

NEWS RELEASE

Verona, 9 February 2016

Banco Popolare approves the Consolidated Annual Report as at 31 December 2015

The Group closed the year with a net income of 430 million

- *Profit from operations: 1,258 million (+13.0%);*
- *Total income: 3,663 million (+ 8.5%);*
- *Other Administrative expenses net of contributions to the Resolution Fund and the DGS: 642 million (-1.2% on a like-for-like basis);*
- *Cost of credit in sharp decline: 804 million, corresponding to 94 bp;*

Normalized net income for the period at 347 million.

Capital position has been boosted further ¹:

- *“Phase-in” CET 1 ratio: 13.2% (+129 bp);*
- *“Fully-loaded” CET 1 ratio: 12.4% (+107 bp);*
- *“Phase-in” Total Capital Ratio: 15,9%;*

Excellent Liquidity profile:

- *LCR well above the Basel 3 fully-loaded target of 100%;*
- *NSFR calculated along the most recent rules of the Quantitative Impact Study at approx. 97%;*
- *16.1 billion unencumbered eligible assets made up almost exclusively by Government bonds, by far exceeding the bond maturity profile over the next two years;*

Credit Risk:

- *Decline in gross NPL stock of 1,020 million (-4.7%) compared to year-end 2014;*
- *Marked reduction in new NPL inflows: -65.9% compared to FY 2014;*
- *NPL coverage ratio at 43.7%, up from the prior year taking finalized disposals into account.*

¹ The capital ratios as at 31 December 2015 shown in this news release include the full FY 2015 net income, net of the portion to be proposed for distribution.

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Dividend: the Board of Directors to propose the distribution of a dividend of 15 cents per share.

In today's meeting, the Board of Directors of Banco Popolare has approved the Consolidated Annual Report as at 31 December 2015.

The year-end close confirms the positive income results already reported in the first three quarters and a further significant boosting of the Group's capital position.

Triggered also by the good diversification of income sources compared to the traditional core business of a commercial bank, the Group reported a Profit from operations of 1,258 million, up by 13.0% over the prior year. Even when stripping out the gains generated by the disposal of the stakes held in Istituto Centrale delle Banche Popolari and in Arca SGR (241 million), the operating profit grew by +1.3% mainly driven by the contribution of net fees and commissions reaching 1,425 million (+3.3%) and of associates engaging in consumer credit and bancassurance (141 million after tax: +57.1%).

The higher revenues made it possible to stem the increase in operating costs, that was due exclusively to the hefty recurring and non-recurring contributions made to the National Resolution Fund and to the DGS and amounting to more than 162 million.

The final result for the period, sustained also by the slower NPL growth, benefitted from the marked decline in the cost of credit (804 million compared to 3,561 at 31 December 2014) and from the positive impact on income taxes further to the recognition in Q1 of DTAs (deferred tax assets) related to past tax losses of the acquired company Banca Italease (+85 million).

The net income of 430 million contributed to the robust boosting of the Group's capital position, with the CET1 capital ratio hitting 13.2% at 31 December 2015 (+ 129 bp) triggered also by the decline in the risk carried by our assets.

The Group's capital solidity stays confirmed also when applying the rules coming into effect after the phase-in period (Basel 3 fully-loaded), with a CET1 capital ratio at 12.4%, 284 bp above the minimum level set by the ECB at 9.55% .

Operating performance

Despite the strong competitive pressure in the lending arena and the significant drop in reference rates, that have been cut into negative territory, the policy aiming at reducing the cost of wholesale and branch network funding allowed the Group to report a **net interest income** for the year of 1,545.4 million, basically stable compared to 1,551.9 million in the prior year (-0.4%). The Q4 contribution of 368.9 million went down by 4.8% compared to Q3 2015, due to the same reasons explained above (Euribor rate down by additional 6 bp during the quarter).

Income from equity method investments came in at 141.5 million compared to 90.1 million in the prior year, with a Q4 contribution of 41.0 million. The positive contribution in 2015 was mainly driven by consumer credit through the stake held in Agos Ducato (105.3 million compared to 39.7 million in the prior year).

As a result of the above dynamics, **net interest, dividend and similar income** came in at 1,686.9 million, up by 2.7% compared to 1,642.0 million at 31 December 2014.

Net commissions stood at 1,425.4 million, up by 3.3% compared to 1,379.7 million in 2014, driven by the growth in commissions from management, brokerage and advisory services, which came in at 709,1 million, up by 7.7% from 658.6 million in 2014. This commission line was driven by the distribution of asset management products, in particular by a growing customer demand for mutual funds. Throughout the year, the average quarterly contribution guaranteed by the commission stream has been 356.4 million compared to 349.9 million in 2014. Also the contribution from consumer credit, guarantees issued, custodian bank activities and other services has been growing.

Other revenues added up to 109.6 million. The decline from -138.8 million reported at 31 December 2014 is entirely due to the fall in fixed commissions ("*commissioni di istruttoria veloce*") charged to customers.

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The **net financial income excluding FVO²** came in at 441.1 million, compared to 216.1 million at 31 December 2014, with a Q4 contribution of 267.8 million. Q4 benefitted from the gain on the disposal of the stakes held in Istituto Centrale delle Banche Popolari Italiane (ICBPI) and Arca Sgr, amounting to 172.6 and 68.7 million, respectively. The subsidiary Banca Aletti contributed to the period result with 90.7 million, while the management of the Parent company's securities portfolio and treasury generated a positive contribution of 109.2 million, in line with the prior year.

Other operating income (other than net interest, dividend and similar income) therefore added up to 3,663.0 million, compared to 3,376.6 million at 31 December 2014 (+8.5%). Core revenues, resulting from the sum of net interest income, net commission income and other revenues, added up to 3,080.4 million (+ 0.3%).

Personnel expenses stood at 1,433.6 million, up by 0.4% from 1,428.4 million at 31 December 2014. The Q4 2015 contribution came in at 423.3 million, up from 327.7 million in Q3, as it includes the 82.9 million non-recurring charges referring to the new commitments with Trade Unions for the early-retirement of roughly 400 more employees and to the closure of the London branch. If we strip out of both years under comparison all non-recurring items (the figure at 31 December 2014 included 138.2 million non-recurring charges, compared to 94.6 million this year), personnel expenses in 2015 would be up 3.8%, mainly driven by the salary increases triggered by the previous National Collective Agreement and by the reinstatement of the variable wage component since the Group is back to profit. At 31 December 2015 the total headcount was 16,731 FTE employees, compared to 17,147 employees on 31 December 2014 and 16,922 at 30 September 2015 (data adjusted for comparison). On an annual basis, FTE employees decreased by 416 units.

At 31 December 2015, **other administrative expenses** amounted to 804.9 million, reporting a sharp rise from 643.1 million in the prior year, due to the recurring and non-recurring contributions made to the National Resolution Fund and the DGS, in compliance with the EU Banking Resolution and Recovery Directive (BRRD) and the Deposit Guarantee Scheme Directive (DGSD). Total contributions added up to 162.4 million, of which 113.9 million are non-recurring as they have been called in further to the notorious resolution of four banks, while 48.5 million are recurring. Net of the above charges, OAE add up to 642.5 million, down compared to the prior year, that furthermore had benefitted from a non-recurring positive entry of 7 million. On a comparative basis, other administrative expenses decreased by 1.2%.

Depreciation and amortization for the period amounted to 166.4 million, compared to 191.7 million at 31 December 2014, with a Q4 contribution of 73.9 million, compared to 33.7 million in Q3. Both aggregate amounts under comparison include non-recurring impairments for the current year, that have been recognized to bring the book value of certain real estate assets classified as property investments in line with the estimated recoverable amount based on the latest appraisals (41.4 million in 2015 compared to 67.6 million in the prior year). Net of non-recurring items, the write-downs under examination total 125.0 million, compared to 124.1 million in the prior year.

As a result, total **operating costs** came in at 2,404.8 million, up by 6.3% compared to 2,263.2 million at 31 December 2014. Stripping both years under comparison of the above non-recurring items, as well as the overall contributions to the NRF and to the DGS, the aggregate reported an increase of 2.4%, driven by the personnel expense dynamics described above.

Profit from operations totaled 1,258.2 million, up by 13.0% compared to 1,113.4 million in 2014.

Net write-downs on customer loan impairments stood at 803.9 million, compared to 3,561.4 million in 2014, thanks also to the marked slowdown in new net NPL inflows (-65.9% YoY and -26% in Q4 alone). Leasing-related net write-downs (pertaining to the Leasing Division of Banco Popolare and the subsidiary Release) totaled 143.9 million. The cost of credit, measured as the ratio between net loan write-downs and gross loans, came in at 94 bp compared to 406 bp reported in the prior year.

54.2 million worth of **net write-downs on impairment of other assets** were charged to income (39.8 million in the prior year), that include write-downs on interbank loans of 20.2 million, on Afs financial assets of 27.2 million, and on other assets of 6.8 million.

² The effects of credit rating changes on issued financial liabilities measured at fair value (FVO) are posted under a separate line-item of the reclassified income statement, right below income or loss from continuing operations. As a result of the deterioration of Banco's credit rating reported during the year, the change in the credit risk of issued financial liabilities measured at fair value (FVO) generated a positive effect of 4.9 million (+3.3 million after tax). In 2014 the contribution had been negative and it amounted to 38.8 million (-26.0 million after tax).

Net provisions for risks and charges totaled 50.8 million, compared to 39.3 million in the prior year, mainly related to disputes with the Inland Revenue.

Over the period, **gains on disposal of equity and other investments** totaled 4.4 million, generated by the sale of own property.

Income before tax from continuing operations came in at 344.9 million, compared to the loss of 2,763.8 million reported in 2014.

Income tax from continuing operations at 31 December 2015 posted a credit of 70.5 million (+803.1 million in the prior year), and it includes the positive effect from the recognition of deferred tax assets associated with past tax losses of the subsidiary Banca Italease, that can be carried forward with no time limit (85.1 million). The recognition, which was carried out in Q1, is justified by the different taxable income generation capacity of Banco Popolare compared to the subsidiary.

The **loss on discontinued operations** of 7.3 million refers to the assets and liabilities of the subsidiary BP Luxembourg whose sale is being finalized.

Considering the attribution to minority interest of the share of loss of 18.7 million and the FVO impacts (+3.3 million after tax), 2015 closed with a **net income for the period** of 430.1 million, as compared to the net loss of 1,945.9 million reported in the prior year.

Evolution of key balance sheet items

At 31 December 2015, **direct funding** came in at 82.1 billion, reporting a decline on a like-for-like basis³ of 3.6% year-to-date and of 1.6% compared to 30 September 2015. The year-on-year fall in direct funding is mainly attributable to the 0.9 billion reduction in repo and securities lending transactions (-10.7%), and to the 1.9 billion decline in the bond component (-6.3%). However the latter was offset by the growth in the sale of certificates (+1.6 billion), which in practice, although they are classified as financial assets, are an alternative form of funding.

Also core funding, namely deposits and checking accounts, declined by 0.6 billion (-0.5%). The drop has concerned the term component (-1.8 billion in deposits and certificates of deposit (-31.7%)), to the benefit of the demand deposit component, and is the direct consequence of the strategy aiming at containing the overall cost of funding, as well as reflecting the customers' greater propensity for other investment products. The decline in direct funding reported in the last quarter of the year is exclusively due to the fall in repo transactions, which more than offset the growth in core funding. Net of repos, the aggregate amount would report a 3.1% increase.

At 31 December 2015, **indirect funding** added up to 71.1 billion, reporting an increase on a like-for-like basis⁴ of 8.3% year-to-date and of 1.2% over 30 September 2015.

More specifically, assets under management amounted to 35.4 billion (+12.6% year-on-year and +2.0% in Q4), while assets under administration stood at 35.7 billion (+4.4% YoY and +0.3% in Q4). The growth in AuM was mainly driven by the marked development of the Mutual Funds and Sicav compartment (+18.7%) and of wealth management (+20.1%). Despite the market underperformance, also in Q4 we reported a positive result (+1.2%).

At 31 December 2015, **gross loans** amounted to 85.3 billion, down by 2.7% from 87.7 billion at 31 December 2014 and by 1.4% from 86.6 billion at 30 September 2015. Net of the portfolio of the Leasing Division, which is in run-off, and of repo transactions, the YoY decline is fully attributable to the sale of unsecured bad loans finalized throughout the year. More specifically, over the year overdrafts declined by 1.0 billion, while mortgage loans increased by approx. 0.8 billion. Indeed, new m/l term loans disbursed in 2015 totaled 8.9 billion (+57% compared to 2014). The rise swept across all core segments (retail +50%, small business + 49% and mid corporate + 52%).

Gross loans from the "Leasing" arm at 31 December 2015 totaled 6.0 billion, down compared to 6.7 billion at year-end 2014 and to 6.3 billion at 30 September 2015.

³ After sterilizing data at 31 December 2014 by removing direct customer funds of BP Luxembourg.

⁴ After sterilizing data at 31 December 2014 by removing the direct customer funds of BP Luxembourg under disposal and of other reclassifications regarding Eurovita managed assets.

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Net non-performing exposures (bad, unlikely-to-pay and past-due loans) at 31 December 2015 totaled 14.1 billion, down by 0.2 billion with respect to both 31 December 2014 and 30 September 2015. The aggregate's decline was brought about mainly by the slowdown in new NPL inflows, which in 2015 came in at 1,367 million, compared to 4,008 million in 2014.

Net NPEs represented by loans from the "Leasing" arm reported a decline compared to 31 December 2014. They totaled 2.5 billion and were mainly represented by real estate leases.

Notably, net of write-downs, Group bad loans added up to 6.5 billion, unlikely-to-pay came in at 7.4 billion, and past dues at 0.2 billion.

The coverage ratio for the entire NPE aggregate, including bad loans being written off, stood at 43.7%. The decline in the average coverage as compared to 44.6% at 31 December 2014 and 45.1% at 30 September 2015 is due to the sale of unsecured bad loans having a small unit amount finalized during the year. The sale pushed up the percentage of secured NPLs characterized by a lower coverage, which resulted in a reduction in the coverage level of the overall cluster.

More specifically, at 31 December 2015, 56.3% of Group bad loans had been written down or derecognized (58.8% and 58.3% at 31 December 2014 and 30 September 2015, respectively), the coverage ratio of unlikely-to-pay stood at 25.4% (26.3% and 26.1% at 31 December 2014 and 30 September 2015, respectively) and that of past-dues came in at 20.7% (17.0% and 15.8% at 31 December 2014 and 30 September 2015, respectively).

The coverage ratio of performing loans was 0.51% compared to 0.64% at 31 December 2014 and to 0.58% at 30 September 2015. Net of repos and securities lending exposures, that are basically risk-free, the coverage ratio hit 0.56% compared to 0.72% at 31 December 2014 and to 0.64% at 30 September 2015.

Group capital ratios

Based on the phase-in rules effective on 31 December 2015, the Common Equity Tier 1 ratio (CET1 ratio), inclusive of net income for the year⁵, comes in at 13.2%, up from 11.9% at 31 December 2014 as well as from 12.7% at 30 September 2015. Also the Tier 1 ratio stands at 13.2%, while the Total capital ratio runs at 15.9%, up from 14.6% at 31 December 2014 and from 15.8% at 30 September 2015.

The estimated CET1 ratio calculated based on the rules coming into effect after the phase-in period (fully-loaded CET1 ratio) is 12.4%, thus also on the rise compared to 11.3% at 31 December 2014 and to 12.2% at 30 September 2015.

The above capital ratios at 31 December 2015 are well above the minimum level required by the ECB, set at 9.55%.

The Leverage ratio, based on a Tier 1 Capital including the net income for the year and on the phase-in rules, is 5.0%. The same ratio on a fully-loaded basis is estimated at 4.7%.

Liquidity profile

At 31 December 2015, the Group confirms its excellent liquidity profile. ECB exposure totaled 11.9 billion, basically stable compared to both 30 September 2015 and year-end 2014, and is entirely represented by

⁵ Under art. 26 paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), year-end profits may be included in Common Equity Tier 1 Capital (CET1) only with the prior permission of the competent authority, which requires profits to be verified by the auditing firm.

The European Central Bank has formally authorized Banco Popolare to include its interim 1H profits in its Tier 1 Capital.

Today the auditing firm released its auditing report, which contained no remark.

In compliance with the above mentioned regulation, today Banco Popolare sent a specific notice to the European Central Bank communicating our intention to include in CET1 the full net income for the year net of the portion to be proposed for distribution.

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TLTROs. At the same date, the Group had assets eligible for refinancing with the ECB - still unencumbered to date - valued, net of haircuts, at 16.1 billion (13.3 and 14.1 billion at 30 September 2015 and at 31 December 2014, respectively), almost exclusively represented by an unencumbered portfolio of Italian Government bonds.

LCR (*Liquidity Coverage Ratio*) exceeds 180%, standing well above the fully-loaded Basel 3 target.

NSFR (*Net Stable Funding Ratio*), calculated based on the most recent rules of the Quantitative Impact Study, is approx 97%.

Operational outlook

The positive results registered in FY 2015, both in terms of performance and balance sheet, will allow the Group to strengthen aggregates and to move ahead with the development in all business lines. The actions focused on the rationalization of the structure and of the cost base, together with the further normalization of the cost of credit, will provide a key contribution to the performance.

Proposed allocation of the net income for the year

The Parent company Banco Popolare closed FY 2015 with a net income for the year of 186,903,267 euro. After allocating the required income share to reserves pursuant to the applicable regulations and to the Articles of Association, given that its capitalization level allows to be widely compliant with the capital requirements imposed by the Supervisory Authority, the Board of Directors decided to propose to the Shareholders, convened in the Annual General Meeting to be held on 18 March 2016 on first call and on 19 March on second call, to distribute a dividend of Euro 15 cents per ordinary share and to allocate euro 5.5 million to social solidarity, charitable and public interest purposes.

Statement of the Manager in charge of preparing corporate financial reports

The manager in charge of preparing the corporate financial reports of Banco Popolare Società Cooperativa, Gianpietro Val, in compliance with paragraph two of art. 154 bis of the "Consolidated act for financial intermediation", hereby states that the accounting information illustrated in this press release is consistent with documental evidence, accounting books and book-keeping entries.

The Consolidated Annual Report at 31 December 2015 will be made available to the public, under the law, at the head offices and at Borsa Italiana, and will also be published on the website www.bancopopolare.it as well as on the website of the authorized central storage mechanism www.emarketstorage.com.

The handouts for today's conference call for the presentation of the financial results of Gruppo Banco Popolare is available in the "Investor Relations" section of the website www.bancopopolare.it.

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Explanatory notes

For a better understanding of the information illustrated in the news release and in the attached financial statements, please note that:

1. P&L effects caused by the Purchase Price Allocation of the business combinations of Gruppo Banca Popolare Italiana and Gruppo Banca Italease

In compliance with IFRS 3, the income statement of Gruppo Banco Popolare includes the P&L effects caused by the allocation of the merger difference in the business combination with Gruppo Banca Popolare Italiana and of the price paid to acquire Banca Italease (so called Purchase Price Allocation – PPA) with respect to full financial years 2014 and 2015. To this respect please note that the P&L effects under examination have gradually tapered off and some of them are no longer significant, namely, the residual effect on net interest income generated by the greater value allocated to loans acquired during the merger of Gruppo Banca Popolare Italiana, and the lower value allocated to financial liabilities issued by Banca Italease. The only worth mentioning residual effects come from the amortization of intangible assets having a finite useful life recognized after the acquisition of Gruppo Banca Popolare Italiana that are posted under the line item “Other operating income”. The effect on the P&L income before-tax from continuing operations at 31 December 2015 was -28.7 million (-75.3 at 31 December 2014).

The overall effect on the net consolidated income came in at -15.4 million at 31 December 2015 (-50.6 million in 2014).

2. Changes in consolidation scope

The following changes in consolidation scope were reported in 2015:

- merger of Banca Italease into Banco Popolare. The merger deed was signed on 9 March 2015 and the transaction, which did not give rise to any share exchange or issue of new shares by Banco Popolare, came into effect on 16 March 2015. The accounting and fiscal effects have been brought forward at 1 January 2015;
- in March the subsidiary Verona e Novara France was cancelled from the Paris Register of Commerce, and then removed from Gruppo Banco Popolare following the completion of the liquidation procedure. In Q1 also the liquidation procedures of Italfinance RMBS S.r.l. and the associate Alfa Iota 2002 S.r.l. were completed and finalized. These transactions did not give rise to any P&L or balance sheet effects, as the value of the stakes was already in line with the pro-rata net equity values reported in the final liquidation financial statements;
- on 30 June 2015, Banca Popolare di Lodi Capital Company III LLC, having been authorized by the Supervisory Authority, redeemed all the preferred securities still outstanding issued in 2005, after which the board initiated the procedures for the dissolution and winding up of the company and of the vehicle Banca Popolare di Lodi Investor Trust III. Both companies were deregistered as at 29 September 2015, therefore as of Q4 they were removed from the consolidated financial statements with no effect on the Group’s operating and financial position;
- on 14 October 2015 Banco Popolare, which already held a 23.19% stake in Immobiliare Marinai D’Italia, acquired the remaining 76.81%, thus becoming the sole shareholder; no consideration was due for the acquisition as it was the result of a judicial recovery action; the acquired company started being included in the consolidation scope as of Q4. Based on the shareholding interest held by Immobiliare Marinai d’Italia, as of Q4 also the companies Perca S.r.l. and Meleti S.r.l. joined the Group and have been accounted for under the consolidation method as both are 100% owned, together with Edilchiara Immobiliare S.r.l., Borgo Del Forte S.r.l. and Società Sviluppo Territorio S.r.l., all three of them in liquidation, which however have been accounted for under the equity method as the shareholding is 50% for first two and 40% for the latter. The first consolidation of the group of companies associated with Immobiliare Marinai d’Italia did not give rise to significant effects on the Group’s operating and financial situation at 31 December 2015.

The above changes in consolidation scope do not significantly affect the comparison with 2014 data.

3. Changes to the data related to FY 2014 under comparison

In order to comply with EBA’s community rules (Implementing Technical Standard (ITS)), which give a definition of “Non-Performing Exposures” and of “Forborne Exposures” – i.e., exposures to which concessions have been extended, the Bank of Italy on 20 January 2015 published an update of Circular no. 272, defining the new prudential criteria to be complied with for credit quality classification as of 1 January 2015.

More specifically, the former four impaired loan categories (“bad loans”, “substandard”, “past-due”, “restructured”) have been replaced by three new categories (“bad loans”, “unlikely to pay”, “past-due”), which together form the aggregate “Non-Performing Exposures” under the above mentioned EBA’s ITS. For the sake of comparison, exposures that at 31 December 2014 were included in the “substandard” and “restructured” loan categories have been restated as “unlikely to pay” in the report at 31 December 2015.

For the sake of comparison, the income statement as at 31 December 2014 has been changed to retroactively reflect, pursuant to IFRS 5, the operating result related to assets and associated liabilities referable to the subsidiary Banco Popolare Luxembourg S.A., whereby, in Q2 2015, the necessary conditions have occurred to classify them as disposal groups. Notably, the positive contribution to the consolidated income statement of the above mentioned assets and liabilities, amounting to +2.2 million, which in the Consolidated Annual Report published on 31 December 2014 was posted across various P&L items as a result of the “line-by-line” consolidation, has been restated under the single P&L item “Gain (Loss) after tax on disposal of discontinued operations”.

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4. Main non-recurring P&L items included in the income statements of the two periods under comparison

In compliance with the directives set forth in Consob's Communication n. DEM/6064293 dated 28 July 2006, the effects of the main non-recurring items is highlighted in the report on operations.

In addition to amounts that have already been shown in items that by their own nature are non-recurring (e.g., profit or loss from discontinued operations), the 2015 net income has derived a benefit of 4.9 million (3.3 million net of tax effect) from the decline in book value of debt securities in issue measured at fair value as a result of Banco Popolare's credit rating changes as compared with the beginning of the year. This year's P&L has also been impacted:

- at the line-item "net financial result excluding FVO", by the recognition of the capital gain generated by the disposal of the stakes held in ICBPI and Arca SGR, classified as Afs assets, amounting to 172.6 and 68.7 million respectively (223.6 million net of tax effect);
- at the line-item "personnel costs", by the posting of non-recurring charges totaling 94.6 million (63.8 million net of tax effect) relating to contribution commitments to the sector solidarity fund;
- at the line-item "other administrative expenses", by the recognition of non-recurring contributions to the National Resolution Fund totaling 113.9 million (76.9 million net of tax effect);
- at the line-item "depreciation and amortization", by a total property impairment of 41.4 million (25.1 million net of tax effect and third-party interest);
- at the line-item "provisions for risks and charges", by the recognition of provisions of 40.8 million to address tax claims, as well as future charges in view of the closure of Group branches, in keeping with the approved plan (35.3 million net of tax effect);
- at the line-item "loss from disposal of equity and other investments", by losses totaling 4.4 million ;
- at the line-item "tax on income from continuing operations", by the crediting of the amount corresponding to the recognition of DTAs related to past tax losses incurred by the acquiree Banca Italease (85.1 million euro).

Whereas the 2014 P&L had been impacted:

- at the line-item "FVO result", by the recognition of a negative effect of 38.8 million (26.0 million net of tax effect);
- at the line-item "personnel costs", by non-recurring charges totaling 138.2 million (100.2 million net of tax effect) relating to contribution commitments to the sector solidarity fund;
- at the line-item "other administrative expenses", by the recognition of contingent assets of 7.0 million (4.8 million net of tax effect);
- at the line-item "depreciation and amortization", by the impairment of real property totaling 68.0 million (41.8 million net of tax effect and third-party interest);
- at the line-item "tax on income from continuing operations", by the recognition of charges relating to the taxation adjustment on the sale of the shareholding in Banca d'Italia totaling 14.5 million.

Note that, in addition to the above mentioned effects, the 2014 income statement had been impacted also by a significant amount of loan loss provisions (3,561.4 million), a significant part of which clearly represented a recurring component, that could not be objectively assessed due to the intrinsic characteristics of the credit assessment process. Finally, last year's result had been negatively affected by the recognition of a total impairment of 239 million (200 million for the goodwill impairment of the Cash Generating Unit "Private & Investment Banking", and the remaining 39 million for the impairment of intangible assets with a finite useful life) under the line-item "impairment of equity investments, goodwill and other intangible assets".

5. Capital requirements regulation

On 1 January 2014, the new harmonized prudential rules for banks and investment firms contained in the Capital Requirements Regulation (EU) n. 575/2013 ("CRR") and in the Capital Requirements Directive 2013/36/EU (CRD IV") of 26 June 2013 have come into effect, transposing the banking supervisory standards defined by the Basel Committee (Basel 3 framework) in the European Union.

The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".

Note that the new regulation defined in the "Single Rulebook" provides for a phase-in period for the gradual implementation of certain new rules. The estimated capital ratios the Group is expected to reach at the end of the "phase-in" period are called "Basel 3 Fully-Loaded".

The minimum capital requirements for 2015 based on the current regulation are as follows:

- minimum Common Equity Tier 1 ratio ("CET1 ratio"): 4.5% + 2.5% Capital Conservation Buffer ("CCB");
- minimum Tier 1 ratio: 6% + 2.5% CCB;
- minimum Total Capital ratio: 8% + 2.5% CCB.

On 25 November, the European Central Bank (ECB) informed Banco Popolare of its final decision on minimum capital ratios to be complied with on an ongoing basis by Banco. The decision is based on art. 16 (2) (a) of EU Regulation no. 1024 of 15 October 2013 which gives the ECB the power to require institutions to hold own funds in excess of the capital requirements laid down in current regulations.

The minimum level required by the Regulator is a Common Equity Tier 1 ratio (CET1 ratio) of 9.55%.

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6. Communication on prudential filters for the portfolio of “Financial assets Available for sale”.

On 30 June 2010, the Group had adopted the format illustrated in the Supervisory Measure issued by the Bank of Italy on 18 May 2010, allowing for the portion of the valuation reserves associated with securities issued by central governments of Member States held in the AFS portfolio to be excluded from the capital requirements calculation.

Notably, in alternative to the “asymmetric” approach (full deduction of net capital losses from the Tier 1 capital and partial inclusion of 50% of the net capital gains in the Tier 2 capital) envisaged by the Italian regulation, the above mentioned Measure acknowledged the possibility of neutralizing completely capital gains and losses in the revaluation reserves (“symmetric” approach). This option could be exercised only if extended to all the same securities held in the Afs portfolio, homogeneously applied across the entire Group, and maintained on an ongoing basis.

To this respect, note that, pursuant to the note attached to the new Circular no. 285 of the Bank of Italy, Gruppo Banco Popolare confirmed the exercise of the option. It shall remain effective until the European Commission adopts a regulation approving the adoption of IFRS 9 to replace IAS 39.

At 31 December 2015 the change in reserves of securities issued by Central Governments of Member States amounted to a positive balance of approx. 131.9 million; in the absence of said approach, the change would have generated an increase of roughly 52.8 million for the CET1 capital, as, according to the phase-in approach introduced by EU Regulation no. 575/2013 of the European Parliament and of the Council (“CRR”) and transposed with Bank of Italy Circular no. 285 of 17/12/2013, only 40% can be recognized, and of roughly 39.6 million for the Tier 2 capital, as only 60% of half of it can be calculated.

7. Contributions to deposit guarantee schemes and resolution mechanisms

Through Directives 2014/49/EU (Deposit Guarantee Schemes Directive – DGS) of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive - BRRD) of 15 May 2014, and through the establishment of the Single Resolution Mechanism (EU Regulation no. 806/2014 of 15 July 2014), the European legislator introduced significant changes to the regulation of banking crises, with the strategic aim of strengthening the single market and systemic stability.

7.1. - Contribution charges due to the Deposit Guarantee Schemes Directive

Directive 2014/49/EU harmonizes the protection offered by national deposit guarantee schemes (DGS) and their intervention mechanisms, to eliminate competitive distortions on the European market. To this end, the directive provides for national DGSs (in Italy *Fondo Interbancario di Tutela dei Depositi* - FITD) to raise available financial means in proportion to the covered deposits, through mandatory contributions to be paid by credit institutions. The new element for Italian banks is the fund's new financing mechanism, which goes from an ex-post contribution system, based on which financial means are called in when need arises, to a mixed system, whereby the available financial means must be paid in ex-ante until a minimum target level of 0.8% of the amount of the covered deposits is reached within 10 years of the coming into effect of the directive (by 3 July 2024). The contribution of each institution is calculated based on the ratio between the amount of its respective covered deposits and the country's total amount of covered deposits. In order to reach the target level, the financial means paid by the credit institutions may include payment commitments, up to max. 30%. Said payment commitments must be collateralized by low risk assets, unencumbered by any third-party rights and at the disposal of the national DGSs. On 28 May 2015 the EBA published a document with the guidelines on payment commitments to be followed to ensure a consistent application of the Directive.

7.2. - Contribution charges due to the Bank Recovery and Resolution Directive

Directive 2014/59/EU defines the new recovery and resolution rules to be applied as of 1 January 2015 to all the EU banks facing financial difficulties, even prospectively; said rules establish that, under certain circumstances, also the national resolution Fund may contribute to the resolution financing, to be set up by each of the 28 EU member states. To this end, according to the directive the national resolution Funds must be provided with financial means through mandatory contributions by authorized credit institutions. Even in this case the financing mechanism is mixed. The financing means must be paid ex-ante so as to reach at least 1% of the amount of covered deposits by 31 December 2024. The contributions of each institution are calculated based on the ratio between the amount of liabilities (net of own funds and guaranteed deposits) and the total amount of liabilities of all the credit institutions authorized in the Member state. And again, in order to reach the target level, the financial means contributed by the credit institutions may include payment commitments, up to max. 30%.

The financial means raised by the national resolution Funds in 2015 will then be transferred in the Single Resolution Fund (SRF) managed by a new European resolution authority (Single Resolution Board - SRB), whose establishment is provided for by Regulation no. 806/2014 within the framework of the Single Resolution Mechanism (SRM) established by the Regulation, which came into effect on 1 January 2016.

With regard to the Deposit Guarantee Scheme (DGS), on 16 November 2015 the Italian DGS (FITD) notified member banks the amount of the contribution due for the second half of 2015. The contribution required of Gruppo Banco Popolare was 10.5 million.

As to the BRRD, it has been transposed into the Italian legislation with Lgs. D. no. 180 of 16 November 2015, following which the Bank of Italy, as National resolution authority, set up the National Resolution Fund with order dated 18 November 2015. On 23 November 2015, the Bank of Italy notified all Italian banks the annual contribution to be paid by each intermediary for 2015. Gruppo Banco Popolare's contribution came in approx. at 38.0 million (of which 8.1 million based on the higher risk level attributable to the Group and 29.9 million based on the dimensional parameter). As requested by the Bank of Italy, the contribution has been paid in on 1 December 2015.

The above contributions have been debited in full to the 2015 income statement, under the line-item 150 “other administrative expenses”, in compliance with the instructions of the Bank of Italy issued with circular letter dated 19/01/2016 protocol no. 62045, together with the non-recurring contributions (amounting to 3 times the recurring contribution) paid by Gruppo Banco Popolare,

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totaling 113.898 million, and aiming at bailing out distressed Italian banks. The 23 million allowance to the National Resolution Fund already debited to income in Q1 2015 based on a preliminary estimate relying on incomplete information, has been entirely derecognized in Q4.

8. Other explanatory notes

The Consolidated Annual Report reflects on a consolidated basis the financial accounts of Banco Popolare and its subsidiaries with respect to 31 December 2015, or, when not available, to the most recently approved financial reports.

Similarly, the equity method-based treatment of associates was carried out based on the accounting information as at 31 December 2015, or, if not available, the most recent financial reports prepared by the associates.

The 2015 “normalized” result, totaling 347.2 million, was calculated by adjusting the income for the period, amounting to 430.1 million, to account for the following items:

- effects from the Purchase Price Allocation of the business combinations of the Banca Popolare Italiana and Banca Italease groups (positive adjustment to offset a total negative contribution of 15.4 million);
- effects from the fair value changes of debt securities in issue due to credit rating changes (negative adjustment to offset a total positive contribution of 3.3 million);
- effects from the disposal of the stakes held in ICBPI and Arca SGR, classified as Afs assets (negative adjustment to offset a total positive contribution of 223.6 million);
- effects from the recognition of contribution commitments for the solidarity fund in personnel expenses (positive adjustment to offset a total negative contribution of 63.8 million);
- effects from the non-recurring contributions made to the National Resolution Fund (positive adjustment to offset a total negative contribution of 76.9 million);
- effects from the recognition of depreciation (positive adjustment to offset a total negative contribution of 25.1 million);
- effects from the recognition of provisions for risks and charges (positive adjustment to offset a total negative contribution of 35.3 million);
- effects from the positive P&L impact on the line item income tax on continuing operations due to the recognition of deferred tax assets related to past tax losses of Banca Italease (negative adjustment to offset a total positive contribution of 85.1 million);
- effects from the loss generated by discontinued operations (positive adjustment to offset a total negative contribution of 7.3 million);
- other minor effects (positive adjustment to offset a residual negative contribution of 5.3 million).

Attachments

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated income statement: quarterly evolution

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Reclassified consolidated balance sheet

Reclassified assets (in euro thousand)	31/12/2015	31/12/2014	Chg.	
Cash and cash equivalents	587,383	619,529	(32,146)	(5.2%)
Financial assets and hedging derivatives	27,531,012	26,190,599	1,340,413	5.1%
Due from banks	2,817,832	5,058,816	(2,240,984)	(44.3%)
Customer loans	78,421,634	79,823,603	(1,401,969)	(1.8%)
Equity investments	1,166,324	1,061,412	104,912	9.9%
Property and equipment	2,132,633	2,139,962	(7,329)	(0.3%)
Intangible assets	2,042,120	2,049,912	(7,792)	(0.4%)
Non-current assets held for sale and discontinued operations	109,983	94,308	15,675	16.6%
Other assets	5,700,674	6,043,545	(342,871)	(5.7%)
Total	120,509,595	123,081,686	(2,572,091)	(2.1%)

Reclassified liabilities (in euro thousand)	31/12/2015	31/12/2014	Chg.	
Due to banks	16,334,739	17,383,317	(1,048,578)	(6.0%)
Due to customers, debt securities issued and financial liabilities designated at fair value	82,141,444	86,513,468	(4,372,024)	(5.1%)
Financial liabilities and hedging derivatives	8,564,543	6,650,235	1,914,308	28.8%
Liability provisions	1,333,077	1,281,459	51,618	4.0%
Liabilities associated with assets held for sale	342,265	-	342,265	
Other liabilities	3,246,793	3,176,858	69,935	2.2%
Minority interests	53,169	12,130	41,039	338.3%
Shareholders' equity	8,493,565	8,064,219	429,346	5.3%
- Capital and reserves	8,063,492	10,010,110	(1,946,618)	(19.4%)
- Net income (loss) for the period	430,073	(1,945,891)	2,375,964	
Total	120,509,595	123,081,686	(2,572,091)	(2.1%)

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Reclassified consolidated income statement

Reclassified income statement (in euro thousand)	2015	2014 (*)	Chg.
Net interest income	1,545,386	1,551,913	(0.4%)
Income (loss) from investments in associates carried at equity	141,479	90,066	57.1%
Net interest, dividend and similar income	1,686,865	1,641,979	2.7%
Net fee and commission income	1,425,410	1,379,724	3.3%
Other net operating income	109,644	138,816	(21.0%)
Net financial result (excluding FVO)	441,081	216,058	104.1%
Other operating income	1,976,135	1,734,598	13.9%
Total income	3,663,000	3,376,577	8.5%
Personnel expenses	(1,433,610)	(1,428,364)	0.4%
Other administrative expenses	(804,860)	(643,133)	25.1%
Amortization and depreciation	(166,362)	(191,697)	(13.2%)
Operating costs	(2,404,832)	(2,263,194)	6.3%
Profit (loss) from operations	1,258,168	1,113,383	13.0%
Net adjustments on loans to customers	(803,933)	(3,561,431)	(77.4%)
Net adjustments on other assets	(54,181)	(39,828)	36.0%
Net provisions for risks and charges	(50,791)	(39,305)	29.2%
Impairment of goodwill and equity investments	-	(239,000)	
Profit (loss) on the disposal of equity and other investments	(4,400)	2,345	
Income (loss) before tax from continuing operations	344,863	(2,763,836)	
Tax on income from continuing operations (excluding FVO)	70,518	803,075	(91.2%)
Income (loss) after tax from discontinued operations	(7,280)	2,144	
Income (loss) attributable to minority interests	18,684	38,714	(51.7%)
Net income (loss) for the period excluding FVO	426,785	(1,919,903)	
Fair Value Option result (FVO)	4,912	(38,828)	
Tax on FVO result	(1,624)	12,840	
FVO Impact	3,288	(25,988)	
Net income (loss) for the period	430,073	(1,945,891)	

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

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Reclassified consolidated income statement: quarterly evolution

Reclassified income statement <i>(in euro thousand)</i>	2015				2014 (*)			
	Q4	Q3	Q2	Q1 (*)	Q4	Q3	Q2	Q1
Net interest income	368,860	387,465	401,969	387,092	387,500	395,996	397,068	371,349
Income (loss) from investments in associates carried at equity	40,958	39,203	36,672	24,646	24,964	24,900	20,844	19,358
Net interest, dividend and similar income	409,818	426,668	438,641	411,738	412,464	420,896	417,912	390,707
Net fee and commission income	340,184	314,141	350,204	420,881	308,996	354,441	346,218	370,069
Other net operating income	37,323	23,497	20,267	28,557	26,302	38,654	32,912	40,948
Net financial result (excluding FVO)	267,785	29,967	50,315	93,014	(1,873)	23,873	105,629	88,429
Other operating income	645,292	367,605	420,786	542,452	333,425	416,968	484,759	499,446
Total income	1,055,110	794,273	859,427	954,190	745,889	837,864	902,671	890,153
Personnel expenses	(423,317)	(327,702)	(342,176)	(340,415)	(375,117)	(380,994)	(329,002)	(343,251)
Other administrative expenses	(316,253)	(161,021)	(162,573)	(165,013)	(135,071)	(170,356)	(176,435)	(161,271)
Amortization and depreciation	(73,851)	(33,696)	(26,321)	(32,494)	(86,790)	(30,992)	(25,201)	(48,714)
Operating costs	(813,421)	(522,419)	(531,070)	(537,922)	(596,978)	(582,342)	(530,638)	(553,236)
Profit (loss) from operations	241,689	271,854	328,357	416,268	148,911	255,522	372,033	336,917
Net adjustments on loans to customers	(229,143)	(199,483)	(193,920)	(181,387)	(2,496,072)	(445,323)	(292,049)	(327,987)
Net adjustments on other assets	(23,171)	(5,150)	(22,286)	(3,574)	(19,328)	(8,413)	(8,606)	(3,481)
Net provisions for risks and charges	14,603	(15,768)	(6,428)	(43,198)	(50,878)	2,729	10,337	(1,493)
Impairment of goodwill and equity investments	-	-	-	-	(239,000)	-	-	-
Profit (loss) on the disposal of equity and other investments	(108)	(246)	(3,959)	(87)	207	965	206	967
Income (loss) before tax from continuing operations	3,870	51,207	101,764	188,022	(2,656,160)	(194,520)	81,921	4,923
Tax on income from continuing operations (excluding FVO)	72,593	(5,285)	(23,328)	26,538	804,788	59,461	(56,116)	(5,058)
Income (loss) after tax from discontinued	307	200	(6,523)	(1,264)	778	358	386	622
Income (loss) attributable to minority interests	7,684	5,869	1,199	3,932	30,028	4,632	3,382	672
Net income (loss) for the period excluding FVO	84,454	51,991	73,112	217,228	(1,820,566)	(130,069)	29,573	1,159
Fair Value Option result (FVO)	(6,295)	7,057	16,771	(12,621)	(5,108)	3,427	(7,096)	(30,051)
Tax on FVO result	2,082	(2,334)	(5,546)	4,174	1,529	(1,118)	2,491	9,938
FVO net impact	(4,213)	4,723	11,225	(8,447)	(3,579)	2,309	(4,605)	(20,113)
Net income (loss) for the period	80,241	56,714	84,337	208,781	(1,824,145)	(127,760)	24,968	(18,954)

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