BANCO POPOLARE

Presentation of Group nine-month 2016 results






Pier Francesco Saviotti, CEO

Verona, 8 November 2016 @ 19:00 CET – conference call & webcast

BANCO POPOLARE

Disclaimer

GENERAL

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.

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.

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.

IN RELATION TO THE RIGHT OF WITHDRAWAL:

THIS PRESENTATION AND ANY INFORMATION CONTAINED HEREIN SHALL NOT BE PUBLISHED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES OF AMERICA, CANADA, SOUTH AFRICA, AUSTRALIA, JAPAN, TO "U.S. PERSONS" (AS DEFINED UNDER THE U.S. SECURITIES ACT OF 1933), OR IN OR INTO ANY JURISDICTION WHERE SUCH PUBLICATION OR DISTRIBUTION WOULD BE PROHIBITED BY APPLICABLE LAW

Agenda

Performance as at 30/09/2016 at a glance (1/2)

Capital

- Strong capital position, with a CET 1 ratio at 14.7% *phase-in* and at 13.7% *fully-loaded*, although it is already pricing in most of the expected additional provisions required to increase the average coverage level of NPLs, as part of the merger plan with BPM.
- It is worth recalling that Banco Popolare reported an excellent result in EBA's Stress Test at the end of July, 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 quality

- The NPL coverage ratio rose to 47.0%, up by 3.3p.p. over the nine months and by 1.4p.p. compared to June*.
- Gross NPLs declined by 4.7% y/y (+1.7% q/q) driven by significant reductions in Unlikely-to-pay and Past due loans.
- Net NPLs fell both on a yearly basis (-6.3%) and on a quarterly basis (-1.2%).
- These dynamics do not yet include the sale of unsecured Bad loans finalized in October 2016 for a nominal value of roughly €618m (€230m gross book value**).

Funding and liquidity

- Core direct funding with branch network grew by €4.5bn year-on-year and by €1.5bn quarter-on-quarter, running at €42.8bn and more than offsetting the planned reduction in the bond and other debt component.
- Unencumbered eligible assets (mostly Italian Government bonds) totaled €16.7bn (+€2.8bn q/q), exceeding bond maturities up until the end of 2018.
- LCR >200% and NSFR >100%***. The high level of liquidity ratios is supportive to the strategies being pursued to reduce the cost of funding.

BANCO POPOLARE

Note: (*) Coverage including write-offs.
(**) The difference between the nominal value and the gross book value is represented by loans subject to write-offs.
(***) LCR calculated based on the new Delegated Act rules. NSFR includes certificates with capital protection.

Performance as at 30/09/2016 at a glance (2/2)

Operating results

- Q3 confirms the excellent results achieved in cost containment:
  - personnel expenses dropped by 4.7% y/y and by 2.9% q/q, driven by the strong headcount reduction;
  - other administrative expenses, net of systemic charges* and of integration costs, fell by 2.5% y/y and by 1.2% q/q.
- Losses reported over the 9M period (amounting to €718.3m before FVO) and in Q3 (-€331.0m before FVO) were basically caused by exogenous elements that, as already known by the market, were not related to the ordinary business, namely:
  - higher loan loss provisions to increase the average coverage level of NPLs;
  - systemic charges.

Note: (*) Systemic charges refer to costs related to SRF, DGS and the Fee on Eligible DTAs convertible into tax credits.

Commercial performance

- M/L TERM LENDING: More than €7.5bn total lending (+12.8% y/y), of which: €1.4bn to Households and other individuals; €1.7bn to Small Businesses; €3.2bn to Mid Corporate and €1.1bn to Large Corporate and Public agencies.
- CONSUMER CREDIT: €590m loans disbursed by Agos/Ducato, up by 3.6% on a yearly basis.
- INDIRECT FUNDING: roughly €8bn indirect funding products sold in the 9M.
- CARDS: Payment cards stock (credit and debit) up by almost 98 thousand units in the 9M, of which more than 57 thousand YouCard.
- ON-LINE BANKING: Stock of YouWeb contracts up by over 82 thousand units in the 9M, running at more than 1.2m.
- CHECKING ACCOUNTS: Commercial checking accounts (retail and business) confirmed at 2.3 million, with an increase in the associated direct funds.

Consolidated income statement at 30/09/2016: changes

Reclassified income statement €/m	9M 2016	9M 2015	y/y % chg.
Net interest income	1,014.9	1,176.5	(13.7%)
Income (loss) from investments in associates carried at equity	93.3	100.5	(7.2%)
Net interest, dividend and similar income	**1,108.2**	**1,277.0**	**(13.2%)**
Net fee and commission income	950.3	1,085.2	(12.4%)
Other net operating income	70.9	72.3	(2.0%)
Net financial result (excluding FVO)	183.8	173.3	6.0%
Total income	**2,313.1**	**2,607.9**	**(11.3%)**
Personnel expenses	(963.0)	(1,010.3)	(4.7%)
Other administrative expenses	(596.7)	(488.6)	22.1%
Amortization and depreciation	(109.9)	(92.5)	18.7%
Operating costs	**(1,669.5)**	**(1,591.4)**	**4.9%**
Profit (loss) from operations	**643.5**	**1,016.5**	**(36.7%)**
Net adjustments on loans to customers	(1,699.7)	(574.8)	195.7%
Net adjustments on receivables due from banks and other assets	(8.0)	(31.0)	(74.1%)
Net provisions for risks and charges	(7.5)	(65.4)	(88.6%)
Profit (loss) on the disposal of equity and other investments	3.2	(4.3)	n.s.
Income (loss) before tax from continuing operations	**(1,068.6)**	**341.0**	**n.s.**
Tax on income from continuing operations (excluding FVO)	331.5	(2.1)	n.s.
Income (loss) after tax from discontinued operations	(1.5)	(7.6)	(80.4%)
Income (loss) attributable to minority interests	20.3	11.0	84.5%
Net income (loss) for the period excluding FVO	**(718.3)**	**342.3**	**n.s.**
Fair Value Option result (FVO)	8.1	11.2	(27.5%)
Tax on FVO result	(2.2)	(3.7)	(39.7%)
Net income (loss) for the period	**(712.4)**	**349.8**	**n.s.**

Includes one-off items shown in Slide 7

Includes systemic charges :
- **Single Resolution Fund**
- **Deposit Guarantee Scheme**
- **Fee on Eligible DTAs convertible into tax credits**

In 2016, net loan loss provisions reported a strong discontinuity from their normalized course, based on the ongoing process aimed at increasing the average coverage level of NPLs (see slide 22).

Quarterly consolidated income statement: changes

Reclassified income statement €/m	Q3 2016	Q2 2016	q/q % chg.
Net interest income	323.6	339.7	(4.7%)
Income (loss) from investments in associates carried at equity	29.8	27.4	9.0%
Net interest, dividend and similar income	**353.4**	**367.1**	**(3.7%)**
Net fee and commission income	311.0	322.5	(3.6%)
Other net operating income	24.3	22.7	6.9%
Net financial result (excluding FVO)	85.0	40.9	107.9%
Total income	**773.7**	**753.2**	**2.7%**
Personnel expenses	(314.1)	(323.4)	(2.9%)
Other administrative expenses	(192.7)	(199.4)	(3.4%)
Amortization and depreciation	(46.6)	(32.9)	41.9%
Operating costs	**(553.4)**	**(555.6)**	**(0.4%)**
Profit (loss) from operations	**220.3**	**197.6**	**11.5%**
Net adjustments on loans to customers	(719.3)	(296.0)	143.0%
Net adjustments on receivables due from banks and other assets	(0.7)	(9.1)	(92.7%)
Net provisions for risks and charges	(5.5)	1.4	n.s.
Profit (loss) on the disposal of equity and other investments	2.9	0.6	n.s.
Income (loss) before tax from continuing operations	**(502.3)**	**(105.5)**	**n.s.**
Tax on income from continuing operations (excluding FVO)	156.6	39.3	298.5%
Income (loss) after tax from discontinued operations	-	(0.0)	n.s.
Income (loss) attributable to minority interests	14.7	2.6	n.s.
Net income (loss) for the period excluding FVO	**(331.0)**	**(63.6)**	**n.s.**
Fair Value Option result (FVO)	(1.6)	(5.3)	(69.2%)
Tax on FVO result	0.4	2.3	(80.5%)
Net income (loss) for the period	**(332.2)**	**(66.6)**	**n.s.**

Includes one-off items shown in Slide 7

Includes systemic charges :
- **Single Resolution Fund**
- **Deposit Guarantee Scheme**
- **Fee on Eligible DTAs convertible into tax credits**

In 2016, net loan loss provisions reported a strong discontinuity from their normalized course, based on the ongoing process aimed at increasing the average coverage level of NPLs (see slide 22).

Banco Popolare Group

Other non-recurring P&L items and systemic charges

In addition to LLP discontinuities reported in 2016, also the following non-recurring P&L effects were reported, together with systemic charges:

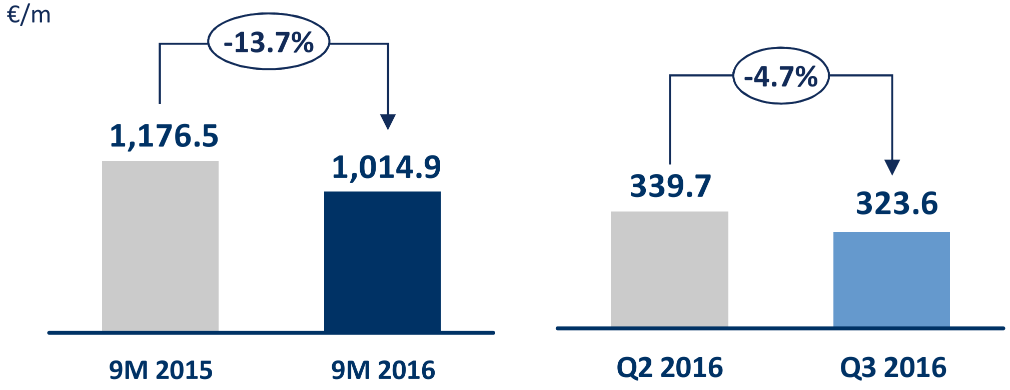
€/m	2016								2015		
	9M 2016		Q3		Q2		Q1		9M 2015		P&L Item
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	
Incentivised exits and other extraordinary personnel expenses									(11.6)	(7.8)	*Personnel expenses*
Write-downs on real estate assets	(17.9)	(11.3)	(15.9)	(9.8)	(1.8)	(1.3)	(0.2)	(0.2)	(2.3)	(1.6)	*Amortization and Depreciation*
									(3.8)	(2.2)	*Loss on the disposal of investments*
Disposal of financial activities in AFS (Earn out ICBPI)	25.6	24.6	25.6	24.6					-	-	*Net Financial Result*
Write-downs on AFS	(9.5)	(6.9)	(0.8)	(0.5)	(8.8)	(6.5)			-	-	*Net adjustments on other assets*
Tax disputes									(18.7)	(13.2)	*Net provisions for risks and charges*
"Ex Banca Italease" tax assetrecognition									85.1	85.1	*Tax on income from continuing operations*
Discontinued operations (BP Lux.)	(1.5)	(1.5)	-	-	(0.0)	(0.0)	(1.5)	(1.5)	(7.6)	(7.6)	*Income (loss) after tax from discontinued operations*
Annual contribution to SRF and to DGS	(67.3)	(48.6)	(23.0)	(16.7)	0.1	0.1	(44.4)	(32.0)	-	-	*Other Administrative Expenses*
									(23.0)	(16.7)	*Net provisions for risks and charges*
Fee to convert eligible DTAs into tax credits FY 2015 and 9M 2016	(47.5)	(34.1)	(7.1)	(5.1)	(40.4)	(29.0)					*Other Administrative Expenses*
Merger costs	(5.5)	(4.0)	(5.5)	(4.0)							*Other Administrative Expenses*
Other extraordinary income	3.2	2.3	3.2	2.3							*Profit on the disposal of investments*
Fair Value Option	8.1	5.9	(1.6)	(1.2)	(5.3)	(3.0)	15.0	10.1	11.2	7.5	*FVO result*
TOTAL EXTRAORDINARY ITEMS AND SYSTEMIC CHARGES	**(112.5)**	**(73.6)**	**(25.3)**	**(10.4)**	**(56.2)**	**(39.7)**	**(31.0)**	**(23.5)**	**29.3**	**43.5**	

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

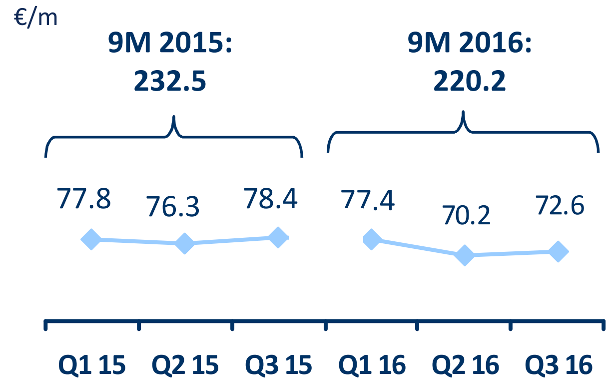
- Recurring charges associated with the Single Resolution Fund (SRF) recognized under the line-item Other Administrative Expenses in Q1 2016 totaled €44.3m (€31.9m after tax), and refer to the total annual contribution for 2016. In 2015 the contribution amounted to €38.0m (total annual contribution for 2015), of which €23m were recognized in Q1 2015 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 2015.
- Ordinary charges related to the Deposit Guarantee Scheme (DGS) recognized in Q3 2016 under the line-item Other Administrative Expenses totaled €23.0m (€16.7m after-tax), referring to the total yearly contribution for 2016. In 2015 this item totaled €10.5m (half-yearly charge), posted in Q4.
- The fee associated with Eligible DTAs convertible into tax credits recognized in 2016 and totaling €47.5m, include €27.2m of annual fee for the fiscal year 2015 (€19.5m after-tax) and €20.3m (€14.5m after-tax) of estimated fee for 9M 2016. Financial year 2015 had not been burdened by this charge.

Net Interest Income

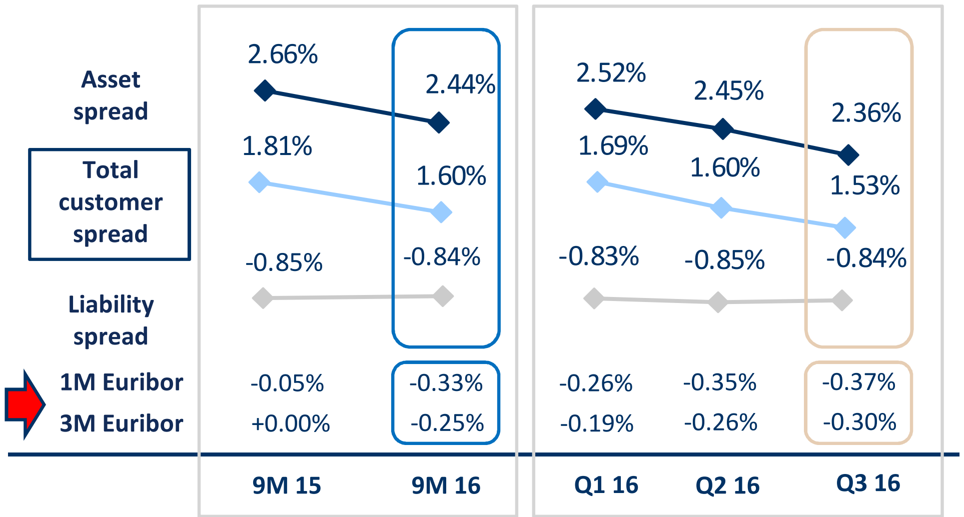
Evolution of Net interest income



Evolution of wholesale funding cost



Customer spread evolution
(commercial network)

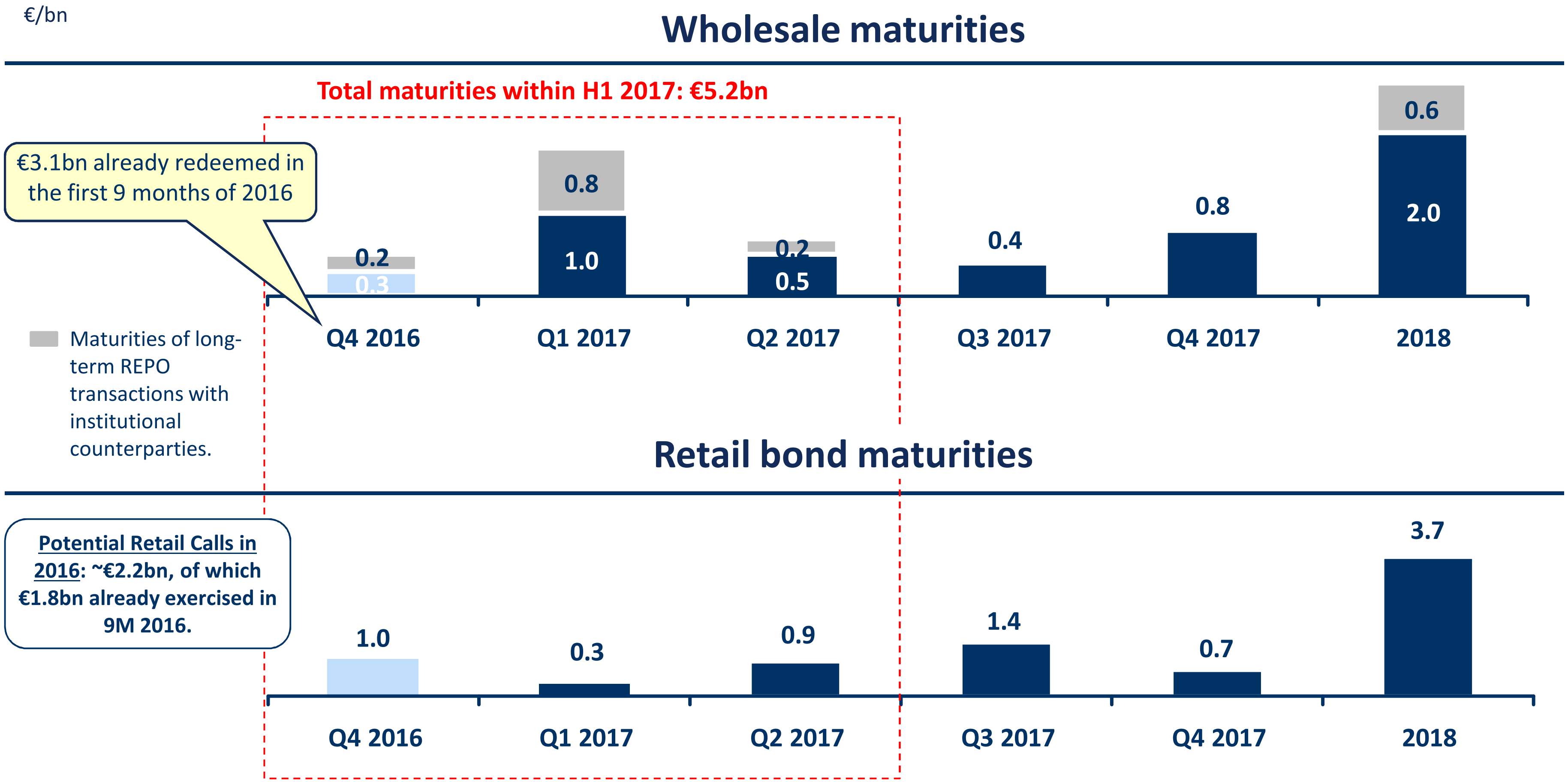


- Net interest income fell by 13.7% y/y and by 4.7% q/q, driven by the following factors:
  - strong competitive pressure on customer loan pricing (asset spread at branch network level -22bp y/y and -9bp q/q);
  - falling Euribor rates (1M: -28bp y/y and -2bp q/q; 3M: -25bp y/y and -4bp q/q);
  - pressure on securities portfolio profitability.
- In this context, worth mentioning among the elements that have been supporting 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.
- In Q4, the customer spread is expected to be substantially stable, led by actions implemented at liability and asset spread levels.
- Banco Popolare is well positioned towards a possible increase in interest rates. A shift of +100bp of the curve would determine an increase of more than 12% in the Group NII.

BANCO POPOLARE

Banco Popolare Group

Wholesale and Retail maturity profile



- Thanks to its substantial liquidity buffer, the Group can derive a benefit from the coming bond maturities (totaling €14.8bn within 2018, of which €5.2bn within H1 2017) to manage its cost of funding.
- Indeed, the Group will be in a position to manage both its institutional and retail issues based on the best windows of opportunity offered by markets and by customer demand.

Note: Retail bond maturities do not include call exercises, to be assessed on a case-by-case basis.

Net Fees and Commissions

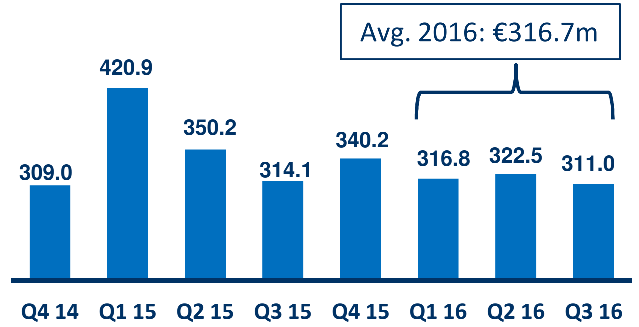
Analysis of Net commissions

€/m

	9M 2016	9M 2015	% chg. y/y
Mgmt. brokerage and advisory services	437.2	555.9	-21.4%
Management of c/a and customer relations	350.8	363.6	-3.5%
Payment and collection services	83.6	88.1	-5.1%
Guarantees given	39.5	38.3	3.1%
Other services	39.1	39.3	-0.5%
Total	**950.2**	**1,085.2**	**-12.4%**

Quarterly evolution

€/m



Composition of ' Management, brokerage and advisory services'

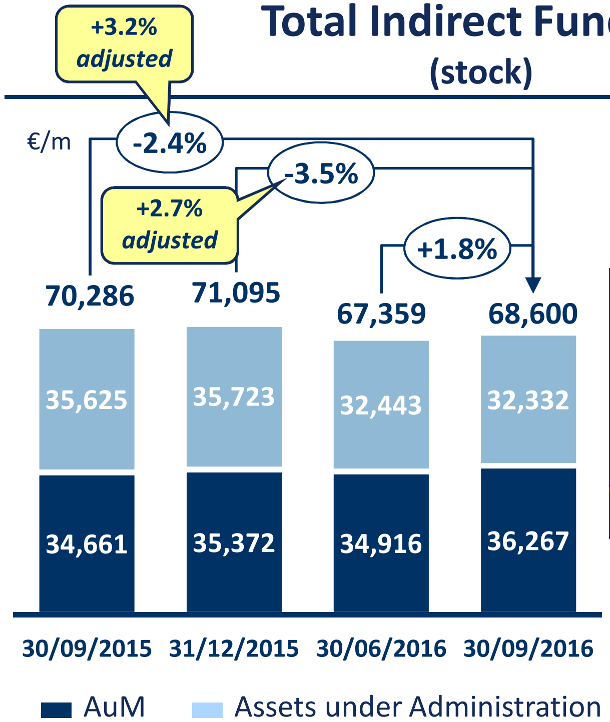
€/m

	9M 2016	9M 2015	% chg. y/y
Placement of savings products:	322.4	431.7	-25.3%
- Securities sale and distribution	*19.4*	*3.5*	*448.0%*
- Asset management	*235.3*	*322.9*	*-27.1%*
- Bancassurance	*67.7*	*105.2*	*-35.7%*
Consumer credit	22.2	25.5	-13.1%
Credit cards	22.2	22.9	-3.2%
Custodian banking services	13.5	12.8	5.5%
FX & trading activities of branch customers	34.6	43.9	-21.2%
Other	22.3	19.0	17.4%
Total	**437.2**	**555.9**	**-21.3%**

- Net fees and commissions dropped by 12.4% y/y and by 3.6% q/q. This reduction was mainly driven by the volatility on financial markets, which influenced customers' propensity to invest, steering them towards capital-protected investments.
- Furthermore, the annual comparison is uneven, due to the non-recurring performance reported in Q1 2015.
- Finally, it is noted that in Q4 2016 a decent contribution by asset management and bancassurance products is expected.

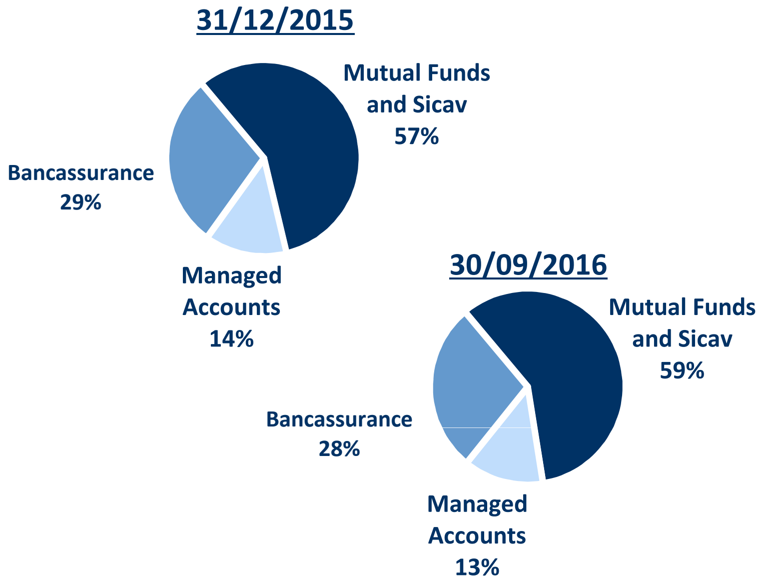
Indirect customer funding

Total Indirect Funding
(stock)



% chg. 3M	*% chg. 9M*	*% chg. 12M*
-0.3%	-9.5%	-9.2%
+3.9%	+2.5%	+4.6%

Breakdown of AUM
(stock)

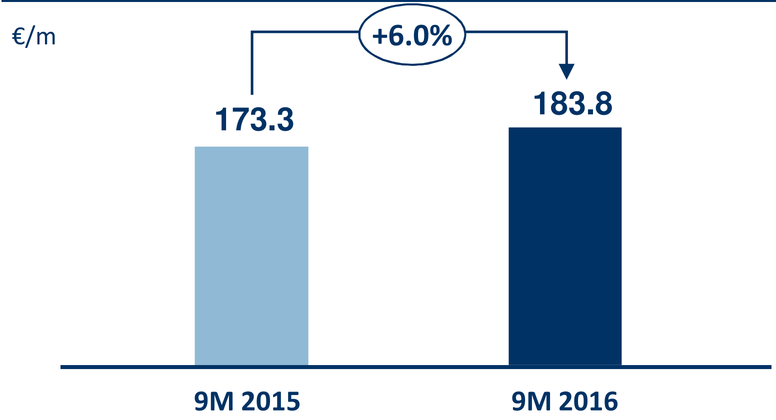


- The 2.4% decline in Indirect Funding on a yearly basis was caused mainly by an extraordinary transaction executed with a customer (finalised in June 2016) and by the market effect on stock and bond prices. **Net of these two components**, the adjusted growth rate reported by Indirect Funding would come in at 3.2% y/y and at 2.7% YTD.
- In Q3 2016, Indirect Funding grew by 1.8%, driven by the positive performance of the asset management business (+3.9%), which has been increasing even on a yearly basis (+4.6%), in spite of financial market fluctuations.

Net Financial Result

NFR excluding FVO

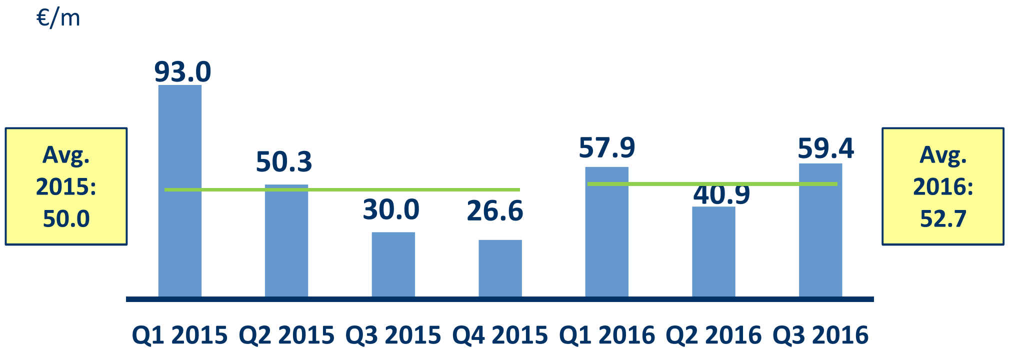
Cumulated gross FVO: **€43.4m**



	9M 2016	9M 2015	% chg.
Net Financial Result	**183.8**	**173.3**	**6.0%**
of which: Visa Europe	25.6	-	n.s.
Net Financial Result net of Visa Europe	158.2	173.3	-8.7%
of which: Banca Aletti	31.8	68.2	-53.4%
% contribution of Banca Aletti to NFR	17.3%	39.4%	-56.0%

Net of one-off capital gains reported in Q4 2015 and in Q3 2016

Proforma NFR
(Quarterly evolution)

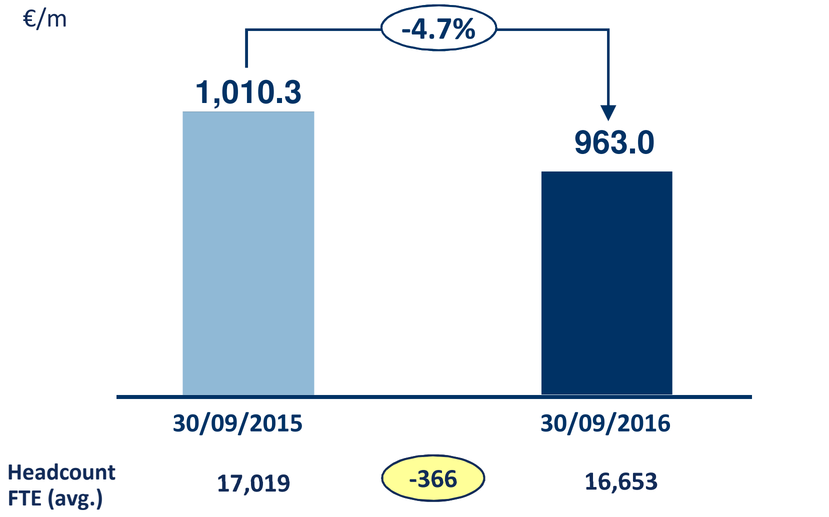


- The Net Financial Result (NFR), amounting to €183.8m, benefitted from the contribution connected with the earn-out from Visa Europe amounting to €25.6m, and thus reported an increase of 6.0% y/y. Net of the above contribution, NFR reported a decline of 8.7% on a yearly basis, reflecting the financial markets performance.
- The contribution to NFR by Banca Aletti has been affected by the negative market performance and by the persisting decline in interest rates. In this context, customers focused primarily on investments in less market-correlated and unstructured products, indirectly affecting also the subsidiary's certificates business and trading activities.
- The quarterly average performance of the first 9M (€52.7m excluding the earn-out from Visa Europe) exceeded the quarterly performance reported in 2015 (€50.0m, excluding capital gains from the disposal of stakes in ICBPI and Arca).

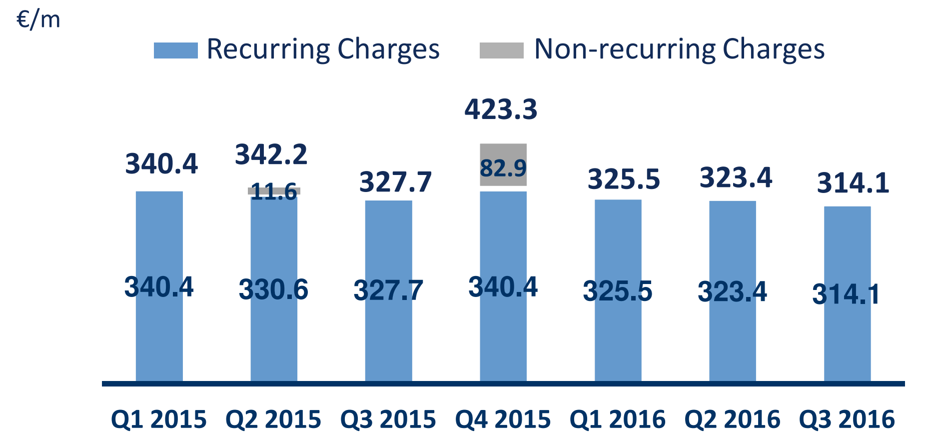
Banco Popolare Group

Operating costs: personnel expenses

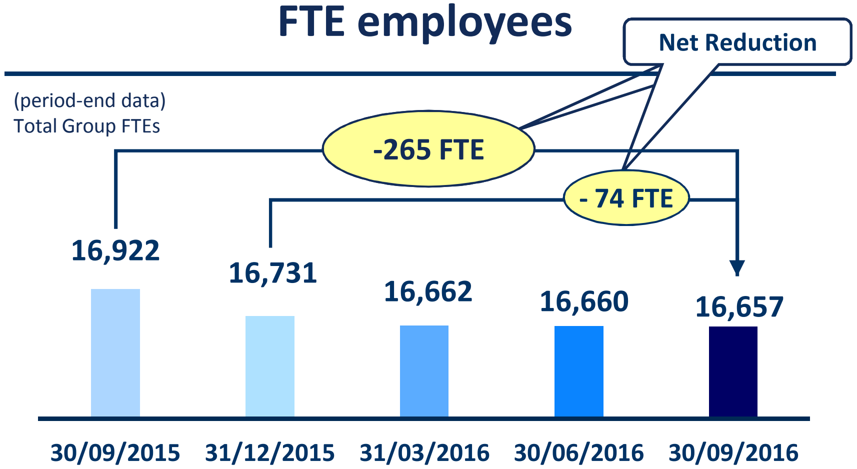
Personnel expenses



Quarterly Evolution



FTE employees



FTE: Full Time Equivalent

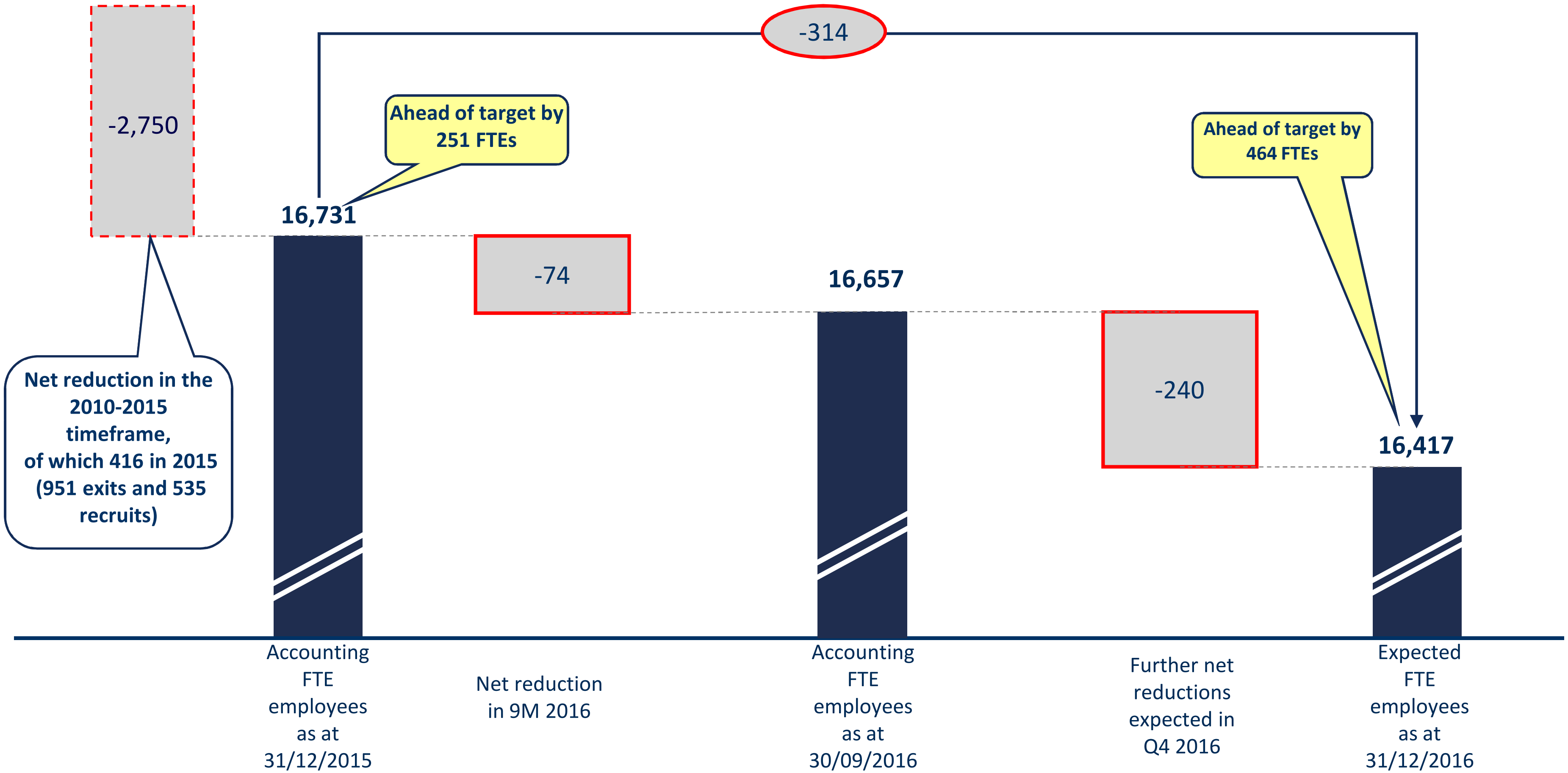
- Personnel expenses fell by 4.7% y/y (-3.6% net of non-recurring charges), mainly driven by the headcount reduction, as well as by lower provisions for variable compensation.
- The average headcount shrank by 366 FTEs on a yearly basis; the end-of-period figure reports a reduction of 74 FTEs YTD and of 265 FTEs y/y.

BANCO POPOLARE

Banco Popolare Group

Headcount evolution in 2016

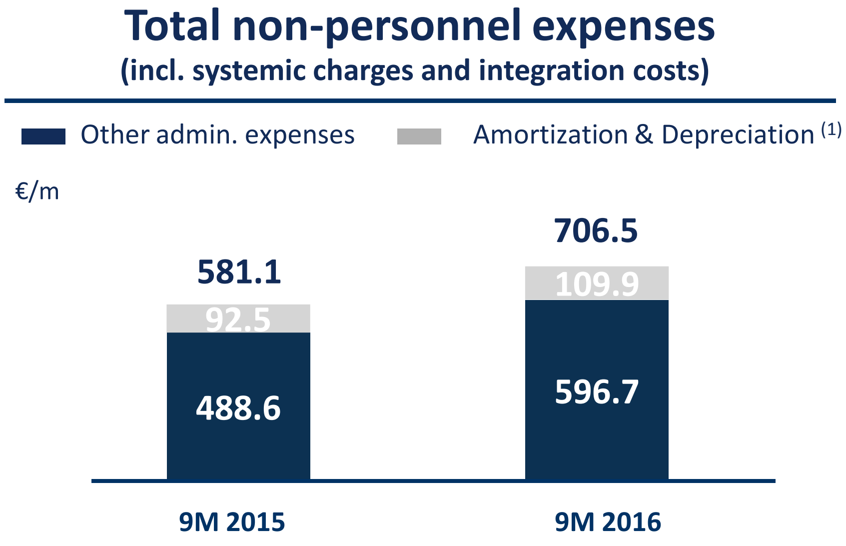
FTEs (including temporary workers)



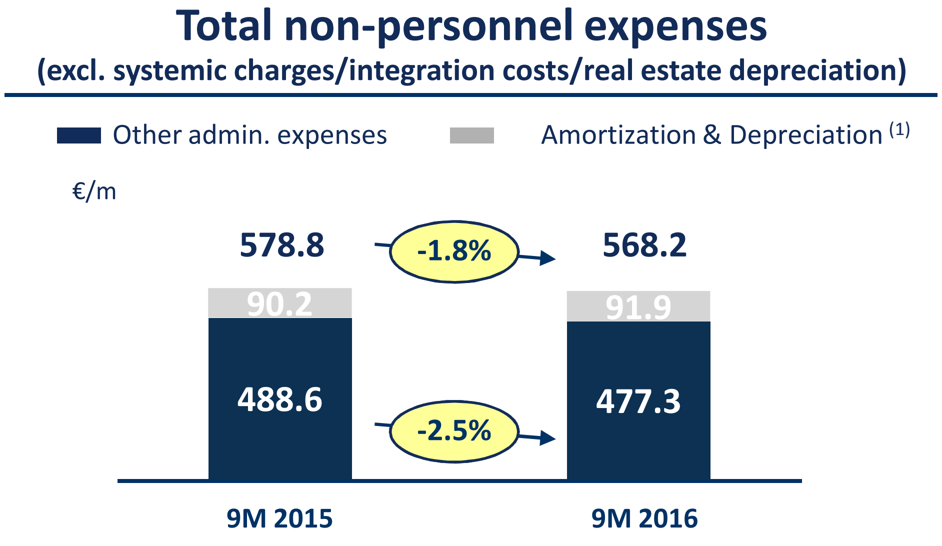
- **The headcount reduction is well ahead of targets.**
- **In Q4 2016, an additional reduction of 240 FTEs is expected, over-delivering by 464 FTEs on the 2016 target.**

BANCO POPOLARE

Operating costs: other expenses



(1) Net amortization and depreciation



(1) Net amortization and depreciation

€/m	9M 2016	9M 2015	%Chg. y/y
Total Non-Personnel Expenses	**706.5**	**581.1**	**21.6%**
Other administrative expenses	**596.7**	**488.6**	**22.1%**
of which: ordinary charges tied to single Resolution Fund (SRF)	*44.3*	-	*n.s.*
*of which: charges tied to Deposit Guarantee Scheme**	*23.0*	-	*n.s.*
of which: charges tied to the conversion regime for DTAs	47.5	-	n.s.
of which: integration costs	5.5	-	
Total systemic and integration charges	*120.4*	-	*n.s.*
A1) Other administrative expenses excluding systemic and integration charges	**476.3**	**488.6**	**-2.5%**
Amortisation & Depreciation	**109.9**	**92.5**	**18.7%**
of which: real estate depreciation	17.9	*2.3*	
Amortisation & Depreciation excluding real estate depreciation	**91.9**	**90.2**	**1.8%**
Total A1+B1	**568.2**	**578.8**	**-1.8%**

€114.9m

Includes charges for 2015 (€27.2m) and for 9M 2016 (€20.3m)

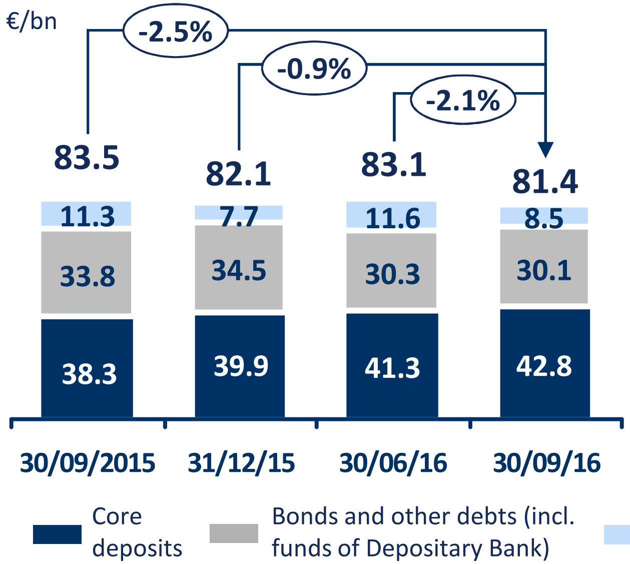
*In Q1 2015, the costs for the SRF contribution, totaling €23m, were recognized under the line-item "provisions for risks and charges".

- Net of systemic charges and of other non-recurring components, (integration costs and real estate depreciation), total non-personnel expenses decreased by 1.8% y/y.
- Other administrative expenses increased by 22.1% y/y, exclusively because of systemic charges for 114.9€m and of integration costs for €5.5m, for a total amount of €120.4m. Net of these components, a decline of 2.5% was registered on a yearly basis .
- Amortization and Depreciation increased by 18.7% y/y. Net of real estate depreciation, however, this line-item reported an "ordinary" increase of +1.8%, fully attributable to IT investments.

Agenda

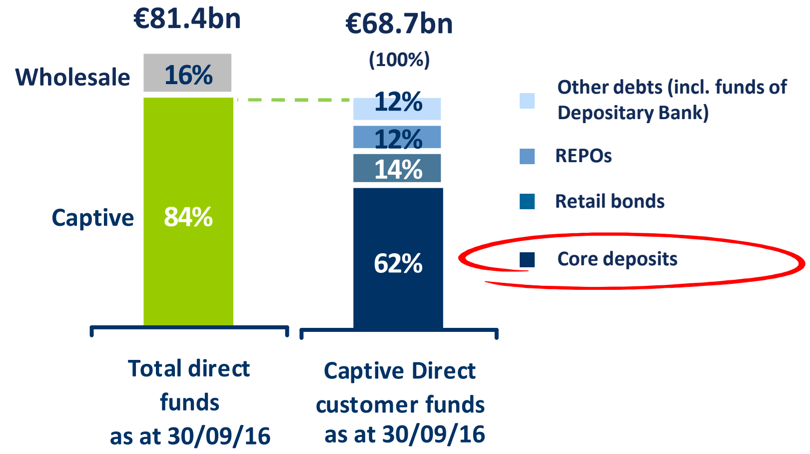
Direct customer funds: trends and breakdown

Total direct customer funds



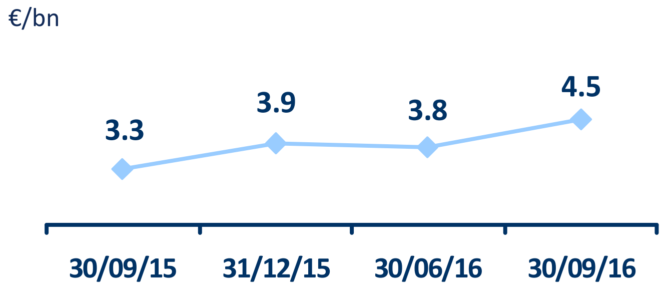
3M % chg.	*9M % chg.*	*12M % chg.*
-26.5%	+9.9%	-24.7%
-0.7%	-12.7%	-11.1%
+3.7%	+7.2%	+11.6%

Direct customer funds: breakdown by segment



Evolution of time deposits

(Certificates of deposit included)

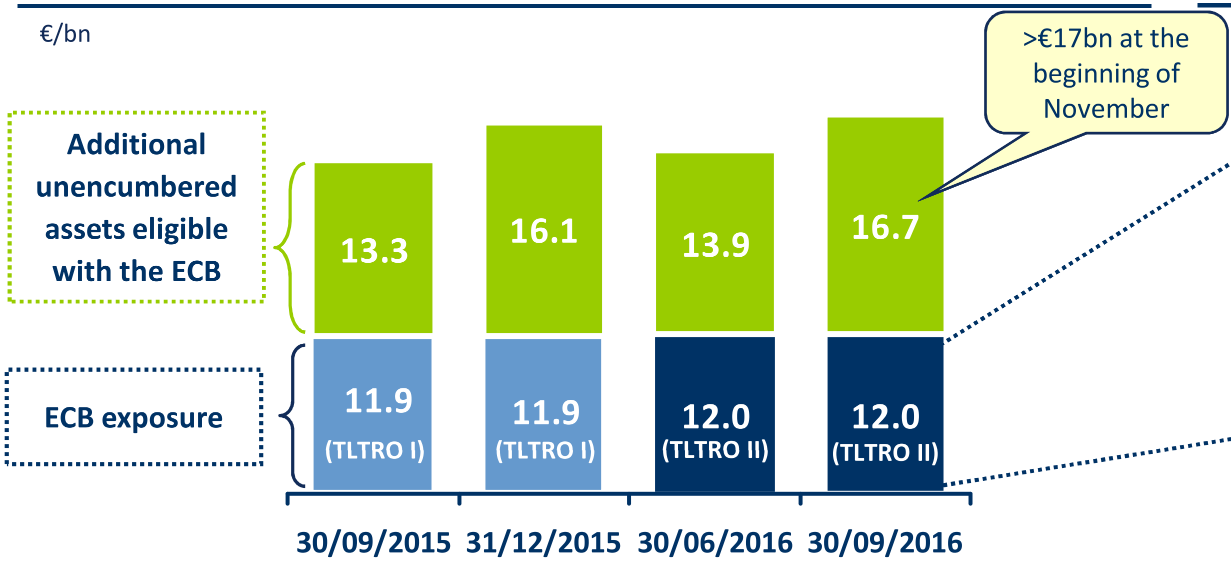


- The annual decrease in Direct funding (-€2.1bn) is fully attributable to the decline in repos (-€2.8bn), as the €4.5bn increase in core deposits (checking accounts and deposits with the branch network) more than offsets the decline reported by Bonds and other debt (-€3.8bn), which reflects the managerial decision to reduce the weight of more expensive funding sources.
- Also on a quarterly basis, net of repos, direct funding went up (+1.8%), driven by the performance of core deposits, which rose to €42.8bn (+3.7%), thus further increasing its weight within branch captive funding.
- Direct funding data do not include the liquidity generated by the sale of certificates*, whose stock rose to €6.0bn (+24.1% y/y and +11.8% in 9M).

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

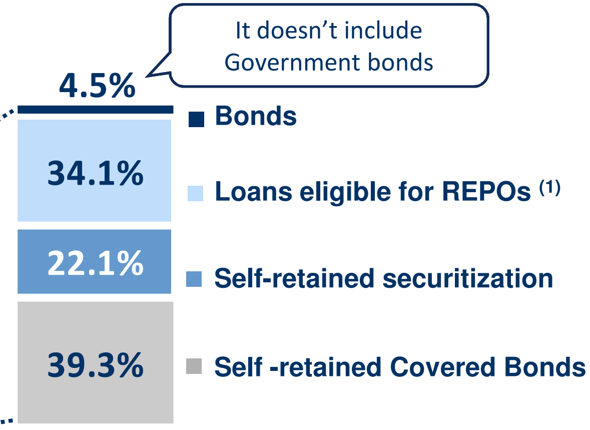
Group liquidity: excellent position

Liquidity buffer



Details of assets in the 'ECB Pooling'

(% breakdown as at 30/09/2016)



Note: (1) Loans to SMEs

- ECB exposure at 30/09/2016 was €12.0bn (stable compared to June), 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 take-up for the Group comes in at about €15bn.
- At the end of September 2016, additional unencumbered eligible assets (net of haircuts) stood at €16.7bn, and were mainly represented by Italian Government bonds. The increase over June was mainly due to the decline in the net repo position.
- Basel 3 liquidity ratios : LCR >200%*; NSFR >100%**

* LCR calculated based on new *Delegated Act* rules

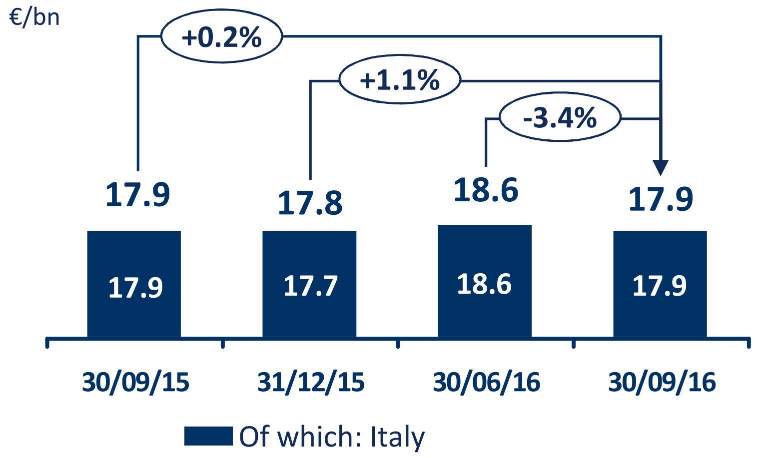
** NSFR calculated based upon the most recent *Quantitative Impact Study* rules. The NSFR figure includes certificates with capital protection.

Banco Popolare Group

Treasury securities portfolio: evolution

Total Government bond portfolio

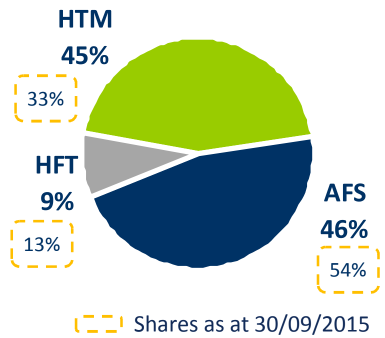
(Nominal amounts)



Italian Government bonds

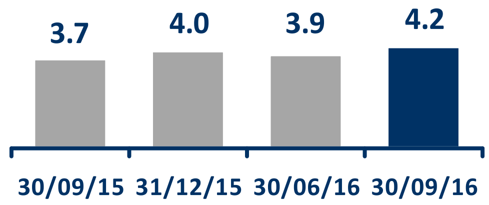
(Nominal amounts)

Breakdown as at 30/09/2016



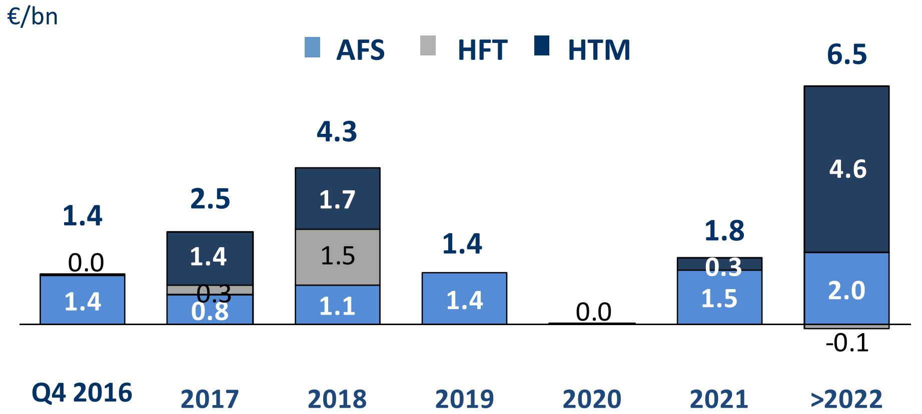
Average maturity

(in years)



Focus on Italian Government bonds:

(Maturities profile – Nominal values)



- At the end of September, the Government bond portfolio, almost entirely made up of Italian securities, added up to nominal €17.9bn, stable on a yearly basis and down by 3.4% q/q.
- Most Italian Government Bonds are classified as AFS (46% vs. 54% at 30/09/2015) and HTM (45% vs. 33% at 30/09/2015), while the HFT component remains relatively small (9% vs. 13% at 30/09/2015). The average time to maturity remained substantially stable at 4.2 years.
- At 30/09/2016, the gross AFS reserve on Government bonds came in at €80.2m, only marginally affected by the market performance (-€2.0m vs. June 2016), while the gross unrealized gains on HTM securities added up to €334.4m (+€9.5m vs. June 2016).

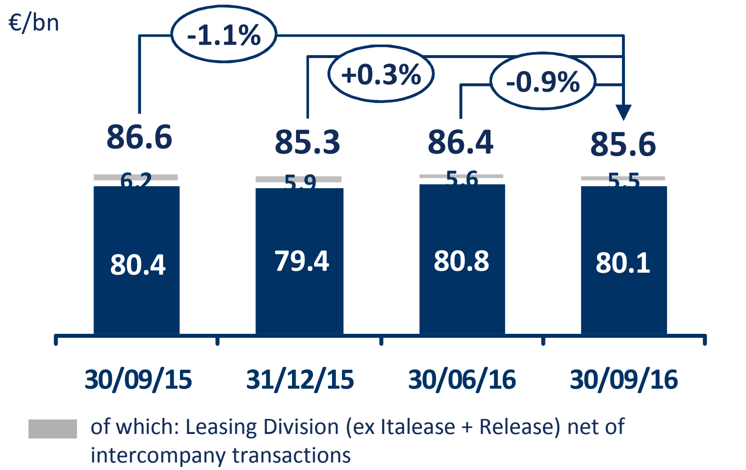
Agenda

Page

Banco Popolare Group

Customer loans: evolution and breakdown

Gross customer loans

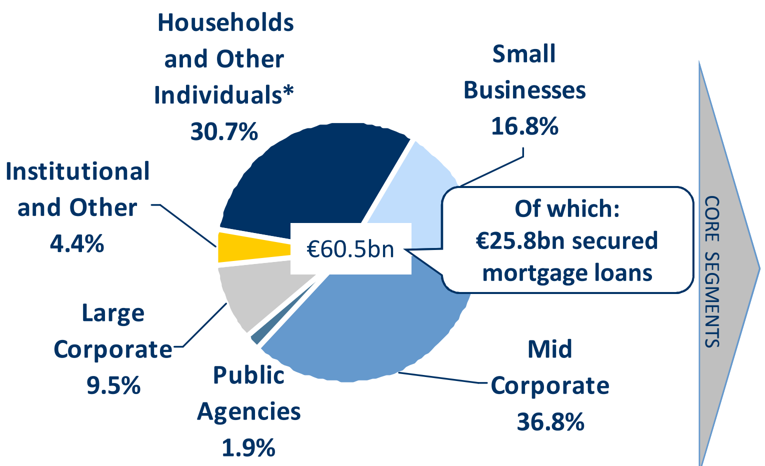


- At the end of September 2016, gross customer loans stood at €85.6bn, down by 1.1% y/y, but stable in the nine-month period, notwithstanding the slight decrease (-0.9%) in Q3.
- Net of the non-core elements (Leasing Division and REPOs) and excluding the sales of Bad Loans perfected in October 2015 and June 2016, the customer loans would register a slight increase on an annual basis (+0.4%).
- In the first nine months, as many as roughly €7.5bn of M/L term loans were disbursed (of which €2.4bn in Q3), up by 12.8% y/y, of which: €1.4bn to Households and other Individuals; €1.7bn to Small Businesses; €3.2bn to Mid Corporate clients and €1.1bn 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)

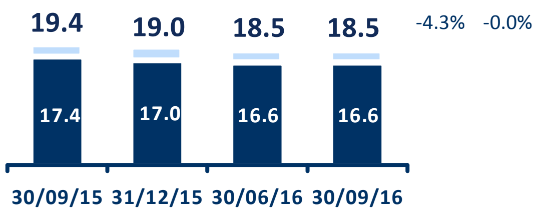
Breakdown as at 30/09/2016



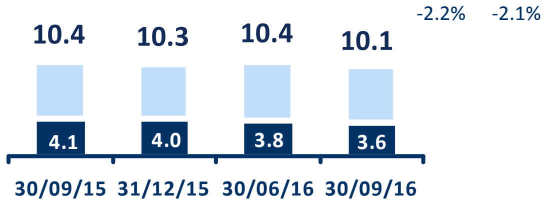
Note: (*) The segment "Households & Other Individuals" includes also businesses and professionals with a turnover <€100K.

€/bn

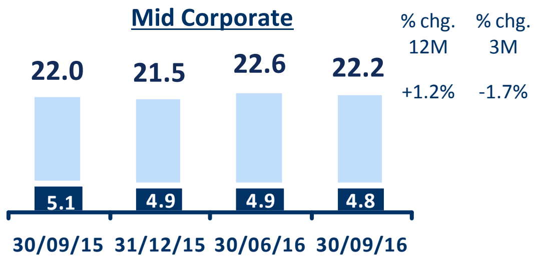
Households and Other Individuals



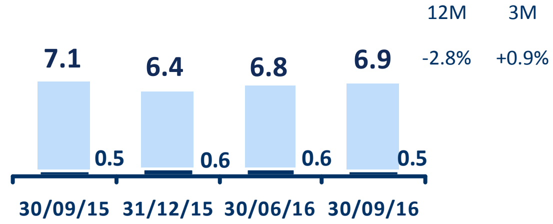
Small Businesses



Mid Corporate



Large Corporate + Public Agencies

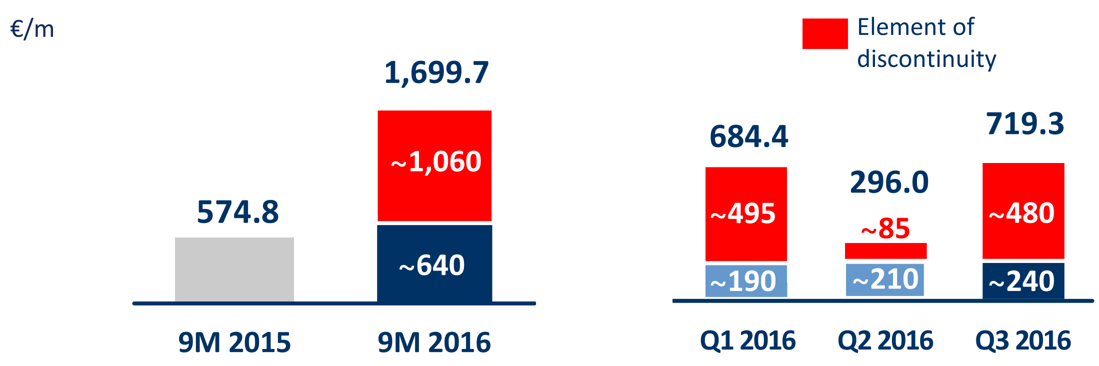


of which: Secured mortgage loans

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

Cost of credit risk

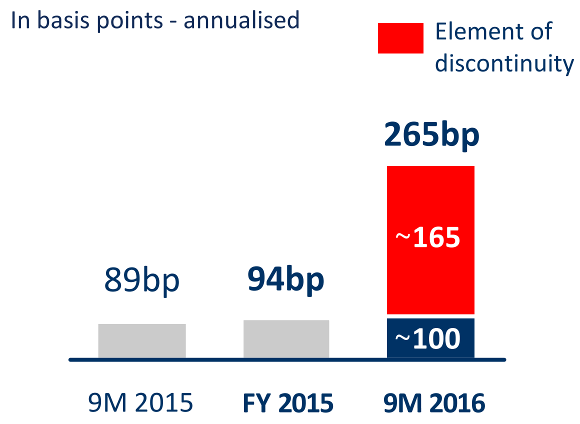
Loan Loss Provisions



	9M 2015	9M 2016
Gross loans (period-end data)	86,562	85,596

Cost of Credit Risk

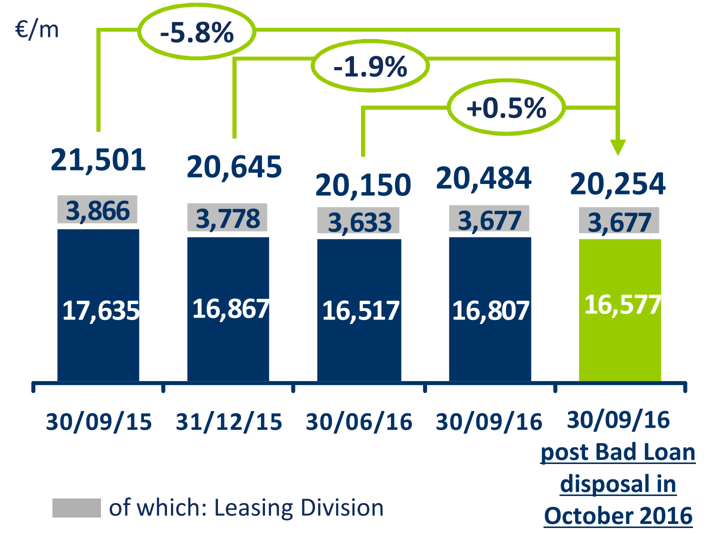
(on gross customer loans, period-end data)



- The extraordinary LLPs registered in 9M 2016 fall within the ongoing process aimed at increasing the average coverage level of NPLs within the date of effectiveness of the merger (to about 62% for Bad loans and to roughly 49% for total Non-Performing loans, net of the effect of any disposal). As a result, the cost of credit risk in the first nine months of the year is already pricing in most of the loan loss provisions needed to meet these targets.
- Net of the above disruptive elements, in 9M the cost of credit risk would stand at 100bp (annualized), at the high end of the expected 80-100bp range for the current full year.

Group NPLs: evolution

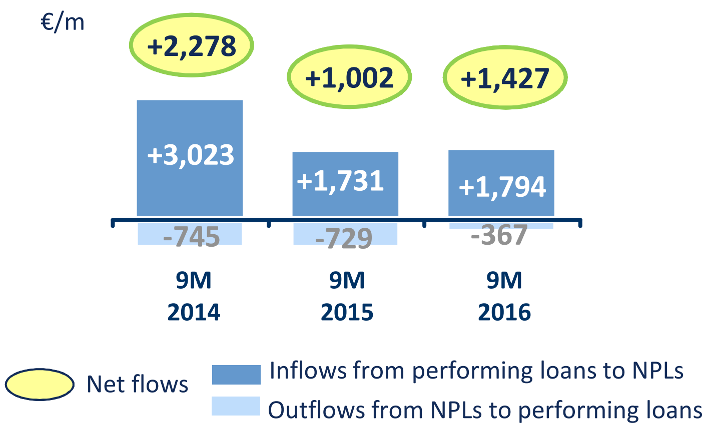
Stock of gross NPLs



GROSS EXPOSURES	30/09/15	31/12/15	30/06/16	30/09/16	% chg. 12M	% chg. 9M	% chg. 3M
Bad loans	10,974	10,471	10,330	11,220	2.2%	7.2%	8.6%
Unlikely-to-pay loans	10,126	9,911	9,625	9,073	-10.4%	-8.5%	-5.7%
Past Due loans	401	263	195	192	-52.2%	-27.3%	-1.6%
TOTAL NPLs	**21,501**	**20,645**	**20,150**	**20,484**	**-4.7%**	**-0.8%**	**1.7%**

NET EXPOSURES	30/09/15	31/12/15	30/06/16	30/09/16	% chg. 12M	% chg. 9M	% chg. 3M
Bad loans	6,422	6,458	6,100	6,469	0.7%	0.2%	6.1%
Unlikely-to-pay loans	7,485	7,390	7,248	6,720	-10.2%	-9.1%	-7.3%
Past Due loans	338	209	157	154	-54.4%	-26.3%	-2.2%
TOTAL NPLs	**14,245**	**14,057**	**13,505**	**13,343**	**-6.3%**	**-5.1%**	**-1.2%**

Net flows to NPLs



- Gross NPLs went down by 4.7% y/y, while they grew by 1.7% q/q. The dynamic of net NPLs proved particularly positive, reporting a drop both on a yearly basis (-6.3%) and on a quarterly basis (-1.2%).
- The gross Bad loans trend was affected by the reclassification in Q3 of certain big and medium ticket loans which had been staying for some time in the Unlikely-to-pay bucket, with particularly high cash coverage levels. Three of these positions, totaling approx. €600m, refer to well-known counterparties and are backed by a high collateral value. The reclassifications were carried out based on the latest evolution of the counterparty statuses.
- The Unlikely-to-pay loans are down by 10.4% y/y and by 5.7% q/q, while Past-due loans decline by 52.2% y/y and by 1.6% in the quarter.
- The inflows to NPLs are substantially stable vs. 2015, while the outflows to performing loans are in decline, mainly due to the recent rules on Forborne loans.
- Stock evolutions in Q3 do not yet include the sale of unsecured Bad loans finalized in October 2016, for about €618m nominal (€230m gross book value*).

Note: (*) The difference between the nominal value and the gross book value is represented by loans subject to write-offs.

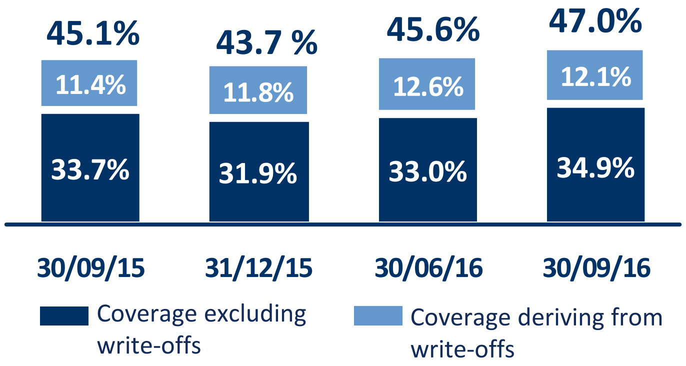
Banco Popolare Group

Coverage of Group NPLs

Evolution of the coverage of NPLs

Excludes both real and personal guarantees

Coverage of NPLs (including write-offs)



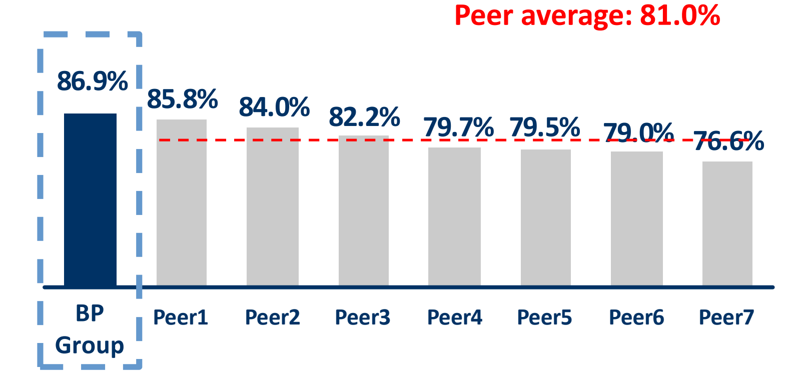
	30/09/2015		31/12/2015		30/06/2016		30/09/2016	
	Excl. write-offs	**Incl. write-offs**	Excl. write-offs	**Incl. write-offs**	Excl. write-offs	**Incl. write-offs**	Excl. write-offs	**Incl. write-offs**
Bad loans	41.5%	**58.3%**	38.3%	**56.3%**	41.0%	**59.3%**	42.3%	**59.4%**
- Incl. real guarantees	*94.9%*	***96.4%***	*103.7%*	***102.6%***	*105.8%*	***104.0%***	*106.0%*	***104.2***
Unlikely-to-pay	26.1%		25.4%		24.7%		**25.9%**	
- Incl. real guarantees	*86.8%*		*85.8%*		*88.8%*		***89.5%***	
Past Due loans	15.8%		20.7%		19.2%		19.7%	

~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).

- NPL coverage is running at 47.0%, up by 3.3p.p. in the 9M and by 1.4p.p. over the quarter. The greatest increase in Q3 was reported by Unlikely-to-pay loans, with a coverage ratio of 25.9%, up by 1.2p.p., notwithstanding the reclassification to Bad Loans of positions covered by particularly sizable provisions.
- Bad loans coverage (at 59.4%, including write-offs) increased by 3.1p.p. in 9M, and in spite of the further increase in secured loans it is reporting a slight increment also on a quarterly basis (+0.1p.p.).
- Thanks to the high percentage of secured loans (77.0% for Bad loans and 76.1% for Unlikely-to-pay loans), the overall coverage of Bad loans including collateral exceeds 100%, and for Unlikely-to-pay loans it brushes 90%.
- As a result, the high percentage of secured loans over total net 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

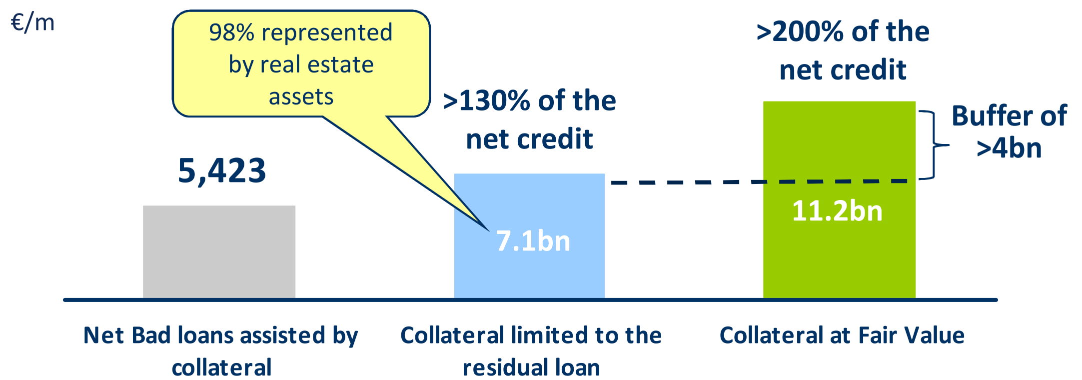
Bad loans: high collateralisation and coverage

- The Group is characterized by a very high percentage of secured Bad loans: 77.0% of the total.
- The collateral value drives the coverage of the secured component to 117.0% (157.3% with collateral measured at Fair Value).
- Also the unsecured portion (23.0% of the total) enjoys a very high coverage ratio, at 82.1%.
- Thus, the 59.4% stated coverage of total Bad loans rises to 104.2% when including collateral (129.7% 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	8,635	77.0%	46.2%	117.0%	157.3%
Not assisted by collateral	2,585	23.0%	82.1%	82.1%	82.1%
Total	**11,220**	**100%**	**59.4%**	**104.2%**	**129.7%**

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.

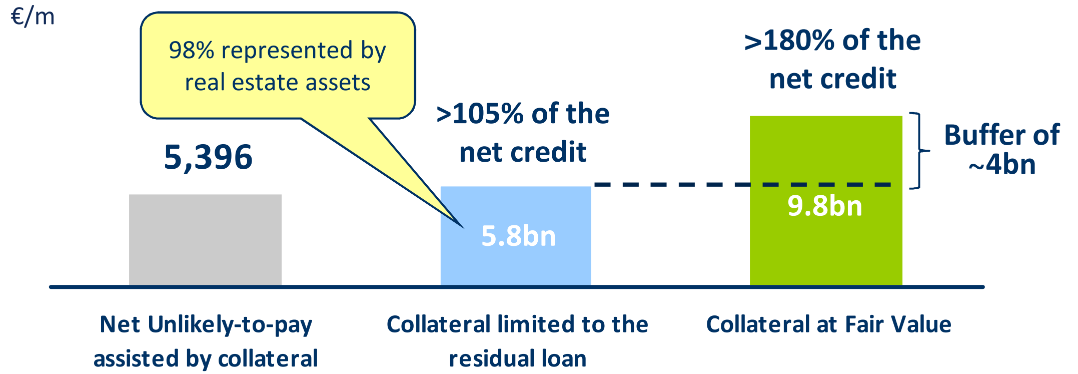
Unlikely-to-pay: high collateralisation and coverage

- The Group is characterized by a very high percentage of secured Unlikely-to-pay loans:76.1% of the total.
- The collateral value drives the coverage of the secured component to 105.4% (164.3% with collateral measured at Fair Value).
- Also the unsecured portion (23.9% of the total) enjoys a high coverage ratio, at 38.8%.
- Thus, the 25.9% stated coverage of total Unlikely-to-pay loans rises to 89.5% when including collateral (134.4% 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	6,909	76.1%	21.9%	105.4%	164.3%
Not assisted by collateral	2,164	23.9%	38.8%	38.8%	38.8%
Total	**9,073**	**100%**	**25.9%**	**89.5%**	**134.4%**

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:

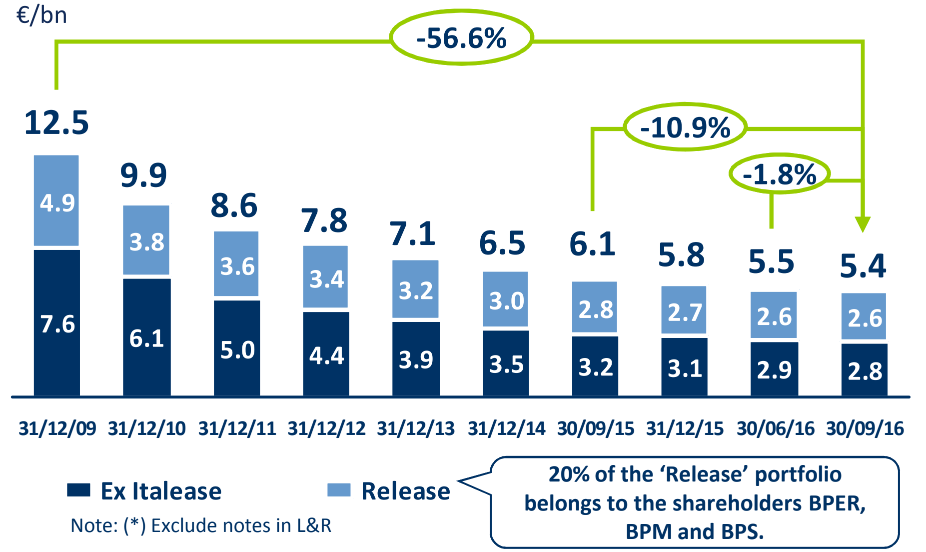
- North of Italy 62%
- Centre of Italy 27%
- South of Italy and Islands 10%
- Abroad 1%

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.

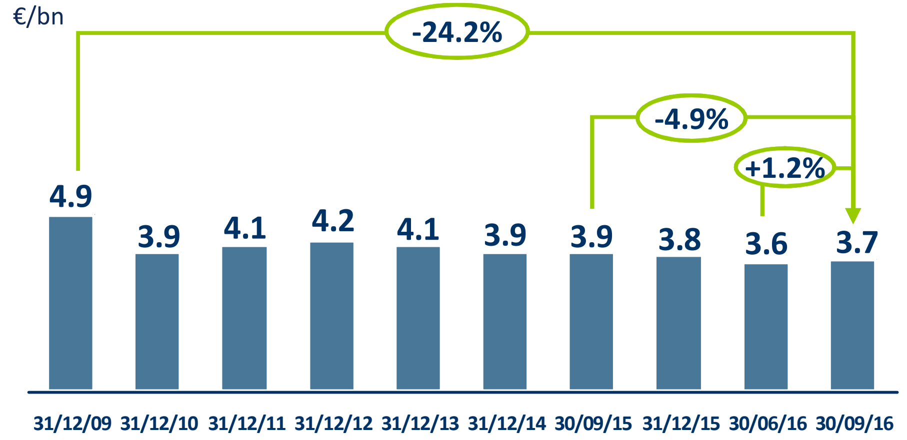
Leasing Division: the downsizing is progressing

Evolution of total gross customer loans*

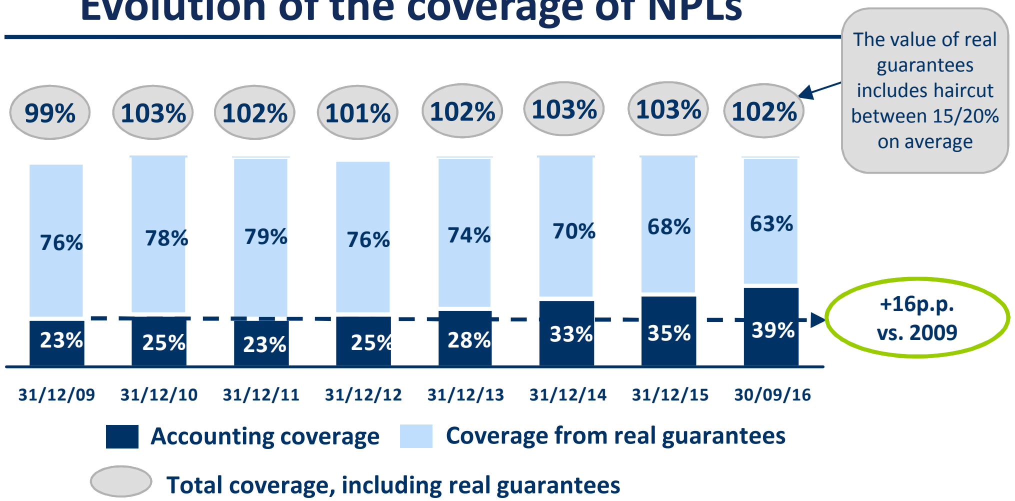


Note: (*) Exclude notes in L&R

Evolution of gross NPLs



Evolution of the coverage of NPLs

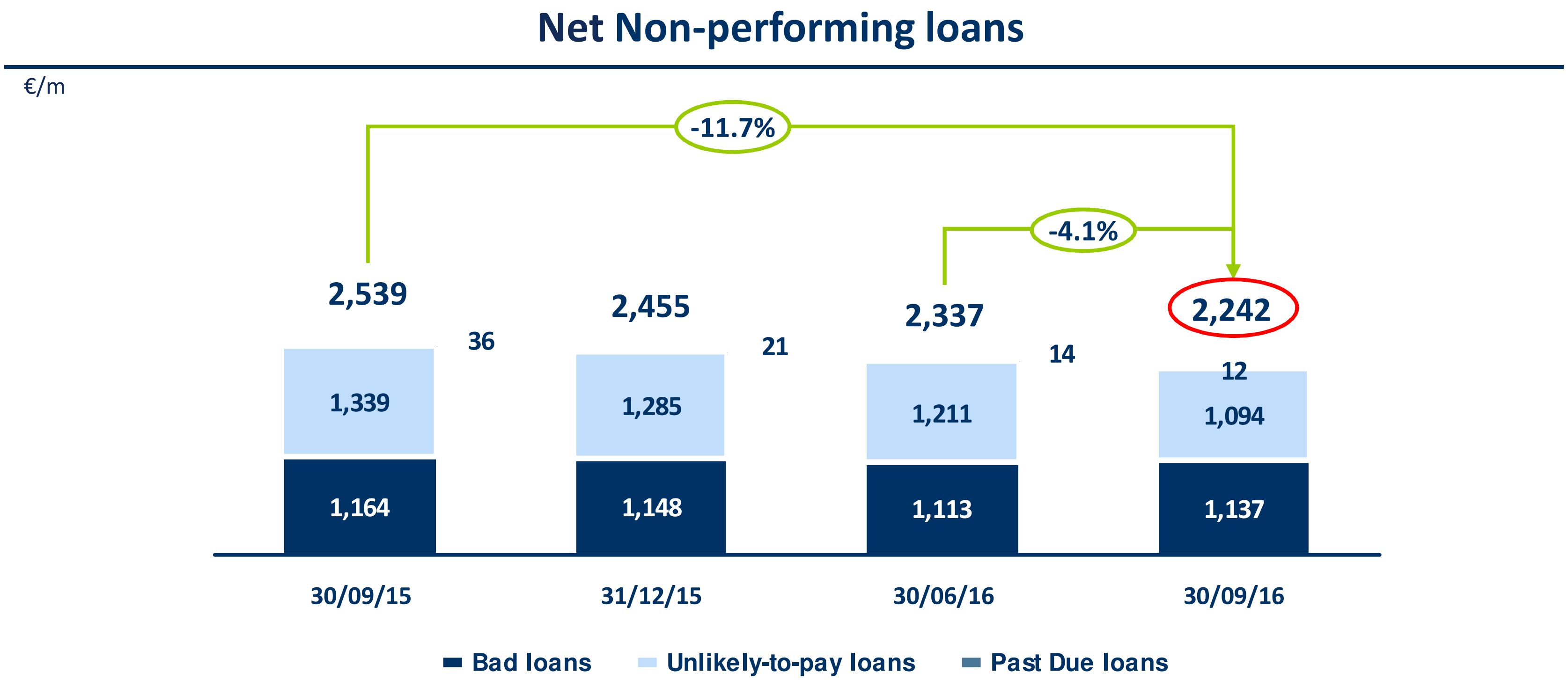


- The downsizing of the portfolio of the Leasing Division is progressing, reporting a yearly reduction of €662m (-10.9%), adding up to a total reduction of over €7bn since 2009.
- Gross NPLs at €3.7bn, down by 4.9% y/y and by 2.7% in 9M, notwithstanding the slight increase reported in the quarter (+€44m substantially due to the reclassification of a single position). This trend is particularly positive also in light of the evolution of the system which in June grew by 1% vs. year-end 2015*.
- Accounting coverage (excluding collateral) at 39% is reporting a significant strengthening (+4p.p. vs. year-end 2015 and +16p.p. vs. year-end 2009), above the sector's average level (37% at June 2016*).
- Total coverage, including collateral, stands above 100% (102%), in spite of an average haircut between 15/20% applied to the collateral's market value.

Note: (*) NPL trend and coverage of main Assilea members (excluding the Leasing Division of Banco Popolare) at 30/06/2016. Source: Credit Risk Statistics published by Assilea.

Leasing Division (Ex Italease + Release)

Net Non-performing loans of the Leasing Division

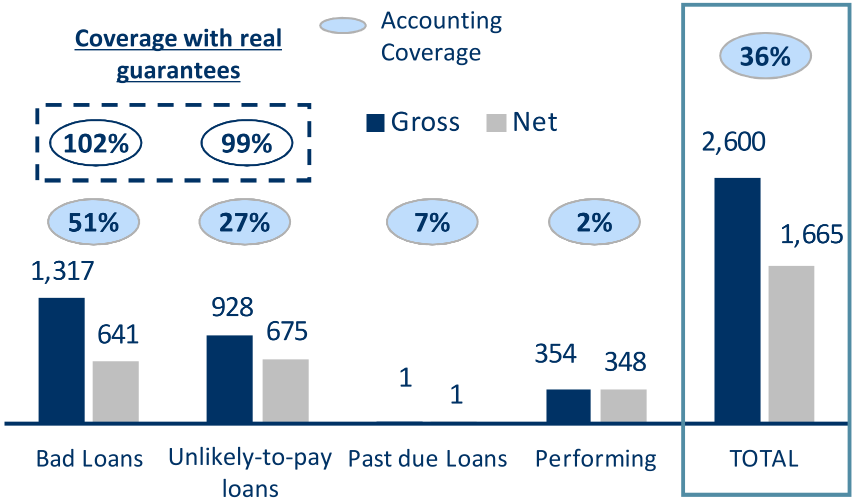


Leasing Division (Ex Italease + Release)

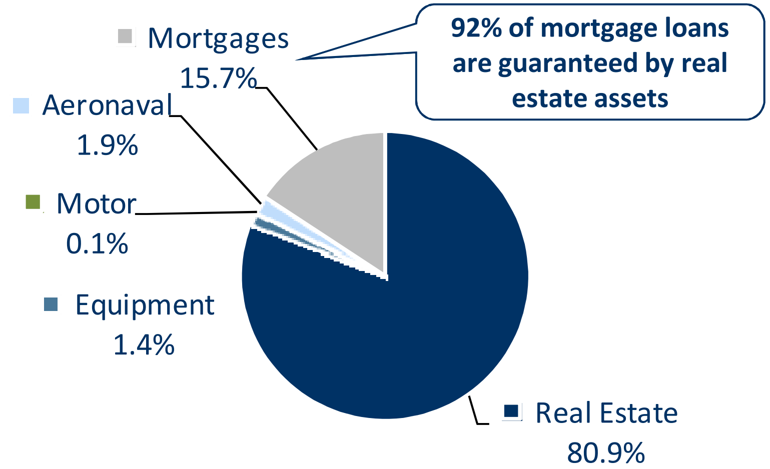
'Release' Portfolio: analysis as at 30/09/2016

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

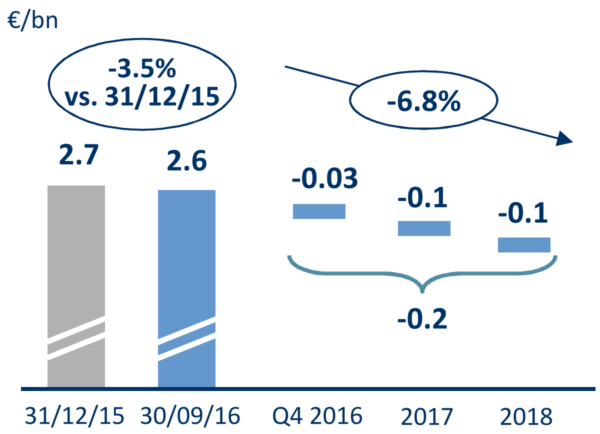
Gross customer loans: classification



Loan portfolio by product category



Repayment plan until 2018*



% chg. expected as at year-end 2018	
Real Estate	-5.2%
Mortgages	-14.2%
Equipment	-22.4%
Other	-0.0%
TOTAL	**-6.8%**

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

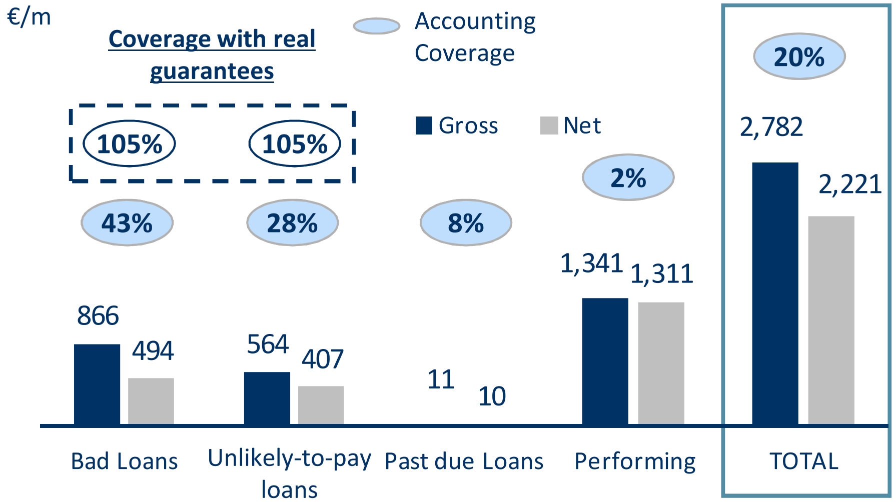
- The 'Release' portfolio shrank by 46.4% vs. year-end 2009; in the same period, the combined Bad loans + Unlikely-to-pay cluster declined by 41.4%. In 9M 2016, both total loans and the combined Bad loans + Unlikely-to-pay cluster decreased by roughly 3%.
- The coverage ratios, including collateral, came in at 102% for Bad loans and at 99% for Unlikely-to-pay loans.
- Repayment plan: performing loans -6.8% by 2018.

BANCO POPOLARE

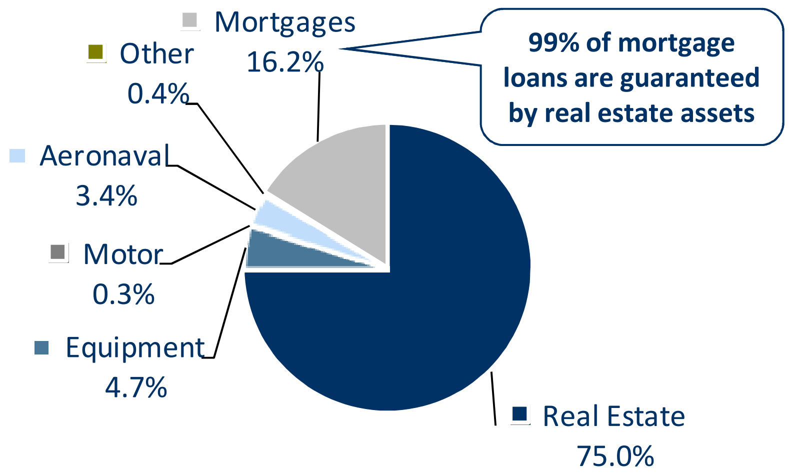
Source: Management accounting data

'Ex Italease' Portfolio: analysis as at 30/09/2016

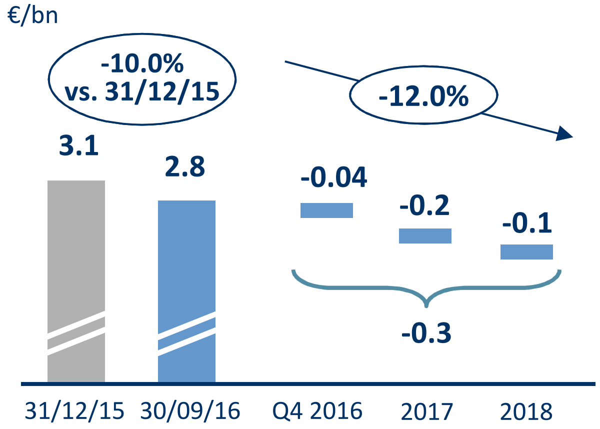
Gross customer loans: classification



Loan portfolio by product category



Repayment plan until 2018*



% chg. expected as at year-end 2018	
Real Estate	-14.2%
Mortgages	-0.6%
Equipment	-16.2%
Other	-11.5%
TOTAL	**-12.0%**

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

- The 'Ex Italease' portfolio shrank by 62.0% vs. year-end 2009 and by 10.0% in 9M 2016.
- In the first 9M of the year, the combined Bad loans + Unlikely-to-pay cluster decreased by approx. 1%.
- The coverage ratios, including collateral, came in at 105% for both Bad loans and Unlikely-to-pay loans.
- Repayment plan: performing loans -12.0% by 2018.

BANCO POPOLARE

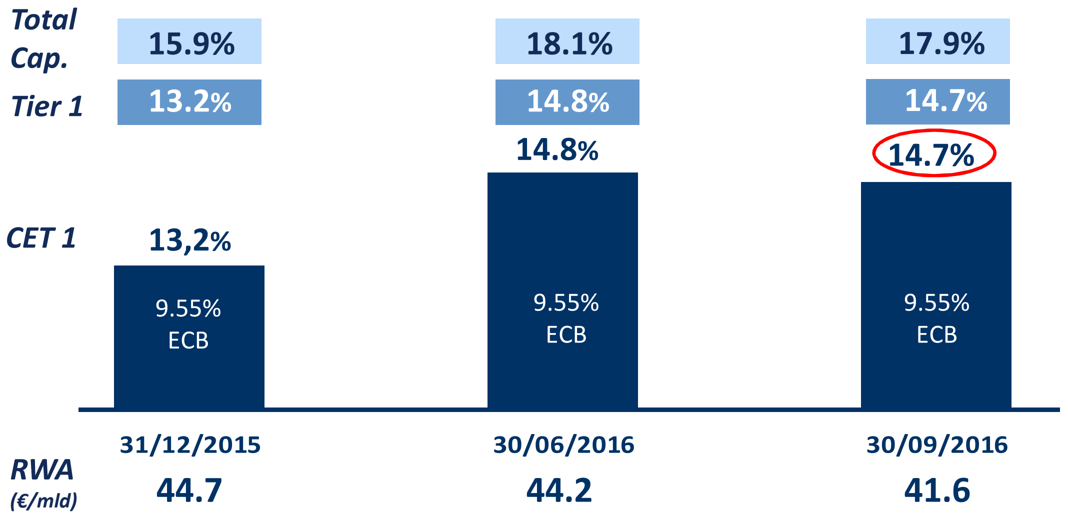
Source: Management accounting data, including also the loans of Italease Gestione Beni (IGB)

Agenda

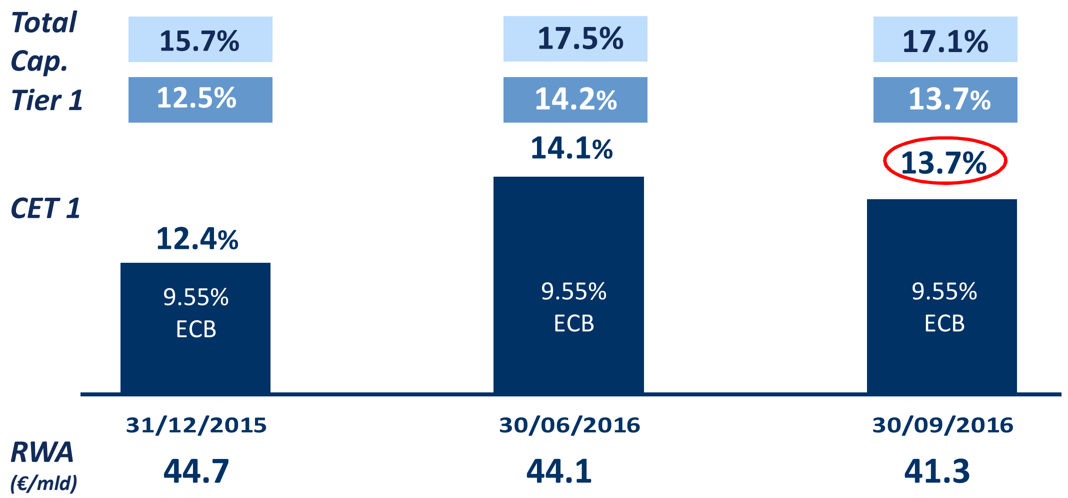
Group capital ratios

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

Phase-in



Fully Phased



- As planned, after the capital increase completed in June 2016, the CET1 ratio decreased in the third quarter, mainly due to the negative impact on profitability caused by the increase in the average coverage level of non performing loans. This effect was partially offset by a reduction in risk weighted assets (credit risk on AIRB and standard portfolios and internal market risk model exposures).
- The CET1 ratios as at 30/09/2016 therefore come in at the following levels:
  - CET1 ratio phase-in at 14.7% (-16bp vs. 30 June)
  - CET1 ratio fully loaded at 13.7% (-44bp vs. 30 June)
- Ratios at 31/12/2016 will also be affected by the additional loan loss provisions expected for Q4, still in relation to the further lift in the average coverage of NPLs.

BANCO POPOLARE

Banco Popolare Group

Conclusions

Group nine-month 2016 results are characterised by:

- Generation of a Profit from operations of €643.5m (of which €220.3m in Q3): Total operating costs decrease by del 1.8% y/y, net of systemic charges and integration costs (for a total of €120.4m in 9M 2016, against 0 in 9M 2015), in response to the pressure registered on revenues
- Further discontinuity in the cost of credit risk as compared to its normalised level (~100bp annualized), having registered additional loan loss provisions of almost €1.1bn (of which roughly €480m in Q3) in order to increase, as already indicated to the market, the coverage of NPLs.
- Strengthening of the coverage levels of NPLs (+3.3p.p. in 9M and +1.4p.p. in Q3) and decline in the stock of net NPLs (-6.3% y/y). Stock of gross NPLs decreasing by 4.7% y/y (-5.8% after the disposal of a portfolio of Bad Loans in October)
- CET 1 ratios remain at solid levels as at 30 Sept. 2016, notwithstanding the significant level of cost of credit risk already registered:
  - CET 1 ratio *phase-in* at 14.7% (-16bp in Q3)
  - CET 1 ratio fully phased at 13.7% (-44bp in Q3)
- Robust liquidity position confirmed

Merger Plan with BPM is proceeding perfectly in line with the targets, with focus on:

- Definition of IT and distribution platforms
- Anticipation of integration costs
- Acceleration of the role-out of internal models for the BPM portfolios

Agenda

Reclassified consolidated balance sheet

Reclassified assets *(in euro thousand)*	**30/09/2016**	**31/12/2015 (*)**	**Chg.**	
Cash and cash equivalents	605,267	587,383	17,884	3.0%
Financial assets and hedging derivatives	28,782,260	27,531,012	1,251,248	4.5%
Due from banks	3,668,825	2,817,832	850,993	30.2%
Customer loans	78,180,080	78,421,634	(241,554)	(0.3%)
Equity investments	1,163,773	1,166,324	(2,551)	(0.2%)
Property and equipment	2,006,657	2,132,633	(125,976)	(5.9%)
Intangible assets	2,039,579	2,042,120	(2,541)	(0.1%)
Non-current assets held for sale and discontinued operations	84,383	109,983	(25,600)	(23.3%)
Other assets	5,420,404	5,428,245	(7,841)	(0.1%)
Total	**121,951,228**	**120,237,166**	**1,714,062**	**1.4%**

Reclassified liabilities *(in euro thousand)*	**30/09/2016**	**31/12/2015 (*)**	**Chg.**	
Due to banks	16,165,041	16,334,739	(169,698)	(1.0%)
Due to customers, debt securities issued and financial liabilities designated at fair value	81,394,679	82,141,444	(746,765)	(0.9%)
Financial liabilities and hedging derivatives	10,555,297	8,564,543	1,990,754	23.2%
Liability provisions	984,025	1,060,648	(76,623)	(7.2%)
Liabilities associated with assets held for sale	-	342,265	(342,265)	
Other liabilities	4,220,639	3,246,793	973,846	30.0%
Minority interests	72,111	53,169	18,942	35.6%
Shareholders' equity	8,559,436	8,493,565	65,871	0.8%
- Capital and reserves	9,271,798	8,063,492	1,208,306	15.0%
- Net income (loss) for the period	(712,362)	430,073	(1,142,435)	
Total	**121,951,228**	**120,237,166**	**1,714,062**	**1.4%**

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

Consolidated income statement: quarterly trend

Reclassified income statement (in €/m)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015*
Net interest income	323.6	339.7	351.5	368.9	387.5	402.0	387.1
Income (loss) from investments in associates carried at equity	29.8	27.4	36.1	41.0	39.2	36.7	24.6
Net interest, dividend and similar income	**353.4**	**367.1**	**387.7**	**409.8**	**426.7**	**438.6**	**411.7**
Net fee and commission income	311.0	322.5	316.8	340.2	314.1	350.2	420.9
Other net operating income	24.3	22.7	23.8	37.3	23.5	20.3	28.6
Net financial result (excluding FVO)	85.0	40.9	57.9	267.8	30.0	50.3	93.0
Other operating income	**420.3**	**386.1**	**398.6**	**645.3**	**367.6**	**420.8**	**542.5**
Total income	**773.7**	**753.2**	**786.2**	**1,055.1**	**794.3**	**859.4**	**954.2**
Personnel expenses	(314.1)	(323.4)	(325.5)	(423.3)	(327.7)	(342.2)	(340.4)
Other administrative expenses	(192.7)	(199.4)	(204.6)	(316.3)	(161.0)	(162.6)	(165.0)
Amortization and depreciation	(46.6)	(32.9)	(30.3)	(73.9)	(33.7)	(26.3)	(32.5)
Operating costs	**(553.4)**	**(555.6)**	**(560.5)**	**(813.4)**	**(522.4)**	**(531.1)**	**(537.9)**
Profit (loss) from operations	**220.3**	**197.6**	**225.7**	**241.7**	**271.9**	**328.4**	**416.3**
Net adjustments on loans to customers	(719.3)	(296.0)	(684.4)	(229.1)	(199.5)	(193.9)	(181.4)
Net adjustments on receivables due from banks and other assets	(0.7)	(9.1)	1.7	(23.2)	(5.2)	(22.3)	(3.6)
Net provisions for risks and charges	(5.5)	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	2.9	0.6	(0.3)	(0.1)	(0.2)	(4.0)	(0.1)
Income (loss) before tax from continuing operations	**(502.3)**	**(105.5)**	**(460.7)**	**3.9**	**51.2**	**101.8**	**188.0**
Tax on income from continuing operations (excluding FVO)	156.6	39.3	135.6	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	14.7	2.6	2.9	7.7	5.9	1.2	3.9
Net income (loss) for the period excluding FVO	**(331.0)**	**(63.6)**	**(323.6)**	**84.5**	**52.0**	**73.1**	**217.2**
Fair Value Option result (FVO)	(1.6)	(5.3)	15.0	(6.3)	7.1	16.8	(12.6)
Tax on FVO result	0.4	2.3	(5.0)	2.1	(2.3)	(5.5)	4.2
Net income (loss) for the period	**(332.2)**	**(66.6)**	**(313.6)**	**80.2**	**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'.

BANCO POPOLARE

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)	Q3 2016	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)	(5.5)	(6.0)	(6.0)	(6.0)	(6.0)
Net financial result (excluding FVO)	-	-	-	-	-	-	-
Other operating income	**(5.5)**	**(5.5)**	**(5.5)**	**(6.0)**	**(6.0)**	**(6.0)**	**(6.0)**
Total income	**(5.5)**	**(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)	(0.9)
Operating costs	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**	**(0.9)**
Profit (loss) from operations	**(6.4)**	**(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)	0.0	(1.3)	-	-	-
Income (loss) before tax from continuing operations	**(6.3)**	**(6.4)**	**(6.4)**	**(8.1)**	**(6.9)**	**(6.9)**	**(6.9)**
Tax on income from continuing operations (excluding FVO)	2.1	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)**	**(4.3)**	**(1.5)**	**(4.6)**	**(4.6)**	**(4.7)**

Appendix: Banco Popolare Group

Income Statement pre PPA: quarterly evolution

Reclassified income statement (in €/m)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015*
Net interest income	323.6	339.7	351.5	368.9	387.5	402.0	387.1
Income (loss) from investments in associates carried at equity	29.8	27.4	36.1	41.0	39.2	36.7	24.6
Net interest, dividend and similar income	**353.4**	**367.1**	**387.7**	**409.8**	**426.7**	**438.6**	**411.7**
Net fee and commission income	311.0	322.5	316.8	340.2	314.1	350.2	420.9
Other net operating income	29.8	28.2	29.3	43.3	29.5	26.2	34.5
Net financial result (excluding FVO)	85.0	40.9	57.9	267.8	30.0	50.3	93.0
Other operating income	**425.7**	**391.6**	**404.0**	**651.3**	**373.6**	**426.7**	**548.4**
Total income	**779.2**	**758.7**	**791.7**	**1,061.1**	**800.2**	**865.4**	**960.1**
Personnel expenses	(314.1)	(323.4)	(325.5)	(423.3)	(327.7)	(342.2)	(340.4)
Other administrative expenses	(192.7)	(199.4)	(204.6)	(316.3)	(161.0)	(162.6)	(165.0)
Amortization and depreciation	(45.7)	(32.0)	(29.5)	(72.9)	(32.8)	(25.4)	(31.6)
Operating costs	**(552.5)**	**(554.7)**	**(559.6)**	**(812.5)**	**(521.5)**	**(530.2)**	**(537.0)**
Profit (loss) from operations	**226.6**	**203.9**	**232.1**	**248.6**	**278.7**	**335.2**	**423.1**
Net adjustments on loans to customers	(719.3)	(296.0)	(684.4)	(229.1)	(199.5)	(193.9)	(181.4)
Net adjustments on receivables due from banks and other assets	(0.7)	(9.1)	1.7	(23.2)	(5.2)	(22.3)	(3.6)
Net provisions for risks and charges	(5.5)	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	2.9	0.6	(0.3)	1.2	(0.2)	(4.0)	(0.1)
Income (loss) before tax from continuing operations	**(496.0)**	**(99.2)**	**(454.3)**	**12.0**	**58.1**	**108.6**	**194.9**
Tax on income from continuing operations (excluding FVO)	154.6	37.2	133.5	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	14.7	2.6	2.9	7.7	5.9	1.2	3.9
Net income (loss) for the period excluding FVO	**(326.7)**	**(59.3)**	**(319.4)**	**86.0**	**56.6**	**77.7**	**221.9**
Fair Value Option result (FVO)	(1.6)	(5.3)	15.0	(6.3)	7.1	16.8	(12.6)
Tax on FVO result	0.4	2.3	(5.0)	2.1	(2.3)	(5.5)	4.2
Net income (loss) for the period	**(327.8)**	**(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

Leasing Division: breakdown of 9M 2016 results

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

Management accounting data

	Leasing Division		*of which: Release*	
Reclassified income statement (in €/m)	**30/09/2016**	**30/09/2015**	**30/09/2016**	**30/09/2015**
Net interest income	30.7	31.8	*4.0*	*2.7*
Income (loss) from investments in associates carried at equity	-	-	-	-
Net interest, dividend and similar income	**30.7**	**31.8**	***4.0***	***2.7***
Net fee and commission income	0.0	(0.4)	*0.0*	*(0.3)*
Other net operating income	24.0	15.0	*19.3*	*14.1*
Net financial result (excluding FVO)	(0.1)	0.0	*(0.1)*	*0.0*
Other operating income	**23.9**	**14.6**	***19.2***	***13.8***
Total income	**54.6**	**46.4**	***23.2***	***16.5***
Personnel expenses	(7.2)	(8.4)	*(1.0)*	*(1.3)*
Other administrative expenses	(34.4)	(33.4)	*(17.3)*	*(14.8)*
Amortization and depreciation	(27.3)	(10.3)	*(22.5)*	*(9.7)*
Operating costs	**(68.9)**	**(52.1)**	***(40.9)***	***(25.7)***
Profit (loss) from operations	**(14.3)**	**(5.8)**	***(17.7)***	***(9.2)***
Net adjustments on loans to customers	(211.8)	(113.1)	*(120.5)*	*(49.6)*
Net adjustments on receivables due from banks and other assets	-	-	-	-
Net provisions for risks and charges	(0.4)	(12.2)	*(0.4)*	*(12.1)*
Impairment of goodwill and equity investments	-	(0.0)	-	-
Profit (loss) on the disposal of equity and other investments	(0.5)	(4.9)	*(0.4)*	*(4.2)*
Income (loss) before tax from continuing operations	**(227.0)**	**(136.0)**	***(138.9)***	***(75.0)***
Tax on income from continuing operations	64.1	38.5	*36.0*	*19.2*
Income (loss) after tax from discontinued operations	-	-	-	-
Income (loss) attributable to minority interests	20.6	11.2	-	-
Net income (loss) for the period	**(142.3)**	**(86.4)**	***(102.9)***	**(55.8)**

BANCO POPOLARE

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)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	11.4	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	**11.4**	**10.0**	**9.3**	**11.3**	**10.1**	**10.8**	**11.0**
Net fee and commission income	0.0	0.0	-	(0.1)	(0.1)	(0.1)	(0.2)
Other net operating income	7.3	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	**7.3**	**11.4**	**5.2**	**(0.1)**	**5.1**	**5.9**	**3.6**
Total income	**18.8**	**21.3**	**14.5**	**11.3**	**15.2**	**16.6**	**14.6**
Personnel expenses	(2.3)	(2.5)	(2.5)	(3.6)	(2.5)	(2.5)	(3.3)
Other administrative expenses	(10.8)	(12.9)	(10.7)	(10.0)	(11.0)	(10.5)	(11.9)
Amortization and depreciation	(19.5)	(3.9)	(3.9)	(38.3)	(3.4)	0.3	(7.2)
Operating costs	**(32.6)**	**(19.3)**	**(17.1)**	**(51.9)**	**(17.0)**	**(12.7)**	**(22.5)**
Profit (loss) from operations	**(13.8)**	**2.1**	**(2.6)**	**(40.6)**	**(1.8)**	**3.9**	**(7.9)**
Net adjustments on loans to customers	(138.4)	(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	0.1	(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	(0.1)	(0.3)	(0.2)	(0.3)	(0.6)	(4.2)	(0.1)
Income (loss) before tax from continuing operations	**(152.3)**	**(41.4)**	**(33.3)**	**(61.2)**	**(53.9)**	**(49.0)**	**(33.1)**
Tax on income from continuing operations	43.7	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	14.6	2.9	3.1	7.9	5.7	1.5	3.9
Net income (loss) for the period	**(94.0)**	**(26.9)**	**(21.4)**	**38.8**	**(33.1)**	**(33.3)**	**(19.9)**

Operating costs: other expenses

€/m	9M 2016	9M 2015	%Chg. y/y
Total Non-Personnel Expenses	**706.5**	**581.1**	**21.6%**
Other administrative expenses	**596.7**	**488.6**	**22.1%**
of which: ordinary charges tied to single Resolution Fund (SRF)	*44.3*	-	*n.s.*
*of which: charges tied to Deposit Guarantee Scheme**	*23.0*	-	*n.s.*
of which: charges tied to the conversion regime for DTAs	47.5	-	n.s.
of which: integration costs	5.5	-	
Total systemic and integration charges	***120.4***	-	*n.s.*
A1) Other administrative expenses excluding systemic and integration charges	**476.3**	**488.6**	**-2.5%**
Amortisation & Depreciation	**109.9**	**92.5**	**18.7%**
of which: real estate depreciation	17.9	*2.3*	
Amortisation & Depreciation excluding real estate depreciation	**91.9**	**90.2**	**1.8%**
Total A1+B1	**568.2**	**578.8**	**-1.8%**

Includes charges for FY 2015 (€27.2m) and for 9M 2016 (€20.3m)

€/m	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Total Non-Personnel Expenses	**239.3**	**232.2**	**235.0**	**390.1**	**194.7**	**188.9**	**197.5**
Other administrative expenses	*192.7*	*199.4*	*204.6*	*316.3*	*161.0*	*162.6*	*165.0*
of which: ordinary charges tied to single Resolution Fund (SRF)	-	-	*44.3*	*38.0*	-	-	-
*of which: charges tied to Deposit Guarantee Scheme**	*23.0*	-	-	*10.5*	-	-	-
of which: extraordinary charges tied to single Resolution Fund (SRF)	-	-	-	*113.9*	-	-	-
of which: charges tied to the conversion regime for DTAs	***7.1***	***40.4***	-	-	-	-	-
of which: integration costs	**5.5**	-	-	-	-	-	-
Total systemic and integration charges	*35.7*	*40.4*	*44.3*	*162.4*	-	-	-
A1) Other administrative expenses excluding systemic and integration charges	**157.0**	**159.0**	**160.3**	**153.8**	**161.0**	**162.6**	**165.0**
Amortisation & Depreciation	**46.6**	**32.9**	**30.3**	**73.9**	**33.7**	**26.3**	**32.5**
of which: real estate depreciation	15.7	*2.0*	*0.2*	*39.1*	*2.3* -	*3.8*	*3.8*
Amortisation & Depreciation excluding real estate depreciation	**30.9**	**30.8**	**30.1**	**34.7**	**31.4**	**30.1**	**28.7**
Total A1+B1	**187.9**	**189.8**	**190.4**	**188.6**	**192.4**	**192.7**	**193.7**

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

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 first nine months of 2016, Banco Popolare registered fees associated with Eligible DTAs convertible into tax credits for a total amount of € 47.5m, of which €27.2m of annual fee for fiscal year 2015 (€19.5 after-tax) and €20.3m (€14.5m after-tax) of nine-monthly expected fee for fiscal year 2016.
- 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

	30/09/2016						
	Gross exposure	Impairments	Net exposure	Coverage		Write-offs	Coverage including write-offs
Bad loans	11,220	4,751	6,469	42.3%		4,704	59.4%
Unlikely to pay loans	9,073	2,353	6,720	25.9%			
Past Due loans	192	38	154	19.7%			
Non-performing loans	**20,484**	**7,141**	**13,343**	**34.9%**		**4,704**	**47.0%**
of which: Forborne	*4,995*	*1,315*	*3,680*	*26.3%*			
Performing loans	**65,112**	**275**	**64,837**	**0.4%**	(1)		
of which: Forborne	*2,929*	*42*	*2,887*	*1.4%*			
Total customer loans	**85,596**	**7,416**	**78,180**			**4,704**	**13.4%**

	30/06/2016						
	Gross exposure	Impairments	Net exposure	Coverage		Write-offs	Coverage including write-offs
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%**

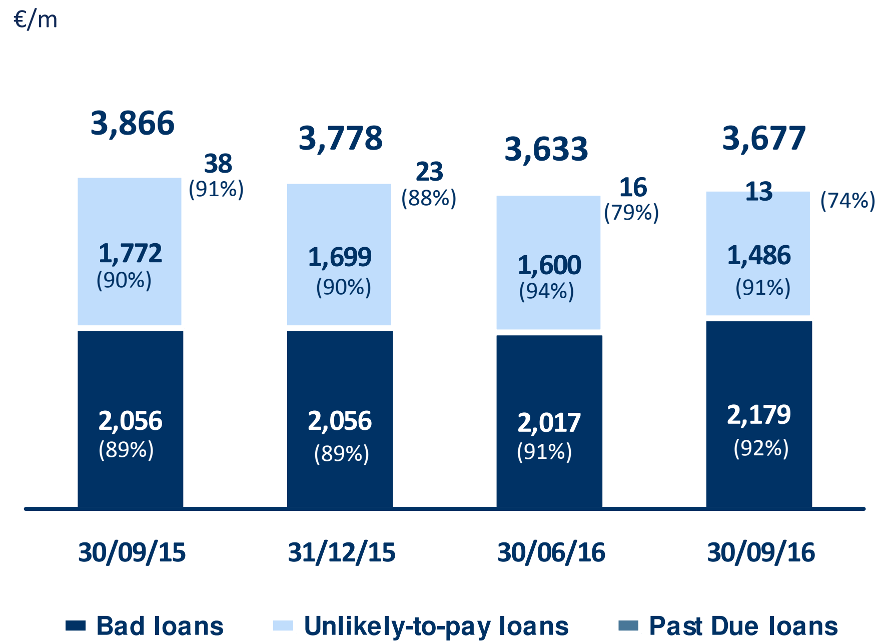
	31/12/2015						
	Gross exposure	Impairments	Net exposure	Coverage		Write-offs	Coverage including write-offs
Bad loans	10,471	4,012	6,458	38.3%		4,315	56.3%
Unlikely to pay loans	9,911	2,521	7,390	25.4%			
Past Due loans	263	54	209	20.7%			
Non-performing loans	**20,645**	**6,588**	**14,057**	**31.9%**		**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%**

	30/09/2015						
	Gross exposure	Impairments	Net exposure	Coverage		Write-offs	Coverage including write-offs
Bad loans	10,974	4,552	6,422	41.5%		4,429	58.3%
Unlikely to pay loans	10,126	2,640	7,485	26.1%			
Past Due loans	401	63	338	15.8%			
Non-performing loans	**21,501**	**7,256**	**14,245**	**33.7%**		**4,429**	**45.1%**
Performing loans	**65,061**	**377**	**64,685**	**0.6%**	(3)		
Total customer loans	**86,562**	**7,632**	**78,930**			**4,429**	**13.3%**

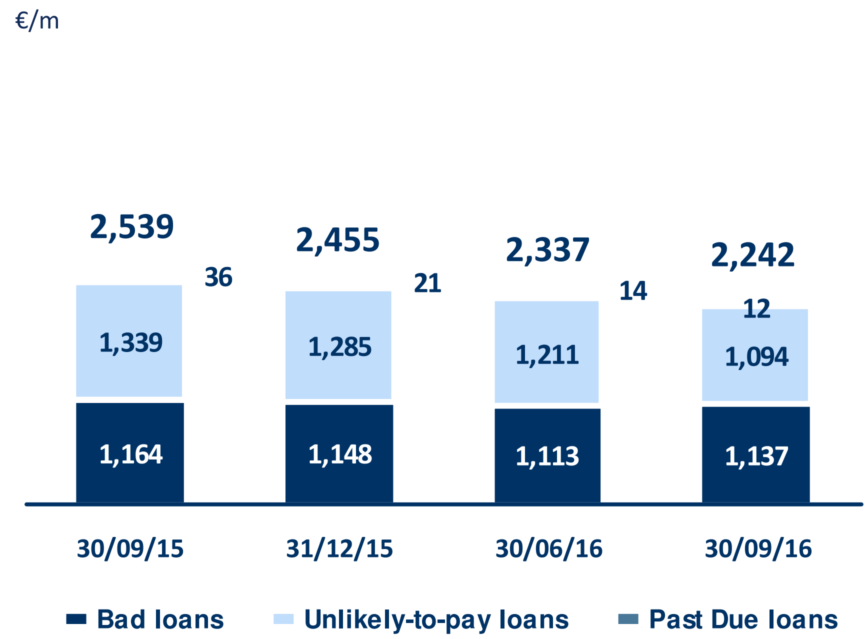
Notes:
(1) 0.5% excluding the Performing exposures, which are totally risk free.
(2) 0.6% excluding the Performing exposures, which are totally risk free.
(3) 0.7% excluding the Performing exposures, which are totally risk free.

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: Banco Popolare – BPM Merger

BP-BPM Merger: Timetable Overview

Timetable updated as at 15 October 2016

23rd March ✓
Approval of the transaction by the boards of BP and BPM and signing of the MoU

4th May ✓
End of the confirmatory due diligence period

7th May ✓
EGM of BP approved to grant the BoD the delegated powers to carry out the €1bn capital Increase

10th May ✓
Approval of results of the confirmatory due diligence

BoD exercised the delegated powers for the €1bn capital increase approved by the EGM (finalised end-June 2016)

16th May ✓
Approval of the Business Plan by the boards of BP and BPM & Presentation to the market

24th May ✓
Approval of the Merger Plan by the boards of BP and BPM

8/9th September ✓
Release of regulatory approvals from the relevant supervisory and regulatory authorities

15th October (2nd call) ✓
EGMs of BP and BPM approved: (i) the Merger and conversion into Joint Stock Company, (ii) the articles of association of the NewCo

01st Jan. 2017
Merger to become effective

Spin-off of BPM SpA

Set-up of the New Group (1)

Note: (1) Participation ratios: 54.626% for Banco Popolare and 45.374% for BPM. Exchange ratios: 1 share of the Newco Banco BPM for 1 share of Banco Popolare and 1 share of the NewCo Banco BPM for 6.386 shares of BPM. Outstanding shares prior to the merger: BP 827,760,910; BPM 4,391,784,467 (updated as at 30 June 2016).

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

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