PRESS RELEASE

Results as at 31 December 2016[1]

AGGREGATE OPERATING PROFIT NET OF NON-RECURRING ITEMS AT €1.6 BILLION

**INCREASE IN THE COVERAGE RATE FOR ALL NPE CATEGORIES,
IN LINE WITH THE STRATEGIC PLAN**

EXCELLENT LIQUIDITY POSITION

SOLID CAPITAL POSITION

BANCO BPM S.p.A.:

Main balance-sheet results[2]

- Customer loans: €110.6 billion
- Direct customer funding: €116.8 billion[3]
- Indirect customer funding: €101.8 billion, o/w:
  - AUM: €58.6 billion
  - AUC €43.2 billion

Main income statement results

- Total income: €4,738 million, €4,705 million net of €33.0 million non-recurring items[4];
- Operating costs: €3,757 million, which decreases to €3,082 million, net of non-recurring costs of €675 million;

[1] The Board of Directors of Banco BPM Group approved the annual financial statements of the parent bank and consolidated groups of Banco Popolare and Banca Popolare di Milano, respectively, as at 31 December 2016 and examined Banco BPM's aggregate accounts.
[2] Banco BPM Group's aggregate figures are the sum of ex Banco Popolare Group and ex Banca Popolare di Milano Group's consolidated Financial Statements as at 31/12/2016, net of the intragroup relationship, as set forth in the "Explanatory notes and preparation criteria" herein.
[3] Including capital-protected certificates (€4.6 billion as at December 2016 vs. €3.8 billion as at end 2015), direct customer funding increases to €121.3 billion
[4] For details on the non-recurring items see the Explanatory Notes and preparation criteria - Banco BPM Group in this press release herein.

- Gross operating profit: €981 million, which increases to €1,623 million net of the non-recurring items;
- Net adjustments on loans: €2,958 million, o/w approx. €1,600 million[5] adjustments to strengthen the coverage, as provided for in the merger plan;
- Net result: -€1,610 million, which improves to -€939.7 million net of the non-recurring items, and includes the foregoing extraordinary adjustments to strengthen the coverage.

Capital ratios:
- CET 1 ratio Phase-in: 12.30%
- CET 1 ratio Fully Loaded: 11.42%
- Additional benefits expected from extending the AIRB model to the perimeter of ex BPM;
- Capital Flexibility is achieved using a strategic approach to the overall management of investments.

Credit quality
- Stock of net NPEs: €16,204 million (-8.4% Y/Y)
- Coverage[6]:
  - NPEs: 47.9% (vs. 43.8% in 2015);
  - Bad loans: 60.0% (vs. 57.2% in 2015).

Liquidity profile
- Unencumbered eligible assets: €20.9 billion (12% of assets), which ensures ample flexibility in managing funding sources.
- LCR >180% and NSFR >100%

Milan, 10 February 2017 – In today's meeting, the Board of Directors of Banco BPM Group, chaired by Mr Carlo Fratta Pasini, Lawyer, approved the annual financial statements of the parent bank and consolidated Group of Banco Popolare and Banca Popolare di Milano, respectively, as at 31 December 2016, examined the aggregate financial statements of Banco BPM[7], and examined the figures for the new group after the merger and as of the date of the financial statements s of the two merged groups.

The former Banco Popolare group and the former Banca Popolare di Milano group closed the financial year 2016 with a net result of -€1,681,7 million and +€72.7 million, respectively, which – net of non-recurring items – totals -€1,133.7 million and €195.2 million, respectively. The result includes the former

[5] Provisions following Banco Popolare's capital strengthening operation, in line with the provisions of the 2016-2019 Strategic Plan already presented to the market. This is an approximate estimate and comes from discontinuity in the NPE valuation processes brought in during 2016.

[6] Includes cancellations.

[7] Because the merger of Banco Popolare and Banca Popolare di Milano came into force on 1 January 2017, Banco BPM's Board of Directors approved Banco Popolare and BPM's 2016 financial statements and consolidated financial statements separately.

Banco Popolare's higher adjustments to strengthen the coverage, as provided for in the merger plan (approx. €1,600 million).
On 1 January 2017, the two former groups Banco Popolare and Banca Popolare di Milano merged to become Banco BPM Group, thus making the new group the third largest banking group in Italy with over 4 million customers, approx. 2,300 branches, a strong expansion potential, thanks to its foothold in the wealthiest and most industrialised areas of Italy, significant cost synergies and the development in revenues thanks to the actions planned in the 2016-2019 Strategic Plan.
2016 was a transition year for the new group in which it laid the groundwork for the group's future economic and capital development, as agreed with the regulatory authority and planned in the mentioned Strategic Plan. The priorities are thus the de-risking of the NPE portfolio, in which net NPEs have decreased by approx. €1.5 billion (-8.4% Y/Y). At the same time, there was a significant increase in the coverage rates[8], which have increased to 47.9% for total NPEs (+410 bps vs. December 2015) and to 60% for bad loans (+280 bps). Coverage strengthening was made possible by the €1 billion capital increase the former Banco Popolare Group undertook in June 2016, as foreseen and announced to the market when the 2016-2019 Strategic Plan was unveiled.
During 2016, particular attention was placed on operating costs which, net of non-recurring items, decreased by €46 million, specifically personnel expenses, which decreased by 3.4%. The groundwork was also laid to reach the targets set in the Strategic Plan, specifically the reduction in personnel expenses thanks to the agreement with the trade unions that allows for the voluntary departure of about 2,100 staff by 2019 (vs. 1,800 initially envisaged). To this aim the group provisioned a total of approx. €367 million in 2016.
In 2016, the total number of staff decreased to 24,680, thus a decrease of approx. 400, in addition to the number of resources due to leave the bank under the early retirement plans. Still in terms of cost cutting, there were 122 branch closures: another 48 branches are due to be closed by April 2017, thereby exceeding the planned 50% closures by 2019.
As planned in the Strategic Plan, in 2016 Banco BPM Group already started some measures to prop up operating income, which - despite the lingering economic difficulties, and by reducing the burdensome funding and the reduction in the cost of funding, along with the foreseen increase in loans - will drive the net interest income.
The new Group started 2017 with significant balance-sheet items: **total assets** of €168 billion, **customer loans** of €111 billion, **total funding**[9] of €219 billion and total **net equity** of €12 billion.
We also point out that the two groups' aggregate AUM was €58.6 billion, a 4.1% increase vs. December 2015.
From the income statement point of view, Banco BPM's **total income** was €4,705 million, net of the non-recurring items, and adjusted **operating costs** totalled €3,082 million. As such, the **operating profit** was €1.623 million, net of the non-recurring items.
The group's **net adjustments on loans** totalled €3.0 billion and included the mentioned adjustments to strengthen the coverage, as provided for in the merger plan, of approx. €1.6 billion, as explained in the Merger Project and the 2016-2019 Strategic Plan.
The cost of credit[10] stood at 267 bps, which, net of the foregoing discontinuity elements, falls to 123 bps.
Banco BPM has a very solid **liquidity profile**, with a significant amount of unencumbered eligible assets of approx. €21 billion and a net spot liquidity balance of approx. 13% of total assets[11].
Banco BPM's **capital ratios** were also solid: the Common Equity Tier 1 ratio Phase-in stood at 12.30% and the Common Equity Tier 1 Fully Loaded was 11.42%. Neither of these ratios currently benefit from the extension of Banco Popolare's AIRB models to the new Banco BPM Group.

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[8] Include cancellations
[9] Direct funding + indirect funding
[10] Net loan provisions/Total net customer loans.
[11] Internal liquidity management report as at 30 January 2017.

BANCO POPOLARE GROUP's RESULTS AS AT 31 DECEMBER 2016 (EX BP):

Main balance-sheet results

- Customer loans: €75.8 billion;
- Direct customer funding: €85.0 billion, including €4.6 billion certificates;
- Indirect customer funding: 69.2 billion, o/w:
    - AUM: €36.4 billion
    - AUC: €32.8 billion

Main income statement results

- Total income: €3,060 million, €3,035 million net of the non-recurring items;
- Operating costs: €2,488 million, including non-recurring costs of €378.5 million. Net of the non-recurring costs, total operating costs were €2,109 million;
- Gross operating profit: €572.4 million, which increases to €925.7 million net of the non-recurring costs;
- Net adjustments on customer loans: €2,539 million, o/w approx. €1.600 million adjustments[12] to strengthen the coverage, as provided for in the merger plan;
- Net result: -€1,681.7 million, which decreases to -€1,133.8 million net of the non-recurring items, and includes the foregoing extraordinary adjustments to strengthen the coverage.

<u>**Income Statement Results**</u>

Net interest income was €1,318,1 million as at 31 December 2016, down by 14.7% compared with €1,545.4 million as at 31 December 2015. The net interest income decreased Y/Y due to the enormous competitive pressure on pricing customer loans, and to the decrease in profitability on the securities portfolio. Despite this backdrop, however, the negative impact on net interest income was mitigated by the decrease in the cost of institutional funding and the measures to ensure that the decrease in the mark-down was slower than the fall in the foregoing market rates.

The **result of subsidiaries, valued using the net asset method,** was positive at €124.5 million, thus below the €141.5 million recorded in financial year 2015. The main contribution to this item came from consumer credit by way of the stake in the consumer credit firm Agos Ducato (+€90.0 million vs. €105.2 million in 2015).

Net fees and commission totalled €1,318.2 million, down by 7.5%, compared with €1,425.4 million as at 31 December 2015, which, however, benefitted from an exceptionally positive trend in AUM and which will hardly be repeated. The decrease recorded in 2016 was caused by the hard work of the distribution network regarding the many extraordinary events tied to the merger.

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[12] Provisions following Banco Popolare's capital strengthening operation, in line with the provisions of the 2016-2019 Strategic Plan already presented to the market. This is an approx. estimate and comes from discontinuity in the NPE valuation processes brought in during 2016.

Other net operating income totalled €102.0 million, vs. €109.6 million as at 31 December 2015. The result was lower due to the decrease in income from transactions with third parties.

The **net financial result without FVO**[13] was positive at €197.5 million, compared with €441.8 million in FY 2015 (€13.8 million in Q4), thanks to the positive contribution of €25.3 million from the adjustment on the disposal price (earn-out) on the stake held in ICBPI S.p.A. (the disposal took place in 2015), whereas 2015 benefitted from a €241.2 million capital gain from the disposal of the stakes held in ICBPI and in Arca Sgr.

Total income (financial interest income and other operating income) thus totalled €3,060.1 million, compared with €3,663.0 million in 2015 (-16.5%).

Personnel expenses increased by 2.6%, from €1,433.6 million in 2015 to €1,470.2 million as at 31 December 2016, due only to the higher cost related to the pertinent early retirement plan agreed on 23 December 2016, for €198.6 million (vs. €94.6 million in 2015). Net of this non-recurring item, personnel expenses are down by 5% due to the decrease in the average number of resources (-350 people FTE Y/Y). As at 31 December 2016, there were 16,381 "full time equivalent" employees, compared with 16,731 as at 31 December 2015 and 16,657 as at 30 September 2016.

Thanks to the careful cost control, even **other administrative costs -** excluding the "systemic costs" (i.e. the contribution to the Single Resolution Fund SRF for €44.3 million, the Deposit Guarantee Scheme DGS for €22.3 million, the extraordinary contribution to the "Fondo di Risoluzione Nazionale", for a total of €88.8 million, and the fees to allow the bank to convert deferred tax assets from 2015 and 2016 into tax credits, for €54.4 million, thus a total of €209.9 million), and the cost of the merger process, which has, to date, been booked in the income statement at €31.7 million euros - decreased by 5.0% compared with the systemic cost of €162.3 million in 2015.

Net adjustments on tangible and intangible assets in 2016 totalled €165.3 million, compared with €166.4 million recorded as at 31 December 2015, and included adjustments on the €32.4 million extraordinary costs booked to adjust the book value of some real-estate assets held as investments for a value estimated using the most recent housing surveys (as at 31 December 2015, the bank booked €41.4 million in adjustments). Net of the cited non-recurring items, net adjustments on tangible and intangible assets increased due to the higher investments made in the year.

Operating costs totalled €2,487.7 million, compared with €2,404.8 million in 2015.

Net adjustments on impaired customer loans totalled €2,539.3 million, vs. €803.9 million in 2015. The **cost of credit**, a ratio between net adjustments on customer loans and gross loans, shows, as mentioned, that there was strong discontinuity with the past due to the decision to increase the average coverage rate on NPEs.

The 2016 income statement also shows **net adjustments on other non-performing assets** of €40.8 million (vs. -€54.2 million in 2015), which includes the €19.7 million write-down on the stake held in the "Atlante" fund and the €3.4 million write-down in C.R. Cesena.

Net provisions for risks and charges totalled €24.7 million, vs. €50.8 million booked in 2015, mainly for the cost of some lawsuits.

Following the result of the impairment test on 31 December 2016, **adjustments on goodwill** include the long-term devaluations of the higher value booked by the group on CGU Investment Banking & Asset Management (€279 million).

Profit from the disposal of equity and investments totalled €17.0 million, mainly due to the disposal of some of the bank's own real estate (in 2015 this item showed a loss of €4.4 million).

Tax credit on current operations as at 31 December 2016 was €583.1 million (€70.5 million as at 31 December 2015).

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[13] The effects of the variation in the creditworthiness of the financial liabilities the bank issued and which are valued at fair value (FVO) were disclosed in a separate item of the reclassified income statement after the 2016 operating results were booked. Owing to the effect of the bank's worse creditworthiness, the impact of the FVO in 2016 was positive at €5.9 million (+€4.2 million after taxes). It was positive at €4.9 million in 2015, too (+€3.2 million after taxes).

Given the positive result from assets available for sale (+€2.5 million), the negative part in the income statement owing to third party shareholders (+€22.8 million) and the impact of the FVO (+€4.2 million net of taxes), fiscal year 2016 closed with a **net loss** of €1,681.7 million, vs. the net profit of €430.1 million in 2015.

Balance-sheet results

Direct funding as at 31 December 2016 was €80.4 billion, 2.1% lower than the €82.1 billion as at 31 December 2015. Given the very strong growth in the item, in its strictest sense, specifically in current accounts and deposit accounts held in the commercial network (+14.6% Y/Y increasing from €39.9 million to €45.8 billion), the group specifically reduced the item represented by bonds (-27.5% Y/Y, from €27.8 billion to €20.2 billion) and, when the bonds matured in 2016, did not replaced them with new issuances, in compliance with the bank's decision to reduce this form of funding since it is relatively more expensive. We point out that direct funding does not include the stable funding guaranteed by the stock of certificates issued by the group, which as at 31 December 2016 totalled €4.6 billion.
Indirect funding totalled €69.2 billion, -2.7% Y/Y. AUM, totalling €36.4 billion, performed well in 2016 (+3%) due to Aletti Gestielle Sgr's successful placing of structured funds, while AUC, totalling €32.8 billion, decreased, mainly due to an extraordinary transaction conducted in Q1 2016 with a very low margin. In Q4 2016, indirect funding increased by €0.6 billion from €68.6 billion as at 30 September 2016 to €69.2 billion in December 2016, with AUC, €32.8 billion, accounting for the lion's share (+€0.4 billion).

Net customer loans as at 31 December 2016 totalled €75.8 billion, down 3.3% over €78.4 billion booked at the beginning of the year (-3.0% in Q4). The Y/Y decrease was partly due to the disposal of NPLs and the decrease in loans in the Leasing Division[14], and the adjustments to strengthen the coverage of non-performing loans.

Net NPEs (bad loans, unlikely to pay, past-due and/or overdrafts) as at 31 December 2016 totalled €12.6 billion and marked a 10.6% decrease Y/Y. The decrease in the item was caused mainly by the adjustment on loans in the income statement in 2016. Net NPEs in the "Leasing" segment are in decline vs. year-end 2015 and totalled €2.2 billion, mainly represented by real-estate leasing contracts.
An examination of single items shows the following Q/Q trend:

- Net bad loans: -3.6%;
- Unlikely to pay: -7.2%;
- Past-due: -38.1%.

The coverage rate for all the NPE categories, including bad loans written off, was 48.4% vs. 43.7% as at 31 December 2015, an increase of 4.67 percentage points.
More specifically, as at 31 December 2016 the coverage ratio was:

- Net bad loans: 48.4%, rising to 60.0% including write-offs;
- Unlikely to pay: 27.7%;
- Past-due: 20.1%.

The coverage ratio for performing loans was 0.40% vs. 0.51% as at 31 December 2015 and 0.42% as at 30 September 2016.

The group's capital ratios

[14] The loans made by the Leasing Division, i.e. the total exposure of the scope of consolidation of the former Banca Italease and the subsidiaries Release and Italease Gestione Beni, totalled €5.3 billion as at 30 September 2016, a steady decrease compared with the €5.6 billion as at 30 September 2015 and the €6.0 billion as at 31 December 2015.

As at 31 December 2016, the group's Own Funds were €6,330 million.The Common Equity Tier 1 ratio (CET1 ratio) was 13.0% (14.7% as at 30 September 2016). The decrease in Q4 2016 was caused by the loss for the year, mainly due to the negative impact on profitability and the increase in the average coverage rate on NPEs, which was partly offset by a reduction on risk-weighted assets.
The CET1 ratio fully phased comes in at 11.4% (13.7% as at 30 September 2016).

BPM GROUP'S RESULTS AS AT 31 DECEMBER 2016 (EX BPM):

Main balance-sheet results

- Customer loans: €34.8 billion;
- Direct customer loans: €36.5 billion;
- Indirect customer loans: €32.6 billion, o/w:
    - AUM: €22.1 billion;
    - AUC: €10.5 billion.

Main income statement results

- Total income: €1,604.1 million, €1,667.2 million net of the non-recurring items[15];
- Operating costs: €1,269.2 million, including non-recurring costs[16] of €296.4 million. Net of the non-recurring costs, total operating costs were €972.8 million;
- Gross operating profit: €334.9 million, which increases to €647.5 million net of the non-recurring items;
- Net adjustments on customer loans: €420.3 million;
- Net result: €72.7 million, which increases to €195.2 million net of the non-recurring items.

Income Statement Results

As at 31 December 2016, the former BPM Group's **total income** was €1,604.1 million, down by 3.8% Y/Y.
Net interest income was €788.0 million, down by 2.3% Y/Y. Specifically, we point out the decrease in commercial net interest income (-4.1%) – due to the joint effect of the reduction in the difference between lending and deposit rates (-18 bps), which was not completely offset by the increase in volumes – and the lower contribution from BPM's securities portfolio (-€40.3 million), which was offset by the lower cost of interbank (+€10.7 million) and institutional (+€40.6 million) funding.
Net non-interest income (€816.1 million) decreased by €44.4 million Y/Y due to the reduction in net fees and commissions (-€20.7 million), in "profit/loss on investments at net equity" (-€10.1 million) and in "other operating costs/income" (-€2.8 million).

[15] The details of non-recurring items are indicated in this press release in the paragraph "Explanatory notes and preparation criteria" for Banco BPM Group.
[16] Non-recurring costs in 2016: extraordinary staff costs: €168.1 million for the "Fondi di Solidarietà" in 2012 and 2016 for Banca Popolare di Milano; other administration costs €52.7 million merger costs and systemic costs (extraordinary contribution to the SRF, DGS); adjustments on tangible and intangible assets: €75.6 million for impairments on real estate.

Net profit from financial activities totalled €171.0 million (-5.9%Y/Y). The Y/Y decrease was mainly due to the write-down on the stake in the "Atlante" fund (€40.1 million) and the earn-out from the disposal in 2015 of the 4% stake in ICBI (+€7.4 million) and the adjustment on the value of the intervention in the "Schema Volontario FITD" (-€1.9 million). Net of the foregoing extraordinary items, the net result from financial activities is €205.7 million (+44.4% Y/Y).

As at 31 December 2016, **operating costs** totalled €1,269.2 million, up 24.5% Y/Y. The item includes non-recurring costs of €296.4 million[17]. Net of these non-recurring costs, the operating costs decrease to €972.8 million, basically stable Y/Y. In particular, **personnel expenses** totalled €775,3 million (+26.6% Y/Y), which, net of the non-recurring costs, is €607.2 million, basically stable Y/Y. **Other adminstrative costs** totalled €338.3 million (+1.7% Y/Y) which, net of the non-recurring operating items, decreased to €285.5 million (-2.5% Y/Y).

Net adjustments on tangible and intangible assets totalled €155.6 million (vs. €74.8 million in 2015) due to the €75,6 million impairment on software. Net of this one-off, the item decreases to €80 million.

Net adjustments on impaired customer loans and other operations as at 31 December 2016 totalled €420.3 million, up by €78.0 million vs. 31 December 2015. The **cost of credit** was 121 bps (vs. 100 bps as at 31 December 2015).

The cost of credit was 121 bps (vs. 100 bps as at December 2015).

Net provisions for risks and charges shows a negative balance of €30.3 million (vs. €10 million as at 31 December 2015) owing also to the €10 million provisions for merger costs.

Profit from equity and other investments totalled €141.0 million, compared with €37.4 million as at 31 December 2015, mainly due to the increase in the value of the stake in Anima Holding (€108.7 million) owing to the reclassification of the stake held by BPM under the item "investments" in the AFS portfolio.

After booking a third-party profit of €0.1 million, **the parent bank's profit** was €72.7 million, compared with the net profit of €288.9 million as at 31 December 2015. Net of the non-recurring items[18], the parent bank's profit was €195.2 million (vs. 259.9 million as at 31 December 2015).

Main balance-sheet items

Direct customer funding (amounts due to customers, debt securities issued and financial liabilities at fair value) totalled €36,471 million, stable vs. 30 September 2016 (-0.2%) and down vs. 31 December 2015 (-3.0%). The trend was basically due to the decrease in Repos on the bank's own shares it repurchased (-€1.2 billion) when the transactions expired, and the decrease in "Bonds and structured securities" (-€1.9 billion) owing to fewer funding needs, while the trend in sight deposits was still positive.

Specifically, "**amounts due to customers**" (€30,688 million) increased by 7.2% vs. December 2015, thanks to the increase in "current accounts and savings deposits" (+10.6%) and, in particular, to sight deposits (+11.5%) and time deposits (+3.3%). Repos decreased (-€554 million) due to the fewer transactions on the "MTS Repo" market owing to the bank fewer funding needs.

Debt securities issued totalled €5,688 million, down (-€3.2 billion) vs. the end of 2015.

Indirect customer funding as at 31 December 2016 totalled €32,626 million, slightly higher vs. September (+0.3%) but down on December 2015 (-4.2%).

Specifically, **AUM** totalled €22,146 million, i.e. 68% of the total indirect customer funding, and higher than both in September (+2.2%) and at the end of December 2015 (+6.0%) thanks to the net positive inflow in

[17] Non-recurring costs in 2016: extraordinary staff costs: €168.1 million for the "Fondi di Solidarietà" in 2012 and 2016 for Banca Popolare di Milano; other administration costs €52.7 million merger costs and systemic costs (extraordinary contribution to the SRF, DGS); adjustments on tangible and intangible assets: €75.6 million for impairments on real estate.

[18] Refer to the details of the non-recurring operations in the attachment "ex Gruppo Bipiemme – Reclassified income statement net of the non-recurring items ".

2016 of €1.055 million. In particular, we point out the good trend in fund management (+8.8% Y/Y) and the insurance reserves (+6%), which offset the decrease in individual portfolio management (-9.7%).
As at 31 Dicembre 2016, AUC totalled €10,480 million, less than as at 31 December 2015 (-20.4%) and as at September 2016 (-3.5%) due mainly to investors' preference for AUM products and to the trend in financial markets.
Customer loans as at 31 December 2016 totalled €34,771 million, up vs. both December 2015 (+1.7%) and vs. September 2016 (+1.3%). The increase in 2016 was mainly due to the increase in mid-to-long term loans, in particular in mortgages (+2.8% Y/Y) and in "other Funding" (+5.5%). The trend in customer loans was driven by the increase in new mortgages and loans (+4% vs. the end of 2015). In particular, the bank issued new mortgages in 2016 for a total of €1,873 million, down 4.8% Y/Y, though the decrease was more than offset by the increase in new loans, +10.1%, mainly thanks to the growth in the corporate sector and in Profamily.
Net NPEs as at 31 December 2016 totalled €3,636 million, a slight increase vs. both the end of 2015 (-0.3%) and Q/Q (+0.5%). On examining each item, we notice the following:
- net bad loans: +0.4% Q/Q;
- unlikely to pay +3.5% Q/Q;
- past due: -65.3% Q/Q.

The total **coverage rate on NPEs** is now 41.9% (+230 bps Y/Y), which increase to 46.1% if we include the cancellations already made on single positions.
More in detail, the coverage rate for single segments reached a significant level, and shows the following trends:
- bad loans: 54.7%, which increases 60.2% when we include the cancellations;
- unlikely to pay: 25.9%;
- past-due: 11.6%;
- total loans: 7.4%.

The coverage rate on performing loans is 0.49%, down compared with the 0.53% in the previous quarter.

Group capital ratios
The group's net equity as at 31 December 2016 was €4,370 million.
The Common Equity Tier 1 ratio was 11.48% and the Common Equity Tier 1 Basel 3 fully phased was 11.42%.
Risk weighted assets totalled €35.4 billion.

PROSPECTS FOR THE CURRENT FINANCIAL YEAR
During financial year 2017, Banco BPM Group will be engaged with the projects in the 2016-2019 Strategic Plan, with priority being given to completing the process to merge the two group's IT systems and to completing the department to manage the non-performing loans.
The management of the non-performing loans will be honed to recovering profitability as the advantages offered by the initial effects of the synergies from the the merger start to materialise.
The trend in proceeds will benefit from a further reduction in the cost of funding, an increase in loans and an increase in fees and commission from management services, advisory and brokerage, which will offset, at least partially, the anticipated decrease in the resut from financial activities.
The focus on keeping operating costs under control, by rationalisation, improving operating efficiency and specific spending review measures, will be one of the major factors for attention, along with the steady reduction in the stock of NPEs by way of both internal workout and disposals.

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Mr Gianpietro Val, as the manager responsible for preparing the bank's accounts, hereby states, pursuant to Article 154 *bis*, paragraph 2 of the *Testo Unico della Finanza* (the Consolidated Finance Act), that the accounting information contained in this press release corresponds to the documentary evidence, corporate books and accounting records.

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Banco Popolare and Banca popolare di Milano's results as at 31 December 2016 as well as Banco BPM Group's pro-forma results as at 31 December 2016 will be presented to the financial community at a conference call set for today 10 February 2016 at 6:30 p.m. (C.E.T.). The instructions to connect to the event can be found under Investor Relations on the home page of the bank's website www.bancobpmspa.it.

Milan, 10 February 2017

Explanatory notes and preparation criteria

Banco BPM Group

1. Method used to prepare the main balance-sheet and income statement aggregates for Banco BPM Group

The aggregate figures for Banco BPM Group were prepared by adding the figures in the consolidated financial statements as at 31/12/2016 for the former Banco Popolare Group and the former BPM Group and then by:

- reconciling the main intragroup balance-sheet and income statement items;
- reclassifying financial assets available for sale as holdings of shares held by both groups in Dexia Crediop and Nuova Sorgenia;
- adjusting the equity valuation on the stake held in the financial assets available for sale of Alba Leasing and Factorit.;
- consolidating the stake held by BPM S.p.A. in Release S.p.A., controlled by Banco Popolare .

2. Reclassified accounts used by the new group

Banco Popolare and Bpm's reclassified accounts were prepared by aggregating items using partially different rules. The main differences are as follows:

- *Banco Popolare highlights, after Net Interest Income, a new item called "Financial Income Interest" which is the total of Net Interest Income + Dividends and Profit/Loss from investments in PN, whereas BPM includes the profit from investments in PN under "other income";*
- *Banco Popolare puts adjustments on financial assets available for sale under "adjustments on other assets", whereas BPM puts them under "Net result of financial activities" which is under the wider item "other income".*

The aggregate accounts used by Banco BPM have been prepared using Banco Popolare's reclassification criteria.

For continuity purposes with previously published notices and to be consistent with the figures in both banks' financial statements, the same accounts used by the two banks have been kept.

3. Non-recurring items in Banco BPM Group's aggregate income statement

In compliance with Consob Ruling DEM/6064293 dated 28 July 2006, the main non-recurring items have been highlighted, namely:

- the impact from the reduction in the accounting value of financial liabilities the group issued and valued at fair value, owing to Banco Popolare's worsening creditworthiness in 2016 was +€5.9 million before taxes;
- *the item "Net financial results (without FVO) 2016 includes a €32.6 million earn-out on the disposal of the stake held in Istituto Centrale delle Banche Popolari Italiane S.p.A;*
- *the item "Personnel expenses" includes costs for the reduction in surplus staff for a total amount of €366.7 million before taxes;*
- *the item "other administration costs" includes the merger costs of €55.6 million, the extraordinary contribution to the "Fondo di Risoluzione Nazionale" of €117.7 million, the 2015 fees to allow the bank to convert the deferred tax assets into tax credits for €27.3 million (before taxes);*

- *the item "adjustments on tangible and intangible assets" includes the higher adjustments needed to take into consideration the shorter life of the former BPM Group's software and the higher adjustment from the reduction in the value recoverable on some of the former Banco Popolare Group's real estate, for a total of €107.8 million before taxes;*
- *the item "adjustments on the new value of other assets" includes the devaluation on the stake (in the "Atlante" Fund and the contribution to the Cassa di Risparmio di Cesena) held in assets available for sale of €65.2 million before taxes;*
- *the item "provisions for risks and costs" includes provisions for other costs deriving from the merger, for €10 million, for tax disputes of €10 million and for a lawsuit of €4.8 million (before taxes);*
- *an impairment on goodwill of €279 million;*
- *Profit from the disposal of equity and investments for a total of €137.9 million, before taxes.*

Furthermore, we point out that the 2016 income statement includes the extraordinary impact from the plan to increase the average coverage rate on NPEs. The broad estimated impact on the income statement from discontinuing the valuation processes of NPEs, brought in during 2016, totalled approx. 1.6 billion.

Former Banco Popolare Group's figures

General preparation criteria

The valuation criteria used to prepare the balance-sheet and the income statement of Gruppo Banco Popolare were the same followed to prepare the consolidated financial statements at 31 December 2016, in compliance with IAS/IFRS international accounting standards and associated IFRIC interpretations, as adopted by the European Commission, pursuant to EC Regulation no. 1606 of 19 July 2002.

The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the accounts.
The assumptions used to calculate estimates take into account all available information at 31 December 2016.
Considering the pervasive uncertainty characterizing the reference environment, it cannot be ruled out that the estimates and assumptions, albeit reasonable, may fail to be confirmed in the future scenarios in which the Group may be operating. Therefore, future actual results may differ from the estimates generated to prepare the balance-sheet and income statement as at 31 December 2016 and adjustments may be necessary that cannot be predicted or estimated today against the carrying amount of assets and liabilities recognized in the accounts.

Please find a description of the recognition, classification, valuation, cancellation criteria for items reported in the financial statements in the Annual Report as at 31 December 2016 ("Part A – Accounting policies").

As to the bad loan and, consequently, the NPL coverage ratios, covered by this News Release, it should be pointed out that the ratio's numerator, represented by write-downs, and its denominator, represented by gross exposure, include total write-offs. This amount corresponds to the loan amount considered to be uncollectable and thus being written off the accounts; notably, these are loans to borrowers under insolvency procedures (bankruptcy, compulsory receivership, agreements with creditors, extraordinary administration for large companies in distress), for which a recovery attempt is still underway through the regular filing of a proof of claim covering the entire gross exposure, including the amounts that have been written off. At balance sheet level, please note that the use by Gruppo Banco Popolare of write-offs is considered an alternative to the accounting treatment based on the recognition of a loan loss provision, but it gives rise to an underestimation of coverage ratios as the bad loan amount that is fully written off is eliminated, while the loan amount considered to be recoverable because validly secured is recognized in the balance sheet. As a result, by including write-offs in the above described calculation it is possible to highlight the actual coverage level of exposures, as if Gruppo Banco Popolare had used the alternative accounting treatment based on the recognition of a loan loss provision.

For a better understanding of the financial information illustrated in this News Release and in the attached financial statements, please note that:

2. Income statement 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 income statement 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 under the above standard (so called Purchase Price Allocation – PPA). To this respect please note that the income statement effects under examination have gradually tapered off and some of them are no longer significant. 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 income statement effect at 31 December 2016 came in at -22.0 million (-23.8 million at 31 December 2015).
The overall effect on the net consolidated income at 31 December 2016 was -17.3 million (-15.4 million at 31 December 2015).

3. Changes in consolidation scope

In 2016 the only significant change has been the final exit of the subsidiary Banco Popolare Luxembourg from the consolidation scope, following the sale closed on 29 February 2016. The shareholding in Aletti Suisse, transferred to Banca Aletti S.p.A on 4 January 2016, did not fall within the scope of the sold assets, nor did the risks and benefits tied to the loan portfolio of Banco Popolare Luxembourg, which are still borne by Banco Popolare.

On 1 June, the merger of Tiepolo Finance 2 S.r.l. into the Parent Company took legal effect. The merged company has been cancelled from the Banking Group with no effects on the Group's income statement or equity accounts. Furthermore, during the year the liquidation procedures were completed regarding the associates Banca Italease Funding LLC, Banca Italease Capital Trust and Italease Finance S.p.A., as well as Borgo del Forte S.r.l., which was previously accounted for under the equity method.

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

In compliance with the directives set forth in Consob's Communication no. DEM/6064293 dated 28 July 2006, the effects of the main non-recurring items are highlighted in the report on operations.
Net income at 31 December 2016 was penalized by the impact from the decisions aimed at increasing the average NPL coverage required by the ECB as a pre-requisite for the authorization by the Regulator of the merger plan with Banca Popolare di Milano.
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 2016 income statement was penalized by the impact from the decline in the book value of debt securities in issue measured at fair value driven by the downward revision of Banco Popolare's credit rating as compared with the end of the previous period (+5.9 million, gross of tax effect). For the same reason the income statement as at 31 December 2015 had reported a positive impact of 4.9 million, gross of tax effect.
The item "Net financial result" (ex-FVO) in 2016 included an earn-out payment of € 25.3 million, before taxes, related to the sale (finalised in 2015) of the stake held in Istituto Centrale delle Banche Popolari Italiane S.p.A. In 2015 there was a €241.2 million capital gain from the disposal of the stake held in ICBPI and in Arca Sgr classified as assets available for sale. "Personnel expenses" includes costs for the surplus-staff fund pursuant to the agreement of 23 December 2016 for 748 people at a cost of €198.6 million. In 2015 the cost was €80.4 million, plus €14.2 million as a redundancy fund, thus a total of €94.6 million.
The line-item "other administrative expenses" includes the annual fee to be paid to retain the right to convert "Eligible DTAs" into tax credits in case of recognition of a net loss for the year and/or tax losses. The new regulation was introduced in the current year and is better explained under bullet point 6, below. It is a retroactive measure, requiring the payment of the fee also for FY 2015. The amount of this systemic fee charged to income at 31 December 2016 but accrued in the prior year totals 27.2 million, gross of tax effect. "Other administrative expenses" also include 31.7 million of charges connected with the merger with Gruppo BPM, again gross of tax effect. Again, 88,8 million of contributions to the National Resolution Fund have been charged to the same line-item, while in 2015 they amounted to 113.9 million.
The 2016 income statement was negatively impacted by adjustments on real-estate assets classified as tangible assets purchased as investments in order to align their book value to the estimated obtainable value, €32.2 million. In the same period of 2015, there was a gross negative impact of €45.2 million.
"Net adjustments on loans to banks and other assets" includes long-term devaluations on financial assets available for sale (€23.1 million). €19.6 million of this amount is for the "Atlante" fund and the rest for C.R. Cesena.
The 2016 income statement was also negatively impacted by non-recurring gross provisions (€10 million) for risks and costs for tax disputes and for lawsuits with a subsidiary (€4.8 million). In 2015 the bank provisioned €18.7 million for the negative outcome of some tax disputes.
23016 was also burdened by the negative impact from "adjustments on goodwill on CGU Investment Banking & Asset Management of €279 million as a consequence of the impairment test related to the situation as at 31 December 2016.
"Profit(Loss) on disposals of equity and investments" as at 31 December 2016 includes €17.0 million profit, before taxes, mainly due to the disposal of real estate held as an investment.
Finally, the 2016 income statement was affected by "costs on current operations" includes costs to settle a dispute (€10.9 million). The same item in 2015 benefitted from booking advanced tax payments related to previous tax losses by the acquired Banca Italease (€85.1 million).

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) no. 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 2016 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: 6.0% + 2.5% CCB;
- minimum Total Capital ratio: 8% + 2.5% CCB.

Please note that on 4 October 2016, the Bank of Italy, with Update no. 18 of Circular no. 285, brought the CCB down to 1.25% for 2017 and to 1.875% for 2018.

By way of its provision dated 24 June 2016, the Bank of Italy confirmed that the countercyclical capital buffer has been kept unchanged at zero per cent also for Q3 2016.

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 exceeding the minimum 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%.

5. Charges generated by the contribution to resolution mechanisms and deposit guarantee schemes

With letter dated 29 April 2016, the Bank of Italy informed the banks of the Group that total contributions to be paid to the Single Resolution Fund for FY 2016 amounted at first to 44.4 million euro, then corrected to 44.3 million. The letter referred also the possibility for intermediaries to pay up to 15% of the total contributions due with irrevocable payment commitments (IPC). The Group did not exercise this option, and it charged to income for the period the entire contribution amount already paid in under the line-item "other administrative expenses".

As to the deposit guarantee scheme, the 2016 contribution, estimated at 23 million, has been fully charged to the line-item "other administrative expenses" in Q3, since, based on conducted inquiries, the 30 September has been deemed to be the binding reference date to recognize this obligation. In Q4 2016, the actual 2016 contribution, communicated by the *Fondo Interbancario di Tutela dei Depositi*, was set at 22.3 million, and therefore the charge to income under the specified line-item has been corrected accordingly.

6. New DTA regulations under Law Decree no. 59/2016

On 3 May 2016 Law Decree no.59/2016 was published in the Official Gazette and came into effect on the day after its publication and transposed into law by amending art.1, paragraph 1 of Law no. 119 of 30 June 2016. Among other things, the Decree includes new provisions on "Eligible DTAs", i.e., deferred tax assets (DTAs) complying with the requirements set forth by Law no. 214 of 22 December 2011 ("Law 214/2011") to transform DTAs into tax credits. On 31 December 2015, eligible DTAs amounted to 2,445.1 million. Based on the new regulatory provisions mentioned above, companies can keep on adopting the current rules on the conversion of DTAs into tax credits, provided that they pay an annual fee for each financial year as of 2015 up until 2029, when applicable. The election into the optional regime is irrevocable, and is considered accepted by conduct through the payment of the annual fee for financial year 2015 by 31 July 2016.
As clarified by the press release of the Council of Ministers published on 29 April last, this rule should overcome the doubts raised by the European Commission on the presence of State Aid elements in the current regulatory framework on the conversion into tax credits of eligible DTAs under Law 214/2011.
More specifically, the annual fee to be paid to be authorized to convert the eligible DTAs into tax credits must be calculated every year by applying a 1.5% charge to a "base" obtained by adding together the difference between convertible DTAs recognized in the reference annual report and the corresponding DTAs recognized in the 2007 annual report, the amount of DTAs converted into tax assets from 2008 up until the reference financial year, and by subtracting the taxes specified in the Decree and paid over the same period. Fees are deductible for both IRES and IRAP purposes in the financial year they have been paid.
The Group elected into the optional regime by paying the fee for FY 2015 by 31 July 2016. The fee has been charged to income in 2016 under the line-item "Other Administrative Expenses", together with the estimated fee amount for FY 2016 (to be paid in 2017), amounting to 27,2 million, gross of tax effect.
Please note that this pro-rata temporis accrual accounting method has been applied in keeping with the prevailing opinion (as no official interpretation is available). This interpretation is based on the fact that in substance it is a cost whose amount varies depending on the evolution of the calculation base over time. As to the amount charged to income for the year, the calculation was based on the best interpretation of the text of the Decree, taking into consideration the clarifications given by the Italian Inland Revenue Authority with Circular no.32 of 22 July 2016, therefore it could change depending on all possible further indications and interpretations that might be put forward, and - with respect to the amount accrued for FY 2016 - on the actual amount of taxes paid for FY 2016.

7. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco Popolare and its subsidiaries with respect to 31 December 2016, 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 submitted to Banco Popolare as at 31 December 2016, or, if not available, the most recent financial reports prepared by the associates.

Former BPM Group's figures

In compliance with Consob Ruling DEM/6064293 of 28 July 2006, the impact of the main non-recurring items has been explained in the section on the income statement Results.

The following are details about the items in the Reclassified income statement:

- "Net result from financial activities" includes adjustments of €40.1 million on the contribution to the "Atlante" fund and €1.9 million on the contribution via the "Schema Volontario del F.I.T.D." in the "Cassa di Risparmio di Cesena"; furthermore, there was an income earn-out of €7.4 million from the disposal of the stake in the "Centrale Banche Popolari Italiane S.p.A. (sold in 2015);
- "Personnel expenses" includes the estimated €165 million cost for staff that sign up to the sector early retirement plan "Fondi di Solidarietà" following the agreement with the trade unions (in addition to the €3.1 million to top up previous funds);
- "Other administrative costs" includes the €23.9 million administrative costs and charges for the merger; it also includes the extraordinary contribution of €28.8 million to the "Fondo Unico di Risoluzione" at the end of the year to bail out the 4 banks placed under bankruptcy proceedings at the end of 2015;
- "Net adjustments on tangible and intangible assets" includes a €75.6 million cost to take into consideration the shorter life of software which, following Banco Popolare's specific decision, will be sold in 2017;
- "Net provisions for risks and costs" includes other costs arising from the merger, €10 million;

- “Profit (Loss) from equity and investments and adjustments on goodwill and intangibles” includes income from the transfer of the stake in Anima Holding from the item “Investments” to “Assets available for sale” following the decision of the Italian postal service “Poste Italiane” not to renew the shareholders’ pact. In applying the Accounting Principles, the item “assets available for sale” were valued at fair value (stock-exchange price of the listed stock) which led to proceeds of €108.7 million. Furthermore, the item also includes €12.2 million income from disposals;
- “Income tax on current assets” includes the €97.7 million positive effect on the foregoing non-recurring items.

BANCO BPM’S ATTACHMENTS

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement

BANCO POPOLAR GROUP’S ATTACHMENTS

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

BPM GROUP’S ATTACHMENTS

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

Please note that the original version of this press release is in Italian. In case of misunderstandings the Italian version shall prevail

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BANCO BPM Group

Reclassified consolidated balance sheet

ASSETS *31 December 2016 (in euro thousand)*	**Banco BPM Group (*)**	**BP Group**	**BPM Group**
Cash and cash equivalents	897,704	648,255	249,449
Financial assets and hedging derivatives	36,580,435	25,650,351	11,259,682
Due from banks	6,678,493	4,559,188	2,185,297
Customer loans	110,550,576	75,840,234	34,771,008
Equity investments	1,594,849	1,195,214	231,677
Property and equipment	2,695,781	1,977,766	718,015
Intangible assets	1,833,509	1,751,895	81,614
Non-current assets held for sale and discontinued operations	77,369	77,369	-
Other assets	7,346,204	5,710,731	1,634,297
Total	**168,254,920**	**117,411,003**	**51,131,039**

LIABILITIES AND SHAREHOLDERS' EQUITY *31 December 2016 (in euro thousand)*	**Banco BPM Group (*)**	**BP Group**	**BPM Group**
Due to banks	23,276,415	16,017,401	7,385,667
Due to customers and debt securities	116,773,095	80,446,701	36,471,096
Financial liabilities and hedging derivatives	10,682,892	9,438,062	1,248,658
Liability provisions	1,706,089	1,133,434	572,655
Liabilities associated with assets held for sale	960	960	-
Other liabilities	3,816,296	2,729,597	1,087,207
Minority interests	58,238	69,568	1,306
Group shareholders' equity	11,940,935	7,575,280	4,364,450
Total	**168,254,920**	**117,411,003**	**51,131,039**

(*) Data of Banco BPM Group are calculated as the sum of the figures of the consolidated financial accounts as at 31/12/2016 of former Banco Popolare Group and former BPM Group, net of intercompany relations and adjustments illustrated in the "Explanatory Notes and general preparation principles"

BANCO BPM Group

Reclassified consolidated income statement

FY 2016 *(in euro thousand)*	**Banco BPM Group (*)**	**BP Group**	**BPM Group**
Net interest income	2,107,771	1,318,061	788,040
Income (loss) from investments in associates carried at equity	147,862	124,547	22,457
Net interest, dividend and similar income	**2,255,633**	**1,442,608**	**810,497**
Net fee and commission income	1,903,396	1,318,158	585,254
Other net operating income	139,215	101,861	37,354
Net financial result (excluding FVO)	440,083	197,517	241,613
Other operating income	**2,482,694**	**1,617,536**	**864,221**
Total income	**4,738,327**	**3,060,144**	**1,674,718**
Personnel expenses	(2,245,469)	(1,470,173)	(775,296)
Other administrative expenses	(1,190,503)	(852,244)	(338,259)
Amortization and depreciation	(320,931)	(165,284)	(155,647)
Operating costs	**(3,756,903)**	**(2,487,701)**	**(1,269,202)**
Profit (loss) from operations	**981,424**	**572,443**	**405,516**
Net adjustments on loans to customers	(2,958,152)	(2,539,331)	(418,821)
Net adjustments on other assets	(112,461)	(40,799)	(72,021)
Net provisions for risks and charges	(55,062)	(24,737)	(30,325)
Impairment of goodwill and equity investments	(279,000)	(279,000)	-
Profit (loss) on the disposal of equity and other investments	157,990	17,031	140,959
Income (loss) before tax from continuing operations	**(2,265,261)**	**(2,294,393)**	**25,308**
Tax on income from continuing operations (excluding FVO)	629,674	583,117	47,492
Income (loss) after tax			
from discontinued operations	2,524	2,524	-
Income (loss) attributable to minority interests	19,352	22,848	(76)
Net income (loss) for the period excluding FVO	**(1,613,711)**	**(1,685,904)**	**72,724**
Fair Value Option result (FVO)	5,853	5,853	-
Tax on FVO result	(1,609)	(1,609)	-
FVO Impact	**4,244**	**4,244**	**-**
Net income (loss) for the period	**(1,609,467)**	**(1,681,660)**	**72,724**

(*) Data of Banco BPM Group are calculated as the sum of the figures of the consolidated financial accounts as at 31/12/2016 of former Banco Popolare Group and former BPM Group, net of intercompany relations and adjustments illustrated in the "Explanatory Notes and general preparation principles"

Banco Popolare Group

Reclassified consolidated balance sheet

Reclassified assets (in euro thousand)	**31/12/2016**	**31/12/2015 (*)**	**Chg.**	
Cash and cash equivalents	648,255	587,383	60,872	10.4%
Financial assets and hedging derivatives	25,650,351	27,454,945	(1,804,594)	(6.6%)
Due from banks	4,559,188	2,817,832	1,741,356	61.8%
Customer loans	75,840,234	78,421,634	(2,581,400)	(3.3%)
Equity investments	1,195,214	1,166,324	28,890	2.5%
Property and equipment	1,977,766	2,132,633	(154,867)	(7.3%)
Intangible assets	1,751,895	2,042,120	(290,225)	(14.2%)
Non-current assets held for sale and discontinued operations	77,369	109,983	(32,614)	(29.7%)
Other assets	5,710,731	5,428,245	282,486	5.2%
Total	**117,411,003**	**120,161,099**	**(2,750,096)**	**(2.3%)**

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

Reclassified liabilities (in euro thousand)	**31/12/2016**	**31/12/2015 (*)**	**Chg.**	
Due to banks	16,017,401	16,334,739	(317,338)	(1.9%)
Due to customers, debt securities issued and financial				
liabilities designated at fair value	80,446,701	82,141,444	(1,694,743)	(2.1%)
Financial liabilities and hedging derivatives	9,438,062	8,488,476	949,586	11.2%
Liability provisions	1,133,434	1,060,648	72,786	6.9%
Liabilities associated with assets held for sale	960	342,265	(341,305)	(99.7%)
Other liabilities	2,729,597	3,246,793	(517,196)	(15.9%)
Minority interests	69,568	53,169	16,399	30.8%
Shareholders' equity	7,575,280	8,493,565	(918,285)	(10.8%)
- Capital and reserves	9,256,940	8,063,492	1,193,448	14.8%
- Net income (loss) for the period	(1,681,660)	430,073	(2,111,733)	
Total	**117,411,003**	**120,161,099**	**(2,750,096)**	**(2.3%)**

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

Banco Popolare Group

Reclassified consolidated income statement

(in euro thousand)	2016	2015	Chg.
Net interest income	1,318,061	1,545,386	(14.7%)
Income (loss) from investments in associates carried at equity	124,547	141,479	(12.0%)
Net interest, dividend and similar income	**1,442,608**	**1,686,865**	**(14.5%)**
Net fee and commission income	1,318,158	1,425,410	(7.5%)
Other net operating income	101,861	109,644	(7.1%)
Net financial result (excluding FVO)	197,517	441,081	(55.2%)
Other operating income	**1,617,536**	**1,976,135**	**(18.1%)**
Total income	**3,060,144**	**3,663,000**	**(16.5%)**
Personnel expenses	(1,470,173)	(1,433,610)	2.6%
Other administrative expenses	(852,244)	(804,860)	5.9%
Amortization and depreciation	(165,284)	(166,362)	(0.6%)
Operating costs	**(2,487,701)**	**(2,404,832)**	**3.4%**
Profit (loss) from operations	**572,443**	**1,258,168**	**(54.5%)**
Net adjustments on loans to customers	(2,539,331)	(803,933)	215.9%
Net adjustments on other assets	(40,799)	(54,181)	(24.7%)
Net provisions for risks and charges	(24,737)	(50,791)	(51.3%)
Impairment of goodwill and equity investments	(279,000)	-	
Profit (loss) on the disposal of equity and other investments	17,031	(4,400)	
Income (loss) before tax from continuing operations	**(2,294,393)**	**344,863**	
Tax on income from continuing operations (excluding FVO)	583,117	70,518	726.9%
Income (loss) after tax from discontinued operations	2,524	(7,280)	
Income (loss) attributable to minority interests	22,848	18,684	22.3%
Net income (loss) for the period excluding FVO	**(1,685,904)**	**426,785**	
Fair Value Option result (FVO)	5,853	4,912	19.2%
Tax on FVO result	(1,609)	(1,624)	(0.9%)
FVO Impact	**4,244**	**3,288**	**29.1%**
Parent Company’s net income (loss)	**(1,681,660)**	**430,073**	

Banco Popolare Group

Reclassified consolidated income statement: quarterly evolution

Reclassified income statement	2016				2015			
(in euro thousand)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1 (*)
Net interest income	303,192	323,612	339,719	351,538	368,860	387,465	401,969	387,092
Income (loss) from investments in associates carried at equity	31,249	29,822	27,362	36,114	40,958	39,203	36,672	24,646
Net interest, dividend and similar income	**334,441**	**353,434**	**367,081**	**387,652**	**409,818**	**426,668**	**438,641**	**411,738**
Net fee and commission income	367,889	310,961	322,483	316,825	340,184	314,141	350,204	420,881
Other net operating income	30,984	24,298	22,739	23,840	37,323	23,497	20,267	28,557
Net financial result (excluding FVO)	13,754	84,991	40,883	57,889	267,785	29,967	50,315	93,014
Other operating income	**412,627**	**420,250**	**386,105**	**398,554**	**645,292**	**367,605**	**420,786**	**542,452**
Total income	**747,068**	**773,684**	**753,186**	**786,206**	**1,055,110**	**794,273**	**859,427**	**954,190**
Personnel expenses	(507,149)	(314,117)	(323,378)	(325,529)	(423,317)	(327,702)	(342,176)	(340,415)
Other administrative expenses	(255,589)	(192,654)	(199,380)	(204,621)	(316,253)	(161,021)	(162,573)	(165,013)
Amortization and depreciation	(55,434)	(46,641)	(32,863)	(30,346)	(73,851)	(33,696)	(26,321)	(32,494)
Operating costs	**(818,172)**	**(553,412)**	**(555,621)**	**(560,496)**	**(813,421)**	**(522,419)**	**(531,070)**	**(537,922)**
Profit (loss) from operations	**(71,104)**	**220,272**	**197,565**	**225,710**	**241,689**	**271,854**	**328,357**	**416,268**
Net adjustments on loans to customers	(839,586)	(719,323)	(296,026)	(684,396)	(229,143)	(199,483)	(193,920)	(181,387)
Net adjustments on other assets	(32,767)	(658)	(9,062)	1,688	(23,171)	(5,150)	(22,286)	(3,574)
Net provisions for risks and charges	(17,253)	(5,497)	1,389	(3,376)	14,603	(15,768)	(6,428)	(43,198)
Impairment of goodwill and equity investments	(279,000)	-	-	-	-	-	-	-
Profit (loss) on the disposal of equity and other investments	13,873	2,873	596	(311)	(108)	(246)	(3,959)	(87)
Income (loss) before tax from continuing operations	**(1,225,837)**	**(502,333)**	**(105,538)**	**(460,685)**	**3,870**	**51,207**	**101,764**	**188,022**
Tax on income from continuing operations (excluding FVO)	251,629	156,603	39,303	135,582	72,593	(5,285)	(23,328)	26,538
Income (loss) after tax from discontinued operations	4,009	-	(5)	(1,480)	307	200	(6,523)	(1,264)
Income (loss) attributable to minority interests	2,551	14,717	2,639	2,941	7,684	5,869	1,199	3,932
Net income (loss) for the period excluding FVO	**(967,648)**	**(331,013)**	**(63,601)**	**(323,642)**	**84,454**	**51,991**	**73,112**	**217,228**
Fair Value Option result (FVO)	-	(3,904)	(5,281)	15,038	(6,295)	7,057	16,771	(12,621)
Tax on FVO result	-	1,074	2,288	(4,971)	2,082	(2,334)	(5,546)	4,174
FVO Impact	**-**	**(2,830)**	**(2,993)**	**10,067**	**(4,213)**	**4,723**	**11,225**	**(8,447)**
Parent Company's net income (loss)	**(967,648)**	**(333,843)**	**(66,594)**	**(313,575)**	**80,241**	**56,714**	**84,337**	**208,781**

(*) Figures of the Q1 2015 have been adjusted to allow a homogenous comparison.

Bipiemme Group - Balance Sheet Reclassified

(euro/000)

Assets	31.12.2016	30.09.2016	31.12.2015	Change A-B		Change A-C	
	A	B	C	amount	%	amount	%
Cash and equivalents	249,449	206,699	300,714	42,750	*20.7*	-51,265	*-17.0*
Financial assets at fair value and hedging derivatives:	11,270,196	11,185,266	11,416,540	84,930	*0.8*	-146,344	*-1.3*
- Financial assets held for trading	*1,562,491*	*2,001,963*	*1,797,874*	-439,472	*-22.0*	-235,383	*-13.1*
- Financial assets designed at fair value	*19,240*	*23,974*	*75,543*	-4,734	*-19.7*	-56,303	*-74.5*
- Financial assets available for sale	*9,633,116*	*9,036,135*	*9,491,248*	596,981	*6.6*	141,868	*1.5*
- Hedging derivatives	*44,835*	*111,134*	*40,638*	-66,299	*-59.7*	4,197	*10.3*
- Changes in fair value of hedged items (+ / -)	*10,514*	*12,060*	*11,237*	-1,546	*-12.8*	-723	*-6.4*
Loans and advances to bank	2,185,297	2,128,135	1,224,717	57,162	*2.7*	960,580	*78.4*
Loans and advances to customers	34,771,008	34,322,837	34,186,837	448,171	*1.3*	584,171	*1.7*
Fixed assets	1,031,306	1,212,797	1,199,459	-181,491	*-15.0*	-168,153	*-14.0*
Non recurrent assets and disposal groups held for sale	0	0	0	0	*n.a.*	0	*n.a*
Other assets	1,623,783	1,566,020	1,875,033	57,763	*3.7*	-251,250	*-13.4*
Total assets	**51,131,039**	**50,621,754**	**50,203,300**	**509,285**	**1.0**	**927,739**	**1.8**

Liabilities and Shareholders Equities	31.12.2016	30.09.2016	31.12.2015	Change A-B		Change A-C	
	A	B	C	amount	%	amount	%
Due to banks	7,385,667	6,160,654	4,839,439	1,225,013	*19.9*	2,546,228	*52.6*
Due to customers	30,688,439	29,446,529	28,622,852	1,241,910	*4.2*	2,065,587	*7.2*
Debt securities in issue	5,687,758	6,985,336	8,849,290	-1,297,578	*-18.6*	-3,161,532	*-35.7*
Financial liabilities and hedging derivatives:	1,363,498	1,564,067	1,379,948	-200,569	*-12.8*	-16,450	*-1.2*
- Financial liabilities held for trading	*1,215,764*	*1,384,979*	*1,183,557*	-169,215	*-12.2*	32,207	*2.7*
- Financial liabilities designed at fair value	*94,899*	*97,496*	*129,627*	-2,597	*-2.7*	-34,728	*-26.8*
- Hedging derivatives	*32,894*	*54,995*	*48,678*	-22,101	*-40.2*	-15,784	*-32.4*
- Changes in fair value of hedged items (+ / -)	*19,941*	*26,597*	*18,086*	-6,656	*-25.0*	1,855	*10.3*
Other liabilities	1,067,266	1,411,712	1,429,895	-344,446	*-24.4*	-362,629	*-25.4*
Provision for specific use	572,655	569,986	434,555	2,669	*0.5*	138,100	*31.8*
Share capital and reserve	4,291,726	4,386,947	4,338,440	-95,221	*-2.2*	-46,714	*-1.1*
Minority interests (+ / -)	1,306	8,430	19,974	-7,124	*-84.5*	-18,668	*-93.5*
Net profit (loss) for the period (+/ -)	72,724	88,093	288,907	-15,369	*n.s.*	-216,183	*-74.8*
Total liabilities and Shareholders Equities	**51,131,039**	**50,621,754**	**50,203,300**	**509,285**	**1.0**	**927,739**	**1.8**

Bipiemme Group - Consolidated Reclassified Income Statement

(euro/000)

	2016	2015	Change Amount	Change %
Net interest income	**788,040**	**806,746**	**(18,706)**	**(2.3)**
Non-interest income	**816,087**	**860,471**	**(44,384)**	**(5.2)**
- Net fees and commission income	585,254	605,996	(20,742)	(3.4)
- Other operating income:	230,833	254,475	(23,642)	(9.3)
- Share of profit (loss) on investments valued under the equity method	*22,457*	*32,577*	*(10,120)*	*(31.1)*
- Net income (loss) from financial activities	*171,022*	*181,724*	*(10,702)*	*(5.9)*
- Other operating income/expenses	*37,354*	*40,174*	*(2,820)*	*(7.0)*
Operating income	**1,604,127**	**1,667,217**	**(63,090)**	**(3.8)**
Administrative expenses:	(1,113,555)	(944,978)	(168,577)	(17.8)
a) personnel expenses	*(775,296)*	*(612,382)*	*(162,914)*	*(26.6)*
b) other administrative expense	*(338,259)*	*(332,596)*	*(5,663)*	*(1.7)*
Depreciation and amortisation	(155,647)	(74,773)	(80,874)	(108.2)
Operating costs	**(1,269,202)**	**(1,019,751)**	**(249,451)**	**(24.5)**
Operating profit	**334,925**	**647,466**	**(312,541)**	**(48.3)**
Net adjustments to loans and other operations	(420,251)	(342,236)	(78,015)	(22.8)
Net provisions for risk and charges	(30,325)	10,758	(41,083)	381.9
Profit (loss) from equity and other other investments and adjustments to goodwill and intangible assets	140,959	37,433	103,526	276.6
Profit (loss) before tax from continuing operations	**25,308**	**353,421**	**(328,113)**	**(92.8)**
Tax on income from continuing operations	47,492	(63,512)	111,004	174.8
Net profit (loss) for the period	**72,800**	**289,909**	**(217,109)**	**(74.9)**
Minority interests	(76)	(1,002)	926	92.4
Net profit	**72,724**	**288,907**	**(216,183)**	**(74.8)**

Bipiemme Group - Consolidated Reclassified Income Statement - quarterly evolution

(euro/000)

	2016				2015			
	31.12	30.9	30.6	31.3	31.12	30.9	30.6	31.3
Net interest income	**192,665**	**192,298**	**196,575**	**206,502**	**199,930**	**203,936**	**206,759**	**196,121**
Non-interest income	**206,825**	**173,211**	**253,454**	**182,597**	**268,321**	**171,497**	**191,007**	**229,646**
- Net fees and commission income	143,583	138,327	152,049	151,295	154,357	144,886	158,461	148,292
- Other operating income:	63,242	34,884	101,405	31,302	113,964	26,611	32,546	81,354
- Share of profit (loss) on investments valued under the equity method	*4,466*	*4,121*	*5,238*	*8,632*	*8,225*	*5,269*	*7,574*	*11,509*
- Net income (loss) from financial activities	*49,016*	*22,439*	*86,112*	*13,455*	*100,077*	*10,820*	*12,434*	*58,393*
- Other operating income/expenses	*9,760*	*8,324*	*10,055*	*9,215*	*5,662*	*10,522*	*12,538*	*11,452*
Operating income	**399,490**	**365,509**	**450,029**	**389,099**	**468,251**	**375,433**	**397,766**	**425,767**
Administrative expenses:	(271,078)	(382,638)	(225,954)	(233,885)	(287,722)	(209,007)	(220,251)	(227,998)
a) personnel expenses	*(154,270)*	*(306,174)*	*(159,827)*	*(155,025)*	*(160,339)*	*(148,678)*	*(148,632)*	*(154,733)*
b) other administrative expense	*(116,808)*	*(76,464)*	*(66,127)*	*(78,860)*	*(127,383)*	*(60,329)*	*(71,619)*	*(73,265)*
Depreciation and amortisation	(97,234)	(20,641)	(19,305)	(18,467)	(24,067)	(17,582)	(16,629)	(16,495)
Operating costs	**(368,312)**	**(403,279)**	**(245,259)**	**(252,352)**	**(311,789)**	**(226,589)**	**(236,880)**	**(244,493)**
Operating profit	**31,178**	**(37,770)**	**204,770**	**136,747**	**156,462**	**148,844**	**160,886**	**181,274**
Net adjustments to loans and other operations	(190,125)	(74,284)	(89,737)	(66,105)	(95,925)	(77,972)	(94,029)	(74,310)
Net provisions for risk and charges	(24,236)	(10,876)	4,498	289	14,638	(4,972)	2,364	(1,272)
Profit (loss) from equity and other other investments and adjustments to goodwill and intangible assets	108,973	(185)	30,298	1,873	(19)	(1)	37,453	0
Profit (loss) before tax from continuing	**(74,210)**	**(123,115)**	**149,829**	**72,804**	**75,156**	**65,899**	**106,674**	**105,692**
Tax on income from continuing operations	58,665	52,827	(39,778)	(24,222)	11,938	(17,306)	(20,339)	(37,805)
Net profit (loss) for the period	**(15,545)**	**(70,288)**	**110,051**	**48,582**	**87,094**	**48,593**	**86,335**	**67,887**
Minority interests	176	246	(226)	(272)	(239)	(594)	115	(284)
Net profit	**(15,369)**	**(70,042)**	**109,825**	**48,310**	**86,855**	**47,999**	**86,450**	**67,603**