BIt Market Services

Informazione Regolamentata n. 0958-89-2015	Data/Ora Ricezione 10 Novembre 2015 17:43:53	MTA

Societa'	:	BANCO POPOLARE
Identificativo Informazione Regolamentata	:	65374
Nome utilizzatore	:	BCOPOPOLAREN01 - MARCONI
Tipologia	:	IRAG 03
Data/Ora Ricezione	:	10 Novembre 2015 17:43:53
Data/Ora Inizio Diffusione presunta	:	10 Novembre 2015 17:58:54
Oggetto	:	Banco Popolare approves the Interim Operating Report as at 30 September 2015

Testo del comunicato

Vedi allegato.

BANCO POPOLARE

NEWS RELEASE

Verona 10 November 2015

Banco Popolare approves the Interim Operating Report as at 30 September 2015

The Group closed the first nine months of the year with a net income of 350 million (342 million net of the Fair Value Option).

- *Net interest income at 1,177 million, up by 1.0% compared to 30 September 2014;*
- *Net commissions at 1,085 million, up by 1.4% compared to 30 September 2014;*
- *Operating costs at 1,591 million, down by 4.5% compared to 30 September 2014;*
- *Strong decline in the cost of credit at 575 million, corresponding to 89 basis points p.a., compared to 158 basis points in 9M2014;*
- *Income before tax from continuing operations at 341 million against a loss of 108 million posted on 30 September 2014.*

Normalized net income for the period *at 303 million.*

Capital position [1]*:*

- *"Phase-in" CET 1 ratio: 12.7%;*
- *Pro-forma "phase-in" CET 1 ratio: 13.4%;*
- *"Fully-loaded" CET 1 ratio: 12.2%;*
- *Pro-forma "fully-loaded" CET 1 ratio:12.8%.*

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. 95%.*

Credit Risk*:*

- *Marked reduction in new non-performing loan inflows: -56.0% compared to 9M2014;*

[1] Capital ratios have been calculated inclusive of the 9M net income.
"Pro-forma" capital ratios have been calculated taking into account the following events that to date have already occurred or are currently underway: 1) sale of unsecured bad loans for a total nominal amount of 950 million and a gross book value net of write-offs of 732 million, finalized on 1st October 2015; 2) estimate of the expected impact from the planned sale of the stakes held in Istituto Centrale delle Banche Popolari Italiane, whose finalization is subject to prior authorization requirements, and in Arca SGR.

- *164 million decline in gross non-performing loan stock compared to year-end 2014 (-0.8%);*
- *Strengthened NPL coverage ratio: 45.1% compared to 44.6% at 31 December 2014.*

***

In today's meeting, the Board of Directors of Banco Popolare has approved the Consolidated Interim Report as at 30 September 2015.
The quarterly close confirms the positive results already reported in the first two quarters.
Against the backdrop of a still very challenging economic environment for the Italian banking industry, yet the unrelenting cost containment measures on operating expenses, combined with the growth of net interest income and net fees and commissions, drove profit from operations up to 1,016 million, up by 5.4% from the 964 million of the same period last year.
The 9M net income benefitted from a significant reduction in the cost of credit (575 million compared to 1,065 at 30 September 2014), driven down among other things by the slowdown of new NPL inflows, as well as from the positive effect on income tax produced by the recognition of DTAs (deferred tax assets) related to past tax losses of the acquired company Banca Italease (+85 million). Net of the positive effect of the "fair value option" (FVO), totaling 8 million, net income for the period added up to 342 million as compared to the 99 million loss at the end of the same period last year. Including the FVO effect, the first nine months of the year closed with a net income of 350 million.

Operating performance

Net interest income stood at 1,176.5 million, up by 1.0% compared to the same period last year (1,164.4 million), with a Q3 contribution (387.5 million) down by 3.6% over Q2 and in line with Q1 (387.1 million). The year-on-year rise has been driven by the funding cost policy, aiming at reducing the cost of wholesale and retail funding by focusing on less expensive funding forms and cutting back on the bond component. The quarterly decline has been caused by the customer spread reduction, due to both the fall of Euribor rates and the unyielding competition in the lending arena, which compressed the asset spread further compared to the second quarter. Notwithstanding the issuance of 500 million worth of capital instruments eligible for inclusion in the Tier 2 capital, the liability spread has been improving over the quarter.
Income from equity method investments came in at 100.5 million, with a Q3 contribution of 39.2 million compared to 36.7 and 24.6 million reported in Q2 and Q1, respectively. The positive contribution to the 9M results was mainly driven by the equity stakes held in Agos Ducato (+68.6 million against a contribution of +24.9 million reported at 30 September 2014), in Popolare Vita (+22.1 million, down from +31.2 million in the same period last year), in Avipop Assicurazioni (+7.2 million versus +8.0 million at 30 September 2014).
As a result of the above dynamics, **net interest, dividend and similar income** came in at 1,277.0 million, up by 3.9% from 1,229.5 million at 30 September 2014.
Net commissions stood at 1,085.2 million, up by 1.4% compared to 1,070.7 million in 9M2014, with a Q3 contribution of 314.1 million, down from 350.2 million reported in Q2. The 9M contribution was achieved thanks to the growth in commissions from management, brokerage and advisory services, which came in at 555.9 million, up by 4.4% compared to 532.5 million in the same period of 2014. This commission line was driven by the distribution of asset management products, in particular by the substantial sale of fund units to meet the growing customer demand. The decline in the Q3 contribution is a result of both seasonality factors, and of the greater focus on the sale of own bonds issued.
Other revenues added up to 72.3 million, down from 112.5 million reported at 30 September 2014 (Q3 2015 contribution has been 23.5 million, compared to 20.3 in Q2). The reduction was driven almost entirely by the decline in fixed commissions ("*commissioni di istruttoria veloce*") charged to customers.
For a better and ready understanding of the contribution of net financial income, **the effects of rating changes on debt securities issued measured at fair value (FVO)** are shown under a separate line-item of the reclassified income statement, right below income or loss from continuing operations. As a

result of the change in Banco's credit rating, the FVO in 9M2015 had a positive effect of 11.2 million (+7.5 million after-tax), showing however divergent trends across the quarters (negative contribution of -12.6 million in Q1 and positive contribution of 16.8 million in Q2). In 9M2014 the net contribution had been negative and it amounted to -33.7 million (-22.4 million after-tax)

The **net financial income excluding FVO** came in at 173.3 million compared to 217.9 million at 30 September 2014. The subsidiary Banca Aletti contributed to the 9M result with 68.2 million. The management of the Parent company's securities portfolio and treasury generated a positive contribution at 30 September 2015 of 105.1 million, up from 98.3 million at 30 September 2014 thanks to the greater contribution coming from the sale of financial assets available for sale that offset the smaller contribution coming from the fixed income portfolio, in particular from Italian government bonds (3.3 million in 9M2015 compared to +17.9 million at 30 September 2014). In spite of the negative performance of financial markets in the second and third quarters driven by the worsening of the Greek crisis and by China's growth slowdown, the contribution for the period was positive, and it came in at 30.0 million as compared to 93.0 and 50.3 million in Q1 and Q2 2015, respectively.

Total income (interest, dividend and similar income + other operating income) came in at 2,607.9 million compared to 2,630.7 million at 30 September 2014 (-0.9%). Core revenues, resulting from the sum of net interest income, net commission income and other revenues, added up to 2,334.1 million, down by 0.6% compared to 2,347.7 million in 9M2014 exclusively as a result of the decline in other operating income.

Personnel expenses stood at 1,010.3 million, down by 4.1% compared to 1,053.2 million at 30 September 2014. The Q3 2015 contribution has been 327.7 million, down compared to 342.2 million in Q2, which however included 11.6 million charges related to the solidarity fund. Stripping the latter non-recurring item from both periods under comparison (at 30 September 2014 it included non-recurring charges amounting to 67.6 million), personnel expenses in 9M2025 grew by 1.3% mainly driven by the wage increases under the National Bargaining Agreement, as well as by the higher provisions for variable wages triggered by the Group's return to profitability. At 30 September 2015 the total headcount was 16,922 FTE employees, compared to 17,147 employees at 31 December 2014 and 16,949 at 30 June 2015 (data adjusted for comparison). On a yearly basis there has been a reduction of 589 resources.

The stringent cost control affected also **other administrative expenses,** which on 30 September 2015 were running at 488.6 million, down by 3.8% compared to 508.1 million in 9M2014, which on the other hand had been benefitted by a non-recurring item of 7.0 million. On a comparative basis, these expenses declined by 5.1%. **Depreciation and amortization** for the period amounted to 92.5 million compared to 104.9 million at 30 September 2014. The strong decline is due to the fact that the 9M2014 data included a non-recurring impairment of -17.5 million 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. The same impairments charged to income in the first nine months of 2015 amounted to just 2.3 million. Net of non-recurring items, the adjustments under examination reported an increase of 3.2% compared to 9M2014, also as a result of greater investments in particular in Information Technology.

As a result, total **operating costs** came in at 1,591.4 million, down by 4.5% compared to 1,666.2 million at 30 September 2014. Stripping both periods under comparison of the above non-recurring items, the aggregate reported a reduction of 0.7%. The cost/income ratio for the period, namely the ratio between total operating expenses net of PPA impact and of non-recurring elements, and total operating income net of the change in credit rating, came in at 60.0%.

Profit from operations totaled 1,016.5 million, up by 5.4% compared to 964.5 million in the first nine months of 2014.

Net write-downs on customer loan impairments stood at 574.8 million compared to 1,065.4 million in 9M2014, also thanks to the reduction in new net NPL inflows. Net write-downs referring to the "Leasing" component (represented by the Leasing Division of Banco Popolare and by the subsidiary Release Spa) amounted to 113.1 million. The **cost of credit**, measured as the ratio between net loan write-downs and net loans, came in at 89 b.p. compared to 158 b.p. reported in the same period last year.

31.0 million worth of **net write-downs on impairment of other assets** were charged to income for the period (20.5 million at 30 September 2014).

Net provisions for risks and charges totaled 65.4 million, compared to a write-back of 11.6 million posted in the same period of 2014. They include the allocation of the best estimate of the contribution commitment due to the National Resolution Fund (23.0 million), and the provision against the liability generated by the unexpected unfavorable decision of the Court of Cassation which overturned the favorable decisions by lower courts regarding a tax litigation of a subsidiary dating back to 2006 (17.7

million). The Q3 contribution of 15.8 million was generated by provisions set aside against the evolution of the litigations registered in the quarter.
Over the period, **losses on disposal of equity and other investments** totaled 4.3 million, and were generated by the sale of own property.
Income before tax from continuing operations came in at 341.0 million, compared to the loss of 107.7 million reported on 30 September 2014.
Income tax from continuing operations at 30 September 2015 edged down to -2.1 million (-1.7 million at 30 September 2014), as it includes the positive effect from the recognition of deferred tax assets associated to past tax losses of the subsidiary Banca Italease, that can be carried forward with no time limit (85.1 million). The recognition in Q1 is justified by the different taxable income generation capacity of Banco Popolare compared to the subsidiary.
The **loss on discontinued operations** of 7.6 million mainly refers to the assets and liabilities of the subsidiary BP Luxembourg, which are going to be disposed of, and in compliance with the relevant accounting standard have been measured at fair value net of the estimated selling costs and charges (lower than the prior carrying value).
Considering the attribution to minority interest of the share of loss of 11.0 million, and the FVO impacts described above (+7.5 million after-tax), the first nine months of the year closed with a **net income for the period** of 349.8 million, compared to a net loss of 121.7 million reported at 30 September 2014.

Evolution of key balance sheet items

At 30 September 2015, **direct funding** came in at 83.5 billion, reporting a decline on a like-for-like basis[2] of 2.0% year-to-date and of 0.6% compared to 30 September 2014. The year-on-year fall in direct funding is attributable to the reduction of both the bond component and of core retail deposits, largely offset by the increase in repos, as part of the strategy aiming at containing the total cost of funding (in particular with respect to time deposits), as well as to the customers' growing propensity towards other investment products. Including the liquidity generated by the sale of certificates, whose stock increased in nominal terms by 1.8 billion year-on-year (+1.3 billion year-to-date), total direct funding has been rising.
On a quarterly basis, total direct funding remained basically stable (-0.3%), as the decline in core retail deposits has been offset by the increase in repos and bond funding.

At 30 September 2015, **indirect funding** added up to 70.3 billion, reporting an increase on a like-for-like basis[3] of 7.1% year-to-date and of 6.2% compared to 30 September 2014. Compared to 30 June 2015, the aggregate went down 1.1%.
The yoy increase was driven by assets under management, totaling 34.7 billion at 30 September 2015 (+11.4%). Assets under administration, with 35.6 billion, also reported an increase, albeit smaller (+1.5%). The growth in AuM was mainly driven by the marked development of the Mutual Funds and Sicav compartment (+17.6%) and wealth management (+17.5%). The decline reported in Q3 affected both the managed and the administered components, and was caused primarily by the underperformance of market prices.

At 30 September 2015, **gross loans** amounted to 86.6 billion, down by 1.3% compared to 87.7 billion at 31 December 2014 and by 3.7% compared to 89.9 billion at 30 September 2014. Compared to 30 June 2015, at 87.9 billion, the decline was of 1.5%. Excluding non-core portfolio elements from the loan dynamic, such as the run-off of the Leasing Division and the reduction of repos, the yoy and the last quarter dips slip down to 2.2% and 1.1%, respectively, whereas in comparison with the year-end data, a 0.7% increase was reported in the 9M period. More specifically, new medium/long-term loans granted in 9M2015 totaled 6.7 billion, showing a strong yoy growth rate (+68%). The rise swept across all core segments (retail +54%, small business +47% and mid corporate +70%).
The component related to exposures from the "Leasing"[4] sector at 30 September 2015 totaled 6.3 billion, down compared to 6.7 billion at year-end 2014 and from 7.0 billion at 30 September 2014.

[2] After stripping BP Luxembourg's direct funding (subsidiary under disposal) from the 30 September 2014 and 31 December 2014 data.
[3] After stripping BP Luxembourg's direct funding (subsidiary under disposal) and other reclassifications regarding Eurovita managed assets from the 30 September 2014 and 31 December 2014 data.

Net non-performing exposures (bad, unlikely-to-pay and past-due loans) at 30 September 2015 totaled 14.2 billion, basically unchanged compared to 31 December 2014 and down by 4.7% compared to 14.9 billion at 30 September 2014. The aggregate's decline was brought about by lower new NPL inflows (-56% compared to the same period last year), which in 9M2015 amounted to roughly 1,002 million (509 million in 1H) compared to 2,278 million reported in the same period of 2014 (1,500 million in 1H 2014).
Also net NPEs represented by exposures from the "Leasing" sector, totaling 2.5 billion, went down compared to 31 December 2014, and are mainly represented by real estate lease contracts.
Notably, net of write-downs, Group bad loans totaled 6.4 billion, unlikely-to-pay came in at 7.5 billion, and past-dues at 0.3 billion.
The coverage ratio for the entire NPE aggregate, including bad loans being written off, stood at 45.1% (up compared to 44.6% at 31 December 2014 and to 38.4% at 30 September 2014). Notably, at 30 September 2015, 58.3% of Group bad loans had been written down or derecognized (58.8% and 54.3% at 31 December 2014 and at 30 September 2014, respectively), the coverage ratio of unlikely-to-pay stood at 26.1% (26.3% and 18.7% at 31 December 2014 and 30 September 2014, respectively) and that of past-dues came in at 15.8% (17.0% and 7.0% at 31 December 2014 and 30 September 2014, respectively).
Please note that, as already communicated to the market, on 1 October 2015 Banco Popolare finalized the sale of approx. 9,000 unsecured bad loans, amounting to booked nominal 950 million, corresponding to 732 million net of write-offs and gross of write-downs. When including the pro-forma effect of the above sale, the gross NPL stock would report a decline of 4.1% year-to-date. Moreover, the sale pushed the percentage of secured bad loans up, with a consequent reduction in the coverage ratio of the overall aggregate.

The coverage ratio of performing loans was 0.58% compared to 0.64% at 31 December 2014 and to 0.37% at 30 September 2014. Net of repos and securities lending exposures, that are basically risk-free, the coverage ratio hits 0.64% compared to 0.72% at 31 December 2014 and to 0.41% at 30 September 2014.

Group capital ratios

Based on the phase-in rules effective on 30 September 2015, the Common Equity Tier 1 ratio (CET1 ratio), including interim 9M profits[5], comes in at 12.7%, up from 12.2% at 30 June 2015. The Tier 1 ratio is also running at 12.7%, while the Total capital ratio is 15.8%, up from 14.2% at 30 June 2015, mainly as a result of the distribution of a new Tier 2 capital instrument totaling 500 million.

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

Considering the expected effect from the sale of secured bad loans finalized on 1 October 2015, as well as the projected effect of the sale of the shareholdings in Istituto Centrale delle Banche Popolari Italiane and in Arca SGR, expected to be finalized in Q4 this year, the pro-forma CET1 ratio climbs up to 13.4% on a phase-in basis and at 12.8% fully-loaded.

The Leverage ratio based on a Tier 1 Capital including the 9M interim profits and on the phase-in rules is 5.0%. The same ratio on a fully-loaded basis is estimated at 4.9%.

---

[4] Sum of exposures referring to the scope of the former Banca Italease, merged into Banco Popolare, and the subsidiaries Release and Italease Gestione Beni, gross of intercompany transactions
[5] Under art. 26 paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), interim or 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.
The Interim Report as at 30 September 2015 has not been audited and therefore the own funds to be reported to the ECB do not include the profits generated in Q3 of this year. Net of the profits reported in Q3 the CET 1 ratio at 30 September 2015 came in at 12.6%, the Tier 1 capital ratio stood at 12.6% and the Total capital ratio at 15.6%.

Liquidity profile

At 30 September 2015, the Group confirms its excellent liquidity profile. ECB exposure totaled 11.9 billion (12.9 and 11.9 billion at 30 June 2015 and year-end 2014, respectively), entirely represented by TLTROs. The 1 billion decline over 30 June 2015 was due to the expiry of the short-term tranche. At the same date, the Group had assets eligible for refinancing with the ECB - still unencumbered to date - valued, net of haircuts, at 13.3 billion (14.2 and 14.1 billion respectively at 30 June 2015 and 31 December 2014) almost exclusively represented by an unencumbered portfolio of Italian Government bonds.
LCR (*Liquidity Coverage Ratio*) is 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. 95%.

***

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 Interim Report at 30 September 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 presentation material for today's conference call on the financial results of Banco Popolare Group is available in the "Investor Relations" section of the website www.bancopopolare.it.

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 Banco Popolare Group 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 pursuant to IFRS 3 (so called Purchase Price Allocation – PPA) with respect to full financial year 2014 and the first nine months of 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 and posted under the line item "Other operating income". The effect on the P&L income before-tax from continuing operations at 30 September 2015 was -17.5 million (-5.9 and -6.0 million respectively in Q1 and Q2 2015 and -22.3 at 30 September 2014).
The overall effect on the net consolidated income came in at -13.9 million at 30 September 2015 (-4.6 million in Q1 and Q2 2015 and -16.4 million in 9M2014).

2. Changes in consolidation scope

The following changes in consolidation scope were reported in 9M2015:

- 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, after the registration of the merger deed in the competent Enterprise registers. 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 Banco Popolare Group 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.

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 and at 30 September 2014 were included in the "substandard" and "restructured" loan categories have been restated as "unlikely to pay" in the report at 30 September 2015.
Moreover, the new regulation requires that "Forborne exposures" - exposures to which concessions have been extended - must mandatorily be marked off both for non-performing and performing exposures. To this regard, on 11 November 2014 Banco Popolare approved a specific policy on "Forborne exposures", regulating the principles and criteria to identify and classify forborne exposures in compliance with EBA's ITS rules. In 1H2015 the necessary organizational processes and IT procedures have been implemented to enable a timely identification, monitoring and management of the progress of forborne exposures, based on the entry and exit criteria established in the mentioned rule. Moreover, the activities to fine-tune the criteria to identify the scope of exposures to which concessions had been extended in prior financial years have been progressing, and are expected to be completed in time to prepare the annual report as at 31 December 2015. In light of these considerations, at the date of preparation of this Report the information regarding the amount of forborne exposures has not been specified.

For the sake of comparison, the income statement as at 30 September 2014 has been changed to retroactively reflect, pursuant to IFRS 5, the effects 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 1.4 million, which in the Consolidated Interim Report published on 30 September 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".

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 net income for 9M2015 has derived a benefit of 11.2 million (7.5 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 "personnel costs", by the posting of non-recurring charges totaling 11.6 million (8.4 million net of tax effect) relating to contribution commitments to the sector solidarity fund;
- at the line-item "loss from disposal of equity and other investments", by losses totaling 6.1 million (3.8 million net of tax effect) related to the sale of real estate;
- at the line-item "net provisions for risks and charges", by the charge of 17.7 million (12.2 million net of tax effect) caused by the unfavorable outcome of a tax litigation;
- 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 9M2014 P&L had been impacted:
- at the line-item "FVO result", by the recognition of a negative effect of 33.7 million (22.4 million net of tax effect);
- at the line-item "personnel costs", by non-recurring charges totaling 67.6 million (49.0 million net of tax effect) relating 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 17.6 million (11.3 million net of tax effect);
- 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 and by the impairment of DTAs totaling 15.4 million as a result of the IRAP tax rate reduction.

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".
As part of an over-arching revision and simplification process concerning banking supervisory regulations, the Bank of Italy published the new circular no. 285 ("Supervisory Regulations for Banks"), and regulated prudential supervisory reporting procedures on an individual and consolidated basis for banks and asset management companies through the new circular no. 286 ("Instructions for preparing prudential reports for banks and asset management firms").
In particular, Circular no. 286 defines the reporting layouts for:
1) harmonized reports: regulatory capital, credit and counterparty risks (including securitizations, Credit Valuation Adjustment and Central Counterparties (CCP)), market risks, operational risk, large exposures, mortgage loss recognition, financial position, monitoring of liquidity and leverage;
2) non harmonized reports: related parties.

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 February, 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 levels required by the Regulator are a Common Equity Tier 1 ratio (CET1 ratio) of 9.4% and a Total Capital Ratio of 10.5%.

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, Banco Popolare Group 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 30 September 2015 the change in reserves of securities issued by Central Governments of Member States amounted to a positive balance of approx. 89 million; in the absence of said approach, the change would have generated an increase of roughly 35.6 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 26.7 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. These regulatory changes produced a significant impact on the financial and operating situations of banks with respect to the obligation of setting up specific funds to be financed by contributions due from credit institutions starting on financial year 2015.

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 the *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, to come into effect on 1 January 2016.

At the date of this Consolidated Interim Report, the rules transposing the directives into national law have not been issued yet, this being one of the reasons why the procedure to recognize these charges has not been clearly and definitely defined yet. In view of this uncertainty, the corporate management had to rely on its professional judgment to define the most appropriate accounting method to recognize this event already for the preparation of the Quarterly Report as at 31 March 2015. In particular, on that occasion it was deemed appropriate to set aside the best estimate of the liabilities associated with the contribution commitments to the National Resolution Fund covering full year 2015. The amount charged to income for the first quarter under the line item "net provisions for risks and charges" came in at 23 million euro, gross of tax effect. Since no new elements emerged compared to the date of the Quarterly Report as at 31 March, the same unchanged estimate was used for the preparation of the Consolidated Interim Report as at 30 September 2015.
With regard to the contribution charge deriving from the Deposit Guarantee Scheme Directive, at 30 September 2015 no allocation has been booked. The Directive is still in the process of being transposed into national law, and the Italian DGS (*Fondo Interbancario di Tutela dei Depositi*) formally notified member banks that for 2015 only the contribution referring to the second half of 2015 will be called in.

The adopted interpretation choices are explained in greater detail in the Consolidated Interim Report as at 30 September 2015.

Note that the amount of the actual contribution that will be required of Banco Popolare by the National Resolution Authority for financial year 2015 may differ also tangibly from the amount charged to income in the first nine months, as a result of the more up-to-date data on the amount of liabilities, of own funds and covered deposits, and the adjustment of the contribution due based on the relative risk of the various banks, etc..
More in general, and thus also with respect to the contribution requested by the Italian DGS (*Fondo Interbancario di Tutela dei Depositi*), please note that the contributions to be charged to income for the full year may vary - even materially - depending on the possible different interpretations on how to account for and recognize the events under examination.

8. Other explanatory notes

The Consolidated Interim Report reflects on a consolidated basis the financial accounts of Banco Popolare and its subsidiaries with respect to 30 September 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 30 September 2015, or, if not available, the most recent financial reports prepared by the associates.

The 9M2015 "normalized" result, totaling 303.2 million, was calculated by adjusting the loss for the period, totaling 349.8 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 13.9 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 7.5 million);
- effects from the recognition of solidarity fund charges under personnel expenses (positive adjustment to offset a total negative contribution of 8.4 million);
- effects from the recognition of the loss on disposal of property (positive adjustment to offset a total negative contribution of 3.8 million);
- effects from the recognition of provisions for risks and charges due to the unfavorable outcome of a tax litigation of a subsidiary (positive adjustment to offset a total negative contribution of 12.2 million);
- 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 7.6 million).

Attachments

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

Press Relations
T +39 045 8675048 / 867 / 381 / 121
ufficio.stampa@bancopopolare.it

Investor Relations
T +39 045 8675537
investor.relations@bancopopolare.it
www.bancopopolare.it (IR section)

BANCO POPOLARE

Reclassified consolidated balance sheet

Reclassified assets (in euro thousand)	30/09/2015	31/12/2014	Changes	
Cash and cash equivalents	584,260	619,529	(35,269)	(5.7%)
Financial assets and hedging derivatives	28,316,683	26,190,599	2,126,084	8.1%
Due from banks	4,336,811	5,058,816	(722,005)	(14.3%)
Customer loans	78,929,501	79,823,603	(894,102)	(1.1%)
Equity investments	1,124,003	1,061,412	62,591	5.9%
Property and equipment	2,114,830	2,139,962	(25,132)	(1.2%)
Intangible assets	2,046,443	2,049,912	(3,469)	(0.2%)
Non-current assets held for sale and discontinued operations	135,938	94,308	41,630	44.1%
Other assets	5,764,096	6,043,545	(279,449)	(4.6%)
Total	**123,352,565**	**123,081,686**	**270,879**	**0.2%**

Reclassified liabilities (in euro thousand)	30/09/2015	31/12/2014	Changes	
Due to banks	16,247,527	17,383,317	(1,135,790)	(6.5%)
Due to customers, debt securities issued and financial liabilities designated at fair value	83,480,620	86,513,468	(3,032,848)	(3.5%)
Financial liabilities and hedging derivatives	8,124,065	6,650,235	1,473,830	22.2%
Liability provisions	1,273,123	1,281,459	(8,336)	(0.7%)
Liabilities associated with assets held for sale	1,355,054	-	1,355,054	n.s.
Other liabilities	4,224,576	3,176,858	1,047,718	33.0%
Minority interests	60,875	12,130	48,745	401.9%
Shareholders' equity	8,586,725	8,064,219	522,506	6.5%
- Capital and reserves	8,236,893	10,010,110	(1,773,217)	(17.7%)
- Net income (loss) for the period	349,832	(1,945,891)	2,295,723	n.s.
Total	**123,352,565**	**123,081,686**	**270,879**	**0.2%**

Reclassified consolidated income statement

Reclassified income statement (in euro thousand)	30/09/2015	30/09/2014 (*)	% Chg.
Net interest income	1,176,526	1,164,413	1.0%
Income (loss) from investments in associates carried at equity	100,521	65,102	54.4%
Net interest, dividend and similar income	**1,277,047**	**1,229,515**	**3.9%**
Net fee and commission income	1,085,226	1,070,728	1.4%
Other net operating income	72,321	112,514	(35.7%)
Net financial result (excluding FVO)	173,296	217,931	(20.5%)
Other operating income	**1,330,843**	**1,401,173**	**(5.0%)**
Total income	**2,607,890**	**2,630,688**	**(0.9%)**
Personnel expenses	(1,010,293)	(1,053,247)	(4.1%)
Other administrative expenses	(488,607)	(508,062)	(3.8%)
Amortization and depreciation	(92,511)	(104,907)	(11.8%)
Operating costs	**(1,591,411)**	**(1,666,216)**	**(4.5%)**
Profit (loss) from operations	**1,016,479**	**964,472**	**5.4%**
Net adjustments on loans to customers	(574,790)	(1,065,359)	(46.0%)
Net adjustments on receivables due from banks and other assets	(31,010)	(20,500)	51.3%
Net provisions for risks and charges	(65,394)	11,573	n.s.
Profit (loss) on the disposal of equity and other investments	(4,292)	2,138	n.s.
Income (loss) before tax from continuing operations	**340,993**	**(107,676)**	**n.s.**
Tax on income from continuing operations (excluding FVO)	(2,075)	(1,713)	21.1%
Income (loss) after tax from discontinued operations	(7,587)	1,366	n.s.
Income (loss) attributable to minority interests	11,000	8,686	26.6%
Net income (loss) for the period excluding FVO	**342,331**	**(99,337)**	**n.s.**
Fair Value Option result (FVO)	11,207	(33,720)	n.s.
Tax on FVO result	(3,706)	11,311	n.s.
FVO Impact	**7,501**	**(22,409)**	**n.s.**
Net income (loss) for the period	**349,832**	**(121,746)**	**n.s.**

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

Reclassified consolidated income statement: quarterly evolution

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

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

Press Relations
T +39 045 8675048 / 867 / 381 / 121
ufficio.stampa@bancopopolare.it

Investor Relations
T +39 045 8675537
investor.relations@bancopopolare.it
www.bancopopolare.it (IR section)

Fine Comunicato n.0958-89	Numero di Pagine: 15