateral	2,410	23.3%	82.7%	82.7%	82.7%
Total	**10,330**	**100%**	**59.3%**	**104.0%**	**130.5%**

Value of collateral compared with the net risk



High quality collateral

The Real Estate collateral underlying Bad loans is geographically located as follow:

- ❑ North of Italy 69%
- ❑ Centre of Italy 21%
- ❑ South of Italy and Islands 10%

N.B. These data exclude leasing collateral

Note: Management accounting data. As of the first quarter, a new business logic has been introduced to analyze the secured portfolio, by single contract instead of single borrower.

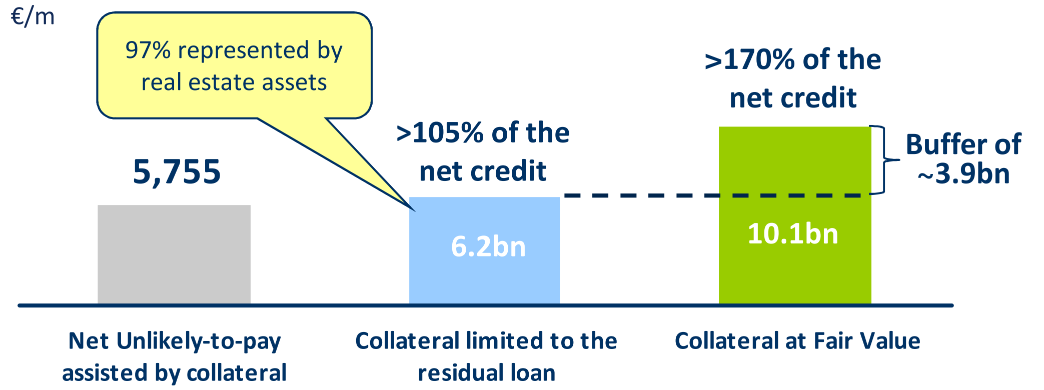
Unlikely-to-pay: high collateralisation and coverage

- The Group is characterized by a very high percentage of secured Unlikely-to-pay loans:75.6% of the total.
- The collateral value drives the coverage of the secured component to 105.7% (159.3% with collateral measured at Fair Value).
- Also the unsecured portion (24.4% of the total) enjoys a high coverage ratio, at 36.4%.
- Thus the 24.7% stated coverage of total Unlikely-to-pay loans rises to 88.8% when including collateral (129.3% if measured at fair value), and is proportionally solid if compared to the Italian banking sector, which on average reports a lower collateralization level.

€/m

UNLIKELY-TO-PAY LOANS	GROSS EXPOSURES	Share on gross exposures (in %)	Accounting coverage	Coverage including collateral limited to the residual loan	Coverage including collateral at fair value
Assisted by collateral	7,280	75.6%	20.9%	105.7%	159.3%
Not assisted by collateral	2,345	24.4%	36.4%	36.4%	36.4%
Total	**9,625**	**100%**	**24.7%**	**88.8%**	**129.3%**

Value of collateral compared with the net risk



High quality collateral

The Real Estate collateral underlying Unlikely-to-pay loans is geographically located as follow:

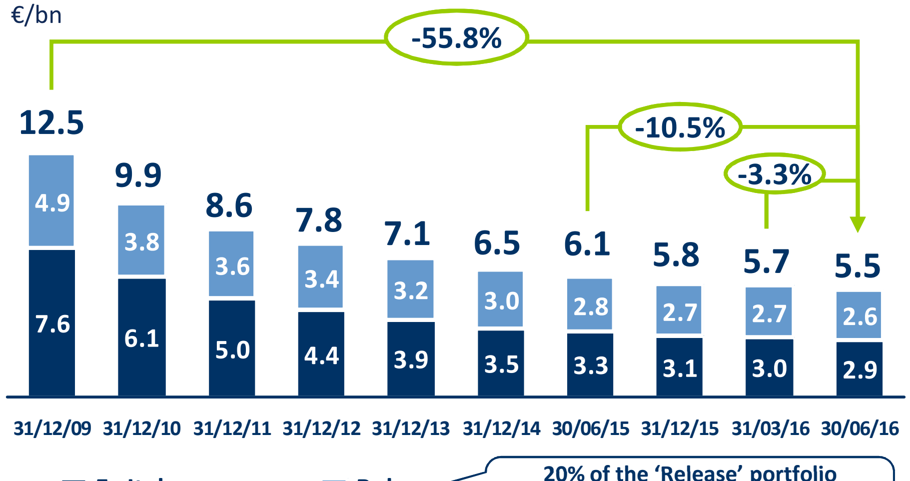
- ❑ North of Italy 62%
- ❑ Centre of Italy 27%
- ❑ South of Italy and Islands 10%
- ❑ Abroad 1%

N.B. These data exclude leasing collateral

Note: Management accounting data. As of the first quarter, a new business logic has been introduced to analyse the secured portfolio, by single contract instead of single borrower.

Leasing Division: the downsizing is progressing

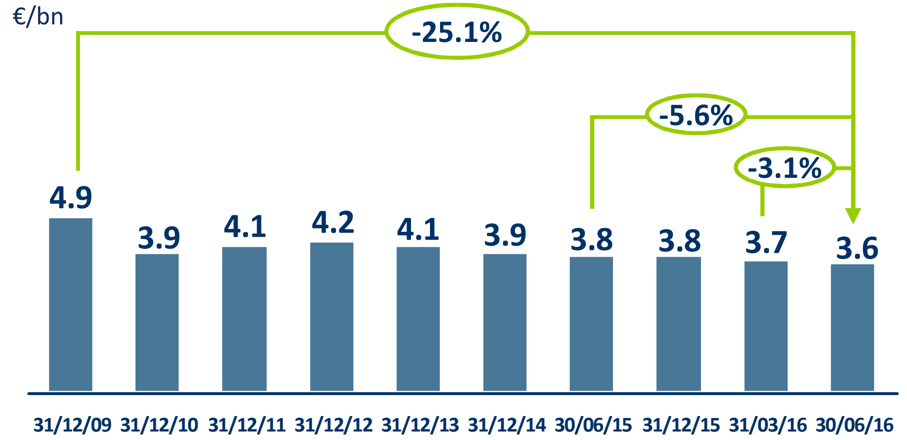
Evolution of total gross customer loans*



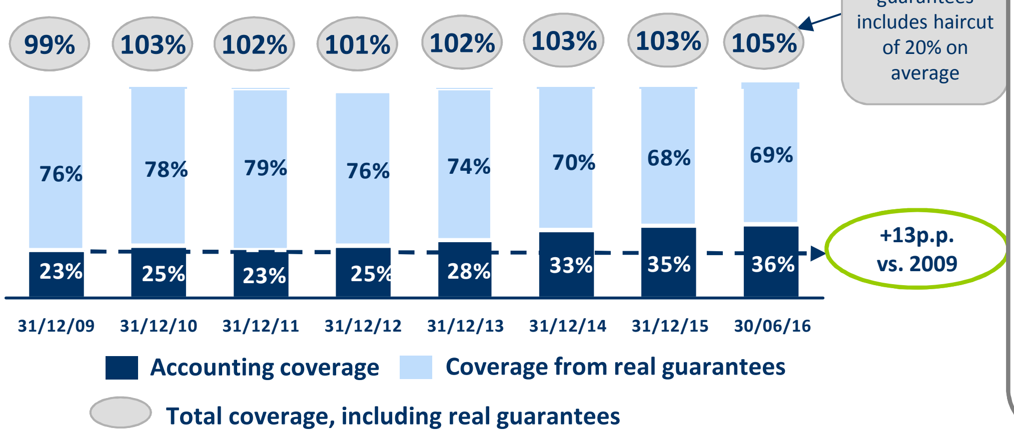
20% of the 'Release' portfolio belongs to the shareholders BPER, BPM and BPS.

Note: (*) Exclude notes in L&R

Evolution of gross NPLs



Evolution of the coverage of NPLs



The value of real guarantees includes haircut of 20% on average

- The downsizing of the portfolio of the Leasing Division is progressing, with a further decline of €302m (-5.2%) in H1 2016, resulting in a total reduction of €7bn since 2009.
- Total gross NPLs at €3.6bn (the lowest level reached since 2009), down by 5.6% y/y and by 3.1% in the quarter, also thanks to the sale of €52m of leasing Bad loans in June.
- Accounting coverage (excluding collateral) is strengthening further (at 36%, +1p.p. vs. year-end 2015 and +13p.p. vs. year-end 2009).
- Total coverage, including collateral, stays above 100% (105%, +6p.p. vs. 2009), in spite of an average 20% haircut applied to the collateral's market value.

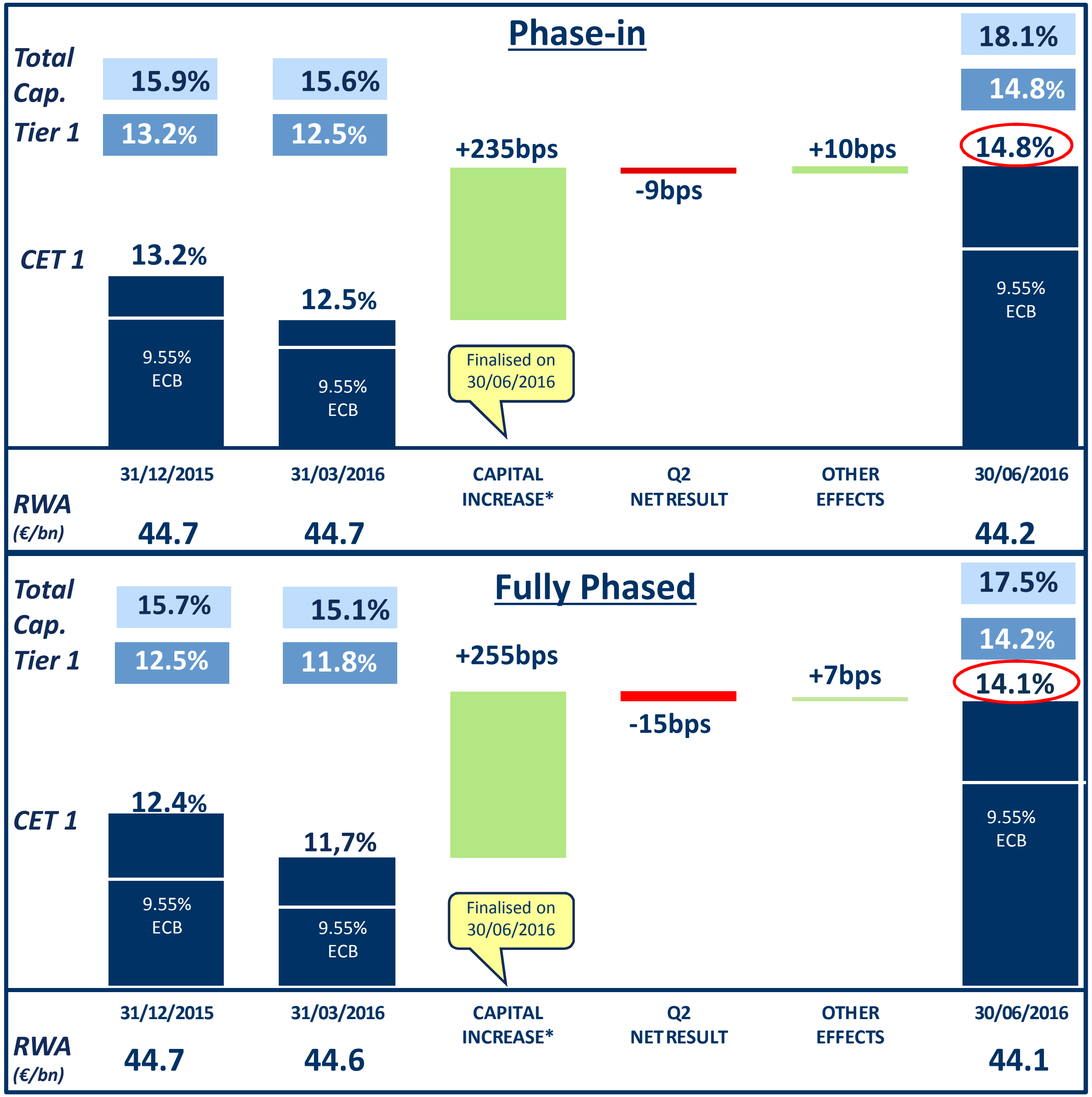
BANCO POPOLARE

Agenda

Banco Popolare Group

Group capital ratios

ECB Capital Decision in November 2015: CET1 ratio requirement set at 9.55%



Over the quarter, capital ratios recorded a steep increase, both with respect to the phase-in ratio (+236bp), and to the fully-loaded ratio (+247bp), as a result of:

- the rights issue completed in June (+235bp phase-in and +255bp fully-loaded);
- the net loss reported in Q2 (-9bp phase-in and -15bp fully-loaded);
- other effects (+10bp phase-in and +7bp fully-loaded), including the RWA dynamic, DTA changes due to past tax losses, etc.

The ratios at 30/06/2016 do not price in additional loan loss provisions stemming from the need to increase the average coverage ratio of nonperforming loans to the level requested by the Regulator within the Merger Plan with BPM.

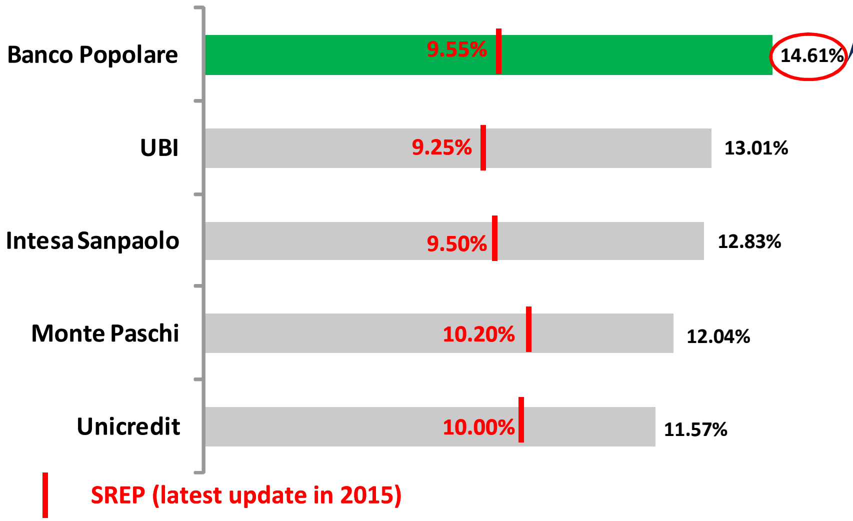
*Includes also the indirect positive effects from the rights issue deriving from higher thresholds and, hence, less deductions.

BANCO POPOLARE

Results of the EU-wide Stress Test (29/07/2016)

Italian banks Stress Test: 2018 Baseline Scenario

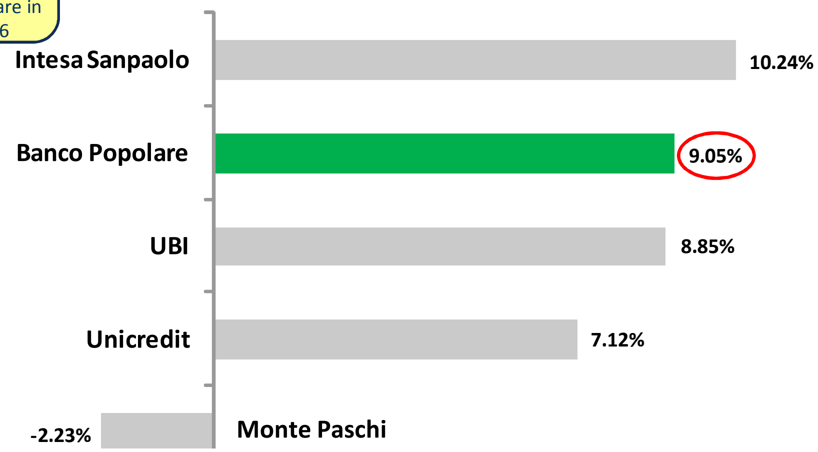
(on CET1 Phase–in as at 31/12/2015)



The figure does not include the €1bn rights issue completed by Banco Popolare in June 2016

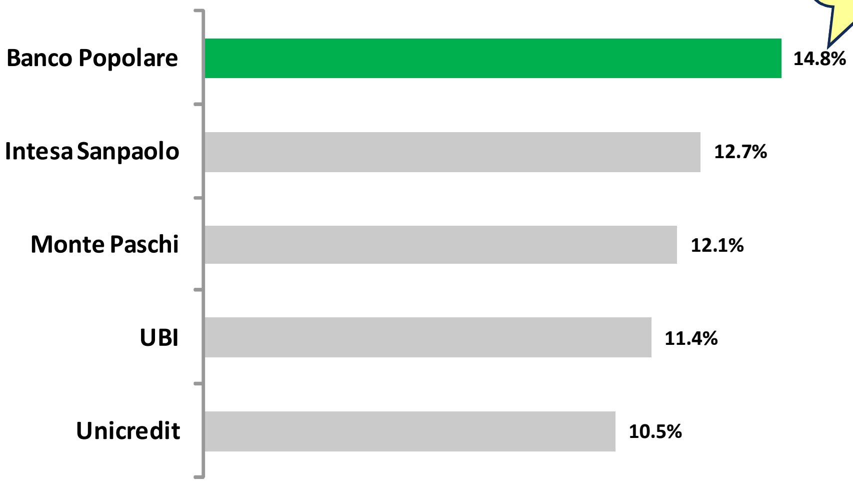
Italian banks Stress Test: 2018 Adverse Scenario

(on CET1 Phase–in as at 31/12/2015)



Memo: CET 1 Phase-in as at 30/06/2016

Before further provisions associated with disruptive elements in H2



The resilience and strength demonstrated by Banco Popolare under the conditions imposed by the 2016 Stress Test scenarios is confirmed by the following results:

- CET1 ratio under the Stress Test baseline scenario at 14.61%
- CET1 ratio under the Stress Test adverse scenario at 9.05%

The stress test was based on a static balance sheet assumption at 31/12/2015 and, therefore, it does not take into account any business strategies or any management actions carried out by banks after this date.

The rights issue, which was completed by Banco Popolare in June 2016 and which strengthened further the Group's capital position, is not included in the above projections.

Conclusions

The first half of 2016 has been characterized by:

- A significant bolstering of capital ratios, thanks to the rights issue completed in June 2016 (CET 1 ratio at 14.8% phase-in and 14.1% fully-loaded). The rights issue was not included in the strong results of the EU-wide Stress Test
- A Profit from Operations of €508m net of systemic charges, with revenues pressure mitigated by further progress in cutting down on operating costs (-3.5% net of systemic charges)
- A discontinuity of the cost of credit risk from its normalised course (93pb), having already posted €580m of additional provisions to bring the NPL coverage in line with the targets set by the ECB as part of the Merger Plan with Banca Popolare di Milano
- An additional decline in NPLs (-5.6% y/y and -2.3% q/q) and further progress in the downsizing and derisking also for Italease
- The confirmation of a solid liquidity position

Agenda

Appendix: Banco Popolare Group

Reclassified consolidated balance sheet

Reclassified assets (in euro thousand)	30/06/2016	31/12/2015 (*)	Chg.	
Cash and cash equivalents	580,670	587,383	(6,713)	(1.1%)
Financial assets and hedging derivatives	29,365,769	27,531,012	1,834,757	6.7%
Due from banks	3,495,568	2,817,832	677,736	24.1%
Customer loans	79,445,812	78,421,634	1,024,178	1.3%
Equity investments	1,133,181	1,166,324	(33,143)	(2.8%)
Property and equipment	2,110,293	2,132,633	(22,340)	(1.0%)
Intangible assets	2,043,017	2,042,120	897	0.0%
Non-current assets held for sale and discontinued operations	75,374	109,983	(34,609)	(31.5%)
Other assets	5,449,173	5,428,245	20,928	0.4%
Total	**123,698,857**	**120,237,166**	**3,461,691**	**2.9%**

Reclassified liabilities (in euro thousand)	30/06/2016	31/12/2015 (*)	Chg.	
Due to banks	16,204,063	16,334,739	(130,676)	(0.8%)
Due to customers, debt securities issued and financial liabilities designated at fair value	83,146,243	82,141,444	1,004,799	1.2%
Financial liabilities and hedging derivatives	10,252,235	8,564,543	1,687,692	19.7%
Liability provisions	1,001,457	1,060,648	(59,191)	(5.6%)
Liabilities associated with assets held for sale	-	342,265	(342,265)	n.s.
Other liabilities	4,131,641	3,246,793	884,848	27.3%
Minority interests	87,187	53,169	34,018	64.0%
Shareholders' equity	8,876,031	8,493,565	382,466	4.5%
- Capital and reserves	9,256,200	8,063,492	1,192,708	14.8%
- Net income (loss) for the period	(380,169)	430,073	(810,242)	n.s.
Total	**123,698,857**	**120,237,166**	**3,461,691**	**2.9%**

BANCO POPOLARE

(*) Figures of the previous period have been adjusted to allow a homogenous comparison.

Appendix: Banco Popolare Group

Consolidated income statement: quarterly trend

Reclassified income statement (in €/m)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015*
Net interest income	339.7	351.5	368.9	387.5	402.0	387.1
Income (loss) from investments in associates carried at equity	27.4	36.1	41.0	39.2	36.7	24.6
Net interest, dividend and similar income	**367.1**	**387.7**	**409.8**	**426.7**	**438.6**	**411.7**
Net fee and commission income	322.5	316.8	340.2	314.1	350.2	420.9
Other net operating income	22.7	23.8	37.3	23.5	20.3	28.6
Net financial result (excluding FVO)	40.9	57.9	267.8	30.0	50.3	93.0
Other operating income	**386.1**	**398.6**	**645.3**	**367.6**	**420.8**	**542.5**
Total income	**753.2**	**786.2**	**1,055.1**	**794.3**	**859.4**	**954.2**
Personnel expenses	(323.4)	(325.5)	(423.3)	(327.7)	(342.2)	(340.4)
Other administrative expenses	(199.4)	(204.6)	(316.3)	(161.0)	(162.6)	(165.0)
Amortization and depreciation	(32.9)	(30.3)	(73.9)	(33.7)	(26.3)	(32.5)
Operating costs	**(555.6)**	**(560.5)**	**(813.4)**	**(522.4)**	**(531.1)**	**(537.9)**
Profit (loss) from operations	**197.6**	**225.7**	**241.7**	**271.9**	**328.4**	**416.3**
Net adjustments on loans to customers	(296.0)	(684.4)	(229.1)	(199.5)	(193.9)	(181.4)
Net adjustments on receivables due from banks and other assets	(9.1)	1.7	(23.2)	(5.2)	(22.3)	(3.6)
Net provisions for risks and charges	1.4	(3.4)	14.6	(15.8)	(6.4)	(43.2)
Impairment of goodwill and equity investments	-	-	-	-	-	-
Profit (loss) on the disposal of equity and other investments	0.6	(0.3)	(0.1)	(0.2)	(4.0)	(0.1)
Income (loss) before tax from continuing operations	**(105.5)**	**(460.7)**	**3.9**	**51.2**	**101.8**	**188.0**
Tax on income from continuing operations (excluding FVO)	40.1	134.7	72.6	(5.3)	(23.3)	26.5
Income (loss) after tax from discontinued operations	(0.0)	(1.5)	0.3	0.2	(6.5)	(1.3)
Income (loss) attributable to minority interests	2.6	2.9	7.7	5.9	1.2	3.9
Net income (loss) for the period excluding FVO	**(62.8)**	**(324.5)**	**84.5**	**52.0**	**73.1**	**217.2**
Fair Value Option result (FVO)	(5.3)	15.0	7.1	7.1	16.8	(12.6)
Tax on FVO result	1.5	(4.1)	(2.3)	(2.3)	(5.5)	4.2
Net income (loss) for the period	**(66.6)**	**(313.6)**	**89.2**	**56.7**	**84.3**	**208.8**

Note: (*) The figures relating to the period prior to 30/06/2015 have been appropriately reclassified to retroactively reflect the transfer of the economic contribution of BP Luxembourg to the item 'Income (loss) after tax from discontinued operations'.

Appendix: Banco Popolare Group

PPA effect: quarterly evolution

From Q1 2015, following the merger of Banca Italease into the parent bank Banco Popolare, the PPA refers only to the ex-BPI Group.

Reclassified income statement (in €/m)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	-	-	-	-	-	-
Income (loss) from investments in associates carried at equity	-	-	-	-	-	-
Net interest, dividend and similar income	**-**	**-**	**-**	**-**	**-**	**-**
Net fee and commission income	-	-	-	-	-	-
Other net operating income	(5.5)	(5.5)	(6.0)	(6.0)	(6.0)	(6.0)
Net financial result (excluding FVO)	-	-	-	-	-	-
Other operating income	**(5.5)**	**(5.5)**	**(6.0)**	**(6.0)**	**(6.0)**	**(6.0)**
Total income	**(5.5)**	**(5.5)**	**(6.0)**	**(6.0)**	**(6.0)**	**(6.0)**
Personnel expenses	-	-	-	-	-	-
Other administrative expenses	-	-	-	-	-	-
Amortization and depreciation	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Operating costs	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**
Profit (loss) from operations	**(6.4)**	**(6.4)**	**(6.9)**	**(6.9)**	**(6.9)**	**(6.9)**
Net adjustments on loans to customers	-	-	-	-	-	-
Net adjustments on receivables due from banks and other assets	-	-	-	-	-	-
Net provisions for risks and charges	-	-	-	-	-	-
Impairment of goodwill and equity investments	-	-	-	-	-	-
Profit (loss) on the disposal of equity and other investments	(0.0)	0.0	(1.3)	-	-	-
Income (loss) before tax from continuing operations	**(6.4)**	**(6.4)**	**(8.1)**	**(6.9)**	**(6.9)**	**(6.9)**
Tax on income from continuing operations (excluding FVO)	2.1	2.1	6.6	2.2	2.2	2.2
Income (loss) after tax from discontinued operations	-	-	-	-	-	-
Income (loss) attributable to minority interests	-	-	-	-	-	-
Net income (loss) for the period excluding FVO	**(4.3)**	**(4.3)**	**(1.5)**	**(4.6)**	**(4.6)**	**(4.7)**

BANCO POPOLARE

Appendix A: Banco Popolare Group

Income Statement pre PPA: quarterly evolution

Reclassified income statement (in €/m)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015*
Net interest income	339.7	351.5	368.9	387.5	402.0	387.1
Income (loss) from investments in associates carried at equity	27.4	36.1	41.0	39.2	36.7	24.6
Net interest, dividend and similar income	**367.1**	**387.7**	**409.8**	**426.7**	**438.6**	**411.7**
Net fee and commission income	322.5	316.8	340.2	314.1	350.2	420.9
Other net operating income	28.2	29.3	43.3	29.5	26.2	34.5
Net financial result (excluding FVO)	40.9	57.9	267.8	30.0	50.3	93.0
Other operating income	**391.6**	**404.0**	**651.3**	**373.6**	**426.7**	**548.4**
Total income	**758.7**	**791.7**	**1,061.1**	**800.2**	**865.4**	**960.1**
Personnel expenses	(323.4)	(325.5)	(423.3)	(327.7)	(342.2)	(340.4)
Other administrative expenses	(199.4)	(204.6)	(316.3)	(161.0)	(162.6)	(165.0)
Amortization and depreciation	(32.0)	(29.5)	(72.9)	(32.8)	(25.4)	(31.6)
Operating costs	**(554.7)**	**(559.6)**	**(812.5)**	**(521.5)**	**(530.2)**	**(537.0)**
Profit (loss) from operations	**203.9**	**232.1**	**248.6**	**278.7**	**335.2**	**423.1**
Net adjustments on loans to customers	(296.0)	(684.4)	(229.1)	(199.5)	(193.9)	(181.4)
Net adjustments on receivables due from banks and other assets	(9.1)	1.7	(23.2)	(5.2)	(22.3)	(3.6)
Net provisions for risks and charges	1.4	(3.4)	14.6	(15.8)	(6.4)	(43.2)
Impairment of goodwill and equity investments	-	-	-	-	-	-
Profit (loss) on the disposal of equity and other investments	0.6	(0.3)	1.2	(0.2)	(4.0)	(0.1)
Income (loss) before tax from continuing operations	**(99.2)**	**(454.3)**	**12.0**	**58.1**	**108.6**	**194.9**
Tax on income from continuing operations (excluding FVO)	38.1	132.7	66.0	(7.5)	(25.6)	24.3
Income (loss) after tax from discontinued operations	(0.0)	(1.5)	0.3	0.2	(6.5)	(1.3)
Income (loss) attributable to minority interests	2.6	2.9	7.7	5.9	1.2	3.9
Net income (loss) for the period excluding FVO	**(58.5)**	**(320.2)**	**86.0**	**56.6**	**77.7**	**221.9**
Fair Value Option result (FVO)	(5.3)	15.0	(6.3)	7.1	16.8	(12.6)
Tax on FVO result	1.5	(4.1)	2.1	(2.3)	(5.5)	4.2
Net income (loss) for the period	**(62.3)**	**(309.3)**	**81.8**	**61.4**	**89.0**	**213.4**

Note: (*) The figures relating to the period prior to 30/06/2015 have been appropriately reclassified to retroactively reflect the transfer of the economic contribution of BP Luxembourg to the item 'Income (loss) after tax from discontinued operations'.

BANCO POPOLARE

Appendix: Leasing Division

Leasing Division: breakdown of H1 2016 results

Management accounting data

Reclassified income statement (in €/m)	Leasing Division 30/06/2016	Leasing Division 30/06/2015	*of which: Release* 30/06/2016	*of which: Release* 30/06/2015
Net interest income	19.3	2.0	*21.7*	*1.7*
Income (loss) from investments in associates carried at equity	-	-	-	-
Net interest, dividend and similar income	**19.3**	**2.0**	***21.7***	***1.7***
Net fee and commission income	0.0	0.0	*(0.3)*	*(0.2)*
Other net operating income	16.7	13.3	*9.8*	*9.0*
Net financial result (excluding FVO)	(0.1)	(0.1)	*0.0*	*0.0*
Other operating income	**16.6**	**13.2**	***9.5***	***8.8***
Total income	**35.9**	**15.2**	***31.2***	***10.5***
Personnel expenses	(4.9)	(0.7)	*(5.9)*	*(0.9)*
Other administrative expenses	(23.6)	(12.3)	*(22.4)*	*(10.0)*
Amortization and depreciation	(7.8)	(7.1)	*(6.9)*	*(6.5)*
Operating costs	**(36.4)**	**(20.1)**	***(35.2)***	***(17.3)***
Profit (loss) from operations	**(0.5)**	**(4.9)**	***(4.0)***	***(6.8)***
Net adjustments on loans to customers	(73.3)	(33.4)	*(72.6)*	*(24.2)*
Net adjustments on receivables due from banks and other assets	-	-	-	-
Net provisions for risks and charges	(0.4)	(0.4)	*(1.1)*	*(1.0)*
Impairment of goodwill and equity investments	-	-	*(0.0)*	-
Profit (loss) on the disposal of equity and other investments	(0.4)	(0.3)	*(4.3)*	*(4.0)*
Income (loss) before tax from continuing operations	**(74.7)**	**(39.1)**	***(82.1)***	***(36.0)***
Tax on income from continuing operations	20.3	9.2	*23.4*	*8.8*
Income (loss) after tax from discontinued operations	-	-	-	-
Income (loss) attributable to minority interests	6.0	-	*5.4*	-
Net income (loss) for the period	**(48.3)**	**(29.9)**	***(53.2)***	**(27.2)**

Contribution of the ex Italease Group to the Banco Popolare consolidated P&L, excluding PPA.

Leasing Division: quarterly trend of the income statement

Management accounting data

Reclassified income statement (in €/m)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	10.0	9.3	11.3	10.1	10.8	11.0
Income (loss) from investments in associates carried at equity	-	-	-	-	-	-
Net interest, dividend and similar income	**10.0**	**9.3**	**11.3**	**10.1**	**10.8**	**11.0**
Net fee and commission income	0.0	-	(0.1)	(0.1)	(0.1)	(0.2)
Other net operating income	11.4	5.3	0.0	5.2	6.0	3.8
Net financial result (excluding FVO)	0.0	(0.1)	(0.0)	-	0.0	0.0
Other operating income	**11.4**	**5.2**	**(0.1)**	**5.1**	**5.9**	**3.6**
Total income	**21.3**	**14.5**	**11.3**	**15.2**	**16.6**	**14.6**
Personnel expenses	(2.5)	(2.5)	(3.6)	(2.5)	(2.5)	(3.3)
Other administrative expenses	(12.9)	(10.7)	(10.0)	(11.0)	(10.5)	(11.9)
Amortization and depreciation	(3.9)	(3.9)	(38.3)	(3.4)	0.3	(7.2)
Operating costs	**(19.3)**	**(17.1)**	**(51.9)**	**(17.0)**	**(12.7)**	**(22.5)**
Profit (loss) from operations	**2.1**	**(2.6)**	**(40.6)**	**(1.8)**	**3.9**	**(7.9)**
Net adjustments on loans to customers	(43.0)	(30.3)	(30.8)	(40.5)	(47.9)	(24.7)
Net adjustments on receivables due from banks and other assets	-	-	-	-	-	-
Net provisions for risks and charges	(0.2)	(0.2)	10.4	(11.1)	(0.8)	(0.3)
Impairment of goodwill and equity investments	-	-	(0.1)	-	(0.0)	-
Profit (loss) on the disposal of equity and other investments	(0.3)	(0.2)	(0.3)	(0.6)	(4.2)	(0.1)
Income (loss) before tax from continuing operations	**(41.4)**	**(33.3)**	**(61.2)**	**(53.9)**	**(49.0)**	**(33.1)**
Tax on income from continuing operations	11.6	8.8	14.6	15.1	14.2	9.2
Income (loss) after tax from discontinued operations	-	-	-	-	-	-
Income (loss) attributable to minority interests	2.9	3.1	7.9	5.7	1.5	3.9
Net income (loss) for the period	**(26.9)**	**(21.4)**	**38.8**	**(33.1)**	**(33.3)**	**(19.9)**

New DTA Decree and Banco Popolare data

- On 3 May 2016, Decree no. 59/2016 was published, which includes special measures on deferred tax assets (DTAs).
- Companies can keep on applying the current rules on the conversion of deferred tax assets into tax credits, provided that they elect into a specific irrevocable optional regime to retain the right to convert, in exchange for an annual fee to be paid from 2015 up until 2029, when applicable.
- As clarified by the press release published by the Government on 29 April, these measures are expected to overcome the objections raised by the European Commission arguing that, under certain circumstances, a free-of-charge conversion may constitute State Aid.
- The annual fee is calculated by applying a 1.5% charge to a “base” resulting from :
  - (+) The difference between eligible DTAs recognized at the balance sheet date and the eligible DTAs recognized in the 2007 annual report
  - (+) The amount of DTAs transformed into tax credits accrued as of 2008 (up until the balance sheet date)
  - (-) Total taxes paid in the period from 1/1/2008 to the date of payment of the income tax balance due for the current financial year.
- In the second quarter of 2016, Banco Popolare registered fees associated with Eligible DTAs convertible into tax credits for a total amount of € 40.4m, of which €27.1m of annual fee for fiscal year 2015 (€19.4 after-tax) and €13.3m (€9.6m after-tax) of six-monthly fee for fiscal year 2016. Financial year 2015 had not been burdened by this charge.
- This charge is expected to gradually decline, more markedly under the Merger process with Banca Popolare di Milano.

Appendix: Banco Popolare Group

Asset quality of the Group

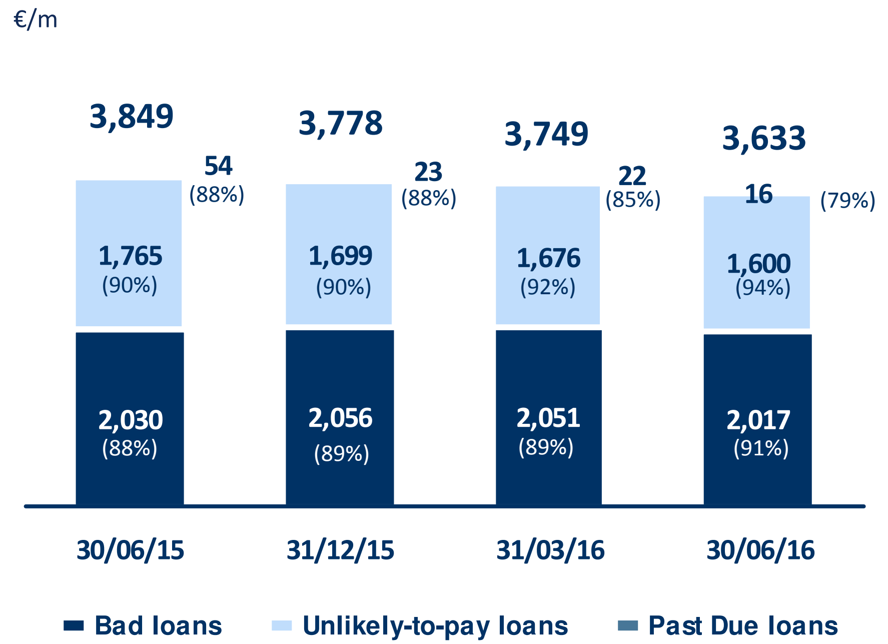
	Gross exposure	Impairments	Net exposure	Coverage		Write-offs	Coverage including write-offs
30/06/2016							
Bad loans	10,330	4,230	6,100	41.0%		4,656	59.3%
Unlikely to pay loans	9,625	2,378	7,248	24.7%			
Past Due loans	195	37	157	19.2%			
Non-performing loans	**20,150**	**6,645**	**13,505**	**33.0%**		**4,656**	**45.6%**
of which: Forborne	*4,444*	*985*	*3,459*	*22.2%*			
Performing loans	**66,245**	**303**	**65,941**	**0.5%**	(1)		
of which: Forborne	*3,299*	*49*	*3,250*	*1.5%*			
Total customer loans	**86,395**	**6,949**	**79,446**			**4,656**	**12.7%**
31/03/2016							
Bad loans	10,667	4,587	6,080	43.0%		4,430	59.7%
Unlikely to pay loans	9,736	2,392	7,344	24.6%			
Past Due loans	234	44	190	18.8%			
Non-performing loans	**20,638**	**7,023**	**13,614**	**34.0%**		**4,430**	**45.7%**
of which: Forborne	*4,226*	*958*	*3,268*	*22.7%*			
Performing loans	**64,857**	**316**	**64,541**	**0.5%**	(2)		
of which: Forborne	*3,486*	*53*	*3,433*	*1.5%*			
Total customer loans	**85,495**	**7,340**	**78,155**			**4,430**	**13.1%**
31/12/2015							
Bad loans	10,471	4,012	6,458	38.3%		4,315	56.3%
Unlikely to pay loans	9,911	2,521	7,390	25.4%			
Past Due loans	263	54	209	20.7%			
Non-performing loans	**20,645**	**6,588**	**14,057**	**31.9%**		**4,315**	**43.7%**
of which: Forborne	*3,937*	*923*	*3,014*	*23.5%*			
Performing loans	**64,692**	**328**	**64,365**	**0.5%**	(2)		
of which: Forborne	*3,613*	*56*	*3,557*	*1.5%*			
Total customer loans	**85,338**	**6,916**	**78,422**			**4,315**	**12.5%**
30/06/2015							
Bad loans	10,723	4,446	6,277	41.5%		4,268	58.1%
Unlikely to pay loans	10,231	2,737	7,494	26.8%			
Past Due loans	400	61	338	15.3%			
Non-performing loans	**21,354**	**7,245**	**14,109**	**33.9%**		**4,268**	**44.9%**
Performing loans	**66,563**	**400**	**66,163**	**0.6%**	(3)		
Total customer loans	**87,917**	**7,645**	**80,272**			**4,268**	**12.9%**

Notes:
(1) 0.5% excluding the Performing exposures, which are totally risk free.
(2) 0.6% excluding the Performing exposures, which are totally risk free.
(3) 0.7% excluding the Performing exposures, which are totally risk free.

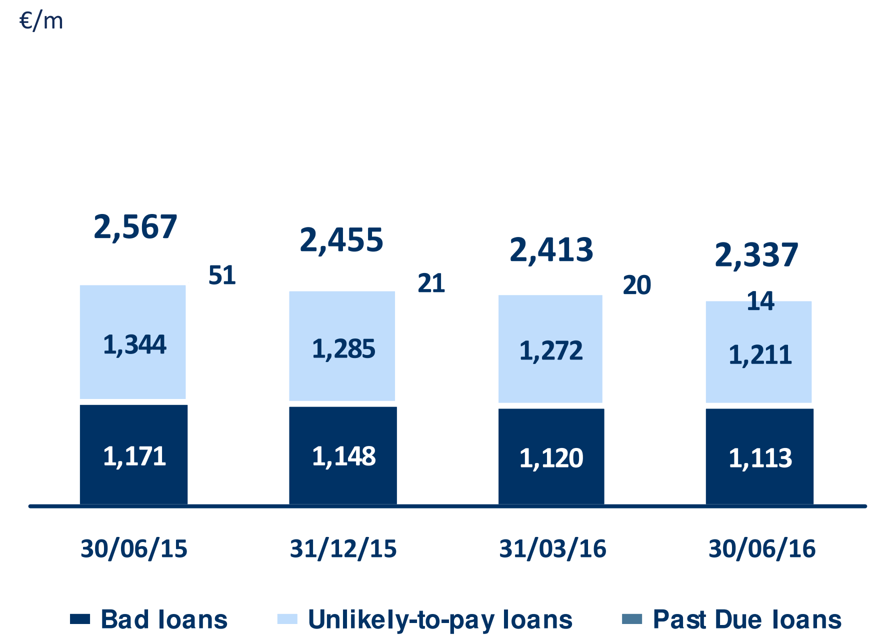
.

Non-performing loans of the Leasing Division

Gross Non-performing loans



Net Non-performing loans



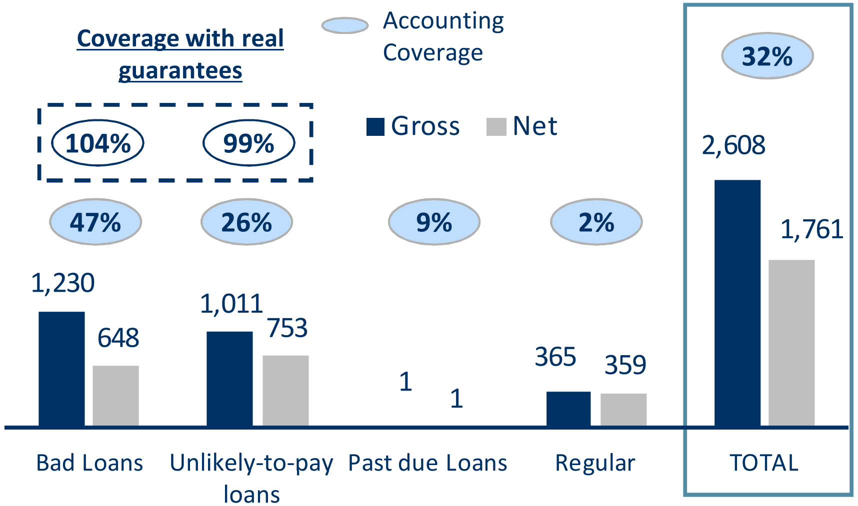
N.B.: The figures indicated in brackets indicate the % share of real estate-related lending.

Appendix: Leasing Division (Ex Italease + Release)

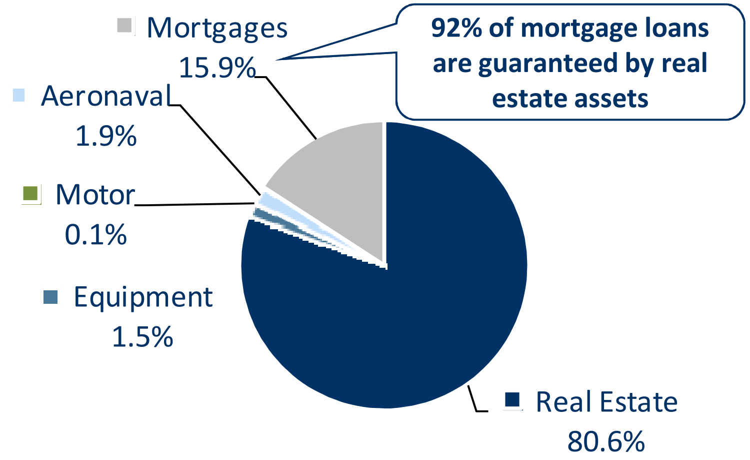
‘Release’ Portfolio: analysis as at 30/06/2016

20% of the ‘Release’ portfolio belongs to the shareholders BPER, BPM and BPS

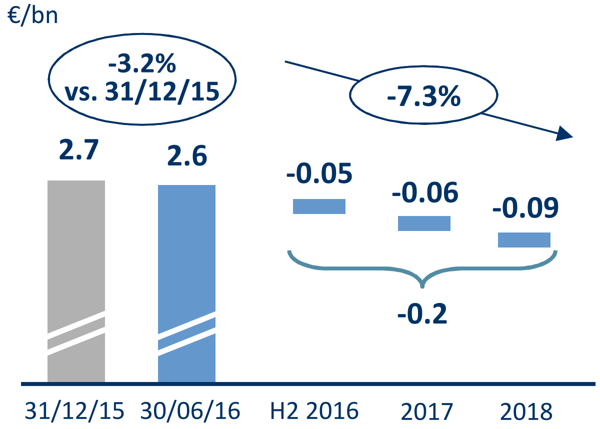
Gross customer loans: classification



Loan portfolio by product category



Repayment plan until 2018*



% chg. expected as at year-end 2018	
Real Estate	-5.8%
Mortgages	-14.5%
Equipment	-22.8%
Other	-0.0%
TOTAL	**-7.3%**

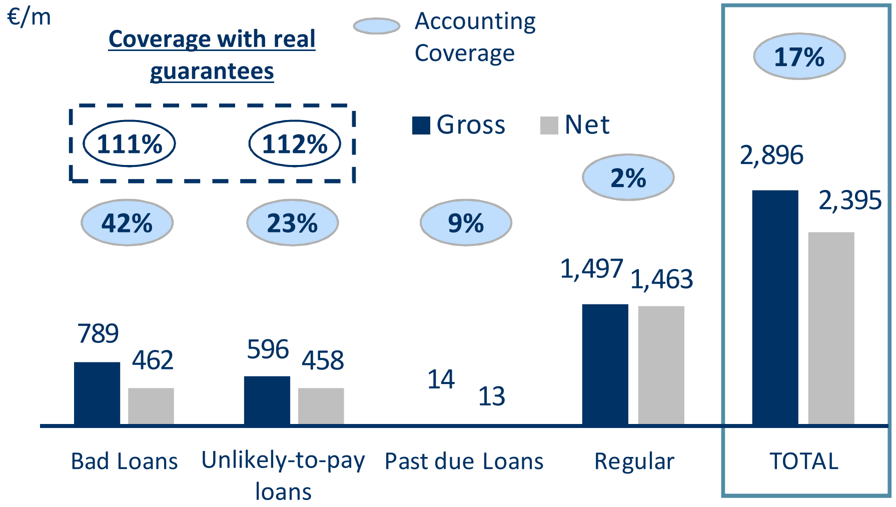
- The ‘Release’ portfolio shrank by 46.2% vs. year-end 2009; in the same period, the combined Bad loans + Unlikely-to-pay cluster declined by 41.5%. In H1 2016 alone, both total loans and the combined Bad loans + Unlikely-to-pay cluster decreased by roughly 3%.
- The coverage ratios, including collateral, came in at 104% for Bad loans and at 99% for Unlikely-to-pay.
- Repayment plan: performing loans -7.3% by 2018 (-€0.2bn).

* Forecasts on the portfolio maturities, based on the financial plan for performing loans.

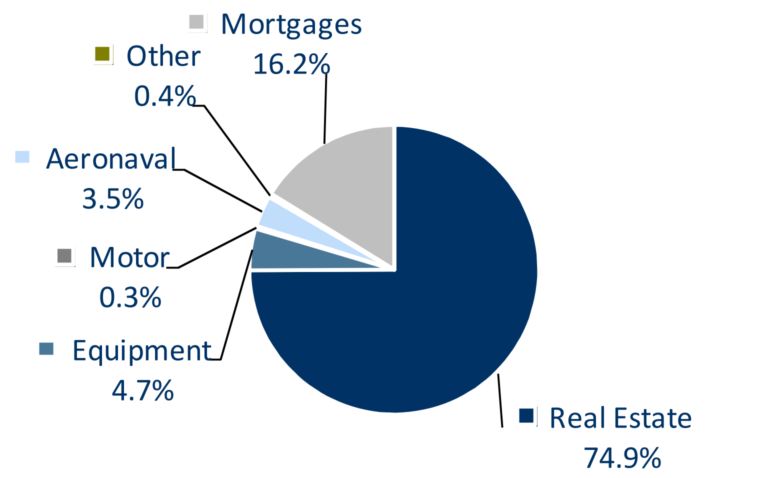
Appendix: Leasing Division (Ex Italease + Release)

'Ex Italease' Portfolio: analysis as at 30/06/2016

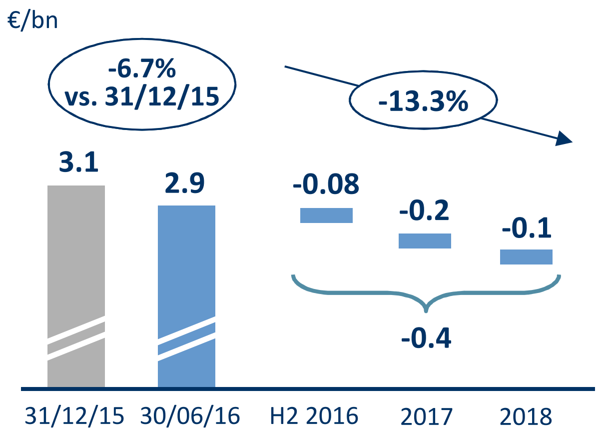
Gross customer loans: classification



Loan portfolio by product category



Repayment plan until 2018*



% chg. expected as at year-end 2018	
Real Estate	-15.8%
Mortgages	-0.6%
Equipment	-18.2%
Other	-13.0%
TOTAL	**-13.3%**

- The 'Ex Italease' portfolio shrank by 60.6% vs. year-end 2009 and by 6.7% in H1 2016 alone.
- In the first six months of the year, the combined Bad loans + Unlikely-to-pay cluster decreased by 3.9%.
- The coverage ratios, including collateral, came in at 111% for Bad loans and at 112% for Unlikely-to-pay.
- Repayment plan: performing loans -13.3% by 2018 (-€0.4bn).

* Forecasts on the portfolio maturities, based on the financial plan for performing loans.

Pipeline of IR events in 2016

Work in progress

Pipeline of IR events in 2016

Date	City	Event
9 February 2016	Verona	Press release on FY 2015 results
9 February 2016	Verona	Banco Popolare: *Conference call* on FY 2015 results
18 February 2016	Milan	The CEEMEA and Italian Financials Conference 2016 - UBS (investor meetings)
25 February 2016	London	Roadshow with equity investors
17 March 2016	London	2016 Morgan Stanley European Financials Conference (investor meetings)
19 March 2016	Lodi	Annual Shareholders' meeting (2nd call)
24 March 2016	(web)	Presentation of the Merger Project of Banco Popolare and Banca Popolare di Milano
7 May 2016	Verona	Ordinary and Extraordinary Shareholders' meeting (Share Capital increase - 2° call)
10 May 2016	Verona	Press release on Q1 2016 results
10 May 2016	Verona	Banco Popolare: *Conference call* on Q1 2016 results
16 May 2016	-	Board Approval of the Business Plan, with press release and market presentation (followed by roadshows and investor calls)
9 June 2016	Paris	Goldman Sachs Twentieth European Financial Conference (floor presentation and investor meetings)
21 June 2016	Milan	Mediobanca Fixed Income Investor Meetings
22 June 2016	Milan	Mediobanca Italian CEOs Conference (panel and investor meetings)
5 August 2016	Verona	Press release on H1 2016 results
5 August 2016	Verona	Banco Popolare: *Conference call* on H1 2016 results
14 September 2016	London	KBW UK & European Financials Conference 2016 (investor meetings)
15 September 2016	Düsseldorf	Euromoney / ECBC Covered Bond Congress (investor meetings)
29 September 2016	London	BoA Merrill Lynch "21st Annual Financial CEO Conference" (floor presentation and investor meetings)
8 November 2016	Verona	Press release on Q3 2016 results
8 November 2016	Verona	Banco Popolare: *Conference call* on Q3 2016 results

Memo:

In addition to the events indicated above, it is noted that, within the Merger Project with BPM, the Extraordinary Shareholder's meeting is expected to be convened approximately within the month of October 2016.

Contacts for Investors and Financial Analysts

INVESTOR RELATIONS

Tom Lucassen, Head of Investor Relations	tel.: +39-045-867.5537
Elena Segura	tel.: +39-045-867.5484
Silvia Leoni	tel.: +39-045-867.5613
Andrea Faraldo	tel.: +39-045-867.5053

Head Office, Piazza Nogara 2, I-37121 Verona, Italy

investor.relations@bancopopolare.it
www.bancopopolare.it (IR section)
fax: +39-045-867.5248