

THE BOARD OF DIRECTORS OF BANCA ALETTI (BANCO BPM GROUP) APPROVES THE RESULTS FOR 2016

- **Operating income came to Euro 201.5 million (Euro 250.24 million for the year ended 31 December 2015); after operating expenses of Euro 112.8 million, net income came to Euro 61.8 million. Shareholders' equity comes to Euro 943 million. The Bank has a headcount of 459 persons.
The Common Equity Tier 1 ratio is 48.03%, an increase on the figure of 26.8% at 31 December 2015.**
- **At 31 December 2016, Bank Aletti, a provider of private banking services, reports total assets under management of Euro 33.1 billion (up 6% with respect to the 31 December 2015 figure of Euro 31.3 billion), of which Euro 15.4 billion is attributable to private banking customers and Euro 17.7 billion is attributable to institutional customers.**
- **As far as investment banking is concerned, trading, structuring and OTC derivative hedging activities was again the business line with the highest value added and which made the largest contribution to total income. In particular, in connection with placements of structured products amounting in total to Euro 7.1 billion, margins were generated of Euro 123.4 million.**
- **Banca Aletti confirms its ranking at 1st place in the Equiduct market based on Italian equity trading volumes and at 2nd place in the Hi-Mtf bond market; with respect to last year, ETF market share has grown, with the Bank's positioning having improved from 8th to 6th place in the ranking prepared by Assosim and it has confirmed its ranking at 4th place in the SEDEX market. (Source: Assosim)**

MILAN, 8 FEBRUARY 2017 – The Board of Directors of Banca Aletti, Private & Investment Bank, which forms part of Banco BPM Group and which is led by the Managing Director, Maurizio Zancanaro, today approved the 2016 financial statements, which closed with a profit for the year of Euro 61.8 million.

The Bank's operating income came to Euro 201.5 million, while operating expenses came to Euro 112.8 million. Operating profit came to Euro 88.7 million.

The Bank's capital structure strengthened further: shareholders' equity comes to Euro 943 million. The Bank has a headcount of 459 persons.

“In a complex situation concerning equity and foreign exchange markets that saw the continuation of a climate of deep uncertainty that had arisen in the second half of the prior year, Banca Aletti's operations were characterised, on one hand, by the pursuit of the best risk hedging strategies and, on the other hand, by the pursuit of opportunities linked to the assumption of new risk positions concentrated on liquid assets and maturities. The offer of higher value added investment services and, more generally, asset management, made it possible to achieve positive results in terms of growth, with respect to both AUM and customer numbers”, commented the Managing Director, Maurizio Zancanaro.

The expectation of a possible rise in interest rates in the United States maintained, for a good part of the year, yields on government securities on both sides of the Atlantic at particularly low levels. Investors, in a constant pursuit of yields, were forced to increase their risk propensity by purchasing assets characterised by higher risk than in the past. In the aftermath of the U.S. election, the expectation of a renewed boost to the economy did not change the attitude of the major operators: only the U.S. bond market experienced a significant sell-off that pushed up the yields on 10-year bonds.

At 31 December 2016, Bank Aletti, a provider of private banking services, reports total assets under management of Euro 33.1 billion (up 6% with respect to the 31 December 2015 figure of Euro 31.3 billion), of which Euro 15.4 billion is attributable to private banking customers and Euro 17.7 billion is attributable to institutional customers. The year confirmed signs of modest recovery with a situation of economic uncertainty and prudence by customers in assessing investment decisions in both the real economy and in financial markets, with a preference shown for a wait and see approach. Despite this context, the multiple strategies and actions aimed at increasing assets under management over the medium term and the expansion of the scope thereof to customers have made it possible to achieve a significant positive result in terms of net deposits.

As far as investment banking is concerned, trading, structuring and OTC derivative hedging activities was again the business line with the highest value added and which made the largest contribution to total income.

As well as an ideation service, Banca Aletti also provides a threshold placement service for all types of product with the aim of guaranteeing price stability during the placement windows, freeing the distribution networks from the risk of unsold. In particular, in connection with placements of structured products amounting in total to Euro 7.1 billion (7.8 billion last year), margins were generated of Euro 123.4 million (versus 149.3 million last year). Trading activities as a whole reported a sharp contraction compared with the previous year. Figures provided by Assosim confirm a reduction in trades of approximately 20% on Italy's main bond trading platforms (MOT -18.45%, EUROTIX -17.8% and Hi-Mtf -26.58%) and of 27.6% on the MTA equity market.

OTC derivative operations have once again been the business line with the largest contribution to Banca Aletti's total income, having amounted to Euro 123.4 million, with placements of structured products having amounted to Euro 7.1 billion (7.8 billion last year). In particular, in 2016 the structuring of products designed for Retail customers pertaining to the Group's commercial network saw a substantial drop in volumes of structured products offered by the distribution networks. Accordingly, retrocession fees payable to Banco Popolare's distribution network, for the placement of issued certificates, fell in 2016 to 44.4 million versus last year's figure of 99.2 million.

Banca Aletti confirms its ranking at 1st place in the Equiduct market based on Italian equity trading volumes and at 2nd place in the Hi-Mtf bond market; with respect to last year, ETF market share has grown, with the Bank's positioning having improved from 8th to 6th place in the ranking prepared by Assosim and it has confirmed its ranking at 4th place in the SEDEX market.

Net interest and other banking income came to Euro 201.5 million, having decreased with respect to the 2015 figure of Euro 250.2 million. This income was earned by the following business lines of the company: OTC derivative operations, trading in listed securities and derivatives, capital market operations and, lastly, investment management and private banking.

Operating expenses increased by Euro 4 million, mainly attributable to an increase in intragroup costs due to an improvement in the investment banking desk's technological infrastructures.

For the above reasons, the profit for the year fell by Euro 30.8 million from Euro 92.6 million to Euro 61.8 million.

Proposed distribution of net income

The allocation of profit that shall be proposed to the Ordinary General Meeting of Members, to be held on first call on 6 April 2017 and, if necessary, on second call on 7 April 2017, envisages the allocation of profit of Euro 61.8 million to other reserves.

Statement of the Financial Reporting Manager

The Financial Reporting Manager of Banca Aletti S.p.A., Roberto Gori, declares, pursuant to para. 2 of art. 154-bis of the Consolidated Finance Act, that the accounting information contained in this press release agrees with the supporting documentation, balances on the books of account and accounting entries.

Banca Aletti's draft financial statements for the year ended 31 December 2016 shall be made available on the website www.alettibank.it within the prescribed time limit.

BANCA ALETTI FA PARTE DEL GRUPPO BANCO BPM

Reclassified balance sheet at 31 December 2016

BALANCE SHEET	31/12/2016	31/12/2015	Change (+/-)	% change
Reclassified assets (thousands of euro)				
Cash and cash equivalents	4	5	(2)	n.s.
Financial assets	5,167,714	7,014,225	(1,846,512)	(26.3%)
Due from banks	9,147,493	8,559,287	588,205	6.9%
Loans to customers	1,387,484	1,334,054	53,430	4.0%
Equity investments	53,345	19,789	33,556	169.6%
Property and equipment	401	400	1	0.2%
Intangible assets	20,938	20,938	-	0.0%
of which: goodwill	20,938	20,938	-	0.0%
Other assets	92,642	72,787	19,855	27.3%
Total	15,870,019	17,021,486	(1,151,467)	(6.8%)
BALANCE SHEET				
Reclassified liabilities (thousands of euro)				
Due to banks	5,046,578	6,260,634	(1,214,056)	(19.4%)
Due to customers and securities issued	1,192,833	1,002,674	190,159	19.0%
Financial liabilities	8,606,315	8,485,326	120,989	1.4%
Provisions	16,747	18,210	(1,463)	(8.0%)
Other liabilities	64,532	325,290	(260,757)	n.s.
Equity	943,014	929,352	13,662	1.5%
- Capital and reserves	881,254	836,750	44,505	5.3%
- Net income for the period	61,760	92,603	(30,843)	(33.3%)
Total	15,870,019	17,021,486	(1,151,467)	(6.8%)

Income statement at 31 December 2016

Reclassified income statement	31/12/2016	31/12/2015	Change (+/-)	% change
(in thousands of euro)				
Interest margin	148,586	184,126	(35,540)	(19.3%)
Net fee and commission income	31,400	(24,969)	56,369	n.s.
Other net operating income	305	346	(41)	n.s.
Net income from banking activities	21,244	90,681	(69,437)	(76.6%)
Other operating income	52,949	66,058	(13,109)	(19.8%)
Operating income	201,534	250,184	(48,650)	(19.4%)
Operating expenses	(112,843)	(108,803)	(4,040)	3.7%
Operating profit	88,691	141,382	(52,691)	(37.3%)
Adjustments and provisions	(1,402)	(2,428)	1,026	n.s.
Income (loss) before tax from continuing operations	87,289	138,954	(51,665)	(37.2%)
Taxes on income	(25,529)	(46,352)	20,823	(44.9%)
Income (loss) after tax from continuing operations	61,760	92,603	(30,843)	(33.3%)
Net income for the period	61,760	92,603	(30,843)	(33.3%)