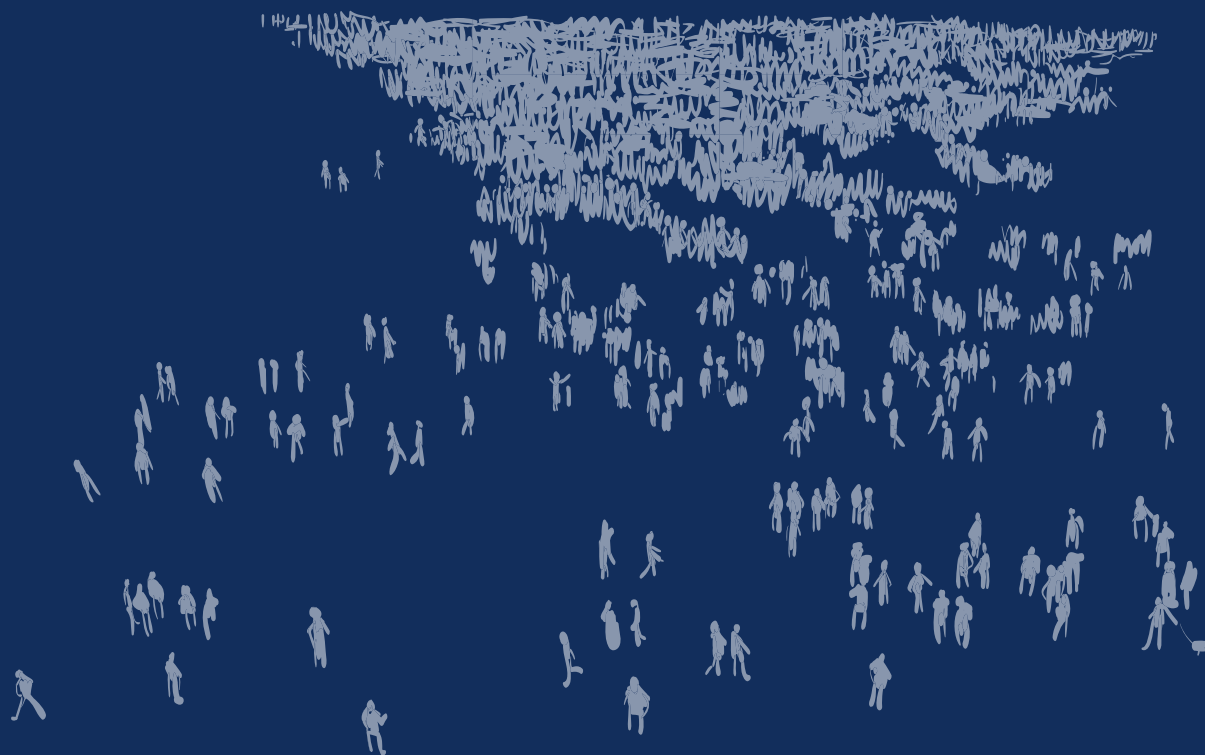




 **BANCO POPOLARE**

2016 Social Report



2016 SOCIAL REPORT

TOWARDS THE FUTURE, TOGETHER

In 2016, we completed **an important project**: the creation of the **Banco BPM Group** from two major, historic cooperative banks. We sought and achieved this **together** with our Members, our community of employees, the institutions and the Supervisory Authorities.

This is an operation that enables us to project our bank into the future, adopting a sustainable approach that instils a sense of certainty and security in our customers, as well as confidence in our business continuity and creates value for our shareholders, for the local community and for the country.

The **sustainability** of the Italian credit system today depends to a great extent on our ability to innovate and evolve; it was this underlying awareness that enabled us to achieve the merger between two banks that share the values, the history of cooperative credit and that aspire to continue to do business as before, in their new legal status of S.p.A. and in such a complex and challenging market scenario.

We wanted to be the forerunners, to see a **positive change for our country**, and to contribute, as far as we are able, to its growth. We are aware of the close ties between the industry we operate in and economic and social wellbeing. Prudence has given us courage and our extensive efforts have not been in vain.

Today, the overall success of the merger is **everyone's responsibility**. This is just the beginning of a demanding journey filled with challenges, however, this is precisely why it will lead us to great opportunities and to solid results, meeting the expectations of all stakeholders, whose **trust** is fundamental to our Bank.

Sustainability was the starting point for this journey and will continue to guide the choices of the Banco BPM Group in the coming years.

Together, we have decided which direction to follow. Together, step-by-step, we will build our future.

Carlo Fratta Pasini
Chairman of the Board of Directors
Banco BPM

Giuseppe Castagna
Managing Director
Banco BPM



Towards the future, together	3
Contents	4
THE BANCO BPM GROUP	
The new Group - identity, main companies, governance and key figures	8
The new group - the 2016-2019 Business Plan	13
The new Group - contributing to the community	15
BANCO POPOLARE	
Introduction	19
Profile of Banco Popolare	20
Organisational structure and territorial network	21
Corporate governance	21
The internal control system	23
Strategy	23
Structure and main steps of the merger	24
Risk management	25
Risk control and management	25
Compliance	25
Internal audit	25
SOCIAL RESPONSIBILITY	
Guidelines	29
Analysis of materiality	29
Code of Ethics	30
Checking of 2016 projects	30
2017 action plan	31
Members, shareholders and investors	32
Composition of share capital, shareholder services and mutual aid	32
Shareholder structure	33
Investor relations	33
Group ratings	34
Banco Popolare's stock	35
Customers	36
Service model and customer segmentation	36
Customer composition	36
Strong connection with the local area	38
Customer awareness and satisfaction	39
Support and protection for private customers	41
Products and schemes for customers	41
Third sector	42
Support to areas struck by natural disasters	42
Support to credit of businesses	43
Loan and funding products and schemes	44
Products and services for collections and payments	45
Other schemes for businesses	45
Multichannel services	45
Privacy and security	46
Business continuity	46
IT security	46

Human resources	48
Breakdown and evolution of the workforce	48
Recruitment policy and management of professional mobility	51
Internal Communications Human Resources	51
Human resource development	52
Management policies	52
Equal opportunities and work life balance	52
Training	52
Recruitment and assessment	53
Group pay policies	53
Industrial relations	54
Welfare	54
Cultural and recreational initiatives for employees	55
Health and safety	56
Community	57
Charitable work and actions to support local initiatives	57
Sponsorships, partnerships and promotional activities in the local area	63
Communications and external relations	64
Conservation and promotion of artistic heritage	65
Catholic church and religious institutions	66
Public administration and other stakeholders	66
Government	66
Relations with the judiciary and anti-money laundering activities	66
Suppliers	67
THE ENVIRONMENT	
Respect for the environment	70
Waste collection and disposal	70
Energy efficiency	70
THE ECONOMIC REPORT	
Production and distribution of added value	77
Added value and its distribution	78
Calculation and allocation of added value	78
Independent auditors' report	81
Table of indicators	85



BANCO BPM GROUP

The new Group – Identity

On 15 October 2016, the Shareholders' Meetings of Banca Popolare di Milano and Banco Popolare approved the planned merger between the two banking companies, which envisages, from 1 January 2017, the establishment of a new banking company called Banco BPM S.p.A., with registered office in Milan and administrative offices in Verona*.



Horizon

Anyone that looks towards the horizon, looks far, looks towards the future. It is a symbol of union, of sharing: two worlds that unite for a common future, joined by a line that represents a "bridge" between different cultures, between the past and the future, a symbol that conveys collaboration, the will to work towards the growth and development of the people and the businesses of our local communities. It is a simple and modern symbol. It represents the will to undertake new challenges and to restore trust between generations, between the schools and the world of industry, between traditional professions and new technologies, between all of us and our communities.

BANCO BPM IS BORN

Founded on history of two major cooperative banks, we have created the third-largest Italian Bank. Together we want to create value for our customers, shareholders, local communities and our country.

We want to innovate in the spirit of tradition, advancing young people and the future. We want to safeguard our families, our communities and continue to support enterprise. We want to rise to the

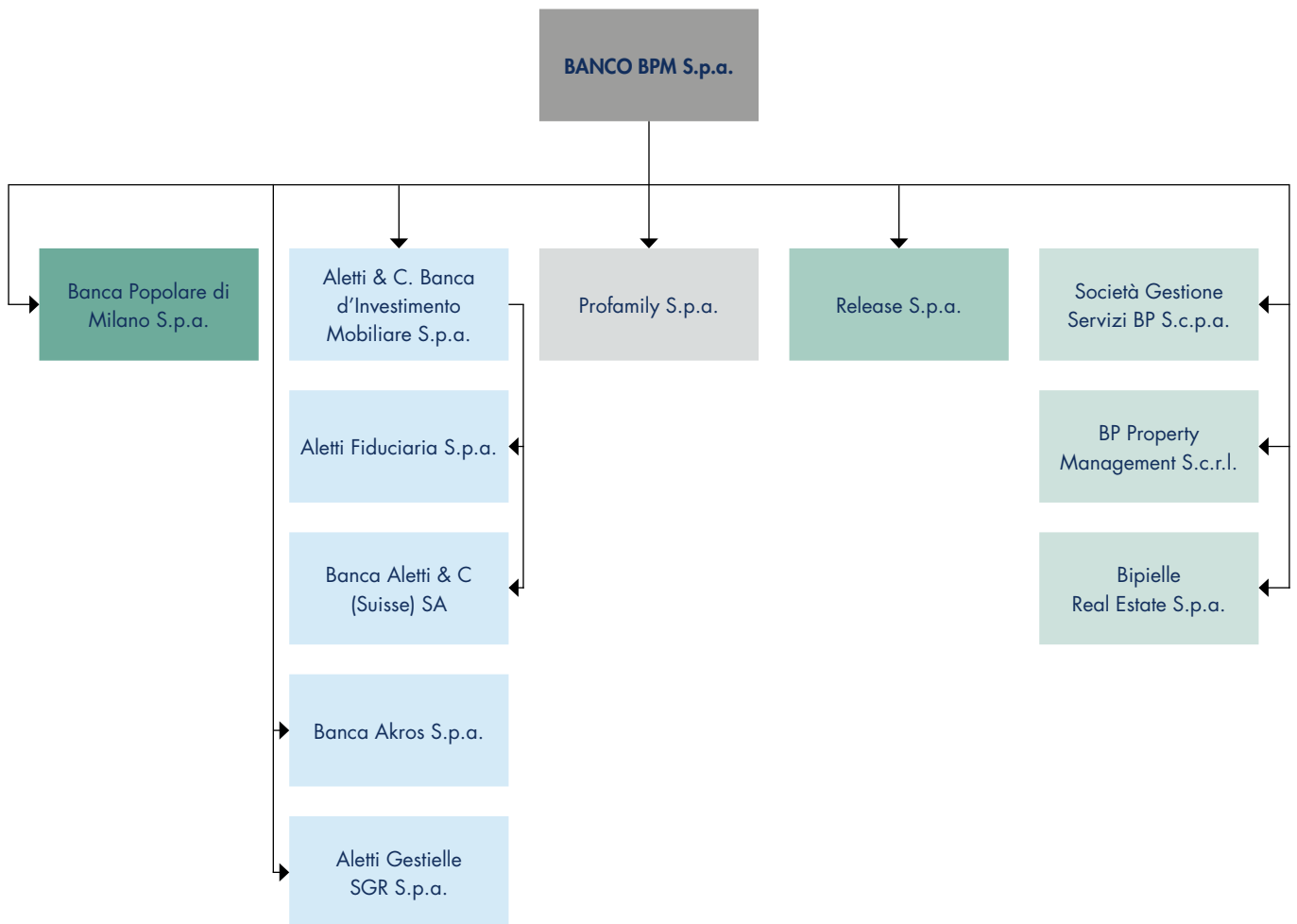
occasion, meeting all of your expectations. Always at your service, with a sense of responsibility. Because each and every one of you is important to us.

Towards the future, together



* The information in this section mainly refers to the Articles of Association of Banco BPM, to the 2016-2019 Business Plan of Banco BPM, to the website www.bancobpm.it and to the press release published on 15/02/2017 on the Group's website regarding the results as at 31/12/2016

The new Group – Main companies (*)



- Commercial Banking
- Investment Banking and Wealth Management
- Consumer Credit
- Leasing Credit Collection
- Service Company

(*) The diagram only shows the banking group companies that are related to business development.

The new Group – Governance and organisational model

Banco BPM S.P.A. adopts the traditional Governance model comprised by:

- Shareholders' Meeting: elects the Board of Directors and the Board of Statutory Auditors, establishing the remuneration of the same, is convened at least once a year and resolves on the approval of the annual financial statements and the allocation and distribution of profits.
- Board of Directors: provides strategic supervision and management, is comprised by 19 board directors of which at least 9 must meet the requirements of independence established by the Articles of Association.
- Board of Statutory Auditors: performs a control function with regard to compliance with legislation and regulations, and assesses the adequacy of the company's organisational and administrative accounting structure.

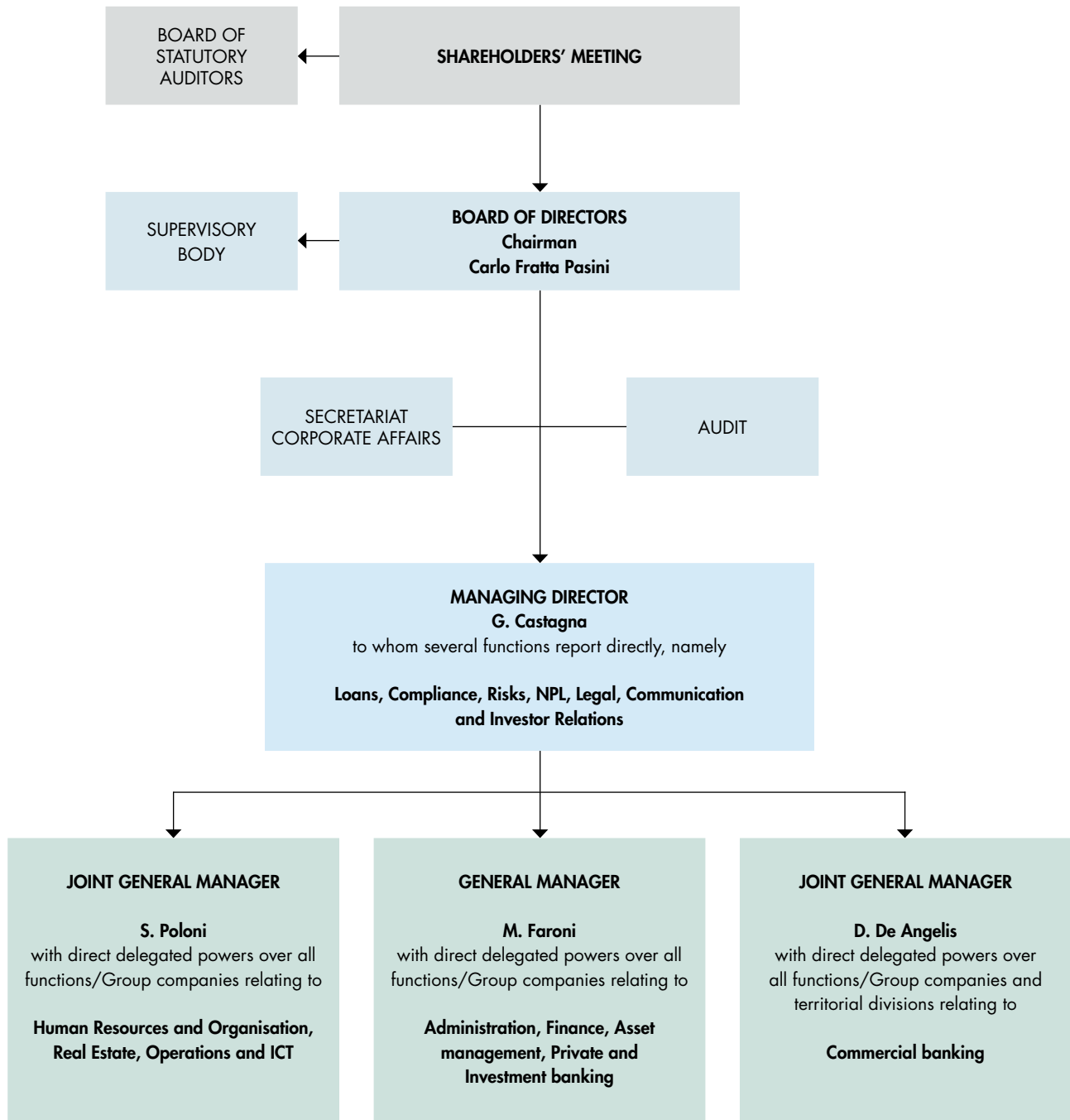
Voting in the new Group:

- The principle of per capita voting, according to which each Member has equal voting rights regardless of the number of shares in its possession, no longer applies.
- Each share corresponds to one voting right; from 26/03/2017, no limits to the quantity of voting rights are envisaged (up until said date, no shareholder could directly or indirectly exercise a voting right for a quantity of shares exceeding 5% of share capital).

Right to withdraw

The shareholders and the members of the Banks, who had not contributed to the approval of the planned merger, were legitimately able to exercise their right to withdraw before the legal deadline. As at 9 November 2016, the deadline for the exercise of said right, the same had been validly exercised for around 4.07% of BPM's share capital and 4.56% of Banco Popolare's share capital.

Banco BPM's share capital is divided into 1,515,182,126 shares. Based on figures received from Monte Titoli after the stock swap determined by the merger, as at 2 January 2017, 38% of shares are held by natural persons and the remaining 62% by legal entities.



The new Group – Key figures

As at 1 January 2017, the new Banco BPM Group had around **25,000 employees**, **4 million customers** and over **2,300 branches**. It represents the third-largest Banking group in Italy in terms of net loans to customers and number of branches.

KEY FIGURES

Stakeholders

4 million customers, **25,000** employees, over **390,000** shareholders

Business

Equity strength

- **CET 1 Ratio 11.42% > 8.15%** minimum established by ECB
- Shareholders' equity: **€ 11.9 billion**

Profitability

- Financial margin - **€ 2.3 billion**
- Commission and other income - **€ 2.5 billion**

Market share*

- **15%** in Lombardy
- **14%** in Liguria
- **13%** in Piedmont
- **9%** in Veneto

Assets and liabilities

- Loans to Customers - **€ 110.6 billion**
- Loans to Customers/Total assets: **66%**
- Direct Funding - **€ 116.8 billion**

* Branches as at 31/12/2016

The branch network

The development of a multichannel approach, combined with falling profit margins, has led the banks to rationalise their number of branches. In 2016, the branches opened in previous years by the BPM Group and by the Banco Popolare Group were rationalised, resulting in the overall closure of 122 branches, with a target of 335 branches closed by 2019. Despite these closures, the Group has a strong presence throughout the country and a leadership position in some of the country's wealthiest areas.

BANCO BPM BRANCHES



No. of BRANCHES

● NORTH	1,815
● CENTRE	344
● SOUTH AND ISLANDS	188
TOTAL BRANCHES	2,347

Banco BPM 2016-2019 Business Plan

A balance between the interests of our stakeholders and the development of all forms of capital

WHAT OUR CUSTOMERS WANT

- Solidity to protect their savings
- Products and services to meet all requirements and life stages
- To work easily from home, mobile phone or in the branch and to receive an honest high quality service
- To perform transactions in a secure environment and with latest generation devices
- Costs in line with the service received

WHAT THE COUNTRY AND THE COMMUNITY WANT

- Solid banks able to innovate and compete in the European arena
- Support for enterprise and individuals
- The ability to generate shared value and to promote growth for the country, also in the social sphere



STRATEGIC AREAS FOR THE NEW GROUP

- Solid equity base and sustainable credit management
- Focus on the needs of all market segments and a multichannel business model
- Career development and recruitment of young talent
- Focus on efficiency and investment in digital innovation
- Higher profit margins and distribution of dividends

WHAT INVESTORS WANT

- Solid equity base and sustainable profit margins over time
- Expert managers able to handle complex scenarios
- The ability to manage risk

WHAT OUR EMPLOYEES WANT

- Solidity to guarantee employment, training and career development
- Meritocracy, involvement and gender equality
- Company welfare and work-life balance

Types of capital involved and objectives

Guidelines

FINANCIAL CAPITAL

Solid equity base
Efficient funding mix
Credit quality, risk management and effective management of NPL
Sustainable credit management
Cost economies
Increase of profit margins and distribution of dividends

HUMAN CAPITAL

New development programmes and new professional roles
Incentive systems with a view to sustainable growth
Gender equality and generational turnover
Investment in training
More flexibility and better welfare

RELATIONSHIP CAPITAL

Simplified offer of products/services, differentiated on the basis of differing needs
Growth of SMEs on the capital market
Welcoming, modern branches able to provide valid advice on complex products and services
Integrated multichannel distribution model, branch rationalisation and improvement of the customer experience

INTELLECTUAL CAPITAL

Focus on ICT efficiency
Investment in digital innovation and in Big Data
Increased use of digital processes to reduce the margin of error and improve operational efficiency
Talent management

NATURAL CAPITAL

Optimisation of facilities with a view to improving the work environment and their utilisation
Branch rationalisation/modernisation

Objectives to 2019

FINANCIAL CAPITAL

Net profit of over € 1 billion and ROTE of 9%
CET1 Ratio Fully-Phased of 12.9%
Cost/income < 58%
Deposits of around € 80 billion
Non-Performing Loans/Net Loans of 17.9%

HUMAN CAPITAL

Around 2,100 voluntary redundancies and 400 young people hired
> 100,000 days of training per year
0.5% reduction of annual personnel costs

RELATIONSHIP CAPITAL

Approximately 4.2 million customers served
Higher support for consumption and investment (loans of € 110 billion)
Greater use of multichannel banking (> 70% for individual customers and >80% for corporate customers)

INTELLECTUAL CAPITAL

ICT, greater efficiency and economies of scale (€ -29 million in 4 years)
Investment in digital innovation (> € 90 million in 4 years)

NATURAL CAPITAL

Optimisation of energy consumption
More sustainable work environments

The new Group – contributing to the community

The Banco BPM Group supports social and environmental initiatives of its networks, directly through sponsorships and donations and indirectly, through its bank foundations.

The articles of association of Banco BPM establish that a percentage of annual net profit, not exceeding 2.5%, may be used for the purposes of assistance, charity and in the public interest in the areas where it has the greatest presence, assigning a specific amount to each network directly or through a Foundation.

NETWORKS SUPPORTED BY THE FOUNDATIONS

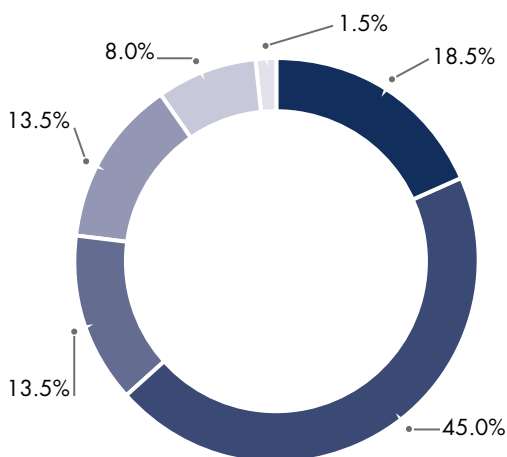
Banca Popolare di Lodi Foundation: Lodi, Parma, Cremona*, Piacenza, Genoa, Tuscany and Umbria.

Banca Popolare di Novara Foundation: Piedmont, Lazio, Centre South.

Credito Bergamasco Foundation: Bergamo, Brescia and Como.

Banco di San Geminiano e San Prospero Religious Foundation: Emilia Romagna and Pesaro Urbino.

Distribution to networks and Foundations of a percentage not exceeding 2.5% of net annual profit



- Verona Network Division
- Milan Network Division
- Banca Popolare di Lodi Foundation
- Banca Popolare di Novara Foundation
- Credito Bergamasco Foundation
- Banco di San Geminiano e San Prospero Religious Foundation

* According to the articles of association, the BPL Foundation devolves 1/8 of this percentage to the BP Cremona Foundation and to the Popolare Crema Association for the local area.



BANCO POPOLARE



INTRODUCTION

The history of the Banco Popolare Group, and before it, of the banks that over time have become part of the same, was founded on values of social solidarity and responsibility towards the local economy. This legacy has now been passed on to the new Banco BPM S.p.A. Group, formed from the merger between Banco Popolare and Banca Popolare di Milano.

The new Group will make every effort to sustain small and medium enterprise and private customers resident in the areas served, seeking to become a point of reference for the community. Its objective, with a view to sustainability, is to encourage the long-term wellbeing of the local community, a wellbeing that contributes to promoting the activities of the Group itself.

The Group adopts a traditional banking and credit model, which seeks to support the economic development of its local area, a model which continues to be valid even after its transformation into a joint-stock company. This structure means it still has the opportunity to draw up a Social Report, focused, as in the past, on communicating how it approaches social responsibility vis-à-vis its stakeholders.

This document provides a report of the most significant measures and projects that are relevant to social responsibility implemented by the Banco Popolare Group in 2016, as well as several initiatives that it intends to promote in 2017.

This document is organised into five main sections. The first presents the new Banco BPM Group, created at the beginning of 2017 from the merger between the Banco Popolare Group and the BPM Group. The second section illustrates the organisational structure and, briefly describes the operations of the Banco Popolare Group, outlining the governance system, the system of controls and the main strategic developments over the period. The third section is the heart of the Social Report and includes separate chapters for each of the Banco Popolare's stakeholders. This is followed by pages dedicated to

environmental performance, and lastly, several paragraphs relating to the production and distribution of added value, which illustrate the economic indicators for the year. This Social Report has been drawn up in accordance with "G4 Sustainability Reporting Guidelines" and with "Financial Services Sector Disclosures", both established in 2013 by the *Global Reporting Initiative* (GRI) in compliance with the "in accordance-Comprehensive" level, as well as the guidelines for the preparation of Social reports for the credit industry, drawn up by the ABI (Italian Banking Association).

More specifically, the content was prepared following an analysis of information considered important to the company's stakeholders, and based on the principles of materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance.

At the end of the report, a summary table shows selected performance indicators relating to the aspects that the materiality analysis indicated as material.

The document was written by the Research Department. All of the main Company departments were involved in the preparation of the content and in establishing the improvement objectives and projects. The Social Report is approved by the Board of Directors of the new Banco BPM Group and is audited by Deloitte & Touche Spa. Note that the scope of economic-financial data is the same as that of the 2016 Consolidated Financial Statements of the Banco Popolare Group. The quantitative and qualitative information relating to social and environmental aspects regard the main companies in the scope of consolidation. Some information may relate to a different scope: in these cases, this is clearly specified in the notes and in the wording. Any use of estimates is indicated at the foot of the tables and sections. The Social Report is published annually and the full edition is distributed to Members at the Shareholders' Meeting convened to approve the Annual Financial Statements. An electronic version is available on the website at www.bancobpm.it, under Corporate Social Responsibility. The edition prior to this one was distributed in March 2016 and refers to 2015. To request further information on the 2016 Social Report and on the Banco Popolare Group's social responsibility policies, please write to the following email address: studi@bancopopolare.it.

BANCO POPOLARE GROUP PROFILE

The Banco Popolare Group was established on 1 July 2007 from the merger between Banco Popolare di Verona e Novara and Banca Popolare Italiana. In 2011, the Group's structure was simplified through the merger by incorporation of Banca Popolare di Verona S. Geminiano e S. Prospero S.p.A., Banca Popolare di Novara S.p.A., Banca Popolare di Lodi S.p.A. and Cassa di Risparmio

di Lucca Pisa Livorno S.p.A into Banco Popolare. More recently, Credito Bergamasco was incorporated into the parent company Banco Popolare in 2014, and Banca Italease Spa, in 2015. Banca Aletti continues to be a legally independent entity within the Group. Until the end of 2016, Banco Popolare acted as the Parent Company of the Group of the same name, exercising supervision and coordination in accordance with art. 61 of the Consolidated Banking Law and in compliance with the regulations dictated by the supervisory authority. The Group is one of the leading Italian banking

groups, with around 1,700 branches, over 106,000 Members and more than 17,000 employees, providing its services to around 2.7 million customers¹. The Company's shares were listed on Borsa Italiana until 2016, with a market capitalisation of around euro 1.9 billion. The shares of the new entity, Banco BPM, have been listed on Borsa Italiana since 1 January 2017.

¹ For details, see paragraph "Customer breakdown" on page 36

Banco Popolare Group: summary data	31/12/2016	31/12/2015
Equity ratios (millions of euro)		
Net loans to customers	75,840	78,422
Direct Funding	80,447	82,141
Consolidated Shareholders' Equity	7,575	8,494
Consolidated net profit (loss)	-1,682	430
Total assets*	117,411	120,161
Economic value generated	607	2,915
Economic value distributed	2,538	1,746
Social indicators		
Customers (no./millions)	2.7	2.8
Complaints (Total no.)**	5,323	5,524
Customers involved in customer satisfaction activities (no.)	140	150
Employees (no.)***	17,007	17,317
Rate of personnel turnover (%)****	2.89%	3.89%
Hours of training provided in the year (no.)	775,520	629,420
Part-time personnel (%)	12.33%	11.85%
Environmental indicators		
Total CO2 emissions and per employee (t/year)*****	0.683	0.719
Electricity consumption per employee (kwh)	6,335.4	6,536.8
Methane gas consumption per employee (mc)	236.9	240.2
Water consumption per employee (mc)	43.9	33.5
Energy consumption per employee (Gj)*****	34.2	35.6
<p>* The figure for the previous year have been restated to provide a like-for-like comparison ** The 2015 figure has been restated following the inclusion of reports of dissatisfaction from the website, classified as complaints from this year *** Spot data at year end **** Ratio of the total number of personnel leaving and the workforce as at 31/12 of the previous year ***** Direct and indirect emissions excluding Scope3 ***** Calculated on energy consumption within the organisation</p>		

ORGANISATIONAL STRUCTURE AND TERRITORIAL NETWORK

In 2016, the Banco Popolare Group operated in Italy in all banking and financial sectors. With registered and administrative office in Verona and administrative offices in Lodi and Novara, Banco acted in the capacity of both parent company and operating bank, organised on the basis of a territorial model comprised of Divisions, which reflect its traditional roots.

The structure of the territorial Divisions, which oversee and coordinate the distribution network, was as follows:

- Banca Popolare di Verona Division, to which the territorial management of Banco S. Geminiano e S. Prospero report;
- Banca Popolare di Lodi Division, to which the territorial management of Cassa di Risparmio di Lucca Pisa Livorno report;
- Banca Popolare di Novara Division, to which the Centre-South territorial management report;
- Credito Bergamasco Division.

The Group operated in the sphere of Private Banking through Banca Aletti. Furthermore, it managed a number of specific “product-companies”, which specialise in the design and

creation of products and services in the areas of investment and bank-insurance. The organisational structure is completed by the presence of “service companies”, which specialise in the management of information and administrative services provided to the Group.

In 2016, several optimisation initiatives were carried out, which entailed opening two branches in Genoa and La Spezia, dedicated to Azimut customers, closing 12 Business Areas and in April, closing 120 branches belonging to the four Divisions.

As at 31 December 2016, the distribution network in Italy was therefore comprised by 1,695 branches (of which 33 Private Banking units) covering 19 Italian regions. More specifically, the Group operated in the North with 1,274 branches (corresponding to 75% of the total), in the Centre with 273 branches (16%) and in the South and the Islands with 148 branches (9%). The high number of branches and ATMs also guaranteed coverage in many smaller communities.

The Banco Popolare Group also operates abroad through Banca Aletti Suisse. In markets which are of most interest to Italy in terms of exports, customers are guaranteed assistance and support through Representation Offices in China (Hong Kong and Shanghai), India (Mumbai) and Russia (Moscow).

CORPORATE GOVERNANCE

The governance of Banco Popolare, meaning the set of rules that oversee the general functioning of the company, which form the basis of its code of conduct and which direct its responsibilities to its stakeholders, is in line with the principles of the Code of Borsa Italiana, which Banco adopts, and with the relevant recommendations made by Consob. The governance also takes the specific characteristics of cooperative companies and banks into account, which have deep roots in their local areas and is in line with the provisions contained in Italian Legislative Decree 385/1993 (Consolidated Banking Law), with the Supervisory provisions of the Bank of Italy and with national and international best practice. Banco adopts what is known as a traditional system of governance, based on the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting. The system of governance was approved by the Shareholders' Meeting of Banco Popolare at a meeting held on 26 November 2011, through the adoption of the Articles of Association, which identifies the corporate bodies indicated below:

- Shareholders' Meeting, which usually meets once a year to resolve, inter alia, on the approval of the annual financial statements, on the allocation and distribution of profits, on the appointment of the Board of Directors and of the Board of Statutory Auditors, establishing their relative remuneration;
- Board of Directors comprised of 24 members;
- Executive Committee, comprised of seven members;
- Chairman of the Board of Directors;
- Managing Director;
- General Management, comprised by a General Manager and a Joint General Manager;
- Board of Statutory Auditors, comprised of 5 standing auditors and 2 alternate auditors;
- Ethics and Disciplinary Committee, comprised of 3 members and 2 alternate members.

The articles of association envisage that the Board of Directors is respon-

Territorial network of branches in 2016

Division*	No. of branches
Banca Popolare di Verona	475
Banca Popolare di Novara	473
Banca Popolare di Lodi	483
Credito Bergamasco	215
Total divisions	1,646
Banca Aletti	33
Azimut Business Area	13
Banco Popolare	3
Total group	1,695

* Excluding treasury branches

sible for the strategic supervision and management of the company; in particular, in addition to matters that cannot be delegated by law, and those defined by the articles of association, the Board also has a number of duties, such as:

The preparation of the draft financial statements, share capital increases under art. 2443 of the Italian Civil Code, the approval of general planning and strategic guidelines and directions and of risk management and governance policies, business and financial planning, the definition of guidelines for the internal control system, the acquisition and disposal of significant equity investments.

The Articles of Association establishes that a percentage of directors selected from the top executives of Banco and of the Group's banking companies must form part of the Board of Directors, or figures who are in or have held the position of Managing Director of Banco or of Group companies for more than twelve months. A system based on extensive delegation for day-to-day management to the Executive Committee and the Managing Director is envisaged. As at 31 December 2016, the Board of Directors – taking into account that Notary Maurizio Marino had resigned from his position as Board Director on 24 May 2016 – was comprised by 23 Directors, sixteen of which were considered independent in accordance with art. 29.2 bis of the Articles of Association, sixteen considered independent in accordance with application criterion 3.C.1 of the Code of Self-Regulation of Borsa Italiana, and twenty in accordance with art. 148, paragraph 3 of the Consolidated Finance Law. Six directors are considered executive in accordance with application criterion 2.C.1 of the Code of Self-Regulation. At the time of its appointment, and subsequently, in the event of circumstances regarding the requirement of independence and in any event once a year, the Board of Directors verifies that the requirement of independence of its members continues to be met pursuant to the Articles of Association. The Chairman of the Board of Directors is independent pursuant to the Consolidated Finance Law and non-executive according to the

Code of Borsa Italiana. The Chairman – who is the Company's legal representative under the Articles of Association, is also responsible for leading and coordinating the activities of the Board of Directors; in addition, the same promotes the effective functioning of the corporate governance system, guaranteeing the balance of power between the Managing Director and the other Board directors. The Board of Statutory Auditors exercises the function of control as envisaged by legislation in force and, specifically, supervises: a) compliance with legislative, regulatory and statutory provisions, as well as the observance of the principles of correct management; b) the adequacy of the organisational and administrative-accounting structure and of the process of financial disclosure; c) the effectiveness and the adequacy of the risk management and control system, internal auditing and the functioning and adequacy of the entire system of internal control; d) the process of external auditing of the annual and consolidated accounts; e) the independence of the external auditors. The Articles of association envisage the establishment of Committees within the Board of Directors in compliance with the recommendations of the Code of Self-Regulation of Borsa Italiana and the Supervisory Provisions of the Bank of Italy. The Committees established for the purpose of making proposals, providing advice and ensuring control are: the Appointments Committee, the Remuneration Committee, the Risks Committee, the Strategies Committee, the Independent Committee and the BPV-SGSP Charity Donations Committee.

The company's organisation is based on a territorial model, which envisages, as already specified, the presence of Divisions in the areas which represent the Group's traditional roots. In each of the Territorial Divisions, "Territorial Consultation and Credit Committees" have been established, comprised by members appointed from Members who represent the economic, professional and association-related spheres of the local area, which exclusively provides consultation and support in the geographical areas in which the Group operates.

Information concerning, inter alia, the remuneration of executive and non-executive Board Directors, the members of the Board of Statutory Auditors and executives with strategic responsibilities, as well as the general remuneration policy and any share-based remuneration plans, are available in the "Report on Remuneration" published in accordance with art. 123-ter of the Consolidated Finance Law and on the company website. The Corporate Governance of Banco Popolare is analytically illustrated in the "Report on corporate governance and ownership structure", drawn up annually and published in compliance with art. 123-bis of the Consolidated Finance Law, to which the reader should refer for more complete information in this regard. More specifically, the Report illustrates the organisational profiles and functioning of the corporate bodies and structures cited previously.

On 23 March 2016, following approval of the respective management bodies, Banco Popolare and Banca Popolare di

Milano signed a memorandum of understanding regarding the fundamental points of a merger operation (so-called

"merger by incorporation") between Banco Popolare and BPM, to be implemented, pursuant to art. 2501 and foll. of the Italian Civil Code, through the creation of a new company with the legal status of a joint-stock company, called "Banco BPM Società per Azioni".

On 24 May 2016, the competent management bodies of Banco Popolare and BPM approved the planned merger pursuant to art. 2502 of the Italian Civil Code (hereinafter the "Planned Merger"), as subsequently amended until 12 September 2016. On 15 October 2016, the Extraordinary Shareholders' Meetings of Banco Popolare and of BPM approved the Planned Merger, subject to the issue of the prescribed authorisations by the Supervisory Authorities. The Merger became effective on 1 January 2017.

Lastly, note that the Group did not receive any significant loans from the Public Administration during the year; in this regard, note that, the definition of contributions of this na-

ture excludes operations set in place with central banks for the purpose of financial stability or operations whose objective is to facilitate the mechanism of implementing monetary policy.

THE INTERNAL CONTROL SYSTEM

The Board of Directors approves the general planning and strategic guidelines and directions and the risk management policies of the Company and of the Group, by defining the guidelines for the internal control system, so that the main risks to which the Company and its subsidiaries are exposed to are correctly identified as well as adequately measured, managed and monitored. The Risks Committee is responsible for preparatory and advisory activities relating to the internal control system, analyses, assessment, monitoring and management of risks, and on the IT accounting structure. To effectively perform its duties, it may conduct audits and inspections on all business areas of the Group. For its part, the Board of Statutory Auditors oversees the effectiveness and adequacy of the system of risk management and control, as well as internal auditing and the working and adequacy of the entire internal control system.

The Risks Department, the organisational unit that reports directly to the Managing Director, oversees, at Group level and in an integrated way, risk management, measurement and control processes, the process of validating internal models for risk measurement (internal validation), the process to prevent and counter money laundering and terrorist financing (anti-money laundering) and the legal support and advisory process for the Parent Company and for Group Companies (legal). Compliance risk management is carried out by the Compliance Service, which from July 2015 reports directly to the Managing Director.

The Audit Department is responsible for periodically assessing the effective adequacy of the internal control system.

The Board of Directors, following the opinions of the Risks Committee, has declared the substantial adequacy of the internal control and risk manage-

ment system with respect to the business characteristics and risk profile of the company, as well as its effectiveness.

Organisation, management and control model

With the objective of fully complying with legislative provisions and conforming to the underlying principles of Italian Legislative Decree 231/2001 regarding the administrative liability of entities, Banco Popolare and the main Group Banks and Companies have adopted an organisation and management model that is able to prevent the crimes and the unlawful acts envisaged by the afore-cited legislative decree, each entrusting the task of supervising compliance with the same to a specific body. The Parent Company's Model has been continuously updated over time. The version approved by the Board of Directors on 10 November 2015 covers all of the potential crimes envisaged by Italian Legislative Decree 231/2001 as at said date. More specifically, the Model has been updated to include any new "potential crimes" that became part of the cited Decree in the first few months of 2015, and specifically, crimes against the environment, crimes against the Public Administration, crimes of association with mafia organisations and falsification of financial statements and the crime of money laundering. Furthermore, the obligations of the Principal and of the Outsourcer in the provision of intragroup services have been specified, with a view to the exchange of the information envisaged by the architecture of information flows to the Supervisory Authority.

STRATEGY

The strategies pursued during the year were influenced to a great extent by the continuing difficult economic scenario and by the law passed that requires the transformation of cooperative banks into joint-stock companies. The discordant performance of the real economy, the difficulties in terms of credit quality and the interest rate situation continued to cut into the profit margins of Italian banks. Faced with these problems, we decided to seek a solution that would enable greater economies of scale to be achieved, optimising costs, to counter the growing tensions in terms of core business revenues, with a view to preserving our role as a driver of the local economy, which has characterised the group's activities in the recent and distant past. Based on these considerations, the idea of an agreement with Banca Popolare di Milano started to form, identified as the best business partner with whom we could achieve these objectives.

In March 2016, the management bodies of Banco Popolare and Banca Popolare di Milano signed a memorandum of understanding for a merger operation, to be implemented through the establishment of a new banking company, with the legal status of joint stock company. On 24 May 2016, the Board of Directors of Banco Popolare and the Management Board of Banca Popolare di Milano approved the planned merger as well as the Articles of Association of the new Parent Company, called Banco BPM S.p.A. The operation that led to the creation of a new Group, the third-largest Banking Group in Italy, characterised by highly impressive key figures (4 million customers and 2,500 branches, total assets of over euro 171 billion, as well as 25,000 employees and solid equity and liquidity ratios) and which is placed in an excellent position in high added value business areas such as Asset Management, Corporate & Investment Banking, Private Banking, Bancassurance and Consumer Credit. This important merger in the domestic banking industry was brought about by the common sentiment of the two banks that joined forces, territorial banks with a deep-rooted cooperative identity, steeped in over one hundred years of history.

A constant focus on the community and

its stakeholders, regardless of whether they are customers, employees or shareholders, which is an integral part of the DNA of the two Groups involved in the merger, was the cornerstone of the planned merger. Their integration will actually enable significant cost and revenue synergies to be achieved, will strengthen their competitive positioning in the most economically important areas of Italy, also from a European standpoint, and will improve the solidity of the equity base, fundamental to tackling the current economic situation and the enormous amount of non-performing loans that have accumulated over the course of the "great crisis". The new Banco BPM Group will, therefore, be even better equipped to seek to guarantee sustainable development, while focusing on the circumstances of all stakeholders, which has always been the mission of both Banco Popolare and BPM, even given the challenges that the current, persistent, economic weakness combined with the rapid evolution of technology and of customer preferences, have placed in the path of the entire banking industry.

STRUCTURE AND MAIN STEPS OF THE MERGER

In its preliminary examination of the intentions stated by the top management of the two Groups, the European Central Bank established a series of binding conditions in order for it to issue its authorisation, based on the importance of the new legal entity within the European financial system.

The main conditions included: further improving the solidity of the new Group's equity position, which was already at very high levels in the Italian banking industry; the adoption of a business plan that demonstrates profit margins that are sustainable in the medium term; and a progressive reduction of the ratio of non-performing loans to total loans, as well as a higher average level of coverage of non-performing loans, with a view to reducing the amount of said loans over time.

To fulfil these requirements, Banco Popolare has finalised a share capital increase for euro 1 billion, concluded at the beginning of July 2016. Banco Popolare and Banca Popolare di Milano have prepared and approved the business plan for the new Group,

which was illustrated to the market last May. The average levels of coverage of bad loans, and more generally non-performing loans were also increased from the first quarter of 2016 onwards. The decisions taken by the Banco Popolare Group regarding the strategy to recover bad loans, alongside those relating to the criteria and valuation parameters for the whole category of non-performing loans, had a significant impact on the economic performance of the year, which closed at a loss, as better illustrated in the section on economic indicators.

Based on the agreements stated in the memorandum of understanding, immediately prior to the effectiveness of the merger transaction, Banca Popolare di Milano demerged a division that includes the network of branches located in the provinces of Milan, Monza and Brianza, Como, Lecco and Varese and transferred the same to a subsidiary banking company. Said company, with registered and administrative offices in Milan, will run the bank-network, under the supervision and coordination of the newco and will have an efficient organisational structure consistent with the nature of a bank-network.

In accordance with the agreements, the new Parent Company then demerged the network of branches that previously belonged to Banco Popolare located in the same provinces as the network of branches transferred by Banca Popolare di Milano, and transferred them to the same beneficiary company.

The operation took place through what is known as a "merger by incorporation", namely through the establishment of a new parent company, which conducts banking activities and acts as a holding company for the group at the same time, as well as coordinating and supervising all of the companies belonging to the new Group. The registered office of the new Parent Company is in Milan, and its administrative headquarters in Verona.

The outcome of this merger was therefore the transformation of Banco Popolare and of Banca Popolare di Milano from cooperative companies into a joint-stock company, in compliance with the provisions of the Cooperative Bank Reform.

The merger was based on the following shareholding percentages, agreed by the management bodies of the parties:

- the shareholders of Banco Popolare are allocated 54.626% of the share capital of the new Parent Company;
- the shareholders of BPM are allocated 45.374% of the share capital of the new Parent Company.

Following the completion of Banco Popolare's share capital increase transaction and in application of the above-cited shareholding percentages, the rates of exchange for the merger between Banco Popolare and BPM were established as 1 share of the new Parent Company for each Banco Popolare share and 1 share of the new Parent Company for every 6.386 shares of BPM in issue at the time the merger takes effect.

Over the following months, the process to obtain the authorisations required by law was successfully completed. On 9 September, the European Central Bank issued the authorisation for the new Parent Company to exercise banking activities.

The Extraordinary shareholders' meeting of Banco Popolare, held on 15 October, approved the Planned Merger by a very large majority, as well as the deed of incorporation and the articles of association of the company resulting from the merger, called Banco BPM S.p.A. On the same date, the Extraordinary shareholders' meeting of Banca Popolare di Milano took place, which approved the transaction.

The merger transaction was finalised following the registration of the merger deed on the relevant Company Registers of Verona and Milan on 1 January 2017. The merger took effect from an accounting and tax perspective on the same date. Banco BPM S.p.A. was established with a share capital of euro 7.1 billion, represented by 1,515,182,126 ordinary shares with no nominal value. The shares of the new Parent Company Banco BPM have been listed on the MTA of Borsa Italiana since 2 January 2017, at the same time as trading of the shares of the two banks participating in the merger was revoked.

Numerous projects have been set in place relating to activities concerning the implementation of the merger and the definition of the business and organisation model of the new Group, with a view to achieving the objectives set out in the 2016-2019 Business Plan.

RISK MANAGEMENT

RISK CONTROL AND MANAGEMENT

The management of important risks including credit risk, market risk, operating risk, interest rate and liquidity risk, the internal process to assess the Group's capital adequacy (ICAAP) and liquidity (ILAAP), as well as assessments to assure its consistency with the Group Risk Appetite Framework (RAF), is carried out at centralised level for all Group companies by the Parent Company's Risks Department.

In 2016, the main changes in terms of risk management processes regarded:

- updating the Group RAF for 2016 with relation to operational planning process and to the outcome of the ECB Inspection on Governance;
- updating capital and liquidity adequacy processes in accordance with recent legislative changes;
- the full deployment of credit control activities, conducted within the Risk Management Service, gradually extending the scope, tools and areas involved;
- The fine-tuning of the analysis tool used by Risk Management to assess Transactions of Greater Significance (TGS), with the consequent implementation of the IT tool.

COMPLIANCE

The Banco Popolare Group attaches specific importance to managing the risk of non-compliance with legislation, based on the tenet that the observance of the laws and the regulations envisaged by the Supervisory Authority to safeguard substantial correctness in business relations

with customers are key to the banking business, which by its own nature is founded on a relationship of trust. In 2016, the Regulations for the management of the risk of non-compliance were renewed, giving the Compliance Service the task of monitoring, according to a risk-based approach, the management of the risk of non-compliance for all legislation that regards the company's business activities, with a view to verifying – both during implementation and operation – that internal procedures are adequate to prevent said risk. In the light of these changes, the Compliance Service works for the Parent Company and for the Group companies (that have assigned the service on an outsourcing arrangement), according to a risk-based approach, performing specialised functions that oversee the following activities:

- the development of processes, methods and IT tools to manage the risk of non-compliance;
- banking and financial services and products;
- investment and market trading services;
- collective asset management and fiduciary services.

INTERNAL AUDIT

The Audit Department is responsible for examining the regular performance of operations and the evolution of risks and for assessing the completeness, the adequacy, the functioning and the reliability of the organisational structure and of the other components of the internal control system. Note that the principles stated in the Code of Ethics are contained in the Organisation, Management and Control Models pursuant to Italian Legislative Decree 231/2001, in the Regulations and internal rules of Group Companies.

The effective implementation and enforcement of these commitments is assessed by means of both ordinary audits and those specifically focused on sensitive areas such as money laundering, market abuse and the preparation of accounting and financial disclosures. The Audit Department also acts in an advisory role internally, by participating in projects and working groups. In 2016, the most important projects regarded the adaptation process for the adoption of the new international accounting standard (IFRS9) and the process to comply with Market Abuse and MiFID II legislation. The Audit Department also conducted a survey with a view to assessing the awareness and the penetration of a risk culture within the Banco Popolare network, but administering a questionnaire to 100 branch managers. Note that in 2016, there were no confirmed cases of corruption.



SOCIAL RESPONSIBILITY

GUIDELINES

The Social Responsibility policy of the Banco Popolare Group has been fostered by the initiatives developed over time by the banks that have entered its scope. The principles of social responsibility that have inspired the action of the Banco Popolare Group are deeply rooted in the mutual and welfare nature at the core of the cooperative banks that belong to its scope. The decree reforming the cooperative bank sector, launched by the Government in 2015, which imposed its transformation into a joint-stock company, had an impact on the legal status of our Group, interrupting over 150 years of cooperative tradition, but did not change its commitment to serve the local areas of reference, its strong awareness of the social and economic context it operates in and the structural ties with its stakeholders. Social responsibility must be considered as a key component of the Group's operations, which must inspire the conduct of all staff with respect to the goal to create sustainable value over time, taking care that social responsibility does not compromise

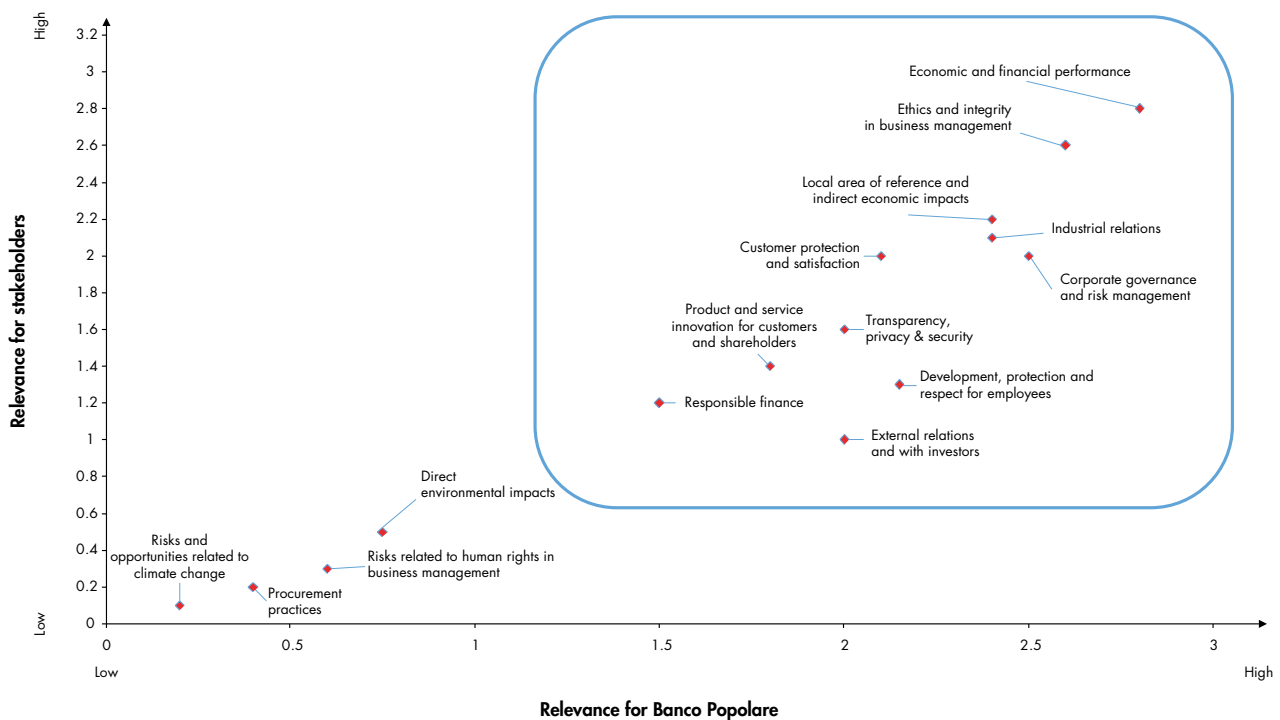
commercial drive, management efficiency, service quality and profitability. This approach is based on the concept that banking activities are the driving force of civil life and their aim is not only to produce profits for the Group but also added value for the local area and for all stakeholders, with a view to sustainability. It should be remembered that one of the main steps in the process leading to the Group's approach towards social responsibility was the resolution adopted by the management bodies in 2003 to "adopt guidelines in its relations with stakeholders based on the respect for individuals, socially responsible investment, environmental protection and support to the local economy", consistently with the nature and tradition of a cooperative bank. These guidelines stimulated the definition of two documents representing the cornerstones of the Group's social responsibility policy: the Code of Ethics and the values explicitly set out in it, as well as the Social Report, at the same time both a reporting and planning tool. These form the basis for the relations held by the Group with its stakeholders and influence the commercial policies, mutual exchange relations, the relations with staff, suppliers

and the community that lives in the Group's local areas of reference, and charity initiatives. Every year, the Group's Social Responsibility policy is converted into concrete action plans launched by the corporate departments and aimed at improving the relations with stakeholders and at strengthening the social and environmental sustainability of the company's business.

ANALYSIS OF MATERIALITY

For the purpose of drawing up the Social Report, Banco Popolare carried out an analysis of materiality aimed at defining the topics considered relevant for the Group and its stakeholders. Specifically, a sample of managers from the Group's sales network and central offices were asked to fill in a questionnaire in order to update the mapping of the Group's main stakeholders and to identify the most relevant sustainability issues for Banco Popolare and for its stakeholders.

This activity led to the identification of the following groups of stakeholders, which the Group regards as its main bearers of specific interest and interlocutors: Members and Shareholders, Customers



THE STAKEHOLDERS OF BANCO POPOLARE

MEMBERS AND SHAREHOLDERS

CUSTOMERS – RETAIL CUSTOMERS – BUSINESSES AND THIRD SECTOR

HUMAN RESOURCES

LOCAL AREA

PUBLIC ADMINISTRATION AND OTHER INTERLOCUTORS

CATHOLIC CHURCH AND OTHER RELIGIOUS INSTITUTIONS

SUPPLIERS

(retail customers, businesses and third sector), Human Resources, the Catholic Church and other religious institutions, Public Administration, the Local Area and Suppliers. The materiality analysis allowed us to define the relevant aspects to be reported in the Social Report, represented graphically in the matrix of materiality. The material aspects were identified by combining a quantitative and qualitative analysis, by taking into account the aspects identified as most relevant for the bank and its stakeholders, according to the perception of the individuals involved, and by aggregating some of the issues assessed using the criterion of greater conciseness for the purpose of their graphic representation.

The analysis was carried out in 2016 for the first edition of BP Group's first Social Report drawn up according to the GRI-G4 guidelines. The materiality analysis process did not involve external stakeholders and the reporting process focused on impacts directly related to the Group's operations. This process, like the stakeholder mapping process, will be repeated in order to consider the expectations directly expressed by the stakeholders of the new Banco BPM Group, established this year.

CODE OF ETHICS

The Code of Ethics, introduced in 2004, sets out the principles which inspire the Banco Popolare

Group's business: honesty, loyalty, fairness, transparency, respect for all individuals and for freedom without discrimination.

The distinguishing traits of the Code may be summarised firstly in the call on responsibility and the respect for the principles of legality, fairness and impartiality. The Code also requires strict compliance with the principles of transparency and completeness of information and at the same time, within areas of specific reference, with the principle of confidentiality. Another key aspect is the emphasis placed on the need to prevent Code recipients from finding themselves in "situations of conflict of interest, whether real or even potential" when carrying out their business.

The Code of Ethics points out that the highest levels of customer satisfaction must be pursued, while suppliers are required to comply with explicit standards based on values of honesty, transparency and quality. The Code also governs the relations with all external parties and with the Public Institutions, and criteria are set on strict non-involvement in political activities and on transparency and cooperation with the Public Administration and other institutions. Specifically, according to the Code, it is forbidden to "promise or pay for any reason, even indirectly, or using simulated forms, money or any other benefit to political representatives, trade unions and/or their representatives, or to in-

dividuals related to these parties as a result of family, personal or business relations". The Group constantly conforms to the principles of protection and respect for the individual, of freedom, of individual and collective interests (also pertaining to the local areas in which the Group operates) and of non-discrimination. Lastly, the Code of Ethics defines the commitment towards protecting and safeguarding the environment, also in respect of suppliers. A Supervisory Authority is in charge of ensuring the prompt application of the provisions set out in the Code of Ethics, to which any breaches must be reported. Violation of the Code by employees is a disciplinary offence which leads to sanctioning. In February 2017, following the creation of Banco BPM, the new Code of Ethics was approved by the Board of Directors, which is available at www.bancobpm.it in the Corporate Governance section.

CHECKING OF 2016 PROJECTS

The 2015 Social Report contained a set of CSR (Corporate Social Responsibility) projects and actions, launched by the leading corporate departments. Overall, these projects formed the Banco Popolare Group's 2016 Action Plan on Social Responsibility, which is part of a broader social exchange with the Group's stakeholders, which will be examined in detail in the following chapters of the Social Report. The table summarises the main actions and checks their actual progress.

Objectives achieved

Customers

- Continue to actively support retail customers and businesses in the current economic context;
- Continue to strengthen the measures supporting customers' savings and investments through increasingly advanced consulting services;
- Strengthen the existing service quality in order to maintain high customer satisfaction levels;

- Develop a multi-channel strategy through products and applications that are able to bring the bank and its services more and more closer to customers' needs;
- Continue the simplification and the technology, process and product innovation project that the Bank implements for both private and business customers.

Human resources

- Continue the promotion of training activities in order to support corporate cultural change necessary for building a work environment geared towards inclusion, work-life balance and empowerment of female talents;
- Disseminate the Smart Working model tests in the main offices;
- Promote a new policy for the effective management of maternity in order to create opportunities for both employees and the company;
- Increase the Employer Branding activities and partnerships with Universities by fostering and developing meetings between talented resources and the Group;
- Further development of Corporate Welfare products and services.

Objectives partially achieved

Environment

- Technical evaluation and testing of remote-control electrical and thermal devices;
- Technical evaluation and testing of new led lighting systems.

Human resources

- Promote a new policy for the effective management of maternity in order to create opportunities for both employees and the company.

The objectives set for 2016 were for the most part achieved. In 2016 the Equal Opportunities and Work-Life Balance structure continued to promote WLB experimental projects and organised new training activities to facilitate corporate cultural change and so make

it easier to balance work and life, and to improve diversity management.

Testing of the Smart Working model in the Group's main offices was completed. The project confirmed an organisational model that promotes sustainable work, truly improving the well-being of the people who work for the Group and at the same time supporting the business objectives.

The objective regarding the promotion of the new policy for maternity management was partially achieved and will be continued throughout 2017.

Focus on customers and their needs continues to be an essential priority which encourages us every year to design new competitive products aimed at meeting the needs of our loyal customers and at acquiring new ones. We provide ongoing support with specific, subsidised loans both to private customers and businesses hit by earthquakes and natural disasters, in addition to customers facing this difficult period of economic crisis. We also offer help to start-ups and strive to improve service quality and multi-channelling. The environmental objectives were partially achieved, even though excellent energy saving results were reached on the basis of the tests conducted at 50 branches where the remote management of the air-conditioning systems was tested. The aim is to further extend the project to all of our branches. The number of branches where the lighting system was replaced with a new Led lighting system continued to be low. Our aim is to extend the project to other branches and also to some large-sized offices.

2017 ACTION PLAN

Customers

- Complete the BPM integration process in order to ensure an efficient and increasingly broader service to all customers, through the newly established Banco BPM;
- Maintain the commitment previously taken to support families

and businesses that are still struggling in this currently delicate economic situation;

- Continue the simplification and the technology, process and product innovation project, already implemented in certain areas (e.g. e-money, collections and payments, digital signature, contracts, etc.) for both private and business customers.

Human resources

- Further develop the training activities in order to support corporate cultural change necessary for building a work environment geared towards inclusion, work-life balance, empowerment of female talents and well-being;
- Implement the dissemination of the Smart Working model in other offices;
- Issue a new policy for the effective management of maternity/paternity in order to create opportunities for both employees and the company;
- Improve the use of company welfare services.

Following the merger with Banca Popolare di Milano, the goals that the HR and customer departments have set for the next year will be newly defined by integrating the needs and priorities of the Banco BPM Group. Key focus, however, will be placed on improving customer service levels and supporting corporate cultural change for our internal resources.

ABI CSR workgroups

The Banco Popolare Group takes part in the CSR (Corporate Social Responsibility) activities carried out by ABI. Specifically, Banco is part of workgroups dealing with "Sustainability" and "Financial and social inclusion and bank-migrant relations". The sustainability workgroup deals with reporting and integrating economic, environmental, social and governance aspects in the banking activities. In 2016, Banco Popolare contributed to the survey conducted on "2015 Sustainability Reporting – State of the art analysis in the Italian banking sector" aimed at tracing the evolutionary lines of sustainability

in the banking sector. Banco Popolare also contributed to the annual survey conducted by the "National Observatory on Financial Inclusion" of migrants, seeking to monitor over time the banking education process for foreign citizens in our country, highlighting significant aspects that may help define a financial and social inclusion policy for this customer target.

MEMBERS, SHAREHOLDERS AND INVESTORS

2016 was an important year for Banco Popolare: the Extraordinary Shareholders' Meeting of 15 October approved the merger with Banca Popolare di Milano, with subsequent transformation into a Joint-Stock Company.

Banco Popolare has always given key importance to its relations with Members that were given ample room for expression during the shareholders' meetings. Furthermore, the Manager in charge of the relations with Members and Shareholders (a position envisaged by the Code of Self-Regulation for Listed Companies) allowed the latter to make their voices heard by submitting proposals and presenting assessments and requests for clarification. Members also had the opportunity to access the website section (www.bancobpm spa.it) reserved for them to obtain information and view institutional content, communication material including the monthly press review, *la Notizia Popolare* (Popolare News) and the calendar of corporate events and cultural initiatives organised for them (Members' Day).

COMPOSITION OF SHARE CAPITAL, SHAREHOLDER SERVICES AND MUTUAL AID

As at 31 December 2016, Banco Popolare had 106,000 members,

89.69% of whom hold their shares at the Group's banks. Members are mostly resident in Banco Popolare Group's five regions that represent its historic roots: Veneto, Lombardy, Piedmont, Emilia Romagna and Tuscany and at the same time are also customers of Banco, confirming their solid relationship of loyalty. In addition to around 106,000 shareholders, at the end of 2016, Banco also had around 205,000 non-member Shareholders, with a total number of parties holding shares amounting to 311,000. There are a significant number of national and international institutional investors among the shareholders.

In compliance with the principle of collective democracy, as many Shareholders as possible are encouraged to attend the meetings, with a view to enhancing direct participation in the resolutions. Over the year, three meetings were held: on 19 March in Lodi, and on 7 May and 15 October in Verona. On 19 March, 44,958 Members took part, 7,898 of which personally and 37,087 by proxy. The main items on the agenda regarded the approval of the financial statements for the year ended on 31 December 2015, the allocation and distribution of profits, the amount of profits to be allocated to assistance, charity and public interest purposes. The extraordinary meeting of 7 May was attended by 19,436 Members, 2,947 personally and 16,489 by proxy. During this meeting, a share capital increase transaction was ap-

Presence of members by region	No. Members	%
Veneto	26,634	25.1%
Lombardy	26,283	24.8%
Piedmont	17,588	16.6%
Emilia Romagna	16,846	15.9%
Tuscany	8,762	8.3%
Liguria	3,712	3.5%
Sicily	1,592	1.5%
Lazio	1,256	1.2%
Campania	1,057	1.0%
Trentino Alto Adige	615	0.6%
Friuli Venezia Giulia	584	0.6%
Valle d'Aosta	312	0.3%
Other	831	0.8%
Total	106,072	100%

Communication mix managed by Investor Relations	No. events	% of total	No. parties involved	% of total
Industry conferences (stock market)	7	9.0%	136	36.0%
Industry conference (bond market)	3	3.8%	18	4.7%
Roadshows (stock market)	5	6.4%	91	24.0%
Other meetings (*) (stock market)	48	61.6%	119	31.4%
Other meetings (*) (bond market)	10	12.8%	10	2.6%
Meetings with rating companies	5	6.4%	5	1.3%
Total	78	100%	379	100%
Presentations in call conferences/webcasts	6			
Total including presentations in call conferences/webcasts	84			

The number of parties involved means the number of legal entities (investment funds, analysis houses, rating agencies etc.).
As regards the Roadshows, number of events means the number of days dedicated to said activity by financial team/branch involved.
(*) Other individual and/or group meetings, telephone conferences and video conferences

proved for an overall amount of Euro 1,000,000,000. Lastly, during the extraordinary shareholders' meeting held on 15 October, 27,502 Members (4,364 personally and 23,138 by proxy) approved the planned merger between Banco Popolare and Banca Popolare di Milano, concurrently with the transformation of the bank into a Joint-Stock Company.

Products and services dedicated to Members

YouShop Premium is the loyalty programme reserved for members. The traditional mechanism of assigning points is supported by an innovative platform for requesting the prizes. This online catalogue (an e-commerce portal) includes over 400

items and is made available to all Bank customers, with varying logics, through the *YouShop* brand.

YouShop
Premium

SHAREHOLDER STRUCTURE

Banco Popolare's share capital is held by private investors, with a high level of fragmentation that reflects the cooperative nature of the Group, and institutional investors.

According to information available

on the Consob website, as at 31 December 2016, there were no institutional investors with an investment of over 3% of Banco Popolare's share capital.

INVESTOR RELATIONS

In 2016, Banco Popolare's Investor Relations team managed a total of 78 events, usually with the involvement of the Group's top management, which involved meeting with 379 investment funds, financial analysts and rating agencies. In addition to these, 6 telephone conferences were held with audio webcasts over the year to present the Group's finan-

Rating company	Type of rating	Rating as at 31/12/2016	Rating as at 31/12/2015
Moody's Investors Service	Long Term on Deposits	Ba1 (Stable Outlook)	Ba3 (Under review for possible upgrade)
	Long Term on Senior Unsecured Debt	Ba2 (Negative Outlook)	Ba3 (Stable Outlook)
	Short Term	NP	NP
Fitch Ratings	Long Term (IDR)	BB- (Stable Outlook)	BB (Stable Outlook)
	Short Term (IDR)	B	B
DBRS	Long Term	BBB low (Stable Trend)	BBB low (Stable Trend)
	Short Term	R-2 middle (Stable Trend)	R-2 middle (Stable Trend)

Rating company	Type of rating	Banco Popolare	Banca Aletti
Moody's Investors Service	Long Term on Deposits	Ba1 (Stable Outlook)	
	Long Term on Senior Unsecured Debt	Ba2 (Negative Outlook)	
	Short Term	NP	
	Baseline Credit Assessment (BCA)	b1	
Fitch Ratings	Long Term (IDR)	BB- (Stable Outlook)	BB- (Stable Outlook)
	Short Term (IDR)	B	B
	Viability rating	bb-	n.a.
	Support rating floor	No Floor	n.a.
	Support	5	3
DBRS	Long Term	BBB low (Stable Trend)	
	Short Term	R-2 middle (Stable Trend)	
	Intrinsic Assessment	BBB low	
	Support Assessment	SA-3	

The required ratings of Group companies that have debt issues are indicated.

cial performance to the market as at 31 December 2015, as at 31 March 2016, as at 30 June 2016 and as at 30 September 2016, as well as the Planned Merger with BPM and the Banco BPM Business Plan for 2016/2019, therefore reaching a total of 84 events.

GROUP RATINGS

The rating review actions that involved the Banco Popolare Group in 2016 are reported below divided by rating agency.

Moody's Investors Service (Moody's)

On 25 January 2016, Moody's Investors Service concluded the Review for possible upgrade of Banco Popolare's Long Term rating on Deposits, which began on 29 October 2015, raising it from "Ba3" to "Ba2" and giving it a Stable Outlook. Subsequently, on 13 April 2016, Moody's put the Long-Term rating on deposits "Ba2", the Long-Term rating on senior debt "Ba3", as well as the Baseline Credit Assessment "b2" of Banco Popolare under review for possible upgrade at the same time. The long-term ratings were confirmed respectively as "Ba2" and "Ba3" and

the short-term ratings were confirmed as "Not-Prime". Lastly, on 20 October 2016, following the approval on 15 October of the Planned Merger between Banco Popolare and Banca Popolare di Milano by the Extraordinary Shareholders' Meetings of the two banks, Moody's completed the review for possible upgrade in which it had placed the ratings of Banco Popolare. More specifically, the agency upgraded the long-term rating on deposits from "Ba2" to "Ba1" (with a Stable Outlook), the long-term rating on senior debt from "Ba3" to "Ba2" (with a Negative Outlook) and the Baseline Credit Assessment from "b2" to "b1". The short-term rating was confirmed as "Not-Prime".

Fitch ratings (Fitch)

On 21 April 2016, Fitch confirmed the Long-Term IDR rating "BB" for both Banco Popolare and its subsidiary Banca Aletti, however changing the Outlook from "Stable" to "Negative". On the same date, the Short-Term rating "B" and the Viability Rating "bb" were confirmed. On 23 December 2016, Fitch changed the long-term IDR rating of Banco Popolare from "BB" to "BB-", revising the Outlook from "Negative" to "Sta-

ble", and the Viability rating from "bb" to "bb-". The short-term rating was confirmed as "B".

DBRS

On 31 March 2016, DBRS confirmed all of the ratings assigned to Banco Popolare.

After the end of the year and following the merger between Banco and BPM, the rating agencies assigned new ratings for the new bank; for further details, please refer to the "2016 annual financial report".

The table above summarises the ratings assigned at the end of 2016 to the Banco Popolare Group and to the subsidiary Banca Aletti.

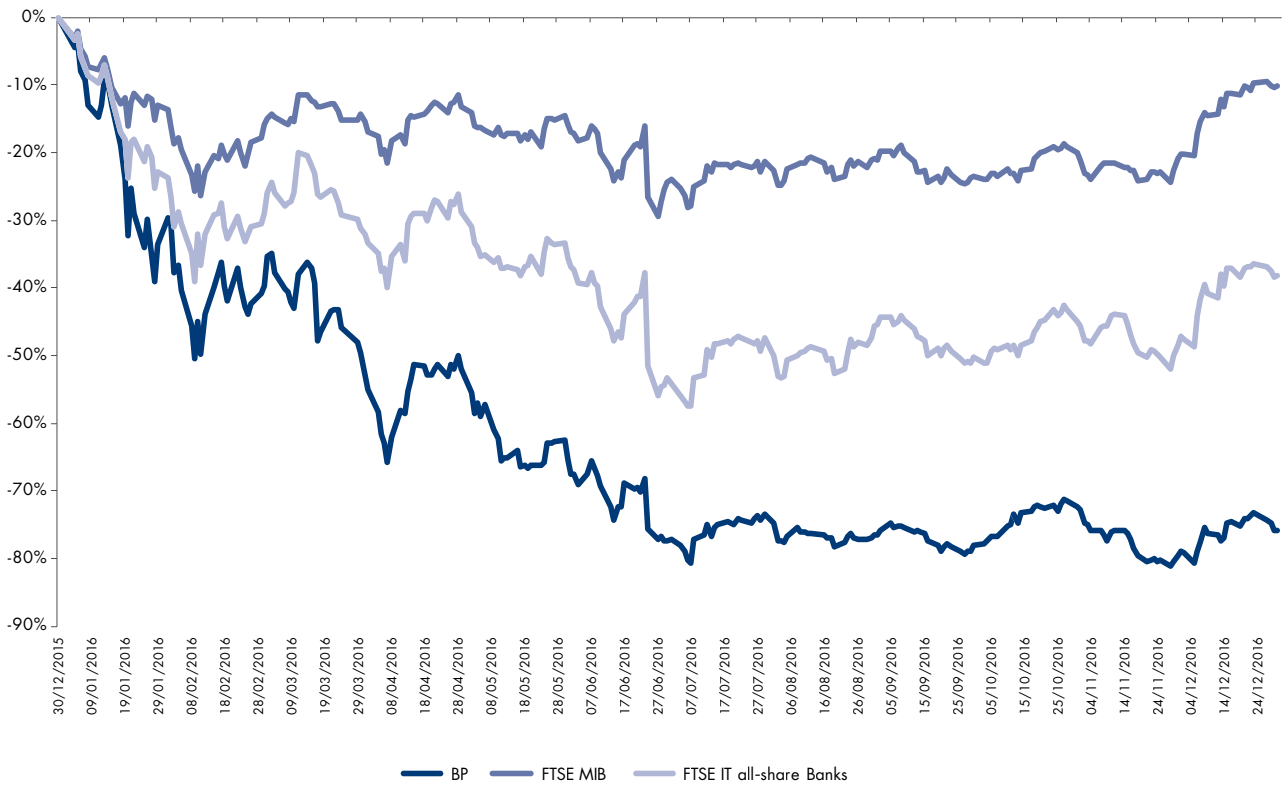
BANCO POPOLARE'S STOCK

Banco Popolare sustained a share capital increase of euro 1 billion in the first half of the year as part of the planned merger with BPM, suffering more than the industry average and recording a fall of 75.9% over 12 months. This fall, similar to that recorded on Piazza Affari in Milan and by the Italian banking index,

was focused on the first six months of the year, a period in which the stock lost 77.4% of its value. Subsequently, even though it touched a record low on 28 November of euro 1.786, the Banco Popolare stock recorded a recovery of 6.9% in the second half of the year, the period in which the share capital increase was concluded, excellent results were achieved for the EBA 2016

stress tests and the merger with BPM was approved by the extraordinary shareholders' meetings. Shares issued as at 31/12/2016 numbered 827,760,910 and corresponded on that date to a capitalisation of around euro 1.9 billion.

Performance of Banco Popolare stock and comparison with the FTSE Italy All-Share index on a 100 basis and FTSE MIB.



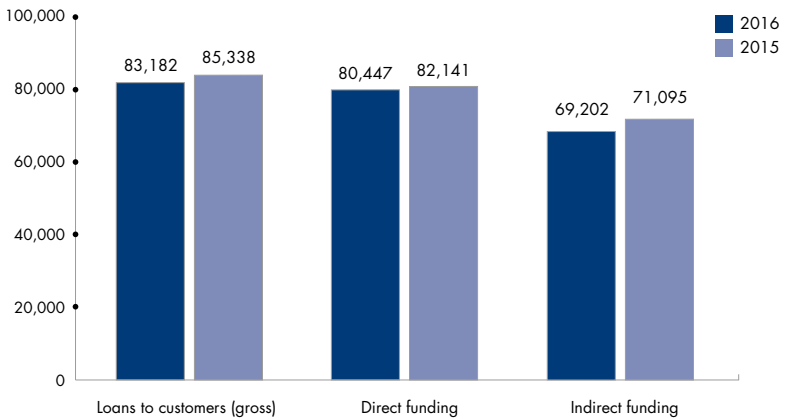
CUSTOMERS

The Banco Popolare Group is committed to increasing the quality of its customer relations in the local areas of reference. "New channels" have been added to the thick network of branches, allowing further types of customers to be reached, especially young people, and ensuring that the Group's products and services are effectively placed. Achieving the objectives it sets must go hand in hand with a gradual harmonisation of its distribution structure (channels), service models and range of products, as well as with focus on customers' needs and their level of satisfaction. Although Banks are going through an extremely complex phase, especially as regards the ability to recover adequate liquidity sources, the Group has continued its commitment to support local economy, severely hit by the economic crisis and by the natural disasters of these past years, with extraordinary measures and actions to support both private customers and businesses. Focus on customer needs has therefore remained a key issue for the Group.

SERVICE MODEL AND CUSTOMER SEGMENTATION

Banco Popolare's customers are controlled by two separate Departments, the "Commercial Department" and the "Institutions, Entities and Third Sector Department", and by Banca Aletti as regards "Private" customers. Customers are divided into two macro-segments: Private Customers and Businesses. Private customers include Retail Customers and Small Business Operator (SBO) customers. "Retail" customers means all private parties whose personal assets are at least one million euro and are further classified into "Affluent" and "Universal" customers:

- "Affluent": customers with overall individual deposits or portion of deposits (in the event of joint holders) greater than or equal to euro 50 thousand, or overall deposits greater than or equal to euro 100 thousand;
- "Universal": with overall individ-



ual deposits or portion of deposits (in the event of joint holders) lower than euro 50 thousand or overall deposits of the unit lower than euro 100 thousand.

Private customers are natural persons with significant assets (threshold euro 1 million) and bearers of complex needs. "SBO – Small Business Operator" customers are all businesses with a turnover not exceeding euro 250 thousand and whose financial and operating needs are similar to those of private customers. Business customers instead include businesses with a turnover over euro 250 thousand and include smaller businesses with lower turnovers (Small Business) through to businesses with a turnover exceeding euro 5 million (Mid and Large Corporate).

CUSTOMER COMPOSITION

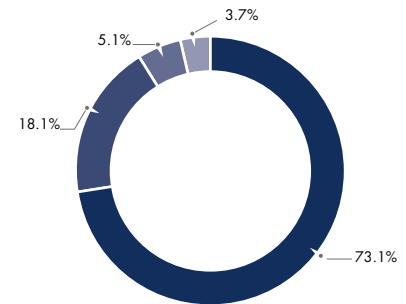
Private customers

The Private customer department manages around 2.5 million customers who are current account holders. Private customers mainly include retail (91% natural persons), whereas 5% consist of Businesses (SBO segment) and other minor segments. Retail customers have an ongoing relationship with the Bank which in the majority of customers (57%) lasts over 10 years. The share of young people (0-30 years of age) continues to grow in the retail customer segment, which in 2016 settled at 14%, whereas the share of customers over the age of 65 was 26%.

Private customers

The customers belonging to the "private" segment, natural persons with significant assets (euro 1 million

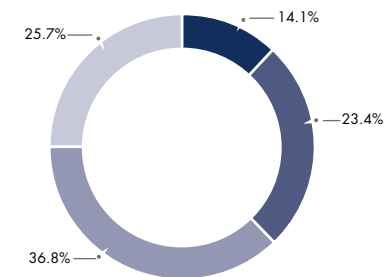
Percentage of customers by segment*



- Universal
- Affluent
- SBO
- Other Retail

* Customers understood as natural and legal persons.

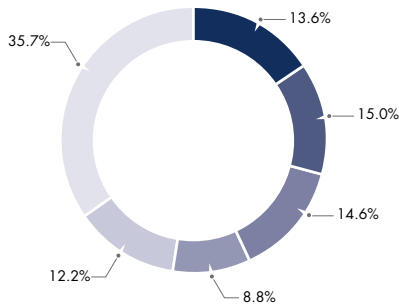
Percentage of customers by age group*



- <= 30
- 31 - 45
- 46 - 65
- 66 and over

* Customers understood as natural persons.

Percentage of customers by length of relationship*



- Less than 2
- 3-5
- 6-10
- 11-15
- 16-20
- > 21

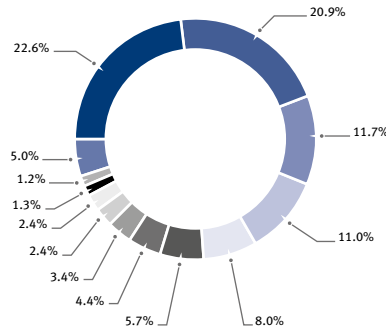
* Customers understood as natural persons.

threshold) and bearers of complex needs, which Banca Aletti's network of 33 private banking units is responsible for, amount to around 13,000 and reside in all main Italian provinces, especially in the Group's home areas. 54% of these customers are males and 46% females.

Businesses

Over 171,000 customers belonged to the Business sector as at 31 December 2016. The breakdown of custom-

Breakdown of business customers by business sector

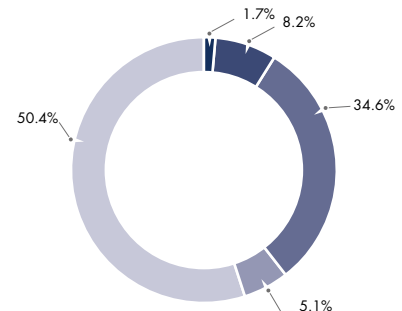


- Retail and wholesale trade; Vehicle repair
- Manufacturing activities
- Construction
- Agriculture, forestry and fishing
- Real estate activities
- Hotel and catering services
- Professional, scientific and technical activities
- Transport and storage
- Rental, travel agencies, business support services
- Information and communication services
- Healthcare and social assistance
- Financial and insurance activities
- Other (rental activities, social assistance, sport, education...)

ers (single customers with a current account) by turnover bracket confirms the substantial concentration in the category of up to euro 25 million (around 97%), already recorded in previous years. As regards the breakdown of customers by business sector, commercial and manufacturing activities continued to represent the largest share, followed by those related to the construction industry and to the agricultural sphere.

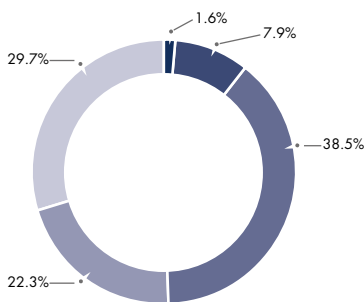
Institutional Customers, Entities and Third Sector Department comprises the following business segments: "Religious Entities", "Entities", "Financial Institutions", "Insurance companies and Non-banking Finance" companies and the Third Sector ("no profit" organisations). The graphic shows breakdown by number of customers served (amounting to over 57,000 as at 31 December 2016) among the main categories.

Breakdown of institutional customers, entities and third sector



- Institutions
- Religious entities
- Third sector
- Entities
- External Alliance Customers

Breakdown of Private customers by age group

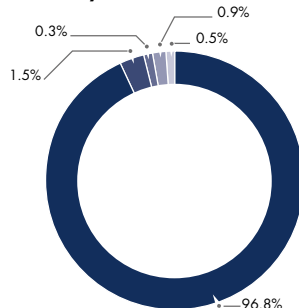


- 0 - 25
- 26 - 40
- 41 - 60
- 61 - 70
- >70

Institutional customers, Entities and Third Sector

The category of customers which is supervised at Group level by the

Breakdown of business customers by 2016 turnover



- 0 - 25 mln
- 25 - 50 mln
- 50 - 100 mln
- 100 - 150 mln
- Over 150 mln

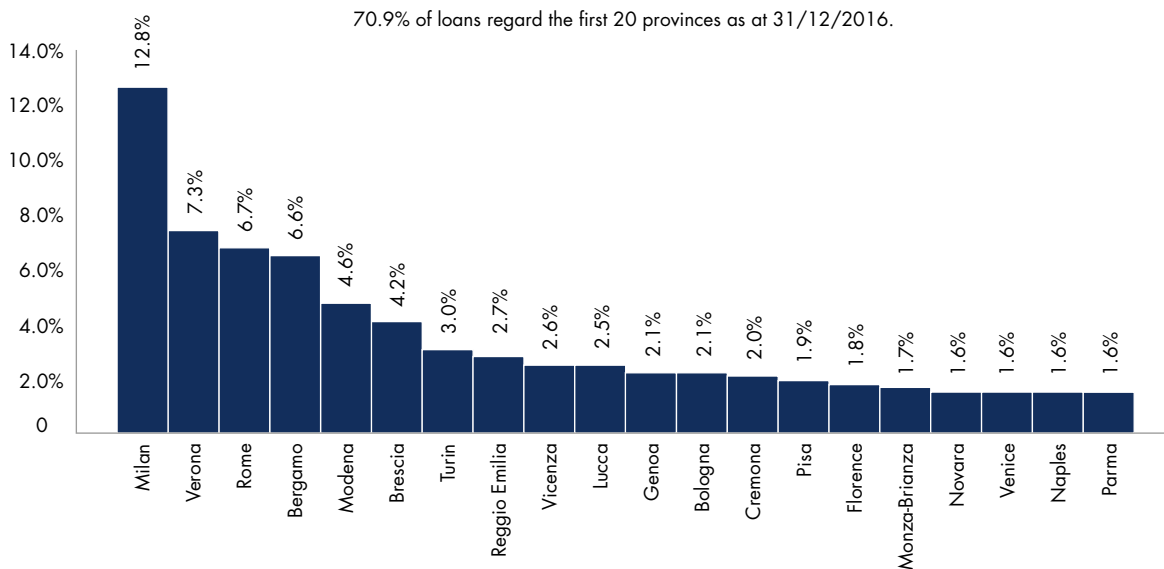
STRONG CONNECTION WITH THE LOCAL AREA

The Group operates through a closely knit network of branches covering the provinces where the Group has a long-standing presence. It offers its services not only in urban centres but also in smaller municipalities, positioning itself as a bank of reference in many local areas. The decision to maintain its historic brands confirms its connection with the local community. The Territorial Consultation and

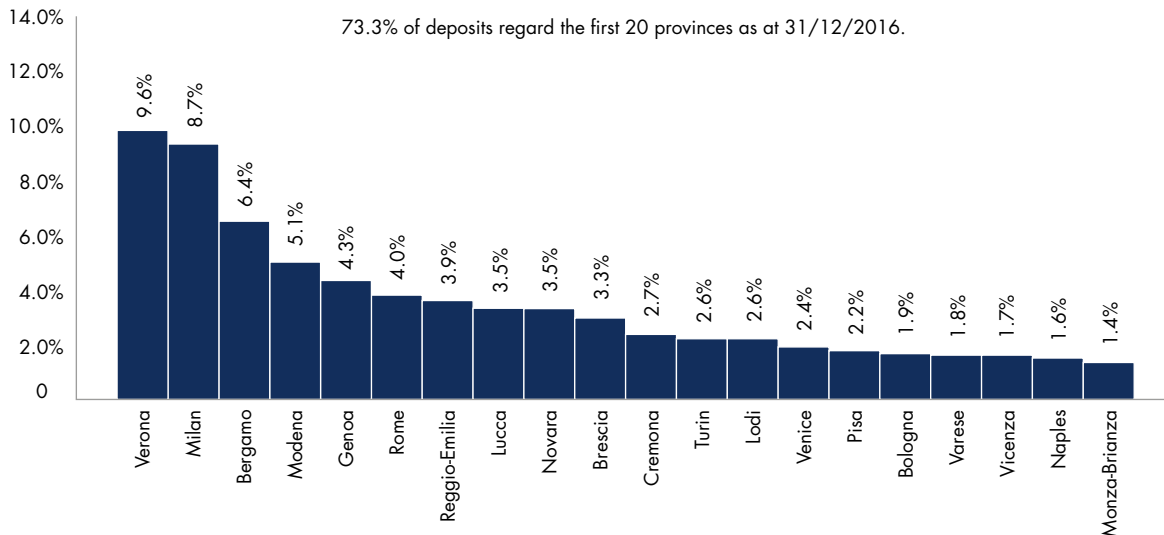
Credit Committees were established to ensure adequate connection between Banco Popolare and its main stakeholders in the area of reference. At present, the following Committees are in place: the "Banca Popolare di Verona" Committee, based in Verona; the "Banco S. Geminiano e S. Prospero" Committee based in Modena; the "Banca Popolare di Lodi" Committee based in Lodi; the "Cassa di Risparmio di Lucca Pisa Livorno" Committee based in Lucca; the "Banco Popolare di Novara" Committee

based in Novara; the "Centre South" Committee based in Rome; and the "Credito Bergamasco" Committee based in Bergamo. In addition to performing the tasks formally assigned to them, the Committees also carry out actions establishing a connection with the local areas, which take the shape of direct relationships with the main social and economic operators of the areas and of active participation in the most significant events held in these areas.

Breakdown of loans by province



Breakdown of deposits by province



CUSTOMER AWARENESS AND SATISFACTION

Service quality

In 2016, the number of customers interviewed from the start of the satisfaction measurement (perceived quality) programmes exceeded the threshold of one million. Three main measurements were assessed (in collaboration with the research institute TNS): global satisfaction of the relationship, instant satisfaction shortly after an over-the-counter transaction and, finally, competition measurement to understand the bank's competitive positioning. Once again this year, the actions implemented by Banco, aimed at increasing customer satisfaction, allowed it to achieve positive results, with an increase in the TRI*M index and a total result of 70/100. This value places the Group, in its areas of reference, at the top of the national banking scenario as regards customer satisfaction. Businesses, above all, contribute to this positive result, providing evidence of the effectiveness of the programmes developed for them.

The Sales Network incentive system was introduced in 2015. Aimed at enhancing the results of each single branch and allowing every organisational unit to improve its scoring for the incentive programme, it rewarded over 40% of the units. The delivery of training programmes continued in 2016 within the bank and especially for Network staff, as well as the development of the intranet

portal regarding customer satisfaction.

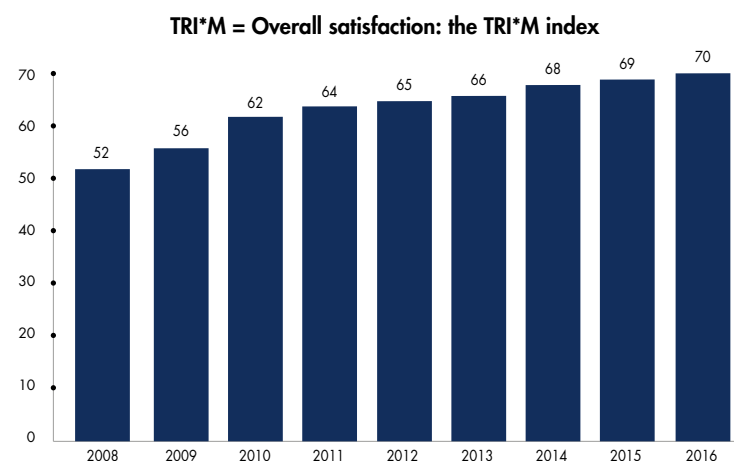
Complaints

The Group considers the management of complaints to be an important source of information, allowing it to detect possible critical areas in its relations with customers. The management of complaints removes any disservices, improves the quality of offers, re-establishes and develops customer relations, and also reduces possible reputational risks.

During 2016, some changes were made to the methods used for managing Complaints and to the scope of action of the department responsible for their management (Complaints Department): firstly, web complaints – which were previously handled by the Contact Centre independently – were included in the Complaints management process. Secondly, IVASS complaints management was introduced which, on the basis of

“IVASS provision no. 46” of 3 May 2016, extends applicability of the Regulation on the management of these complaints (ISVAP Regulation 24/2008) also to the intermediaries registered in Section D of the Single Register of Intermediaries (Banks and Financial Intermediaries). As part of the complaints management process already envisaged by the Bank of Italy (complaints relating to banking products and services) and by Consob (complaints relating to investment services), Banks therefore must provide for the separate management of specifically dedicated insurance complaints in order to consult and analyse, independently of the others, any complaints relating to the intermediation of insurance products. IVASS complaints include all complaints relating to insurance contracts and services for which the bank has acted as intermediary (previously treated as banking complaints).

In 2016 the Group received 5,323



2016 complaints by reason	Number	Weight%
Creditworthiness and similar	51	1.1%
Fraud and losses	440	9.4%
Execution of transactions	1,149	24.5%
Conditions	323	6.9%
Communication and information to Customers	317	6.8%
Application of conditions	878	18.7%
Reporting to Risks Centre	215	4.6%
Anatocism: if no prod. uses c/a	229	4.9%
Other	1,091	23.1%
Total	4,693	100%

Complaints by type	Total 2016	2016 banking services	2016 investment services	IVASS complaints
Banco Popolare	5,311	4,688	502	121
Banca Aletti	9	2	7	0
Banca Italease and subsidiaries	3	3	0	0
Total	5,323	4,693	509	121

**variations in absolute values*

complaints, slightly lower (-3.63%) than those received in 2015 (5,524)². The number of complaints relating to banking services dropped (476 complaints less, equal to -9%), whereas the complaints relating to investment services increased by 43%.

The average number of days required to process banking complaints was 15 (against a limit of 30 days set by law), to process IVASS complaints was 23 (limit envisaged by law: 45 days) and to process complaints regarding investment services was 22 days (limit envisaged by law: 60 days). The weighted average of days against the total number of complaints was approximately 15 days.

Regarding the largest category, i.e. Banking Complaints, the breakdown of complaints by type of product shows a greater weight of current accounts (42.8%), followed by home loans (12.4%) and debit cards for cash collection (9.2%). With reference to the reasons for the banking complaints received in 2016, the main reasons regard the execution of transactions (24.5%) and the application of conditions (18.7%). There were nine complaints in 2016 regarding the possible violation of privacy and loss of consumer data relating to banking services.

At Group level, 52% of the total complaints were accepted or partially accepted. In 2016, 158 appeals submitted for decision by the Banking and Financial Arbitrator, 55% of which in favour of the Bank. During the period of operation of the Banking and Financial Arbitra-

tor (15/10/2009-31/12/2016), 830 appeals were submitted by customers and referred to the decision of the Banking and Financial Arbitrator, 41% of which in favour of customers and 59% in favour of the Bank. At system level, 68% of appeals were successfully settled in favour of customers and 41% in favour of the Group (Annual Report of 31/12/2015). During the past year, no significant cases of violation of the codes and regulations relating to product and service security were reported.

Banking and financial services and products

In 2016, projects were launched to comply with the new provisions concerning the following issues: "Consumer credit secured by real estate"; examination of the new regulations on complaint management by insurance intermediaries; analysis of the EBA document on governance and control tools for retail banking products; evaluation of the compliance measures to be taken in order to comply with the Provision of the Bank of Italy on the Transparency of transactions and of banking and financial services; compliance with the provision on the measures required to implement the "Bank Recovery and Resolution Directive" (so-called Bail-in) in Italy; participation in the internal work regarding Anatocism; involvement in the operating compliance and regulatory updating measures resulting from issuing of the new "Instructions for the quarterly reporting of the average overall effective interest rates (AOER)" which implemented the credit-related regulatory changes over the past years; and lastly participation in all Quality Management System activities in order to implement the new ISO 9001:2015 version.

On conclusion of an inspection, Consob (resolution no. 19368 dated 17 September 2015, notified on 26 January 2016) resolved to apply administrative fines for alleged violations of art. 21 of Italian Legislative Decree no. 58/1998 and relative provisions. The overall amount of the fine imposed on several company representatives of Banco Popolare and, as jointly liable, on Banco itself, totalled euro 261,500. The company representatives, together with Banco Popolare resolved to file an appeal to the competent Court of Appeal to revoke the provision relating to the fines and to recover the amount of the fines paid in the meantime. Consob appeared before the court as the opposing party, requesting the rejection of the appeal. In an order dated 7 October 2016, the Court of Appeal invited the appellants (Banco Popolare and the company representatives) to summarise in a brief the reasons for the opposition in question stated in the appeal. To this end, the appellants were given until 15 November 2016 to respond and Consob was given until 15 December 2016 to respond. Following the submission of the respective briefs by the appellants and by Consob, on 12 January 2017, a hearing for discussion was held, after which the Court decided to take the case under advisement.

Finally, no legal actions were initiated against companies belonging to the Banco Popolare Group regarding unfair competition, anti-trust and monopolistic practices by the Anti-Trust Authority for Competition and the Market.

Market investment and brokerage services

In 2016, the Group extended its control measures as regards the provi-

² The 2015 figure has been restated following the inclusion of the reports of dissatisfaction resulting from the web, classified as complaints starting from this year.

sion of investment services to its customers. Control over the structuring and distribution of complex products was enhanced with regard to the entire product governance process. Lastly, with regard to the markets, activities continued throughout 2016 to bring the Group in line with new legislation regarding market abuse, introduced from 3 July 2016 by the Regulation of the European Parliament and Council 596/2014 so-called "MAR" and by the Market Abuse Directive (MAD II)

SUPPORT AND PROTECTION FOR PRIVATE CUSTOMERS

Credit support for private customers

In 2016 Banco Popolare continued to support the local area and retail customers by subscribing to various agreements proposed by the Government as well as by Institutional Entities and Trade Associations. Furthermore, on its own initiative, Banco Popolare developed actions aimed at helping retail customers who were facing objectively difficult situations following the continuation of the negative economic scenario. The support offered by Banco Popolare to retail customers in difficulty consists of the following initiatives:

- **Solidarity Fund:** fund established in 2010 in accordance with the Regulations of the Ministry of Economy and Finance (MEF), which allows customers in difficulty, who meet specific requirements, to obtain a suspension of first home mortgage payments for a maximum of twice and in any event for a period of up to 18 months overall;
- **SOS Retail Customers:** a scheme created in 2010 by Banco Popolare for retail customers with unpaid home mortgage payments. This scheme allows customers to lengthen the residual repayment period and lower the monthly payment, making the mortgage more sustainable;
- **ABI Agreement:** agreement entered into in April 2009 between ABI, Confindustria and main trade unions, regarding

the "CIGS" (Extraordinary Unemployment Benefits) and the "CIGS" in derogation, renewed until 31 December 2015; the extension is an important aid at a time when, in order to tackle continuous corporate restructuring and reorganisation, the use of social shock absorbers is increasingly;

- **Agreement for suspension of retail customer credit:** promoted by ABI and aimed at extending the support measures for retail customers in difficulty by suspending the principal amount of medium-long term loans, in compliance with the provisions set out in the 2015 Stability Law, for years 2015 – 2017;
- **Guarantee Fund for the first home:** fund established by Italian Law 147/2013 and which Banco Popolare subscribed to in July 2015 thanks to the agreement entered into with the Ministry of Economy and Finance-Treasury Department (in implementation of the Memorandum of Understanding stipulated between the Department itself and ABI), which regards the granting of home/ residential mortgage loans to retail customers aided by the Fund for purchase or for renovation work, or work to increase the energy efficiency of property located nationwide and used as the main home.

In addition to these schemes, for the purpose of supporting expenses incurred by retail customers for their children's education, Banco Popolare offered "Prestito Libri" (Book Loan) to its customers, specifically created to finance the purchase of books and/or school material at zero interest rates.

The value of a home and support to retail customers' liquidity requirements

During 2016, Banco Popolare continued to offer competitive mortgages and loans for the financing of real-estate investments. The promotional offer "Mutuo YouBanking" and then "Mutuo YouBanking Premium" were highly appreciated by customers thanks to the spreads

related to the length of the loan reaching a maximum 30 years.

PRODUCTS AND SCHEMES FOR CUSTOMERS

Thank you

ThankYou!
PREMIUM

Once again in 2016, Banco Popolare focused on maximising the length of its relationship with specific customer targets, in order to avoid the same leaving the bank. The loyalty programmes "ThankYou" and "ThankYou Premium" continued to play a key role. They envisage that the customers involved initially receive a welcome reward and, based on their level of loyalty and on the increase of the amount of capital they hold with the Bank, are then eligible to receive further rewards. The recognition of special and exclusive benefits for these customers is completed by a particularly advantageous range of banking services. The Thankyou programme is being updated and will be made available to customers during the first quarter of 2017.

Conto you

ContoYou

Again in 2016, Conto You was confirmed as the most successful account, with around 68,000 new accounts opened. The exclusive nature of Conto You, owing to its particularly favourable conditions, contributed to its great success.

Accounts for young customers

Once again in 2016, the Group gave great attention to the financial inclusion of the most vulnerable sections of the population; specific focus was placed on the relationship with younger customers through programmes that, on the one hand, teach how to save and interact with the bank in an entertaining way and, on the

Chat&Cash

Chat&Cash is the Banco Popolare application for smartphones, which enables instant payment to all of those subscribing to the service in the address book of the holder (P2P). Transactions are extremely simple and intuitive, as they adopt the same "use experience" that characterises the most common and widespread messaging apps. The application is available for the main iOS, Android and Windows Phone platforms and can be downloaded and activated by anyone who has a smartphone (whether they are existing or prospective Banco Popolare customers). In 2016 Chat&Cash had a prominent role in the Green Globe Banking Award in the "Indirect Impact" category. Exchanging money through a modern and widespread tool such as smartphones, is a useful alternative to cash, which has a very high social cost, especially in environmental terms. Chat&Cash simplifies payment management and brings a further high value of sustainability, in perfect safety (the wallet is in a secured cloud and sensitive data is never stored on the smartphone). During the year, the first "mass communication to Chat&Cash users" was performed and the fund-raising project (P2B) was launched to help the populations hit by the earthquake in central Italy, through the creation of a "non natural person in app" and "not in the holder's address book" user.



cal Territorial Government Offices to handle the "initial welcome" of migrants, by setting in place specifically arranged transactions "without recourse". Among the many events promoted throughout the area, of special importance is the participation in the 2016 Gift Day, in close cooperation with the Italian Donation Institute. The event promoted the raising of funds for social reconstruction in the areas hit by the earthquake in Central Italy, following which three important organisations were awarded with the monetary prizes established in the call issued by the Italian Donation Institute.

SUPPORT TO AREAS STRUCK BY NATURAL DISASTERS

In order to provide maximum support to the areas in the Lazio, Marche, Umbria and Abruzzo Regions, struck by the earthquake on 24 August and by a later one on 30 October 2016, Banco Popolare approved the application, on its own initiative, of improved and more extensive solutions with respect to those prescribed by the legal provisions issued in this regard. More specifically, it envisaged the suspension of loans, without any fee, for a longer period of 12 months, applying the suspension measure on its own initiative, without the customer having to make a specific request and expanding the scope of beneficiaries of said facilities also to non-resident customers who own property located in the Towns declared as being in a State of Emergency.

The Banco Popolare Group also intervened on further occasions to support its customers that were hard hit by exceptional climatic events in 2016, especially the provinces of Veneto, Lombardy, Olbia Tempio, Nuoro and Ogliastra (for events that occurred in September 2015). In accordance with legislative provisions and the orders of the Civil Protection corps, Banco Popolare agreed to suspend the payment of instalments of loans for those that effectively needed this, on condition that the head office or operational headquarters were located in one of the Towns hit. The suspension of the payment of the instalment was agreed without the

other, allow students and workers to manage their savings. For years, Banco has offered successful products to customers aged "0-11" with Brucoconto and "12-30" with Let's Bank. The products and the services addressed to this important target are revised each year, both in terms of the non-banking offer (specific rewards catalogue) and more traditional banking needs.

Products and services for SBO-Small business operators

In 2016, Banco Popolare continued to offer new customers the "You Business" current account. In order to support the multi-channel strategy and meet the needs shown by customers, two highly innovative technological services were included in the "You Business" current account 'package': "YouPOS Mobile", which enables takings to be managed outside of the place of business and "YouCard Business", which enables the petty cash expenses of the business to be optimised.

THIRD SECTOR

The commercial structure dedicated to the Customer segment known as the "Third Sector" offered services to its customers through coordinated efforts, the main drivers of which are illustrated below:

- Redefinition of the perimeter of Non Profit Organisations, customers of Banco, including Social Cooperatives;
- Launching of a promotional campaign addressing Social Cooperatives belonging to Consorzio CGM and Consorzio Co&Si;
- Collaboration with the Development and Private Customers structures of the Network Divisions, providing specialised advice and support to the Commercial Network.

Third Sector customers amount to around 20,000, including the Social Cooperatives. The structure also placed specific focus on social cooperation, providing solutions to meet the growing need for credit resulting from the agreements signed with lo-

application of any costs or commission charged to the customer.

Lastly, for the whole of 2016, the further suspension of the instalments of mortgage loans was agreed for the populations of Emilia Romagna, Lombardy and Veneto hit by the earthquake in May 2012 and by the later floods and exceptional events in 2013 and 2014.

Regarding support to SMEs, in 2016, efforts continued to assist companies working in areas struck by natural disasters, for the recovery of their production activities. Of the financial aid provided, we draw attention to the specific agreements with the Deposits and Loans Fund in order to obtain funds to use to grant loans, at advantageous conditions, guaranteed by the State to residents in the Provinces of Bologna, Modena, Ferrara, Mantua, Reggio Emilia and Rovigo, who were stuck by the earthquake, both to pay taxes, duties and/or social security and national insurance contributions, and to rebuild property. At the beginning of 2016, in Veneto, Banco participated in the extension of the extraordinary financial support measure for the SMEs damaged by the disastrous events of the summer of 2015, by using the Regional Rotation Funds set forth in the Single Provisions for the development of the Production System in Veneto (Regional Decree 2216/2013).

SUPPORT TO CREDIT OF BUSINESSES

In order to promote access to credit and assist customers in a still difficult economic context, the Group

has set up various actions as part of its commercial policies, aimed at:

- Acquiring “eligible” system guarantees issued by third parties, for example, the Italian Government (through the Guarantee Fund for SMEs, ISMEA/SGFA and SACE) and the European Union (through the European Investment Fund - EIF).
- Making facilitated financing available for businesses, addressed to the granting of Medium-Long Term loans, as a result of specific agreements stipulated with the European Bank for Investments and with the Deposits and Loans Fund.

Furthermore, Banco Popolare continued to support the financial requirements of businesses through the “Capital Goods Ceiling” (so-called Sabatini bis); this instrument with special terms is directed towards increasing the competitiveness of the Italian production system and encouraging new investments. After joining the “Targeted Longer Term Refinancing Operation” (TLTRO) programme, the extraordinary measure envisaged by the ECB to support the disbursement of loans to the real economy, Banco Popolare was also able to transfer further liquidity to businesses at very interesting conditions.

Guarantee instruments

After having completed the disbursement of a total of euro 120 million in loans secured by the guarantee of the Risk Sharing Instrument portfolio, Banco signed

an agreement with the European Investment Fund (EIF), as part of the Juncker Plan, to sustain enterprises that are highly focused on technological innovation, research and development through a specific guarantee mechanism called InnovFin SME Guarantee, backed by the European Fund for Strategic Investments.

Soft financing tools

At supranational level, in 2016, Banco disbursed loans with the use of funds obtained from the European Investment Bank (EIB) totalling euro 434 million, used to grant loans to Mid-Caps and SMEs. At domestic level, Banco Popolare disbursed loans with the use of funds obtained from the Deposits and Loans Fund (DLF), under the Fifth ABI/DLF Convention (called Business Platform), for investment programmes of SMEs, Mid Caps and businesses belonging to Networks/Production Chains. With regard to the latter agreement, in 2016, around 2,200 new operations were concluded for a disbursed amount of around euro 430 million. As part of the “Capital Goods Ceiling”, around 400 new operations were concluded for a disbursed amount of around euro 110 million. At regional level, Banco operates with various financial companies including Veneto Sviluppo, Finpiemonte and Finlombardia, for the granting of subsidised loans to local SMEs through the use of funds made available by the Regional authorities themselves through the afore-mentioned financial companies. Loans financed by subsidised funds active as at 31

Arms industry financing

The Banco Popolare Group pays close attention to the financing of the arms industry, providing specific provisions in its “Regulations for Limits of Autonomy in the granting of loans and Powers for the management of problem and non-performing loans”. These regulations – as regards the granting of loans – entrusts the Parent Company’s Board of Directors with “the resolution on proposals submitted by the Parent Company’s structures, or the issue of ‘prior opinions’ to the subsidiaries on possible proposals regarding first granting, revision or variation to the outstanding loans related to counterparties engaged in the trade and/or production of weapons, ammunition and war material, in relation to transactions, to and from foreign countries, involving goods subject to the declaration provided for in Law 185/90 and subsequent amendments”. This reserve also applies to “counterparties that carry out highly polluting activities, with knowledge thereof”.

December 2016 totalled around euro 2.2 billion, corresponding to around 10,000 transactions. In addition to the above, Banco channels state subsidies to SMEs envisaged by national or regional legislation, such as, for example, contributions at lower interest rates of the Lombardy Region allocated to businesses in the tourist, hotel and commercial sectors for investments, as well as to industrial, commercial and tourist businesses under an initiative called "Credit Now", contributions at lower interest rates to artisan enterprises in Liguria, disbursed by Artigiancassa Spa and the contributions for investment in plant and equipment granted by the Puglia Region to SMEs.

2015 Credit agreement

In 2016, activities relating to the so-called industry "moratorium" continued, as a result of the impact of the "2015 Credit Agreement" signed by ABI, Confindustria and the other major Trade Associations. Specifically, two measures were set up:

- "Enterprise in Recovery", regarding the suspension and/or lengthening of existing loans;
- "Enterprise and the PA", to encourage the release of receivables "certified" as certain, liquid and payable, owed to enterprises by the Public Administration.

LOAN AND FUNDING PRODUCTS AND SCHEMES

Products

Among the most innovative products for businesses, the Flexible Business Mortgage is a loan that starts with an analysis of the financial flows to support the investment and ends with a highly-personalised medium-term loan, with a view to enabling the customer to choose the best repayment option based on factors such as: the type of business activity, any seasonal factors, the invoicing cycle, etc.

As regards current accounts, Banco Popolare confirmed two products for new customers, "Easy Business" addressed to Small Business Customers and "Corporate Service Pack Start Sviluppo" dedicated to Corporate Customers.

Furthermore, during 2016, Banco Popolare confirmed its role as the benchmark for Equity Crowdfunding, by entering into agreements with many of the main portals enrolled on the special Consob register. Non-listed innovative businesses that need a capital contribution are put in contact with investors interested in funding business or social initiatives, through a specialised portal. The bank handles the administrative service of collecting the funds for the business by means of subscriptions made through the online portal managed by a company enrolled on a specific register held by Consob.

Banco Popolare was the first Bank to sign a partnership agreement with a company authorised by Consob to manage the first Internet portal addressed to Equity Crowdfunding activities.

Business networks, Technological Parks and Outdoor tourism

The offer that Banco Popolare provides to enterprises belonging to Business Networks, featuring the InRete trademark and favourable pricing was enriched with products specifically created to meet enterprises' needs. Partnerships with Universities continued in the "Business Networks and Banco Popolare" Project: a questionnaire was created addressed to "in Rete" enterprises. The information obtained helped identify qualitative indicators that were combined with already existing ones and helped improve the creditworthiness of the enterprise taking part in a Network.

Special focus was also placed on innovative Start Ups, also with regard to their interaction with Business Networks: as at 3 December 2016, 122 innovative Start Ups had joined 104 Business Networks. Cooperation continued throughout 2016 with the Italian Scientific and Technological Parks Association to support enterprises that invest in research and innovation. An agreement was signed in 2016 between Banco and Confindustria, and an agreement was

The range of loans for the development of businesses run by women

Orizzonte Donna

Banco Popolare has made a global ceiling "Orizzonte Donna" of euro 100 million available to women entrepreneurs and women freelancers, addressed to providing funding to businesses run by women and women freelancers, regardless of what sector they work in. Orizzonte Donna was established as part of the Memorandum of Understanding promoted by ABI, called "Memorandum of Intent for the growth of businesses with a majority female shareholding and self-employed women", in agreement with the Ministry for Economic Development, the Department of Equal Opportunities of the Council of Ministers and the main Associations in the business world. The Ceiling is used for the disbursement of unsecured loans at particularly interesting conditions, for purposes regarding the support to investments, the launching of new enterprises, the support to working capital and financial balancing. Furthermore, Orizzonte Donna loans may benefit from the Guarantee of the Special Section of the Guarantee Fund for SMEs to support businesses with a majority female shareholding. A further distinctive feature of the loans disbursed using the Orizzonte Donna ceiling is that repayment of the capital disbursed may be suspended, only once during the entire period of amortisation and for a period of up to 12 months, in the event of specific circumstances, for example, maternity, serious illness of the female entrepreneur or freelancer.

entered into with Assocamp, an entity that represents dealers of vehicles and equipment for outdoor tourism, providing member companies with products and credit lines.

Loans addressing environmental protection

Banco Popolare continued to promote the development of “clean” energy and the attention to and care of the environment, offering its customers several financial solutions to support investments in this sector. In order to assist the needs of agricultural businesses, Banco Popolare offered two specific lending products: the first is addressed to agricultural enterprises that have built or intend to build a biogas plant, using the natural waste of their business production; the second is addressed to agricultural enterprises that make investments in the field of environmental protection, for example the disposal of Eternit roofing or the construction of irrigation systems that optimise water management.

Schemes to support and relaunch the dairy sector

Banco Popolare joined the “Memorandum of Understanding to relaunch the Dairy Sector”, promoted by ABI and by the Agrifood Ministry to provide support to cow milk producers so that they are able to overcome the current period of difficulty in this sector. The Memorandum envisages the option of requesting a suspension of up to 30 months of the payment of existing medium/long term loans, and is correlated to the Ministerial Decree known as the “Milk Decree” which includes further measures to consolidated short term liabilities and to sustain new investment.

PRODUCTS AND SERVICES FOR COLLECTIONS AND PAYMENTS

YouPay Mobile

YouPay Mobile is Banco Popolare’s app for mobile payments for all holders of Visa cards or Mastercards authorised for online payments. With *YouPay Mobile*, products and services may be purchased from all participating shops, such as public transport tickets, parking tickets and

tickets for shows and events. During the year, further collaborations were set up and launched with Associazione Italiana Studio Osteosarcoma, the non-profit organisation Centro Culturale San Pietro, Associazione Dravet Italia, Fondazione Antoniana Rogazionsita, Fondazione Ant Italia and Associazione Amici dei Bambini.

YouInvoice

Efforts to propose the “YouInvoice” platform to those that need to invoice electronically, in accordance with legal obligations, continued. During the year, the possibility to fully manage orders and documents electronically was introduced, thank to accreditation from the European network *OpenPeppol*. The upgrade of the “Conto Terzi” function was equally important, which allowed intermediaries (e.g. chartered accountants, associations, etc.) to independently manage access to the platform by its members and/or clients. Furthermore, the “Full Service” process was improved, which allows SMEs to access the benefits of dematerialisation. They no longer need to invest large sums in software and hardware updating, since they can assign tax document scanning and indexing to external services selected by Banco Popolare.

E-billing

E-billing, the service through which Banco offers parties (so-called “Billers”) the option of collecting their postal orders and/or payment notices or car motor tax through the bank’s channels (branch, home banking, web), is among the most used and appreciated by customers (around 2,600,000 items managed equal to a value of euro 500 million). An agreement to join the “Payment Gateway” platform was signed with the Agency for a Digital Italy (AgID), which will enable all customers to make payments to the Public Administration throughout Italy.

OTHER SCHEMES FOR BUSINESSES

Support to business internationalisation

The support to internationalisation offered by the Group particularly

involved SMEs. Banco Popolare renewed its collaboration with ICE (Agency for the promotion and internationalisation of Italian companies abroad) for 2017-2018, the objective of which is to provide information services and specific advice at very interesting conditions, bringing over 1000 customers into contact with ICE. For the same purpose, Banco Popolare entered into cooperation agreements with the Italo-Chinese and Italo-Lithuanian Chambers of Commerce, organising business to business meetings between Banco customers and foreign operators. Furthermore, collaboration with DE International – a company of the Italo-German Chamber of Commerce that specialises in offering internationalisation services for the German market – continued. The agreements with SACE (Institute for Insurance Services of Foreign Trade) were renewed, which made it easier for businesses to access credit thanks to the guarantee provided by SACE. Of the products designed in collaboration with SACE, it is worth noting IT.EX, regarding funding working capital, and discounts on SACE policy transfers, for the discount, without recourse, of bills guaranteed by a Supplier Credit Policy issued by SACE.

Legal rating

The requests for assignment of Legal Rating to enterprises amounted to 2,118 against 1,427 in 2015, rising by 48%. Within this context, Banco Popolare continued to adopt a specific internal procedure to govern the use of any legal ratings assigned to its customers, taking due account of it when assessing the enterprise’s access to credit and when determining the economic conditions for disbursement.

MULTICHANNEL SERVICES

In Banco Popolare, multichannel services are becoming increasingly important alongside the traditional role of the branch in handling relations with customers.

YOU SERVICES

YouWeb/YouApp

YouWeb and YouApp allow customers to handle their relations online easily and quickly. In addition to increasing the number of functions available, the services benefited from an analysis which improved the way information content was displayed, making it clearer for customers. Furthermore, as a result of responsive technology, all platforms ensure greater accessibility. In 2016, YouApp received the prestigious international award "Mobile Bank of the year" for its "rich offer of advantages and conditions that are among the most convenient on the market".

YouEcobox Logo

YouEcobox

You Ecobox is the project by Banco Popolare that does not invest in money but in environmental sustainability. The idea is to provide customers with a container at branches where they can place all those items that they have received from the bank but once obsolete or no longer functional need a specific disposal process. The project generated a process that led to a real "green track". During 2016, 120,000 tokens were collected (in addition to the 190,000 pieces already collected) as well as other types of waste such as no longer functioning badges and cards.

Contact centre

The Group's Contact Centre assists customers mainly by telephone, IVR (Interactive Voice Response), e-mail and new technologies, especially social media. The main activities conducted in 2016 regarded:

- The management of chats, a new information channel available from November 2016 for YouApp users;
- Providing before- and after-sales support to customers with regard to YouBanking products (including finalising accounts

opened online) and after-sales support for prepaid cards;

- The governance of some social media;
- Providing assistance to customers with regard to new schemes launched during the year;
- "Welcome" phone calls regarding the main packages offered to new private customers as part of the Customer Experience.

PRIVACY AND SECURITY

The protection of confidentiality and of data and information security are regarded by the Group as key aspects for the relationship of trust between the Bank and its customers. The Group's commitment towards raising awareness of correct personal data processing management, according to the provisions of the Data Protection Authority, continues to be strong through:

- The adoption of specific internal regulations and the implementation of adequate training actions, with the use of updated operating procedures also as regards the risks arising from data processing;
- The ongoing implementation of regulatory provisions and the analysis of the technical and organisational impacts arising from them in operational terms;
- The performance of technical, organisational and procedural measures aimed at reducing cyberspace risks, both with regard to logical security and physical security;
- The availability of a well-structured Business Continuity Plan capable of effectively contrasting any critical situations resulting both from sector-wide incidents and from extended catastrophes which could strike the company or some of its counterparties (other Group companies, main suppliers, primary customers, specific financial markets, and settlement and clearing institutions).

Furthermore, the Group is attentive to the changes in legislation with

regard to the implementation of the new European Regulation on data processing which replaces Directive 95/46/EC. The Regulation is more oriented towards the protection of resources, guaranteeing a global digital market where the regulation is univocally applied at EU level without additional interpretation by Member States.

BUSINESS CONTINUITY

The business continuity projects were developed with a twofold focus: on the one hand, interaction with critical suppliers, on the other, increasing attention on developing cyber resilience as regards operations. Resilience, therefore, is intended not only in terms of adapting information systems to specific conditions of use, but also in terms of changing working conditions when faced with unexpected events, with a view to guaranteeing the provision of services. The development of these scenarios requires great cohesion with referents, critical structures, government bodies, leading suppliers, the information network and operating competitors, in order to prepare tests simulating operations in conditions of increasingly complicated technological and organisational disasters of different duration.

IT SECURITY

With regard to digital transformation, the projects focused on cybercrime and specifically on the new types of emerging risks, in order to safeguard operations. For this purpose, security measures were applied both through specific projects and through new rules governing the use of existing technology. In this context, focus was placed on strengthening the technical, organisational and procedural digital-identity measures, on linking IT incidents and, not least, on the impact of relevant technologies on customers, such as mobile devices and the social network. This scenario included both actions on fraud preven-

tion, through use of increasingly complex automatic reasoning, for understanding the correctness of the actions carried out (so-called analytics), and actions regarding identity management and secu-

rity architectures, for the creation of increasingly elaborate protection filters/shields to protect managed assets. The use of tools for the automatic correlation of events allows effective control, through

Security Operations Centre (SOC) logics, of a dynamic and difficult operating context including the web environment.

HUMAN RESOURCES

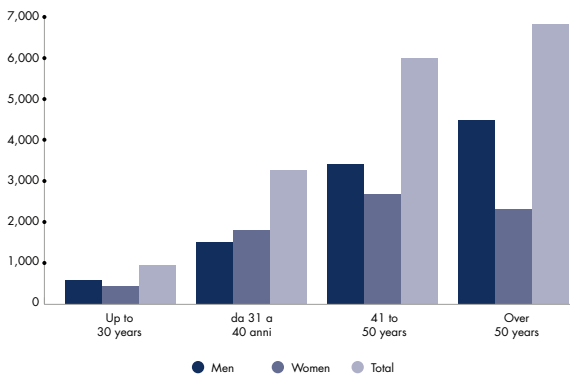
The complex economic and social scenario in which we operate has not prevented the Group from implementing policies to invest in its personnel, above all in the area of Welfare and personnel management. Indeed, the professionalism and general growth of all of our resources continue to be key variables for successfully facing the market, benefitting our customers and, in general, our stakeholders. Our human resources management, training, development and pay policies are implemented with increasingly innovative approaches which help improve the quality of our services and the expertise of the resources themselves, in accordance with the legislative provisions in force.

BREAKDOWN AND EVOLUTION OF THE WORKFORCE

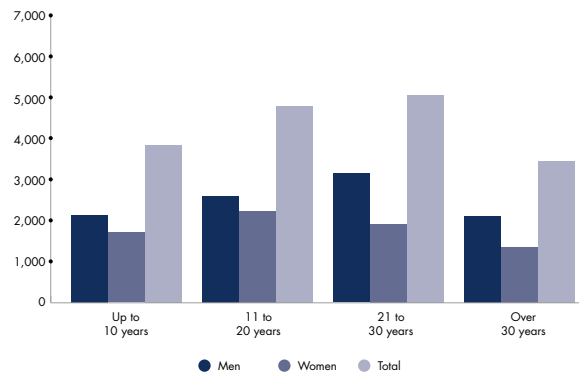
The breakdown of personnel by category and gender as at 31 December 2016 as regards the Banco Popolare Group is illustrated in the tables. As well as through regular staff turnover, the objectives of the Business Plan for 2016 were also pursued through the subscription to the Solidarity Fund of 300 employees who met the requirements imposed by the social security reform, and the leaving incentives offered to 89 employees. The significant efforts made led to the confirmation of 93 resources in the Group with 112 new recruits taken on in accordance with the important trade union agreements signed. The efficiency goals for 2017 continue to be pursued, in line with the trend envisaged by the Plan, by

means of the voluntary retirement of those that have already met pension requirements, the residual portion of the solidarity fund and regular staff turnover. Furthermore, the introduction of younger people to the organisation is planned, with a view to generational turnover. In 2016, efforts were made to manage variable personnel costs, a commitment that made it possible to obtain excellent results in terms of containing and optimising provisions for holiday and accumulated leave, also enabling residual leave to be used up. To provide an overview of the changes in the number of employees, in line with FTE IAS (Full Time Equivalent - International Accounting Standards) requirements, it is worth noting that in 2016 the total workforce fell from 16,731.1 as at 31 December 2015 to 16,381.9 as at 31 December 2016.

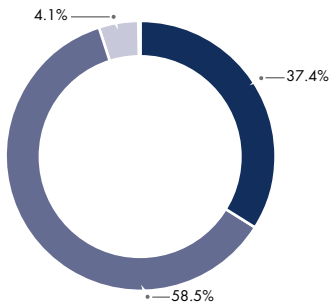
Breakdown by age group 2016 (average 46.8 years)



Breakdown by seniority 2016 (average 20.3 years)



Qualification 2016



- University degree
- School leaver's certificate
- Secondary school

Breakdown of personnel as at 31/12/2016	Men			Women			Total
	Full time	Part time	Total	Full time	Part time	Total	
Executives	237	0	237	16	0	16	253
Middle Managers	4,856	35	4,891	1,615	272	1,887	6,778
Administrative staff	4,608	85	4,693	3,513	1,702	5,215	9,908
Other personnel	41	3	44	3	0	3	47
Companies abroad	14		14	7		7	21
Total no. of employees	9,756	123	9,879	5,154	1,974	7,128	17,007
Supply contracts	0	0	0	0	0	0	0
Total workforce	9,756	123	9,879	5,154	1,974	7,128	17,007
Of which:							
Apprentices	0	0	0	0	0	0	0
Job training or new recruit contracts	2	0	2	0	0	0	2
Permanent contracts	9,745	123	9,868	5,148	1,974	7,122	16,990
Fixed-term contracts	9	0	9	6	0	6	15
Supply contracts	0	0	0	0	0	0	0

Breakdown of Personnel Difference 2016-2015	Men			Women			Total
	Full time	Part time	Total	Full time	Part time	Total	
Executives	-12	0	-12	0	0	0	-12
Middle Managers	-220	21	-199	-53	17	-36	-235
Administrative staff	-36	1	-35	-32	5	-27	-62
Other personnel	-4	0	-4	1	0	1	-3
Companies abroad	1	0	1	1	0	1	2
Total	-271	22	-249	-83	22	-61	-310
Supply contracts	-19	0	-19	-1	0	-1	-20
Total workforce	-290	22	-268	-84	22	-62	-330
Of which:							
Apprentices	0	0	0	-3	0	-3	-3
Job training or new recruit contracts	0	0	0	0	0	0	0
Permanent contracts	-272	22	-250	-77	22	-55	-305
Fixed-term contracts	1	0	1	-3	0	-3	-2
Supply contracts	-19	0	-19	-1	0	-1	-20

Breakdown by age range and level	Executives	Middle Managers	Professional areas	Total
Up to 30 years of age	0	8	944	952
31 to 40 years of age	1	640	2,628	3,269
41 to 50 years of age	62	2,846	3,091	5,999
Over 50 years of age	193	3,294	3,300	6,787
Total	256	6,788	9,963	17,007

Protected categories (like-for-like basis*)	2016	2015
Disabled (art. 1 Law 68/99)	884	859
Orphans, widows, refugees (art. 18 Law 68/99)	329	351
Total	1,213	1,210

* Excluding companies abroad

External staff	2016			2015		
	Men	Women	Total	Men	Women	Total
Freelance contracts	4	0	4	5	0	5
Internships	0	0	0	3	2	5

Regional distribution of personnel *	As at 31/12/2016		As at 31/12/2015	
	Units	%	Units	%
Emilia Romagna	1,988	11.7%	2,045	11.8%
Lombardy	5,054	29.7%	5,136	29.6%
Piedmont	2,040	12.0%	2,066	11.9%
Tuscany	1,781	10.5%	1,807	10.4%
Veneto	2,991	17.6%	3,021	17.4%
Other Regions	3,124	18.4%	3,221	18.6%
Overseas	29	0.2%	41	0.2%
Total	17,007	100.0%	17,337	100.0%

* Including supply contracts

Terminations - turnover Italy*	Total	2016	2015
General	500	2.89%	3.89%
By role			
Executives	26	9.81%	5.36%
Middle Managers	242	3.45%	4.35%
Professional areas	232	2.32%	3.52%
By gender			
Men	383	3.79%	4.72%
Women	117	1.63%	2.70%
By region			
North	385	2.90%	3.72%
Centre	64	2.38%	4.23%
South	51	3.96%	5.04%
By age			
Up to 30 years	27	2.73%	1.90%
31 to 40 years	30	0.84%	1.36%
41 to 50 years	25	0.40%	0.64%
Over 50 years	418	6.44%	9.10%

* Ratio between the total number of employee terminations and the total headcount on 31/12 of the previous year.

Number of days absence in 2016*	Total	Per employee 2016	Per employee 2015
Illness, injuries and medical appointments	155,681	9.13	8.96
Childcare and post partum	5,239	0.31	0.39
Personal reasons	697	0.04	0.03
Union leave	29,462	1.73	1.75
Blood donation	1,902	0.11	0.11
Strikes	17	0.00	0.66
Leave for meetings	180	0.01	0.13
Other reasons	22,954	1.35	1.33
Total	216,131	12.67	13.36

* Excluding companies abroad.

Absenteeism rate by gender and region - 2016*	North	Centre	South
Men	4.99%	6.54%	8.02%
Women	5.73%	7.29%	8.56%
Total	5.29%	6.93%	8.17%

* Excluding companies abroad.

Parental leave *	2016		2015	
	Men	Women	Men	Women
Employees that took parental leave during the year	5	454	8	523
of which:				
still on leave at year end	0	149	1	190
returned from leave during the year	5	305	7	333
released at the end of their leave	0	0	0	0
Rate of people returning at the end of parental leave	100%	100%	100%	100%
Still employed 12 months after return	7	331	n.a.	n.a.
Retention rate	100%	99.4%	n.a.	n.a.

* Excluding companies abroad.

RECRUITMENT POLICY AND MANAGEMENT OF PROFESSIONAL MOBILITY

In 2016, the Group continued to work on the repositioning of resources, in line with the envisaged objectives to reduce the overall number of employees, but always with an eye on the level of service provided to customers. In view of this, the resources hired during the year were mainly young people in their first job, the goal being to guarantee generational turnover and strengthen the commercial network.

INTERNAL COMMUNICATIONS HUMAN RESOURCES

All Human Resources projects, from planning to management and the monitoring of results, were accompanied by communications activities. All communications to employees on Human Resources themes (articles, news, information, circulars, agreements) were produced centrally to guarantee the uniformity, consistency and timeliness of all messages, in accordance with the strategies established by the Human Resources Department. The main channel by which information is communicated to employees remains the company intranet, which

is split into specific sections that can be accessed in real time by the entire workforce. The graphics of the "Careers" page were revisited to make it more engaging and it is also now possible to attach an electronic version of your CV in order to speed up and greatly simplify the job application process. Together with the Communications and Recruitment and Assessment Departments, the *LinkedIn* communications activities also continued. To incentivise employer branding a communications project was developed (brochures, billboards, free gifts) to present the company to students, graduates and high-potential candidates: in 2016

Hires - Turnover Italy*	Total	2016	2015
General	201	1.16%	1.62%
By role			
Executives	2	0.75%	0.00%
Middle Managers	18	0.26%	0.30%
Professional areas	181	1.81%	2.59%
By gender			
Men	141	1.39%	1.86%
Women	60	0.84%	1.26%
By region			
North	182	1.37%	1.78%
Centre	15	0.56%	1.37%
South	4	0.31%	0.52%
By age			
Up to 30 years	164	16.58%	23.62%
31 to 40 years	17	0.48%	0.65%
41 to 50 years	15	0.24%	0.26%
Over 50 years	5	0.08%	0.13%

* Ratio between the total number of employees hired and the total headcount on 31/12 of the previous year.

Banco Popolare participated in 26 university career days in 16 Italian cities, publishing the events each time on *LinkedIn*. Again with the aim of promoting applications and further developing internal resources, the "Nice to Meet You" project was launched: 12 high-potential young professionals that take part in management development projects were identified and a video interview was carried out with them in which they discussed their professional path in Banco and their future aspirations; the videos were disseminated during the university career days via *LinkedIn* and published on the company intranet.

During the year, films were produced together with Group Safety and Security to be shown in all training classes and in auditoriums before every event or course, the aim being to illustrate evacuation procedures to participants and therefore fall into line with the most exacting international safety standards. The editorial publication in the "Career Directory" guide published by *Job Advisor* also continued. Internships again proved to be a useful tool for young graduates and final-year university students who had the chance to undertake a training and guidance experience in the Group's various businesses.

HUMAN RESOURCE DEVELOPMENT

In 2016, Banco Popolare invested in numerous initiatives aimed to boost the development of all Group resources, also through the trial and creation of innovative tools and interactive methodologies.

- the launch of a new Talent project called "Study Tour Experience", in which 65 high-potential resources undergo intensive training in banking and innovative management, as well as making company visits to leading firms on the domestic and international markets;
- the continuation of the Job Exploration Days project, an initiative aimed at Top Performers in the Group who are given "doses" of professional guidance by carrying out work experience in the various areas of the bank and learning about the jobs

performed by their colleagues and the skills they require to do them;

- the completion of the Complementary Stage, a professional shadowing programme which gave numerous resources a better insight into how the bank works;
- the trial, which will finish in the first half of 2017, of a format called "Tutti a bordo" (All aboard), which enables people to develop useful initiatives to strengthen their knowledge and engagement within their specific field. A Web App community was used to gather ideas and to share multimedia content.

MANAGEMENT POLICIES

Succession plans were drawn up in 2016 not only for top executive positions but also for the various management levels; in line with the guiding principles and best practices, the objective of these plans is to develop internal talent and achieve greater transparency in professional career paths. At the end of the process, groups of resources considered as most suitable for assuming the Group's main management positions were identified. During the year all resources were able to access the You&Us portal, which is dedicated to sharing information on personnel initiatives in the area of recruitment, assessment, training, development and pay policies.

EQUAL OPPORTUNITIES AND WORK LIFE BALANCE

Smart Working, a flexible working method that reconciles family and professional life, continued to be trialled at the Bergamo, Lodi, Milan, Novara and Verona sites in 2016. As part of the Diversity Management initiatives, a new policy for the effective management of maternity/paternity was developed with the aim of supporting those returning from leave in both practical and motivational terms and guaranteeing, also during leave (on a voluntary basis), the continuity of their relationship with the work environment.

The Person Project continued: an initiative to maintain and promote the wellbeing of all employees in the workplace carried out in association with the Don Calabria Multifunctional Centre of Verona. The project offers a help service to people that freely request it for difficult situations with the aim of defining a path of improvement from both a personal and work perspective. The training initiatives for supporting and guiding the process of cultural change in the company, necessary for the creation of a working environment geared towards inclusion, the work-life balance, the promotion of female talent and wellbeing, continued throughout the year: in particular, new courses on female empowerment and nutrition were introduced and project courses on female and inclusive leadership continued. The networking activities also continued with networks of private sector and public companies working together to share and develop reconciliation projects and policies. More specifically, in addition to its involvement in Valore D and its participation in the Smart Working-Smart Companies Alliance of Bergamo, Banco Popolare also joined the Local Alliance set up by the Municipality of Lodi with the aim of supporting families in the Lodi area through the creation of recreational services dedicated to minors also during the school holidays.

TRAINING

In 2016, the Group's training activities were mostly provided with the contribution of the team of internal teachers employed by the Training School and with the direct involvement in the classroom of representatives of the various Departments in question. A total of 775,520 hours of training were provided in 2016.

The training initiatives also focused on guaranteeing full support for achieving the company's strategic objectives through specific training projects aimed at preparing for an increasingly competitive market in which professionalism and ethics

Average no. hours of training per capita in 2016*		
Level	Men	Women
Executives	31	34
Middle Managers	49	51
Professional areas	47	46
Total	48	47

* Data do not include the training of employees of the companies abroad.

rules must be respected, while at the same time improving the quality of the services provided to customers. Based on this, training priorities focused on:

- developing the managerial skills of the Group's key site and network managers;
- enhancing the area of creditworthiness analysis and performance monitoring;
- enhancing and developing the skills of all resources holding various positions in the central offices;
- enhancing the ability to dialogue with private customers and in particular those in the Private and Affluent segments.

The Training School consolidated its partnerships with universities, trade associations and institutions, and schools. Following the mandatory activation of joint school-work experience courses by secondary schools, Banco Popolare put together an 80-hour training course. This project involves experiential workshops in the classroom and practical applications. Following the pilot project, other contacts were made with schools for the 2016/2017 academic year. The annual audit for IQNET Quality certification for training activities, issued by Certiquality, for the implementation of the quality system adopted in previous years in compliance with the standards envisaged by the new UNI EN ISO 9001:2015

standard, was successfully passed also in 2016. The training activities on anti-corruption procedures, established by the Model pursuant to Law 231/01, continued with a classroom course dedicated to new managers of services, departments or offices in the Central Offices and the completion of the online course developed for all Group resources.

RECRUITMENT AND ASSESSMENT

During 2016 these activities involved around 1,500 Affluent Customer Managers in a project designed to map their management skills and analyse their technical expertise with the aim of planning targeted training and development actions where necessary. Managerial assessments were carried out on the resources included succession plans with a view to identifying and promoting the potential of these strategic figures for the future of the Group. Particular attention was focused on the talent pipeline with the selection of a group of young professionals to take part in the Study Tour Experience Project. For some over-55's the Skill Coaching Project, launched last year, continued with a number of managers learning from junior resources as part of a personalised coaching course. Furthermore, in collaboration with the Training School a technical assessment of the expertise

of Banca Aletti resources was put together.

Recruitment activities were regulated by a standardised process for all Group companies which makes it possible to proactively respond to the various requirements of the company's different offices. All applicants must meet the requisites defined beforehand while the recruiting process was dedicated to young people in their first job with the aim of identifying high-potential resources to add to the commercial network.

Finally, the company's Quality Certification for Recruitment and Assessment activities, in compliance with the standards established by UNI EN ISO 9001/2015, was renewed.

GROUP PAY POLICIES

The guidelines and goals that Banco Popolare pursues with its pay policies, formulated in accordance with the rules established by the national and company collective contracts, as well as the principles contained in national and supranational regulatory provisions, seek to:

- attract and retain human resources with the expertise required to guarantee the development of the Bank and its competitiveness;
- support the company goals, acknowledging those who, in compliance with the rules, values and risk levels, achieve the results expected of them;
- reconcile personnel cost curbing requirements;
- guarantee suitable correspondence between remuneration and the professional and managerial qualities expressed.

The application of these criteria takes account of company position, the performance of our staff and their potential. The incentive

Anti-corruption - resources trained in 2016	North	Centre	South	Total
Executives	1			1
Middle Managers	15	1		16
Professional areas	187	25	8	220
Total	203	26	8	237

systems have diversified reward schemes according to area of activity and professional category (commercial network, head office, specialists, managers) and aim to acknowledge individual merit and reward teamwork; they incentivise the achievement of quantitative and qualitative goals and the safeguarding of the customer's interests (e.g. service quality and the disinvestment indicator of unsuitable products) and are connected with the company's results. The meeting of goals is not evaluated separately from the measurement of risk and is assessed in accordance with the levels of capital and liquidity required to carry out the activities undertaken, as well as with respect for compliance regulations. The various kinds of benefits that Banco employees can take advantage of also form part of their overall pay packet; these include loans for the purchase of a house and family reasons, health insurance and supplementary pension plans. Detailed information on pay policies and on the Group's incentive schemes is contained in the "Report on Group pay and incentive policies" in the Consolidated Financial Statements.

INDUSTRIAL RELATIONS

Once again, in the course of 2016 negotiations with the trade unions made it possible to come to agreements that were consistent with a corporate economic governance approach closely focused on the cost/revenue structure; as well as protecting employment levels through the exclusively voluntary management of structural surpluses, these agreements made it possible to extend and strengthen the network of *People Care* initiatives, resulting in the increasingly inte-

grated development of the Group's corporate welfare system. A plan of days of suspended working activity was drawn up at the start of the year in relation to voluntary resignations due to retirement and access to the Solidarity Fund: the voluntary accessibility of these days, partially remunerated also in terms of contributions and amounting to a total of 120,000 days, was regulated in such a way as to help reconcile the professional and personal lives of employees, particularly those with specific personal and family issues.

During the year trade union negotiations also focused on other important social issues, including: changes in the law on the financial conditions reserved for employees through the sharing of a single document harmonised at Group level; the Sustainable Development and Commercial Policies agreement which reiterated the principles and instruments designed to guarantee that commercial goals are pursued with an eye on establishing stable and trusting relationships with customers while guaranteeing a positive company climate based on the development and growth of expertise, respecting and protecting individual workers; the agreements aimed at workers, designed to activate loans by the Bank and Insurance Fund.

Company/trade union joint committees

The specific joint committees on Training, Sustainable Development and Commercial Policies, and Welfare were particularly active during the year. The committees also focus on health and safety. Consistent with their non-negotiating nature, the above bodies carried out preventive technical analysis activities, facilitating negotiations and

enabling the negotiating parties to come to quick agreements in their areas of competence, as detailed above.

Labour disputes and disciplinary measures

In 2016, the total number of labour disputes at Group level fell compared with the previous year (from 189 as at 31/12/2015 to 165 as at 31/12/2016). The level of labour unrest was therefore in the norm, and below the industry average. Labour disputes were handled, prioritising, where possible and in line with company policy, conciliation (7 disputes were settled over the course of the year); in cases in which a settlement of the dispute could not be reached, rulings were requested of the Judicial Authority, the majority of which were made in the company's favour. Disciplinary procedures, implemented by the competent authorities, were characterised by criteria of rigour, impartiality and consistency, respecting the prerogatives and rights of employees in accordance with the provisions of the "disciplinary code".

WELFARE

The activities to streamline the company's offer in the area of supplementary pensions led to the definitive creation of the Single Group Pension Fund, concentrating the pre-existing forms of welfare already active at company level in the BP Group Pension Fund, specifically designed to act as a suitable "container". The Single Group Fund, which will be launched in 2017, will make it possible to manage the pension investments of employees more efficiently, also ensuring them an extension of the rights and

Average gross salary women/average gross salary men (%)**	2016*	2015*	Var. 2016/2015
Executives and Middle Managers	85.4%	84.9%	0.5%
Professional areas	101.8%	100.4%	1.5%

* Net of company bonus and incentive/reward system - excluding companies abroad.

** Average in FTE.

Table of TU members	Members 2016	%	Members 2015	%
FABI	4,889	33.90%	4,830	33.29%
FIRST - CISL (merger Dircredito - Fiba - Cisl)	4,381	30.38%	4,656	32.09%
UNISIN (merger Falcri-Silcea)	598	4.15%	363	2.50%
FISAC-CGIL	2,182	15.13%	2,203	15.18%
SINFUB	150	1.04%	185	1.27%
UGL	96	0.67%	278	1.92%
UIL CA	2,126	14.74%	1,995	13.75%
Workers with TU membership	14,422	85.33%	14,510	84.35%
Workers without TU membership	2,479	14.67%	2,692	15.65%

N.B.: The data refer to the Group companies in Italy that applied the credit sector national collective labour agreement (CCNL) as at 31/12/2016.

choice opportunities reserved for them, and will guarantee the streamlining of costs because of the potential economies of scale, as well as a greater level of compliance with relevant legislation.

At the same time, the Social Partners also agreed on several important schemes to improve Group Welfare, reaching specific agreements, through which, due to specific tax and social security benefits envisaged by the 2016 Stability Law, it was possible to increase the value of the company bonuses and supplementary Welfare stipulated in 2015, envisaging in particular both the extension of the Welfare services available through the use of "figurative" economic amounts already established for all employees, and the individual option for employees whose income is under euro 50,000 to convert monetary quotas of the company bonus into "figurative" economic amounts, increasing those already allocated for the use of said services.

Following the positive results, the development of the Group Welfare system received further impetus through the establishment of specific People Care schemes, which entailed: the confirmation, also for 2017, of the life insurance policy, increasing the economic contribution of the company to improve services for the sick; extending the option to use the Supplementary Healthcare Assistance; the consolidation of a "figurative" annual budget allocated to the Welfare Account of each employee, together with the further expansion of the

range of Welfare Services, with a view to meeting the varying needs of employees and their families more comprehensively.

These schemes, which therefore enriched the company's Welfare Plan, also entailed the active involvement of employees through company communication and information campaigns, as well as a closer examination of the requirements for which the available resources should be allocated. Part-time employment was also a specific focus of the Social Partners, which confirmed the criteria for the use of this option, already established by the company, and received a significant number of further requests for part-time work, subsequently established at the time of the agreements made for the merger process with the BPM Group, with regard to the need to limit the structural surplus of personnel.

CULTURAL AND RECREATIONAL INITIATIVES FOR EMPLOYEES

The Banco Natale *family day* is the party dedicated to the children of employees which this year was held for the sixth time with the theme of ecology. On 15 December the various Group sites, business areas and branches welcomed around 4,000 children of 10 and under who were able to visit their parents' workplace and celebrate Christmas together. All of the material used during the party, including the children's gifts, were made of uncoloured and recyclable corrugated fingerboard to commu-

nicate the message of low environmental impact. Volunteers of the ABIO Italia Foundation non-profit organisation took part in the event to entertain their young guests and raise awareness with their activities. Banco Popolare donated euro 30,000 to ABIO to support its various ongoing projects.

In March, Bressanone was the venue for the fourth ski meeting, an event aimed at all employees, relatives and retired former employees of Banco which supported the Trentino section of AIL (the Italian association for combating leukaemia-lymphoma and myeloma) through the donation of the registration fees and the purchase of Easter eggs for all children present.

The work to strengthen the Group Employees' Club (CRAL) continued: the new website was launched and contains information on all initiatives and partnerships, whether national or managed by the local sections. In May, the football pitches of Misano Adriatico hosted the third Departmental Tournament, an opportunity for colleagues from all over Italy to meet and get to know each other. Also organised was the fourth 'Banco Run', a race held in Donoratico (Livorno) which involved over 600 participants. The Villa Guerina Club promoted various recreational and social happenings: musical parties with dinner, trips of one or more days in Italy and abroad, for a total of close to 20 events involving over a thousand members; in the spaces of Villa Guerina it hosted the Summer Camp, at which the children of members participated in

4-week English courses organised with English mother tongue and bilingual teachers, and "Chievo Camp", the Chievo football club soccer school for children of members. The Lucca Club organised around 15 trips to Italy's principal cities, as well as two weeks in the mountains. Initiatives included the 'Befana' party and contributions to the main local events such as the Carnival of Viareggio, Festival Pucciniano, the Summer Festival and Lucca Comics and Games, the last of which international in dimension. The Novara Club organised planned trips in both Italy and abroad. There was plenty of participation in sporting events with 300 people getting involved in football, tennis, golf, athletics, fishing, swimming and cycling.

One important initiative was the school awards ceremony which saw 173 prizes awarded to the children of employees. The Modena Club was heavily involved in the European and Italian Banking Industry Skiing Championships, in national road cycling and MBK competitions, and in national fishing competitions. Its participation in the national banking industry "Nautical Mile" swimming competition was also worthy of note. The Lodi Club also continued to promote recreational activities among its employees/members during the year. The Bergamo Club organised various activities including the Departmental Tournament. Thanks to the contributions of its athletes it

Robberies and theft: Comparison 2016-2015	2016	2015	Variation 16-15
Number of robberies	24	46	-48%
Number of cases of theft	36	50	-28%
<i>The figures shown are in line with those of the industry.</i>			

Injuries: Comparison 2016-2015	2016	2015	Variation 16-15
Injuries in the workplace	49	46	+6,5%
Injuries while commuting and on business	151	123	+22,8%
General total	200	169	+18,3%

won first place in the Italian Banking/Insurance Industry Marathon Championships. In 2016 the Fishing section was launched with the creation of a successful team in the various national competitions. The Shooting Section came second at national level.

HEALTH AND SAFETY

The Banco Popolare Safety Department works to protect customers and the business from the threats and risks of a complex scenario. It focuses on combating accidental and intentional threats to protect the Group's technical, organisational and procedural structures.

Physical security

The security of the technologies made available to the public for withdrawal, payment and information services (ATMs) has been de-

veloped and strengthened, while the use of protection mechanisms at the entrances to branches, for the safeguarding of valuables, time-delayed cash disbursement and centralised alarm systems on company data networks, has continued. More specifically, over the year further projects were launched to protect vaults and artistic heritage.

The success of these measures can be seen in the number of robberies, for example, which have fallen significantly, as seen in the table:

Health and safety

The number of workplace injuries rose in 2016 compared with the previous year.

The specific training activities carried out in 2016 comprised 47,000 training hours. In terms of promoting healthy practices, as per Italian Leg. Decree 81/08, the first classroom course on healthy

Indicators	Injury frequency index (x1,000,000)	Injury severity index (x1,000)
Banco Popolare Group	8.16	0.22
Banco Popolare Group-Men	7.44	0.22
Banco Popolare Group-Women	9.30	0.22
North	7.76	0.18
North-Men	7.04	0.18
North-Women	8.92	0.18
Centre	9.33	0.38
Centre-Men	8.80	0.44
Centre-Women	9.89	0.32
South	9.93	0.26
South-Men	8.90	0.24
South-Women	12.90	0.31

diets was developed in 2016 together with the company doctors. As regards risk assessment, as established by the same law, the company has VDU operators and night workers; in this regard 1,178 medical check-ups were conducted by the company doctors on VDU operators and 9 check-ups were conducted on night workers.

COMMUNITY

The Group's commitment to the Community, as in the series of economic, social and cultural activities carried out by the public and the institutions located in the areas in which the Group banks operate, is an integral part of its company mission and takes various forms.

Its focus on the Community translates into multiple initiatives to support the civil and social fabric in various different areas, including educational support, social solidarity initiatives, the protection of artistic and architectural heritage and the promotion of culture, conferences, publishing and sport.

Consistent with the values that inspired the birth and development of the banks of which it comprises, the Group regards local economies and communities as important stakeholders and, as a result, seeks to satisfy their needs. With the means established by the Articles of Association, it also promotes and supports institutions and initiatives of common and social interest in the areas where the Group is established or intends to lay down roots.

CHARITABLE WORK AND ACTIONS TO SUPPORT LOCAL INITIATIVES

Providing assistance and carrying out charitable work and work in the public interest have always represented one of Banco Popolare's corporate goals and a way of pursuing its solidarity objectives. To this end, art. 5 of Banco's Articles of Association establishes that *"the ordinary shareholders' meeting of Banco Popolare may allocate part of its net profits deriving from the approved financial statements to assistance, charity and activities in the public interest"* according to the following corporate and geographical ratios: 8/30 to the Lodi area and the catchment area of the Division whose management offices are located in Lodi; 8/30 to the Novara area and the catchment area of the Division whose management offices are located in Novara; 9/30 to the Verona area and the catchment

area of the Division whose management offices are located in Verona; 1/30 to the support initiatives of the Banco S. Geminiano e S. Prospero Religious Foundation; 4/30 to support initiatives of the Credito Bergamasco Foundation.

The Banco Popolare Board of Directors formulates guidelines relating to the Group's social responsibility and expenditure policies. The same article also states that *"the decisions on the aforementioned initiatives, where not entrusted to the Bipielle Foundation, the Banca Popolare di Novara Foundation for the Territory, the Credito Bergamasco Foundation or the other Foundations whose formation was or will be promoted by the company, who will directly use the funds allocated to them in accordance with their articles of association, will be taken with the opinion or on the proposal of the respective local consultation and credit committee"*.

The Group therefore carries out its charitable activities both directly, through the actions of Banco Popolare, and via the Foundations that the Group itself set up. Formed at different times and with their own distinctive traits, the Foundations all seek to carry out charitable activities on behalf of the local communities. Their specific action areas include educational support, social solidarity initiatives, the protection of artistic and architectural heritage and the promotion of culture, publishing and sport.

Following the merger with Banca Popolare di Milano, the new Banco BPM Group Articles of Association give the Board of Directors, following the approval of the ordinary shareholders' meeting, the possibility of allocating a maximum of 2.5% of the net profit for the year, as confirmed by the approved financial statements, to assistance, charity and activities in the public interest, to be used to support initiatives connected with the specific communities of reference according to the proportions defined in the articles of association.

Allocations for assistance, charity and activities in the public interest

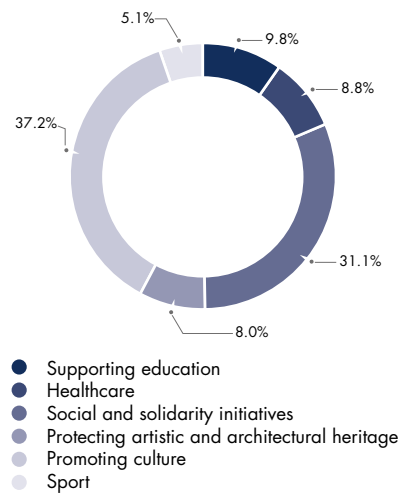
Unlike in previous years, the profit recorded in the 2015 financial year

enabled the Shareholders' Meeting to apply art. 5 of the Articles of Association; in addition to the proportion of the profits, the Board of Directors decided to draw an additional sum from the resources allocated in the Communications Department budget. The overall figure allocated therefore came to euro 6,765,000, of which euro 2 million was allocated to the Credito Bergamasco Foundation as per the agreements made during the merger by incorporation of Credito Bergamasco. The Group's wish to allocate such a sum to solidarity initiatives, notwithstanding the still turbulent economic climate and the Group's own economic results, still conditioned by the aftermath of the financial crisis, underlines its determination to help meet the needs of the underlying socio-economic context.

Below is an indicative outline of the sums allocated to assistance, charity and activities of public interest during the 2016 financial year by the Group banks or their associated Foundations³, according to action area⁴.

The following pages provide an overview of the activities carried out in the various areas by the Banco Popolare Group and its Foundations, with a description of some of the most significant initiatives involving each institution.

Indicative distribution of sums allocated for charitable purposes



BANCA POPOLARE DI VERONA DIVISION

The activities of the Banca Popolare di Verona Division are integrated with those of the Foundations operating in the respective areas. In addition to the historic area served by the Banca Popolare di Verona, the BPV Division encompasses the areas of Banco San Marco and Banca Popolare del Trentino as well as the Territorial Department of San Geminiano e San Prospero, which in turn encompasses the area of Cassa di Risparmio di Imola.

BANCA POPOLARE DI VERONA Supporting education and research

The partnership with the University of Verona, as well as the continuing sponsorship of three 3-year research doctorates, made it possible to continue with the "Business Networks and Banco Popolare" project to study the growth potential of the businesses that sign up for a network contract. The Bank continued to support medical research by establishing annual study grants and supporting the organisation of a higher education course in Geriatrics. There was continued support for the "Provincial Committee for School and Professional Guidance - COSP Verona" to assist young people in making their training and professional decisions (Itinera Project), and for the University Pastoral Centre (Verona) for student training activities. Activities included those at the Diocese of Verona regarding a training project

in journalism for high school students promoted by weekly periodical "Verona Fedele", and at Cà Foscari University (Venice).

Healthcare

The donations to local healthcare organisations and associations went towards the purchase of healthcare equipment and instruments, ambulances and minibuses for transporting the elderly and the disabled, and healthcare training and research. These disbursements included: donations to the Local Committee of the Italian Red Cross Bardolino Baldo Garda (Verona) and the Cooperativa Sociale di Solidarietà Monteverde NPO of Badia Calavena (Verona), support for the Servizio Operativo Sanitario NPO of Sona (Verona), the Associazione Orsa Maggiore NPO (Trento) and the Associazione Italiana Soccorritori - Verona Section; for updating activities on autism support was provided to Associazione M. Arte, promoter of the "Euritmie: Talenti Speciali accedono alle Arti" (Eurythmy: Special Talents access the Arts) project. Funds were also donated to the Sacro Cuore Don Calabria hospital of Negrar for a project on the respiratory function of secondary school students in Verona and the Associazione Amici del Mondo NPO (Vicenza) for the management of a course to become a Sonographer, a specialised healthcare worker who performs ultrasound exams.

Social and solidarity initiatives

The activities in aid of associations and charitable organisations in the social field saw support provided to the Ronda della Carità Amici di Bernardo NPO (Verona) for the construction of the "Ronda Citadel" and NPO Progetto Serena for the organisation of a course for trainers of rescue dogs. We also continued to work with the Social Cooperative "Il Samaritano" for the "Casa Solidale" project, with the Italian Sports Centre for the Handicap & Sport project "The Great Challenge 2016", and with the Opera Don Calabria Study Centre for the "Colle per la Famiglia" project. Funds were disbursed to support the establishment of the 'Solidarity Emporium', for the free distribution of essential items to families in need and to the Congre-

3 As regards the Foundations, in this analysis of the composition of the resources allocated by action area, because of the peculiarity of the expenditure regulations established by their articles of association, the spending commitments made during the year were also taken into consideration.

4 In addition to the sums allocated to charity by the Shareholders' Meeting of Banco Popolare stemming from the profits recorded in the 2015 financial statements, this edition of the Social Report takes account of the sums destined for charitable purposes by the Board taken from the communications budget, i.e. the sums available for charity in 2016 as earned in the relevant period, and the Group's main activities on a cash basis, i.e. the sums pledged and/or actually disbursed in 2016.

VALE UN SOGNO

In 2016 a trial project was carried out in the BPV Division together with the "Più di un Sogno" Foundation and its associated "Vale un Sogno" Social Cooperative, whose activities and services are targeted at people of all ages with intellectual disabilities and Down syndrome, and their families. According to age and requirements, the Foundation carries out diversified activities with the aim of developing individual abilities and ensuring complete social inclusion and participation so that its beneficiaries can be independent from both a practical and economic viewpoint; the path towards autonomy is complete with the understanding and the opportunity of being part of a working and productive context. To this end a work preparation course was launched with the help of an educator from the Cooperative with a training internship at the Banco Popolare branch in San Giovanni Lupatoto (Verona). The goal was to understand the feasibility of the future and ongoing employment of a Cooperative beneficiary in our company.

During the initial phase of the project the branch activities that could be delegated to the person were identified thanks to the collaboration between the Cooperative psychologist and the branch manager. After this, the most suitable profile for inviting into the company on an internship was established together with the educator. The results enabled us to identify new ways of working towards the autonomy and independence of people with intellectual disabilities and to raise the awareness of colleagues and customers around these issues.

gation of the San Filippo Neri Oratory to manage a soup kitchen for the poor. Other contributions include those to the Diocese of Verona for the "A heart as big as a home" project; to the Associazione Volontarie del Telefono Rosa NPO for a communication campaign on gender violence and discrimination; to the Medici per la Pace NPO for a project entitled "The Right of the Elderly to Smile"; to the Associazione ABC and Associazione Familiari Malati di Alzheimer NPOs in Verona to develop programmes to provide daily support for those afflicted with Alzheimer's.

Protecting and promoting artistic and architectural heritage

As regards the preservation of historic and architectural heritage, the Bank supported the Italian Environment Fund (FAI) with the "I 200 del FAI" project, the Capitei TNT Group for the restoration of historic capitals, the Italian Red Cross - Local Committee of Castiglione Delle Stiviere (Mantua) for the restoration of the Sala Mine, and the organisation of the International Museum of the Red Cross. Various donations were made to some Parishes for the protection of religious buildings.

romoting culture

Of the numerous cultural events supported, contributions were made to: the Committee for Celebrations in Honour of San Zeno for the book entitled "San Zeno Maggiore a Ve-

rona"; the Parish Church of Santa Maria in Organo (Verona) for a photographic exhibition on intarsia; to the Studium Generale Marcianum Foundation (Venice). There was also continued support for various cultural associations including the Association for Antique Games (Verona) - "Tocati" Street Games Festival. In 2016 the Bank continued to support the Intercultura NPO to fund an overseas study grant for deserving students from the Verona area.

Organisation of events, shows and publishing activities

In 2016 the Bank continued to make contributions to: the Municipality of Verona for "Estate Teatrale Veronese" (Verona Summer Theatre), the "Arte e Vino" exhibition and for events linked to the 750th anniversary of the birth of Dante; to the University of Verona for the X International "Grapevine Physiology and Biotechnology" Symposium and the Wolpertinger Conference on economics. Contributions were also made to the IDEM Association for the "Festival of Beauty - The Masters of the Spirit", Associazione Le Pietre Scartate NPO for the conference on disability entitled "Le pietre scartate: vite inutili o pietre angolari?" ("Rejected stones: useless lives or cornerstones?"), the Association of Italian Wine Makers and Wine Experts for the National Wine Makers Congress, and the Consortium for the Protection of Soave and Recioto Wines (Verona)

for the "Soave Versus" event. Support was also provided to: the "Man-city-Territory" Cultural Group (Trento) and the Nuovo Ensemble of Desenzano Association (Brescia).

Sport and leisure

The Bank demonstrated its support for the world of amateur sport, focusing particularly on young people and disabled athletes. The most important events sponsored include: Marco Rizzotti Trophy Sports Committee (Venice) for the "XXX Sailing Trophy", Polisportiva Libertas Martignacco A.S.D. sports club (Udine) and, once again, A.S.D. Venicemarathon Club (Venice).

GIORGIO ZANOTTO FOUNDATION

Established in 2001, the Giorgio Zanotto Foundation seeks to keep the memory and the ideals of Giorgio Zanotto alive. Zanotto served the city, contributing to its political and administrative life and, as Chairman of Banca Popolare di Verona, contributed to the cultural, social and economic development of Verona. In terms of solidarity, the Foundation sponsored several musical and theatre shows for, among others, the Verona Association of Parents of Down Syndrome Children and other important entities in the medical-hospital sector. It contributed to the project for schools promoted by the Diocese of Verona dedicated to "New lifestyles". It funded the Vero-

na leg of the film and autism festival promoted by the Verona-based NPO "I Fantastici 15". It awarded three study grants, named after Giorgio Zanotto, to sponsor young people doing degrees in economics or law subjects at the University of Verona. The Foundation promoted numerous initiatives relating to the celebrations of two important historic events: the 150th anniversary of annex of the Veneto and the centenary of the First World War. There was continued support for the annual cycle of conferences on the Great War organised by the University of Verona, and it also supported the organisation of an exhibition called "Album dal Fronte" by the Gino Franz Cultural Association. The Foundation promoted the publication and presentation of the Luciano Rognini book "Governanti di Verona" and contributed to the publication of a study on "Credit and notaries" by the Verona-born academic Marcella Lorenzini. It supported the organisation of a double event for schools and citizens on the theme of "Three mirrors for Pirandello. Realty and representation in Short Stories for a Year". It supported the first edition of the "Verona Mountain Film Festival" and contributed to producing the cycle of conferences organised by the Don Nicola Mazza women's university college entitled "The contemporary world: understanding the problems to make a responsible commitment". It helped in the organisation of events dedicated to Maria Callas and the initiatives of the Peter Maag Fund.

BANCO S. GEMINIANO E S. PROSPERO

Supporting education and research

Banco promoted and funded the II edition of the "Con Merito" (with merit) initiative, which awarded 79 study grants to the most deserving students at higher education institutes in Modena.

Social, solidarity and healthcare initiatives

In 2016 contributions were made to the UNICEF Provincial Committee of Modena, to the Fondazione CEIS NPO, to the Associazione Porta Aperta NPO and to the Associazione Volontari del Soccorso Modena

NPO. Donations were made to the University Hospital of Modena for the purchase of an EEG system to be installed in the paediatrics department of the Polyclinic, to the Association to Support Child Haematology and Oncology for the social care project "La Casa di Fausta", and to CuraRE - Associazione per l'Ospedale della Donna e del Bambino NPO of Reggio Emilia to support the MIRE project for maternity and infancy care and assistance.

Promoting culture and artistic and architectural heritage

Funds were distributed to Consorzio Creativo Associazione Culturale to support the organisation of an exhibition of works by Master Gianni Valbonesi, and to the Municipality of Reggio Emilia to organise initiatives in honour of Elio Monducci. Contributions were again made to the Dante Alighieri Society of Reggio Emilia to promote the "Il Tema più Bello" competition. Contributions made to safeguard our artistic heritage included those to Basilica di San Petronio (Bologna) and the Military Academy of Modena for the renovation of the "Galleria dei Bronzi".

Organisation of events, shows and publishing activities

The Bank supported the Municipal Theatre of Modena Foundation, the Theatres Foundation of Reggio Emilia and the Gioacchino Rossini Choir Association of Modena. Other contributions included those to the "Modenamoremio" Society to Promote the Historic Centre for the organisation of concerts, to the House of Enzo Ferrari Museum Foundation and to cultural association Fabricanda of Vignola (Modena) for the event entitled "Lo schermo dietro il sipario" ("The screen behind the curtains"). The Basilica di San Prospero of Reggio Emilia received funds for the celebrations of the Patron Saint.

S. GEMINIANO E S. PROSPERO RELIGIOUS FOUNDATION

In 2016, the Banco S.Geminiano e S.Prospero Religious Foundation supported the activities of the Dioceses of Modena-Nonantola, Reggio Emilia-Guastalla, Carpi. The most important activities in the Archdiocese

of Modena-Nonantola included: the consolidation works at the parish church of Bomporto and the Sanctuary of S. Clemente and the artistic restoration of the mosaic in the church of S. Giuseppe in Felice sul Panaro, the restoration of the parish churches in Cognento (Modena), S. Teresa (Modena) and Montecuccolo and of the Oratory of S. Anna in Polinago and the old parish church of Rubbiano; the musical and liturgical training of the students of the Cappella Musicale del Duomo through the "Vivere il Sapere" Foundation; research and publications on religious signs in the City's districts (Centro Studi Majestas - Modena). In the Diocese of Reggio Emilia-Guastalla, restoration work was performed on the rectory of the parish church of Poviglio and building work on the parish church of Montecavolo. In the Diocese of Carpi, funds were disbursed to restore structures damaged by the earthquake.

BANCA POPOLARE DI LODI DIVISION

In addition to its historic areas, the activities of the BPL Division also cover the areas of Crema, Cremona, Genoa and Chiavari, as well as those of the Cassa di Risparmio di Lucca Pisa e Livorno. With regard to donations, the BPL Division works both directly and through the BPL Foundation, the Popolare Crema Association for the Territory and the Banca Popolare di Cremona Foundation.

BANCA POPOLARE DI LODI

Initiatives in the healthcare, social and solidarity spheres

The contributions made in 2016 included those to: the Associazione Il Volo degli Angeli NPO of Castelnovo Bocca d'Adda (Lodi) for the purchase of a "Blood gas analyser" to be donated to Lodi Hospital - Codogno section; the Associazione CAF NPO of Milan for a benefit evening to support the assistance centre for young people and families in need; the Municipality of Cremona to support the "Solidarity Fund for social fragility"; the Lombardy Green Jackets Association of Corteolona (Pavia) to support their specific civil

and environmental protection activities. Also of note was the contribution made to the "Un Nuovo Dono di Pavia" NPO for the development of a residential centre for people with serious disabilities.

Supporting education and learning

Banca Popolare di Lodi's activities supported numerous projects carried out by various organisations; these include the funds disbursed to Con-fartigianato Imprese of Cremona for the publication of a book on the food education of adolescents. The Bank also disbursed funds to the Agostino Bassi Technical Economic and Technological Institution (Lodi) with a view to financing a "Three-year Degree Course in Buildings and Territorial Management" for surveyors, the only one in Italy that meets the requirements of the European directive for new registrations to professional associations from 2020.

Promoting culture and safeguarding artistic heritage

Contributions were once again made to the Amilcare Ponchielli Theatre Foundation in Cremona and to the Antonio Stradivari Violin Museum Foundation in Cremona to encourage initiatives aimed at the Bank's shareholders/customers. Numerous activities were carried out on behalf of the local parish churches including the donation made to San Donato Parish Church of Sesto Calende (Varese) to support the restoration of the Abbey of San Donato.

Sport and leisure

Contributions were once again made to amateur sports clubs such as the Lodi-based Lodigiano Pionieri e Veterani dello Sport club and the C.S.I. Centro Sportivo Italiano, also of Lodi, which contributed to staging the IV edition of the "Play all Day" sports event for families. The associations supported included the U.S. Livraga Ciclismo cycling club and A.S.D. Old Socks of San Martino in Strada (Lodi) for youth basketball.

BANCA POPOLARE DI LODI FOUNDATION

2016 saw the continuation of the project launched in 2015 with the University of Milan to analyse and

reuse surplus food from the major retail trade. The "Con Merito" (With merit) project continued this year together with Banca Popolare di Lodi, involving year 5 students from schools in the province of Lodi with the aim of awarding study grants to the most deserving students that took their high school diploma exam in 2016. The project with the Department of Child Neuropsychiatry of Lodi to provide IT support to children with learning disabilities continued, assisting 235 new children. Furthermore, a programme was launched with the ASST of Lodi to expand the network of defibrillators in the Lodi area in 2017, creating an app which indicates their location and use. The "Re-generating Social Value" initiative funded in collaboration with the Cariplo Foundation also continued. This project, which regards the spheres of Food, Work and the Home, won a tender called by the Cariplo Foundation, which allocated a contribution of euro 1.6 million for the three-year period 2015-2017. In 2016, an important renovation project in collaboration with the Opere Pie Foundation of Codogno was sponsored, as were initiatives in cooperation with Caritas Lodigiana to open a new public dormitory. As regards artistic heritage, it published a book on the Historic Residences of the Lodi Area for Bolis Edizioni. The proceeds from the sales of the books were donated to the FAI for the restoration of the illuminated manuscripts of the Tempio dell'Incoronata in Lodi. Like every year, the Foundation promoted important art events staged in the Bipielle Arte space, organising nine exhibitions in collaboration with associations and artists from the local area and further afield. Finally, there was an exhibition of Flemish masterpieces owned by Banco Popolare connected with the theme of mercy. The exhibition of Mattonelle d'Artista (artist's tiles) continued to be organised at the Foundation.

BANCA POPOLARE DI CREMONA FOUNDATION

The Banca Popolare di Cremona Foundation allocated funds both to entities that operate in the health sector and to organisations that

provide assistance for various forms of social and individual hardship. Activities in this sector included the work to furnish the "After us" mini-apartments for the disabled organised by the Fondazione Casa Robbiani NPO. Contributions were made towards: the construction of a safe house for female victims of domestic violence by Associazione Incontro Donne Antiviolenza; the purchasing of a vehicle to transport the disabled by the San Daniele Po Community; the purchasing of a motorised wheelchair for the disabled by the Red Cross of Cremona. The various activities in the area of education and culture included the contribution made to the Municipality of Cremona exhibition on Janello Torriani.

POPOLARE CREMA ASSOCIATION FOR THE TERRITORY

The Popolare Crema Association sponsored the "Festival of Volunteers" promoted by Centro di Servizio per il Volontariato. With regard to healthcare assistance, the Association supported the work of the Italian Red Cross and donated an automatic heart massage device to the Ospedale Maggiore hospital of Crema. In the cultural sphere, the Association, a founding partner of the S. Domenico Theatre, contributed to the creation of an exhibition on Crema art in the first half of the 20th century, loaning several works from its private art collection. Also in 2016, the Association supported the publication of "Insula Fulcheria", the annual catalogue edited by the Civic Museum of Crema and the Crema area, and the "Imondicarta" cultural association for the wine and food festival. Other initiatives included the study grants awarded as part of the fifth "training on saving day". In terms of sport, the "Crema European city of sport 2016" event was supported as was the Equestrian Rehabilitation Centre for activities designed for those with disabilities. Numerous contributions were made to support the restoration of monuments and artistic heritage, the most important of which being the work on the city's Cathedral.

BANCO DI CHIAVARI E DELLA RIVIERA LIGURE

Banco di Chiavari e della Riviera Ligure made contributions to support numerous entities in the local area. In the social sphere, it once again supported the Opera Diocesana Madonna del Bambino - Villaggio del Ragazzo di San Salvatore of Cogorno, an institution that trains young people with disabilities and difficulties and helps them enter the working world. Banco participated in "The beach for everyone" project promoted by the Municipality of Chiavari to build a sandy shore reserved for the disabled. It also continued to support the Community of Sant'Egidio in Genoa regarding its commitment to the Nutritional Centre in Malawi. The Bank also sponsored the "Mariangela Melato Drama School" at the Teatro Stabile in Genoa for the training of young talent. Study grants were awarded to young people that participated in the concert season promoted by the Amici del Carlo Felice association and the Niccolò Paganini Conservatory of Genoa.

CASSA DI RISPARMIO DI LUCCA PISA E LIVORNO

Social and solidarity initiatives

In the social sphere, contributions were made to the Associazione La Calamita NPO for the creation of an oratory also designed to accommodate the disabled, and to the ARCI 690 "Chernobyl Project" association which each year welcomes children from Belarus on short holidays. The contribution made to the AICS Music Association enabled funds to be raised for a project entitled "A house for Matteo", a child afflicted by a rare congenital neurodegenerative disease. A contribution was again made to the Art and Psychology Association of Lucca for the spread of classical music in healthcare and social facilities, and the production of the short film entitled "Days of Puccini", shot by disabled people. The donation made to Il Mondo che Vorrei Association contributed to the production of a short film on the railway disaster of Viareggio. The contribution made to Provincia Toscana di San Francesco Stigmatizzato enabled a charity

gala to be held for the project that supports a home for the elderly in Bethlehem.

Promoting culture

Funds were disbursed to the Garfagnana Photo-Cinema Association for the photographic exhibition entitled "The Ghosts of Auschwitz". The contribution to the Fraternalità di Misericordia di Maria led to the publication of a book on local history entitled "Lucca XX - The history of the Twentieth Century in the province. The events, the news, the economy and the key players". With the support of the Cassa, the Brumier Laboratory organised a series of meetings entitled "To work, kids", which involved the students of the Musical High Schools of Lucca and Modica. The support for the Maestro D'Olio Association helped fund the "Extra-Lucca Summer Edition" wine and food exhibition. Finally, the Cassa supported the work of the Archdioceses of Pisa, Florence, Lucca and Livorno.

Organisation of events, shows and publishing activities

Contributions were made to Ascom Confcommercio of Lucca for the organisation of the *Notte Bianca* event and to the First of May Committee for the organisation of the First of May show in Fornaci. Contributions were also made to: the Hoteliers' Association of Viareggio for its conference activities, and the Italian Institute of Safety for "Pisa loves safety 2016". Other contributions were made to the National Alpine Association, to mark the 73rd anniversary of the Battle of Nikolajewka, and to the Artarchia cultural association for artistic-cultural events in the municipality of Buti.

Sport and Leisure

The Cassa provided support to: the San Francesco di Sales Institute to organise a day of sport dedicated to students; Punto Handy, a social utility non-profit association which actively works with schools to help children with disabilities and to involve normal children in the topic of integration; the A.S.D. Diversamente marinai Association for the Off Shore sailing championships; the National Union of Veterans of Sport for the cel-

ebrations to mark the anniversary of its founding.

BANCA POPOLARE DI NOVARA FOUNDATION

The Banca Popolare di Novara Foundation focuses on initiatives aimed at the economic, social and cultural development of the area it serves. The Banca Popolare di Novara Division worked alongside the Foundation, supporting in particular the amateur sports sphere.

Supporting education and research

Education was supported with activities on behalf of the University, secondary school children ("Novara school pupils towards the new Economy" project) and primary schools (Mirafiore Foundation in Alba and the "Robotic Educational Laboratory" project of the Lucrezia Tangorra Foundation of Novara), as well as by providing school IT equipment. A specific commitment was made to scientific research and in particular to the I3P - Innovative Enterprise Incubator of Turin Polytechnic for the organisation of Start Cup 2016, a competition between innovative young businesses in Piedmont and Valle d'Aosta, and to research in the sphere of oncology (Humanitas Foundation, AIL and LILT).

Healthcare

The "Maggiore della Carità" Hospital of Novara, the Hospital of Borgomanero and the Hospital of Alessandria received support for the purchase of healthcare equipment, while the Hospital of Alba-Bra received donations to improve patient comfort. In addition to these, contributions were made for the purchase of vehicles for the transportation of people with disabilities and for the implementation of healthcare programmes.

Social and solidarity initiatives

The Foundation and the BPN Division supported many institutions dedicated to assisting the weaker sections of society: the municipalities of Borgosesia, Novara and Varallo for projects to assist families and provide work for the unemployed; for the purchase of essential items for the Caritas and Diocese of Novara; for projects of the Il Focolare NPO of Vigevano and the

Certosa 1515 Association of Turin. Support was also provided to the Association of Parents of Autistic Children of Novara-Vercelli and the Liberazione e Speranza NPO of Novara, which helps women who have been the victim of violence, bad treatment and exploitation.

Protecting and promoting artistic and architectural heritage

The Foundation provided support for projects relating to buildings and heritage in the Diocese of Novara; these included the conservative restoration of the parish church of the Vergine Assunta of Grignasco. A significant contribution was made to the Jewish Community of Vercelli for the restoration of the Sacred Scroll of the Synagogue of Biella. Funds for the restoration and promotion of works of art were given to the Borgogna Museum in Vercelli and to the Calderini Museum in Varallo.

Sport and leisure

The BPN Division supported sports like gymnastics, running (Atletica Trinacria) and roller hockey (Azzurra Novara) and small- and medium-sized sports associations. It continued to support the "Ofantiadi" sports event in Pescopagano (Potenza).

Promoting culture

As regards the cultural sphere, the Foundation continued to sponsor the Teatro Regio in Turin for the programme entitled "La scuola all'Opera". In addition to numerous other small donations to associations active in the cultural sector, contributions were again made to the Novara Jazz Festival and for the organisation of the theatre season of the Teatro Coccia NPO in Novara. Contributions were made to the Ducci Foundation in Rome, for the ceremony to award the 2016 Peace Prize, to the Pro Loco Association in Stresa for the Stresa Narrative Award, and to the Eventi Sonori Association in Alessandria for "Monferrato in musica".

CREDITO BERGAMASCO FOUNDATION

Credito Bergamasco Foundation works to promote cultural, scientific and social progress in the areas in which it operates.

Social and solidarity initiatives

The projects sponsored include the support for a re-education project in legality at Bergamo prison through the publication of a magazine, "Spazio", containing pieces written by prisoners on pedagogically sensitive issues. Other initiatives included contributions made to the Paolo Belli Association for the fight against leukaemia, to the Palliative Care Association of Bergamo, to the Capuchin monks of Bergamo for the management of the soup kitchen and to the Academy of Sport for Solidarity. As part of the project entitled "Ti farò battere forte il cuore...con il defibrillatore" (I will get your heart racing... with a defibrillator), Credito Bergamasco Foundation donated one of these devices to every secondary school in Bergamo that didn't have one, also organising a course for the students.

Supporting research

In addition to the support it has guaranteed the hospital over the years, in 2016 the Foundation sponsored the "IORT - Acceleratore lineare per radioterapia intraoperatoria" project at Papa Giovanni XXIII Hospital in Bergamo. An important contribution was made to the Italian League for the Fight against Tumours, to support the research project "Clicca il neo" for the early diagnosis of skin tumours.

Promoting culture

Over the year the Foundation organised numerous shows including the travelling exhibition to mark the Jubilee of Mercy 2016, with the display of works owned by Banco Popolare connected with the theme of mercy in Lodi, Bergamo and Romano di Lombardia. In May, the Foundation celebrated the 10th anniversary of its exhibition activities by organising a show dedicated to Bergamo-born painter Evaristo Baschenis at the head office of Credito Bergamasco. Another exhibition dedicated to the eighteenth century was organised with works by Giambattista Tiepolo and other great artists from this era, also promoting related initiatives in Palazzo Creberg and in the local area. The Foundation supported the Associazione Intercultura NPO, contributing to the funding of grants for

study programmes abroad for deserving students.

Protecting and promoting artistic and architectural heritage

As part of the "Grandi Restauri" (Great Restorations) initiative, the Foundation supported and managed the work on a painting by Paris Bordon, three paintings by Giovan Paolo Cavagna and two masterpieces by Giovan Battista Moroni. The restoration work carried out on the Pala and the Lunetta by Enea Salmeggia in the Chiesa della Natività di Maria church in Desenzano al Serio (Bergamo) was also significant. The Foundation also sponsored the restoration of a cycle of frescoes discovered in the Cappella dell'Addolorata in the Chiesa del Paradiso church in Clusone (Bergamo), as well as some wooden furniture in the parish church of Zandobbio (Bergamo).

Sport and leisure

Contributions were once again made in 2016 to sponsor initiatives in the sports and social spheres organised by numerous amateur sports clubs: these included Runners Bergamo, the Valle Brembana-Zogno athletics club (Bergamo), the Paratico athletics club (Brescia), the Italian Alpine Club-Bergamo Section.

SPONSORSHIPS, PARTNERSHIPS AND PROMOTIONAL ACTIVITIES IN THE LOCAL AREA

Banca Popolare di Verona Division

The Banca Popolare di Verona area was supported through numerous initiatives dedicated to sport, culture and "Community Projects", with funds collected to support local initiatives. Some of these projects made it possible to renovate the games areas of Corte Molon and San Vito in Legnago, to construct a reading and cinema space in Cerea for disabled youths, and to donate a defibrillator to Cologna Veneta primary school. In the sports area lots of attention was focused on the youth sections of the Hellas Verona, Chievo Verona, Scaligera Basket and Blu Volley clubs with "Open Days" at which the real protagonists were sporty youngsters. The management of Banco S. Geminiano S. Prospero supported and

Gallesi which organises multi-sport summer camps for 7 to 17 year-olds, hosting children with disabilities or that live in children's homes. In the cultural sphere it worked with Arci of Reggio Emilia with a training meeting on the theme of saving, and also supported the Eleva Festival, a public event dedicated to youngsters and musical and artistic experimentation. There was support for Start Cup Emilia Romagna 2016, a competition for innovative projects with high business potential, and in the training area it supported the 2016/2017 edition of the International Management Master's promoted by the CIS business management school of UNindustria Reggio Emilia. Finally, it collaborated with Ewmd Reggio Emilia Modena, an association that pursues the goal of fostering the balanced presence of men and women in high-level professional roles, based on merit.

Banca Popolare di Lodi Division

The Banca Popolare di Lodi Division supported the "We cultivate life" project promoted by the AGAMICA Parents' Association which, thanks to the fund supported by the Bank and the local community, donated two interactive multimedia blackboards to the Cesare Battisti primary school of Gallarate. It continued to support the Confartigianato Lodi initiative "Guessing life", a school guidance project aimed at second-year secondary school pupils.

The management of Cassa di Risparmio di Lucca Pisa Livorno supported various cultural initiatives including "Conversations at San Francesco" in Lucca, and the 19th Lucca Summer Festival. As for sports clubs, as well as the continuation of the historic partnership with the Virtus CRLucca club, it supported initiatives aimed at youth sectors: I Medicei Rugby of Florence, Tau Calcio of Altopascio and the Gran Fondo Mario Cipollini cycling race. Finally, also of note was the partnership with Ascom Confcommercio Lucca and Ascom Confcommercio Pisa.

The sponsorships of the Banco di Chiavari e della Riviera Ligure management involved the sports clubs Virtus Entella Calcio, ASD Real Fieschi of Cogorno, Volley Golfo Paradiso of Camogli, ASD Chiavari Tig-

ullio Outdoor and Serteco Volley of Genoa. The Bank also supported the families of the Chiavari II comprehensive school for the educational platform for doing homework using tablets and worked with Consorzio Ospitalità Diffusa "Una Montagna di Accoglienza nel Parco" for the project of the technical schools of Chiavari to promote the area of the Parco dell'Aveto. As regards the "Community Projects", funds were raised for Pallacanestro Busalla for the redevelopment of the basketball court of Villa Borzino, for the Volontari del Soccorso di Rapallo for the installation of a defibrillator on San Michele beach in Pagana, and for the Lega Navale of Chiavari to provide equipment for the paediatric department.

Banca Popolare di Novara Division

The Banca Popolare di Novara Division was main sponsor of the ice skating world championships in Novara. It worked with local associations on the Traders campaigns in Vigevano and Novara and on the Community Projects with the Ospedale Foundation of Alessandria and the residential centre for the disabled of Pavia, and worked with schools on the Sestante Azzurro trophy. The Central-South management contributed to the staging of "La Notte Bianca della legalità" event in Rome organised by the Magistrates Association, which saw secondary school pupils get to grips with the themes of drug abuse, bullying and doping. It supported the "Manlio Masi Foundation Observatory" and, in the Naples area, contributed to social issues such as healthcare with the Association of Haematology Volunteers and Clinica Mediterranea and the Voluntary Services Centre. Of particular importance was the development of the first Community Project in the capital through which the management helped ASSOCOMM Lanciani replant 20 trees destroyed by degradation and neglect. In the areas of Sicily priority was given to activities in support of sports clubs and a contribution was made to the SOL.CO Consortium in the area of welfare.

Credito Bergamasco Division

In 2016 Credito Bergamasco sponsored "Cartolandia", the theme of which was "Language and commu-

nication". The competition involved over 70 schools from the province of Bergamo. At Teatro Grande in Brescia it sponsored the concert by the Chamber Orchestra of Europe as part of the 53rd International Piano Festival of Brescia and Bergamo. It also continued to successfully sponsor "Creberg Teatro Bergamo", which welcomed over 50,000 spectators during the season. The Bank also supported the General Meeting of the Brescia Industrial Association. In the area of sport, as well as supporting numerous amateur clubs in the local area, the bank was partner of several leading teams including Atalanta Bergamasca Calcio football club, Volley Bergamo Foppapedretti and Atletica Bergamo 59, showing particular support for initiatives targeted at the youth sectors and their families.

COMMUNICATIONS AND EXTERNAL RELATIONS

In 2016 Banco Popolare continued to supplement its activities via traditional communication channels with its active presence on the social networks, sharing news and content on happenings, programmes and events on a daily basis at both corporate and local level, with specific attention on projects of social relevance. Over 200 press releases were written and issued relating to price sensitive, commercial and corporate aspects or dedicated to the cultural and social initiatives implemented by Banco Popolare both directly and through the historic brands of the local banks. Numerous press conferences were organised to promote events, projects and initiatives either carried out directly by Banco or in collaboration with institutions, companies, entities and associations that operate in the various local communities. The collaboration with national and local radio and television broadcasters continued, consolidating the information on social themes and projects. At the same time, there was an increase in the number of initiatives designed to improve the visibility of customers, shareholders and their business activities through the production and broadcasting of journalistic reports on the suc-

cess stories of Italian SMEs (around 130 business stories in total), thanks also to the ongoing publication of "La Notizia Popolare", Banco's free newspaper, available in paper form and online (www.lanotiziapopolare.it), and also through the specific app. During the year the new-look and more user-friendly company intranet made it possible to communicate corporate, commercial and regulatory content to the various company populations, at the same time offering new tools for searching documents and the quick consultation of content. BANCO&NOI Flash, the online daily newspaper for employees, covers various topics such as commercial initiatives, local events and social events, and recorded a rise in its average number of daily accesses. Noi Popolari, the 4-monthly paper publication for retired Banco Popolare workers which covers issues of daily interest to its target, continued to be produced and involved the greater participation of its readership, which contributed written and photographic content. In the spring, the website www.noipopolari.it was launched, where every association of pensioners in the local area has a space to promote initiatives for its members and describe what they have done together. In line with the objective of encouraging the participation of all colleagues in the life of the Group and sharing the most important company events, the communication channel "Diretta Banco" was used on a number of occasions to enable all colleagues to remotely participate in the meetings of the top management and chairman through audio and video conferencing tools. Another successful series of "Incontri Popolari" (Meeting the People) was held with 20 appointments in 15 different cities and the participation of over 8,000 people. Around 600 conferences focusing particularly on the world of associations, non-profit organisations and voluntary work were held: various local initiatives saw Banco Popolare and the local Foundations involved in organising charity events: in particular, the Volunteers' Festivals, which took place in Verona, Lodi, Novara and Lucca, and the "Pasta in the Square" initiatives, in collaboration with several local NPOs, which are dedicated to

assisting people in difficulty or that have been marginalised.

The promotional products for customers were designed according to the different seasons of the year: the second volume of "La Biblioteca Popolare", produced in the spring, was dedicated to writer Luigi Pirandello with one of his most famous works, the well-known "Short Stories for a Year". Last year's successful "Voglia di Mare Diventa Popolare" campaign, which involved giving away beach towels to those that open an account with our bank, was held again. There was also support for families with the 2016-17 School Diary dedicated to animals. Finally, the Christmas book "Pasta in tavola" was dedicated to pasta and pasta recipes.

CONSERVATION AND PROMOTION OF ARTISTIC HERITAGE

In 2016 the Bank "lent" over 40 of the Group's works to public and private institutions to be displayed at 13 exhibitions. Of particular importance was the exhibition of the famous *Maternità* painting by Gaetano Previati and one of his preparatory studies on paper at the "Umberto Boccioni. Genius and Memory" exhibition at Palazzo Reale in Milan.

The Works of Mercy by *Cornelis del Wael* - together with *Van Dyck*, one of the leading figures of the close-knit group of Flemish artists that spent time in Genoa at the start of the 17th century - were the focal point of the "Misericordiae Vultus" exhibition staged by the Credito Bergamasco Foundation at various venues, as previously mentioned. Turin, Bergamo, Rovereto, Lodi, Mantua, Crema, Verona and Loreto hosted many works, including paintings, drawings and sculptures, from the Bank's complete art collection with the aim of making our legacy more accessible and familiar to the individual communities. In addition to the exhibitions on Flemish works in Bergamo and Lodi, this year also saw the presentation of the "Carlo Scarpa for the Banca Popolare Verona site" book at the Verona offices, which was accompanied by the exhibition of some drawings by the Master donated by Clotilde Venturi

Scarrazai and Valter Rossetto to the Carlo Scarpa Archive of Castelvecchio Museum. Thanks to the collaboration with the LAO Foundation - promoter of 'outsider' artists - new life was breathed into the Roman Domus of Piazza Nogara, which can be visited in its entirety, demonstrating its particular vocation as an exhibition venue. The curator developed a site-specific installation called "Pharmakon. The snakes of Dario Righetti", in close dialogue with the mosaics of the ancient Patrician villa, precursors to more modern rugs. This led to the idea of recreating them with a modern twist with colourful designs by the artist positioned on undecorated areas of the floor.

Some 19th century drawings, some 20th paintings and a monumental fibreglass sculpture by artist Vittorio Tavernari, one of the protagonists of the 1964 Venice Biennale, were recovered and restored. The scientific cataloguing of 154 drawings came to a close, making it possible to attribute a series of otherwise anonymous works, and to identify original sheets. The entire Group collection can be seen at www.patrimonioartistico.bancopopolare.it.

CATHOLIC CHURCH AND OTHER RELIGIOUS INSTITUTIONS

For several years Banco Popolare has promoted the development of relations with local religious institutions.

In 2016 our institution renewed its collaboration with the Italian Diocese. For over a decade it has been one of the treasury banks of the Italian Episcopal Conference and in 2016 it consolidated its relationship with the Central Institution for the Sustenance of the Clergy, for whom it pays the salaries of 35,000 Italian priests. Our Bank was tasked with issuing the cheques to deliver to the parish churches to distribute the alms of Pope Francis to the most needy and since 2016 it has also received the deposits of the Faithful for Peter's Pence.

In 2016 it consolidated its partnership with ReteSicomo, the free portal that supports the activities of the Religious Entities, Parish Churches, Religious Congregations, Voluntary Associations, schools and Religious Institutions.

The Bank supports the Biblical Festival and the teaching activities of the Theology Faculty of the Triveneto for the training of priests and laypersons. An agreement for the advanced payment of contributions to around 2,000 private Catholic schools forming part of the Italian Federation of Nursery Schools was also signed.

Together with the Salesians the cash pooling operation for religious bodies that makes it possible to optimise treasury management, with the added advantage of remunerating 'virtuous accounts' and lowering the financial costs of debt-ridden accounts, was launched and refined.

PUBLIC ADMINISTRATION AND OTHER STAKEHOLDERS

The Banco Popolare Group entertains relations with public authorities and local institutions and businesses in its guise as both a resident company and tax-payer, and a supplier of financial services.

GOVERNMENT

Despite the losses it posted in the 2016 financial year, the Banco Popolare Group made payments of euro 268.7 million to the Government, mainly regarding the indirect taxes it owed, corresponding to 44% of the value added generated by its activities. The positive results of the previous year did not lead to net expenses as it had accumulated tax credits mainly due to the effect of the transformation, pursuant to the tax laws in force, of deferred tax assets into tax credits.

RELATIONS WITH THE JUDICIARY AND ANTI-MONEY LAUNDERING ACTIVITIES

The Group offices actively cooperate with the Judicial Authority and the Administrative and Tax Authorities as regards investigations, assessments and requirements relating to anti-money laundering legislation. As regards managing requests received from the Judicial Authority, in 2016, the Banco Judicial Authority Inquiries Office received and processed 14,026 orders regarding 24,112 people. The same Office also managed 6,909 registration requests for the Single Justice Fund from Equitalia Giustizia. As regards requests for tax assessments received from the Italian Tax Authority or from Italian Tax Police Departments, the Tax Assessment Office processed 1,811 cases.

Taxes and duties	31/12/2016	31/12/2015(*)
Income tax	-28,443	750,595
Indirect taxes and duties	-240,273	-251,798
Total	-268,716	498,797

(*) The 2015 figures have been restated in compliance with IFRS 5 and to enable a like-for-like comparison.

SUPPLIERS

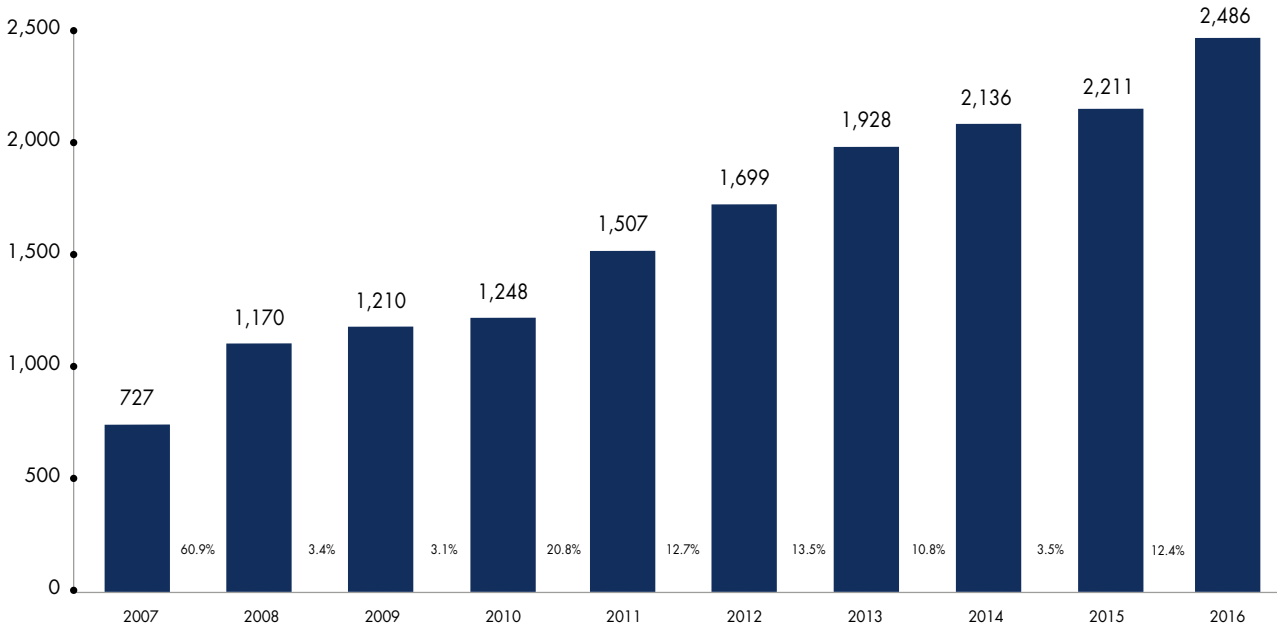
In 2016 around 60% of Banco Popolare's purchases were made in the historic areas of the local banks, both confirming historic suppliers and offering development opportunities to new suppliers in the area that work with high quality standards and with complete respect for health and safety regulations regarding their employees and the environment. The principle implemented by the Group regarding the protection and safeguarding of the environment is also reflected in its increasing use of suppliers with certification in the areas of quality, the environment, safety and so on. As well as the environmental and social problems indicated above, in application of legal

requirements and with a precautionary approach in order to protect the employees of supplier companies, during the phases of the signing of contracts and the payment of invoices our Group systematically requests the presentation of a valid DURC (certificate of social security compliance) by companies as a guarantee that they pay their contributions and correctly manage their employees. Last year the Purchases Service managed the entire supplier relationship electronically, having dematerialised the entire process. This made it possible to avoid the consumption of almost 600 reams of paper, the equivalent of 300,000 sheets of A4, in addition to the cost of storing and transporting this paper, the consumption of toner with the consequent production of waste and scrap, the storage of the documents produced

in specific archives and many others aspects that made the old process far from environmentally-friendly. Finally, it should also be noted that all the purchases managed by the Purchases Service involve the prior verification of situations concerning:

- conflicts of interest;
- the application of anti-money laundering legislation;
- transactions carried out with parties connected with the public authorities;
- respect for the provisions and principles established by the aforementioned Italian Legislative Decree no. 231/2001;
- controls resulting from Law 81/08 (formerly no. 626).

Number of certified suppliers and year-on-year % growth





THE ENVIRONMENT

RESPECT FOR THE ENVIRONMENT

Banco Popolare strives to safeguard the environment, carrying out activities to combat the biggest threats that its operations could pose to the ecosystem. It carries out both direct activities (e.g. the use of regenerated toner or the purchase of electricity from renewable sources) and indirect activities (such as the products created ad hoc for the financing of photovoltaic energy or the attention it focuses on project finance initiatives connected with environmentally sustainable themes). No significant fines or penalties were issued to the Banco Popolare Group in 2016 for its failure to respect environmental legislation.

WASTE COLLECTION AND DISPOSAL

The collection and sorting of waste is carried out using the usual methods with particular focus on the management of "special waste" (used and/or defective toner cartridges and similar products, ink ribbons, inkjet cartridges, expired medicines etc.) which is periodically collected by the responsible companies and disposed of according to the laws in force; in total 1,221,922 kg of "special waste" was collected and processed, including one piece of hazardous waste.

The waste produced every day by the business units (rubbish bin waste) is managed by cleaning staff who dispose of it in the bins made available by the individual municipalities. Paper is collected in transparent bags and periodically collected by the responsible companies, who are registered with SISTRI (traceability control system), and recycled; it is then taken to a paper mill for pulping. The main product used that derives from the recycling of waste material is toner. 80% of the toner cartridges used by the Group are "regenerated" to reduce the environmental impact of this kind of consumption; the automatic management of toner refills is active for the three main printer models with the goal of optimising consumption. The complete recovery of various materials (office machines, used toner, batteries, neon lights, equipment parts, old forms and expired medicines), deriving from redevelopment and maintenance work, is carried out regularly on the basis of notifications from the offices and branches; after the sorting process, carried out according to the regulations in force, the materials are handed over to the authorised waste disposal companies.

ENERGY EFFICIENCY

The management of energy sources
In implementing a strategy and mission based on the principles of en-

vironmental sustainability, the Group has identified the purchase of "clean" electricity and energy efficiency initiatives as the most appropriate tools. In terms of environmental sustainability, the use of renewable energy sources represents a salient element that is able to guarantee the biggest benefits. For this reason, over the years Banco Popolare has consolidated its relationship with free market electricity suppliers CVA Trading and AGSM Energia, which it has identified as companies that are able to guarantee the most favourable economic conditions as well as the quality of its energy portfolio in terms of environmental sustainability. Both certify the electricity they sell to the Group with "Guarantee of Origin" renewable energy certification. The amount of electricity purchased from CVA Trading and AGSM in 2016, equal to 108,784 MWh, enabled the Banco Popolare Group to avoid the atmospheric emission of around 35,423 tonnes of CO₂ equivalent. During the same year, the Banco Popolare Group emitted a total of 12,514 tonnes of CO₂ equivalent into the atmosphere, deriving from: direct energy: form of energy that falls within the operating boundaries of the organisation, in terms of primary energy; indirect energy: form of energy produced outside the operating boundaries of the organisation and used to meet intermediate energy needs (form of energy that

Consumption of toner and cartridges, paper: comparison 2016-2015

Type	2016		2015		Var.2016/2015	
	Quantity	Kg.	Quantity	Kg.	Quantity	Kg.
Toner (cartridges)	37,445	n.a.	36,657	n.a.	2.1%	n.a.
A4 paper (2.4 kg/ream)	776,245	1,862,988	835,590	2,005,416	-7.1%	-7.1%
A3 paper (5.8 kg/ream)	2,377	13,787	1,568	9,094	51.6%	51.6%

Disposal by material type (kg)

	Paper and cardboard	Mixed packaging	Used toner cartridges	Out of use equipment containing hazardous components	Out of use offline equipment (*)	Components removed from equipment
2016	1,143,570	29,740	10,160	-	14,960	23,942
2015	1,135,940	30,860	5,320	2,200	30,643	19,235

(*) Off-line equipment: calculators, typewriters, money counting machines, fax machines, photocopiers
All materials are subject to recovery except for mixed packaging which is disposed of

Gas, diesel, electricity, district heating and water consumption: comparison 2016-2015							
Utilities		U.M.	2016	2015	Variation 2016/2015	Per capita 2016	Per capita 2015
Scope 1	Gas	mc	4,080,529	4,215,215	3.2%	236.9	240.2
	Diesel - automotive	l	1,189,153	1,369,305	-13.2%	69.0	78.0
	Diesel - heating	l	173,403	211,149	-17.9%	10.1	12.0
Scope 2	Electricity (*)	kWh _e	109,133,523	114,695,265	-4.9%	6,335.4	6,536.8
	District heating (**)	kWh _t	2,114,477	3,023,491	-30.1%	122.7	172.3
Total consumption within organisation		GJ	589,392	625,171	-5.7%	34.2	35.6
Scope 3	Diesel - automotive	l	55,400	59,528	-6.9%	3.2	3.4
	Electricity-rail	kWh _e	572,364	555,382	3.1%	33.2	31.7
	Kerosene - air	l	95	134	-29.3%	0.01	0.01
Total consumption outside organisation		GJ	8,170	9,969	-18.1%	0.47	0.57
Total energy		GJ	597,562	635,140	-5.9%	34.6	36.2
		TEP	25,550	26,648	-4.1%	1.48	1.52
	Water (***)	mc	756,697	587,823	28.7%	43.9	33.5

Direct consumption in blue, indirect consumption in green, other indirect consumption in grey

(*) of the total consumption, 349,957 MWh (0.32% of total consumption) is the amount of electricity still allocated to the non-eligible market, as per company policy (utilities for property used for "residential" purposes). This allocation does not make it possible to include this portion under certified renewable energy.

(**) district heating uses the heat produced by cogeneration thermoelectric power plants. The emissions have therefore already been considered in the generation of electricity.

(***) the water consumed derives from the water network; the amount drained is equivalent to the amount drawn and is discharged into the sewers.

was produced converting primary energy into other forms); other indirect energy: form of energy outside the operating boundaries of the organisation, in terms of primary energy, deriving from business trips using hire cars with driver, train and plane. As regards the activities aimed at pursuing energy efficiency goals, 2016 saw the strengthening of the environmental policy introduced by Banco Popolare, which is committed to the gradual reduction of direct energy in terms of primary energy. The energy efficiency plan involved the replacement of traditional boilers with more modern condensation boilers which, as well as exploiting the heat generated by combustion, recover the quantity of heat con-

tained in exhaust fumes by cooling them. The overall heat performance reduced the consumption of methane gas by around 15% (average figure recorded in the field) and, as a result, harmful atmospheric emissions. The action plan implemented by the Group in this area in 2016 makes it possible to reduce the consumption of methane gas by a forecast 18,294 m³, for a total forecast quantity of 35.9 tonnes of CO₂ equivalent not emitted into the atmosphere; in addition, the same plan involved the installation of high-efficiency refrigerating units and heat pumps, enabling a reduction in electricity consumption of 365,297 kWh, for a total of 118.3 tonnes of CO₂ equivalent not emitted into the atmosphere.

The energy savings and relative avoided emissions were forecast on the basis of the actual benefits generated during the year, according to the climate type where the system was installed. There are no other significant atmospheric emissions or additional greenhouse gas emissions. One final element worthy of note in the area of efficient energy management is the figure of the Energy Manager.

For consumers belonging to the civil, tertiary and transport sectors, whose annual consumption exceeds the threshold of 1,000 TOE, according to Law 10/91 an Energy Manager must be appointed to oversee energy conservation and rational use initiatives. The Banco Popolare Group has

	Tonnes of CO ₂ equivalent (*)				Var. 2016/2015
	2016	2016/ Per cap.	2015	2015/ Per cap.	
Direct emissions - scope 1	11,660	0.68	12,509	0.71	-6.79%
Indirect emissions - scope 2	114	0.01	117	0.01	-2.79%
Other indirect emissions - scope 3	740	0.04	708	0.04	4.49%
Total emissions	12,514	0.73	13,334	0.76	-6.15%

(*) Environmental sustainability parameter used to compare the emissions of greenhouse gases considered, specifically CO₂, NH₄ and N₂O, on the basis of their global warming potential.

Emission reduction measures*	Num.	Energy savings	Energy savings	Tonnes CO ₂ e
Condensation boilers	42	18,294 (mc)	618	35.9
Refrigerating units and heat pumps	92	365,297 (kWh)	1,324	118.3

* Energy savings and the relative avoided emissions were forecast on the basis of the number of hours and days of operation of the systems considering the timeframe of a year from the installation of the system as a reference and on the basis of the different climate types where the measures were carried out

chosen to appoint one Energy Manager for all Group companies whose consumption exceeds the aforementioned threshold. The Energy Manager was identified at *BP Property Management*, the Group real estate service company. They are personally tasked with studying energy efficiency solutions such as the installation of high-performance condensation boilers and heat pumps; the adoption of high-efficiency lighting systems; the remote management of heating systems; the power factor correction of electrical systems; feasibility studies on renewable energy systems (e.g. photovoltaic).

Company cars

In 2016 the company fleet is composed of vehicles with reduced engine sizes and low-consumption models to further reduce running costs. Diesel models with reduced consumption, with Start & Stop functions that respect Euro 6 Fap anti-pollution regulations and with reduced CO₂ emissions (the average does not exceed 120mg/km) were selected for an increasingly 'green' fleet. In line with the indications of the European Commission, the models in our fleet are equipped with specific passive safety devices.

The procedure for booking pool cars on the company intranet was fine-tuned and, when booking a trip, makes it possible to share cars so users can travel together. Since September, many pool cars have been

washed without water resulting in zero chemical residues and savings to the tune of 50,000 litres of water. The bus that connects the Modena and Bergamo sites with Verona is still available to employees working at these sites that need to plan trips.

Indirect forms of environmental protection

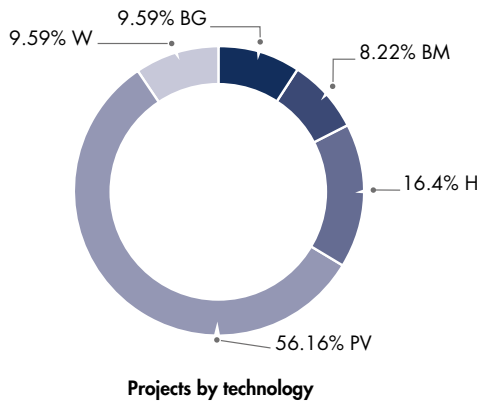
Through the Business Finance department, the Banco Popolare Group focuses specific attention on environmental issues, supporting the development of projects in the renewable energies sector through dedicated funding instruments. 2016 confirmed the contraction in the financing of new renewable energy production facilities. To this end, Banco lent its support to a number of small-scale activities, particularly in the hydroelectric sector, continuing to maintain the portfolio it had developed in previous years. It is estimated that in 2016 the facilities financed by the Group generated 288.2 GWh, with lower atmospheric emissions of carbon dioxide to the tune of an estimated 153,000 tonnes. The following graphic shows the total reduction in emissions (by financed technology) achieved thanks to the facilities financed by Banco. The graphics show the segmentation of the Banco Popolare portfolio as at 31/12/2016 (therefore not including discontinued projects and those whose financing operations have been completely reimbursed) by

financed technology, divided according to number of facilities and installed capacity.

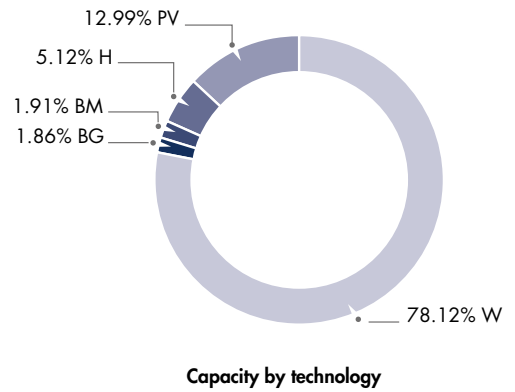
Banco Popolare Group company cars	2016	2015
Vehicles available	765	738
for personal and business use	305	323*
of which: pool	460	415
Fuel supplied in litres	1,509,865	1,586,646
Average annual distance travelled per car in km	24,866	26,874

* Excluding 6 cars allocated to external collaborators
Data only refer to Italian companies

% Breakdown of number of projects by technology
as at 31 December 2016

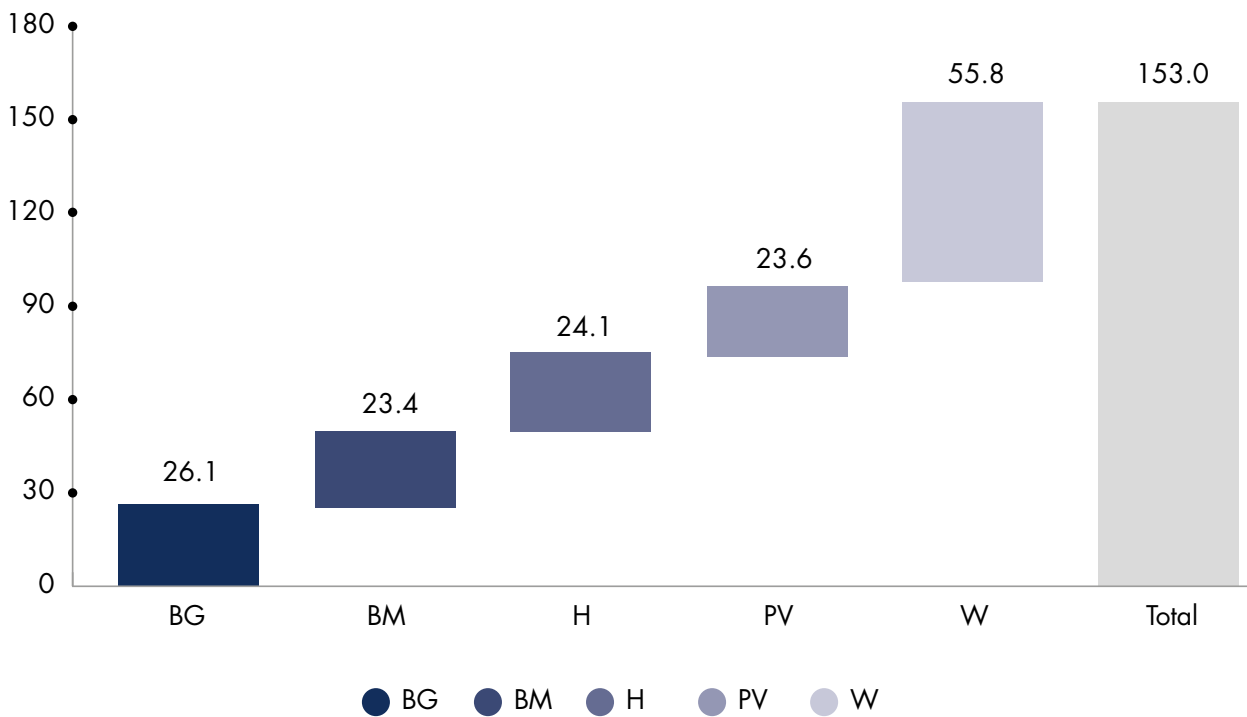


Breakdown of installed capacity by technology in MW
as at 31 December 2016



- BG - Biogas
- BM - Biomass
- H - Hydroelectric
- PV - Photovoltaic
- W - Wind energy

CO2 emissions avoided in 2016 - facilities financed
Thousands of tonnes





THE ECONOMIC REPORT

PRODUCTION AND DISTRIBUTION OF ADDED VALUE

The scope of reporting of the social report regards the whole scope of consolidation that includes the Par-

ent Company Banco Popolare Soc. Cop. and all Italian and foreign subsidiary and affiliated companies. The composition of the scope of consolidation, the general preparation principles, methodological clarifications and legislative references relating to the preparation of the Consolidated Financial Statements are fully illustrated in Part A of the Consolidated

Notes to the Financial Statements, to which the reader is referred for further details. The figures shown have been extracted from various company information systems. The social report reflects the income and equity situations of the Parent Company Banco Popolare and of subsidiary companies on a consolidated basis.

Financial and economic ratios	31/12/2016 (*)	31/12/2015 (*)
Alternative performance measures		
Profitability ratios (%)		
Financial margin / Operating income	47.14%	46.05%
Net fee and commission income / Operating income	43.08%	38.91%
Operating expenses / Operating income	81.29%	65.65%
Operational productivity figures (000s of euro)		
Loans to customers (gross) per employee (**)	5,003.10	5,028.10
Operating income per employee (**)	184.1%	215.8%
Operating expenses per employee (**)	149.6%	141.7%
Credit risk ratios (%)		
Net bad loans / Loans to customers (net)	8.23%	8.24%
Unlikely to pay / Loans to customers (net)	8.22%	9.42%
Net bad loans / Shareholders' equity	82.36%	76.04%
Other ratios		
Financial assets and hedging derivatives / Total assets	21.85%	22.85%
Derivative assets / Total assets	1.72%	2.30%
- trading derivatives / total assets	1.34%	1.89%
- hedging derivatives / total assets	0.38%	0.41%
Net trading derivatives (***) / Total assets	1.33%	1.03%
Gross loans / Direct funding	103.40%	103.89%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	12.97%	13.15%
Tier 1 capital ratio	13.08%	13.15%
Total capital ratio	16.17%	15.91%
Tier 1 capital / Tangible assets	4.39%	4.98%
Liquidity Coverage Ratio (LCR)	219.88%	180.95%
Leverage ratio	4.23%	4.98%
Banco Popolare stock		
Number of outstanding shares	827,760,910	362,179,606
Official closing prices of the stock		
- Maximum	9.15 (****)	16.33
- Minimum	1.79 (****)	8.91
- Average	3.54 (****)	13.89
Basic EPS	-2.774	1.173
Diluted EPS	-2.774	1.173
(*) The ratios were calculated excluding the economic effect of the FVO. The figures relating to the previous period have been restated to provide a like-for-like comparison.		
(**) Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies, the amount of which is shown in the previous table.		
(***) The aggregate of net trading derivatives corresponds to the mismatch, in absolute terms, between the derivatives included under item 20 of assets in the Statement of Financial Position "Financial assets held for trading" and item 40 of liabilities "Financial liabilities held for trading".		
(****) During the year, a share capital increase operation was concluded; the prices of Banco Popolare stock prior to 6 June 2016 (start date of share capital increase and detachment of the relative rights) have been amended by applying the adjustment factor provided by Borsa Italiana (0.741939).		

ADDED VALUE AND ITS DISTRIBUTION

Added value represents the overall wealth generated by an enterprise by virtue of its organisational, production and commercial capacity. It is calculated as the difference between total revenues and total costs for goods and services (so-called consumption). Like last year, the Group has adopted the reference structure contained in the ABL model for the preparation of social reports in the credit sector for the calculation of Global Added Value (G.A.V.), which takes the specific nature of the banking sphere into account.

This structure envisages determining added value as an accounting link between the consolidated financial statements and the social report. More specifically, the calculation is made by reclassifying consolidated income statement items, with a view to highlighting the process by which added value is formed and its distribution, expressing the relations between the enterprise and the socio-economic system with which it interacts in monetary terms, with specific reference to some of the main stakeholders considered in this social report: Suppliers, Human Resources, Shareholders, Central and peripheral Management, Communities and the environment and the Business system. Even given all of the above, 2016 closed with a loss of

euro 1,681.7 million (in 2015, the Group had recorded a profit of euro 430.1 million), mainly due to the impact of higher adjustments related to strengthening the coverage of non-performing loans, as envisaged by the plan for the merger with BPM. For details of the economic and financial results and the breakdown of the most important financial statement items, the reader should refer to the Results section of the Report on Operations for the consolidated financial statements, contained in the Annual Financial Report for 2016 of the Banco Popolare Group.

CALCULATION AND ALLOCATION OF ADDED VALUE

The Consolidated Global Added Value for 2016 was positive and corresponded to euro 607 million, compared to the positive figure of euro 2,915 million last year. The statement of distribution of added value shows what part of the wealth generated is distributed to the various counterparties, rather than being withheld by the company to replenish production factors (amortisation and depreciation) and to maintain an adequate level of capital (reserves). Looking at the distribution of global added value as at 31 December 2016, we can see that, like last year, a large share of this component is allocated to human resources, sub-

stantially in line with 2015, despite the impact of the extraordinary, non-recurring components described above, which had a significant effect on the extent of distributable added value. The share of added value assigned to suppliers in 2016 was euro 824 million, compared to euro 772 last year, following higher non-recurring charges recognised under other administrative expenses. The share distributed to shareholders in 2016 is negative, and corresponds to euro -22.8 million, mainly due to the impact of the share of the results recognised by subsidiaries that are not wholly controlled, relating to minority interests. The added value figure distributed to shareholders in 2015 was a positive euro 36 million, considering the distribution of dividends totalling euro 55 million. The share of added value attributable to central and peripheral management in 2016 was a positive euro 268 million, mainly due to the effect of indirect taxes. The share of added value assigned to the community on the basis of the 2016 result was euro 3.2 million. By virtue of the negative result recorded by the Group, the share of added value withheld by the business system in 2016 was negative and corresponded to euro -1,931.

Summary table of global added value	31/12/2016	31/12/2015
Suppliers	824	772
Human resources	1,466	1,425
Shareholders	-23	36
Central and peripheral management	268	-500
Community and the environment	3	12
Business system	-1,931	1,169
"Consolidated" global added value	607	2,915

Statement of calculation and distribution of "consolidated" global added value (amounts in millions of euro)	31/12/2016	31/12/2015
Interest and similar income	2,325	2,779
Interest and similar expense	-1,006	-1,208
Fee and commission income	1,403	1,498
Fee and commission expense (net of expenses for external networks)	-83	-71
Dividends and similar income	24	31
Profits (losses) on trading	60	75
Profits (losses) on hedging	1	1
Profits (losses) on disposals or repurchases	36	379
Profits (losses) on financial assets and liabilities designated at fair value through profit and loss	-10	-3
Net losses (recoveries) on impairment	-2,488	-921
Other operating income /expense	325	365
Profits (losses) on disposal of investments	17	-4
Income (loss) after tax from discontinued operations	3	-7
Total economic value generated	607	2,915
Other administrative expenses (net of indirect taxes, duties and donations)	-824	-772
Economic value distributed to suppliers	-824	-772
Personnel expenses (including expenses for external networks)	-1,466	-1,425
Economic value distributed to human resources	-1,466	-1,425
Net income (loss) attributable to minority interests	23	19
Profit distributed to shareholders	-	-55
Economic value distributed to shareholders	23	-36
Other administrative expenses: indirect taxes and duties	-240	-252
Taxes on income from continuing operations	-28	751
Economic value distributed to Central and peripheral management	-268	499
Other administrative expenses: donations	-3	-7
Profit assigned to purposes of assistance, charity and in the public interest	-	-6
Economic value distributed to the community and the environment	-3	-12
Total economic value distributed	-2,538	-1,746
Provisions for risks and charges	-33	-77
Adjustments to/recoveries on property and equipment	-103	-116
Adjustments to/recoveries on intangible assets	-77	-65
Profits (losses) of equity investments relating to currency losses/gains	124	141
Value adjustments on goodwill	-279	-
Taxes on income from continuing operations	617	-682
Net income allocated to reserves and non-distributable profits	1,682	-370
Total economic value withheld – business system	1,931	-1,168
Total global added value	-607	-2,915

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT ON THE SOCIAL REPORT

To the Board of Directors of Banco BPM S.p.A.

We have carried out a limited assurance engagement on the Social Report of the Banco Popolare Group (the "Group") as of December 31, 2016.

Directors' responsibility on the Social Report

The Directors are responsible for the preparation of the Social Report in accordance with the "G4 Sustainability Reporting Guidelines" and the "Financial Services Sector Disclosures" both issued by GRI - Global Reporting Initiative, as stated in the paragraph "Introduction" of the Social Report, and for such internal control as they determine is necessary to enable the preparation of a Social Report that is free from material misstatement, whether due to frauds or unintentional behaviours or events. The Directors are also responsible for defining the Group's objectives regarding the sustainability performance and the reporting of the achieved results, for the identification of the stakeholders and the significant aspects to report.

Auditors' responsibility

Our responsibility is to issue this report based on the procedures performed. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires the compliance with ethical principles, including independence requirements, and that we plan and perform the engagement to obtain limited assurance whether the Social Report is free from material misstatement.

The procedures performed on the Social Report included inquiries, primarily with company personnel responsible for the preparation of the Social Report, analysis of documents, recalculations and other evidence gathering procedures as appropriate.

These procedures consisted in verifying its compliance with the principles for defining report content and quality set out in the "G4 Sustainability Reporting Guidelines", and are summarized as follows:

- comparing the economic and financial information and data reported in the chapter "The economic Report" of the Social Report with those included in the Group Consolidated Financial Statements as of December 31, 2016, on which Deloitte & Touche S.p.A. issued the report pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January, 2010, dated March 15, 2017;
- analysing, through interviews, the governance system and the management process of the matters related to sustainable development regarding the strategy and operations of the Group;
- analysing the process relating to the definition of material aspects disclosed in the Social Report, with reference to the methods used for the identification and prioritization of material aspects for stakeholders and to the internal validation of the process results;

- analysing how the processes underlying the generation, collection and management of quantitative data of the Social Report operate. In particular, we have performed:
 - interviews and discussions with the management of the Banco BPM Group to gather information about the accounting and reporting systems used in preparing the Social Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Social Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Social Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Social Report;
- analysing the compliance and the internal consistency of the qualitative information disclosed in the Social Report in relation to the guidelines identified in the paragraph "Directors' responsibility on the Social Report" of this report;
- analysing the stakeholders engagement process, in terms of methods applied, through the analysis of the minutes of the meetings or any other available documentation about the main topics arisen in the discussion with them;
- obtaining the representation letter signed by the legal representative of Banco BPM S.p.A., on the compliance of the Social Report with the guidelines identified in the paragraph "Directors' responsibility on the Social Report" of this report, as well as the reliability and completeness of the data and information disclosed.

The procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Social Report of the Banco Popolare Group as of December 31, 2016 is not prepared, in all material respects, in accordance with the "*G4 Sustainability Reporting Guidelines*" and the "*Financial Services Sector Disclosures*" both issued in 2013 by *GRI - Global Reporting Initiative*, as stated in the paragraph "Introduction" of the Social Report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
March 29, 2017

*This report has been translated into the English language solely
for the convenience of international readers.*

TABLE OF INDICATORS

The table below is designed to facilitate readers by reporting an index of the main content of the 2016 Social

Report as compared with the requirements of the GRI G4 guidelines.

General Standard Disclosures		Page	Notes
Strategy and Analysis			
G4-1	Statement from the Managing Director	3	
G4-2	Provide a description of key impacts, risks, and opportunities	12, 13, 21, 23, 27, 28, 29	
Organisational profile			
G4-3	Name of the organisation	6, 18	
G4-4	Report the primary brands, products, and services	6, 18, 19, 31, 39-44	
G4-5	HQ location	10, 18, 19	
G4-6	Report the number of countries where the organisation operates	19	
G4-7	Nature of ownership and legal form	7, 9, 18, Report on corporate governance and ownership structure, paragraph 2	
G4-8	Markets served	19, 34-36	
G4-9	Scale of reporting organisation	10, 18, 30, 36, 45-47	
G4-10	Characteristics of workforce	47,48	
G4-11	Employees covered by collective labour agreements	53	All employees of the Group's Italian companies are covered by the National Collective Credit Contract with the exception of Tecmarket Servizi S.p.a. which is covered by the National Collective Commerce Contract and Arena Broker S.r.l. which is covered by the national contracts in the insurance sector
G4-12	Describe the organisation's supply chain	65	
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	6-13, 18, 19, 21-22	
G4-14	Precautionary approach	21, 23, 27	
G4-15	Adoption of externally developed economic, social and environmental charters and principles	17, 29	
G4-16	Memberships of associations and organisations	29	
Material Aspects and boundary of the report			
G4-17	Entities included in the Consolidated financial statements	17, 19, Annual financial report 2016	
G4-18	Process for defining report content	27-28	
G4-19	Material Aspects identified in the process for defining report content	27; 83-89	
G4-20	Material Aspects within the organisation	28	
G4-21	Material Aspects outside of the organisation	28	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	18, 38, 75	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	17,18,22	

General Standard Disclosures		Page	Notes
Stakeholder engagement			
G4-24	Provide a list of stakeholder groups engaged by the organisation	28	
G4-25	Basis for identification and selection of stakeholders with whom to engage	27, 28	
G4-26	Approach to stakeholder engagement	27, 28	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	12, 27, 28	
Report profile			
G4-28	Reporting period	17	
G4-29	Date of most recent report (if any)	17	
G4-30	Reporting cycle	17	
G4-31	Contact point for questions regarding the report or its contents	17	
G4-32	GRI Content Index and the 'in accordance' option the organisation has chosen	17, 83-89	
G4-33	External assurance	17, 80-81	
Governance			
G4-34	Governance structure	9, 19-20 Report on corporate governance and ownership structure, paragraph 6	
G4-35	Report the process for delegating authority for economic, environmental and social topics	17, 19-20, 27, 69-70	
G4-36	Positions with responsibility for economic, environmental and social topics	17, 27, 69-70	
G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics	27	
G4-38	Composition of the highest governance body and its committees	19-20 Report on corporate governance and ownership structure, paragraph 6.5	
G4-39	Report whether the Chair of the highest governance body is also an executive officer.	20	
G4-40	Report the nomination and selection processes for the highest governance body	19-20 Report on corporate governance and ownership structure, paragraph 6.5	
G4-41	Report processes to ensure conflicts of interest are avoided	19-20, 23, 28 Report on corporate governance and ownership structure, paragraph 6.3	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's mission statements, strategies, policies and goals related to economic, environmental and social impacts	3, 17, 19-20, 27	
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	19-20 Report on corporate governance and ownership structure, paragraph 6.5	
G4-44	Evaluation of the highest governance body's performance	19-20 Report on corporate governance and ownership structure, paragraph 6.5	
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	3, 17, 19-21, 21-23, 27 Report on corporate governance and ownership structure, paragraphs 8.2, 8.5	

General Standard Disclosures		Page	Notes
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	3,17,19-21, 21-23, 27 Report on corporate governance and ownership structure, paragraphs 8.2, 8.5	
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	3,17,19-21, 21-23, 27 Report on corporate governance and ownership structure, paragraphs 8.2, 8.5	
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report	21	
G4-49	Report the process for communicating critical concerns to the highest governance body	19-20,23,27, 28 Report on corporate governance and ownership structure, paragraphs 8.2, 8.5	
G4-50	Critical concerns communicated to the highest governance body and the mechanism(s) used to resolve them	23, 27, 28	
G4-51	Report the remuneration policies for the highest governance body and senior executives	20, 51-52, Report on corporate governance and ownership structure, paragraphs 6.6, 7.3	
G4-52	Report the process for determining remuneration	20, 51-52, Report on corporate governance and ownership structure, paragraphs 6.6, 7.3	
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration	51-52, Report on corporate governance and ownership structure, paragraphs 6.6, 7.3	
G4-54	Report the ratio of the compensation between all of the organisation's employees	n/a	Information not disclosed for reasons of confidentiality
G4-55	Report the ratio of percentage increase in compensation between all of the organisation's employees	n/a	Information not disclosed for reasons of confidentiality
Ethics and integrity			
G4-56	Describe the organisation's values, principles, standards and norms of behaviour	3, 17, 27, 28	
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity	21, 23, 27, 28	
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	21, 23, 27, 28	

Specific Standard Disclosures			
Aspects		Page	Notes
Category: Economic			
Material aspect: Economic performance			
	Report on management methods	21-22, 56, 75-76	
G4-EC1	Direct economic value generated and distributed	56, 75-77	
G4-EC2	Financial implications and other risks and opportunities due to climate change	68-69, 70-71	
G4-EC3	Coverage of the organisation's defined benefit plan obligations	53	
G4-EC4	Financial assistance received from government	20	
Material aspect: Market presence			
	Report on management methods	19, 49, 52-53	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage	52	
G4-EC6	Proportion of senior management hired from the local community	n/a	The internal data collection system will be developed to provide this information for the 2018 financial year
Material aspect: Indirect economic impact			
	Report on management methods	40-43, 55-62	
G4-EC7	Development and impact of infrastructure investments and services	54-62	
G4-EC8	Significant indirect economic impacts	39-40; 40-43, 55-62, 65	
Category: Environmental			
Aspect: Materials			
	Report on management methods	90	
G4-EN1	Materials used	90	
Aspect: Energy			
	Report on management methods	68-70	
G4-EN3	Energy consumption within the organisation	69	The conversion coefficients used refer to the following sources: ABI Energia (G4 Version), SINAnet (ISPRA)
G4-EN4	Energy consumption outside of the organisation	69, 70	The conversion coefficients used refer to the following sources: ABI Energia (G4 Version), National Energy Data Report 2015, SINAnet (ISPRA)
G4-EN5	Energy intensity	69	
G4-EN6	Reduction of energy consumption	69-70	
Aspect: Water			
G4-EN8	Total water withdrawal by source	69	
G4-EN9	Water sources significantly affected by withdrawal of water	69	
Aspect: Emissions			
	Report on management methods	68-70	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	69	The conversion coefficients and emission factors used refer to the following sources: ABI Energia (G4 Version), SINAnet (ISPRA)
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	69	The conversion coefficients and emission factors used refer to the following sources: ABI Energia (G4 Version), SINAnet (ISPRA)

Specific Standard Disclosures			
Aspects	Page	Notes	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	69	The conversion coefficients and emission factors used refer to the following sources: ABI Energia (G4 Version), National Energy Data Report 2013, SINAnet (ISPRA)
G4-EN18	Greenhouse gas (GHG) emissions intensity	69	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	70	
Aspect: Effluents and waste			
Report on management methods		68	
G4-EN22	Total water discharge by quality and destination	69	
G4-EN23	Total weight of waste by type and disposal method	68	
G4-EN25	Rifiuti pericolosi	68	
Material aspect: Compliance			
Report on management methods		23, 68	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	68	
Aspect: Transport			
Report on management methods		70	
G4-EN30	Significant environmental impacts of transporting products and other materials and members of the workforce	70	
Category: Labour practices			
Material aspect: Employment			
Report on management methods		47-51	
G4-LA1	Total number and rates of new employee hires and employee turnover	48, 49	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	51, 52	
G4-LA3	Return to work and retention rates after parental leave, by gender	49	The internal data collection system will be developed to provide the retention rate from the next financial year
Material aspect: Labour/management relations			
Report on management methods		52	
G4-LA4	Minimum notice periods regarding operational changes	52	The minimum notice period for operational changes is outlined in the National Collective Labour Agreements applied by the Group companies
Material aspect: Occupational health and safety			
Report on management methods		53- 55	
G4-LA5	Percentage of total workforce represented in health and safety committees	52	
G4-LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of fatalities	48, 54	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	54-55	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	52	
Material aspect: Training and education			
Report on management methods		50-51, 54	
G4-LA9	Employee training	51	

Specific Standard Disclosures			
Aspects		Page	Notes
G4-LA10	Programs for skills management and managing career endings	51	
G4-LA11	Percentage of employees receiving regular performance and career development reviews	51-52	
Material aspect: Diversity and equal opportunity			
Report on management methods		46-50	
G4-LA12	Composition of governance bodies and breakdown of employees according to indicators of diversity	46-48, Report on corporate governance and ownership structure	
Equal remuneration for women and men			
Report on management methods		51-52	
G4-LA13	Ratio of basic salary and remuneration of women to men	52	
Category: Human rights			
Material aspect: Non-discrimination			
Report on management methods		27-28	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	28	
Material aspect: Freedom of association and collective bargaining			
Report on management methods		27-28, 52-53	
G4-HR4	Operations in which the right to exercise freedom of association and collective bargaining may be violated	27-28, 52-53	
Category: Society			
Material aspect: Local communities			
Report on management methods		54-63	
G4-SO1	Operations with implemented local community engagement, impact assessments, and development programs	54-63	
G4-SO2	Operations with significant actual or potential negative impacts on local communities	23, 45	
G4-FS13	Access points in low-populated or economically disadvantaged areas	10	
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	39-41	
Material aspect: Anti-corruption			
Report on management methods		20-21, 23, 65	
G4-SO3	Operations assessed for risks related to corruption	20, 23, 64	
G4-SO4	Communication and training on anti-corruption policies and procedures	20-21, 51	
G4-SO5	Confirmed incidents of corruption and actions taken	23	
Material aspect: Public policy			
Report on management methods		28	
G4-SO6	Total value of political contributions	28	
Material aspect: Anti-competitive behaviour			
Report on management methods		38	
G4-SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	38	
Material aspect: Compliance			
Report on management methods		38, 68	
G4-SO8	Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations	38, 68	

Specific Standard Disclosures			
Aspects		Page	Notes
Category: Product responsibility			
Material aspect: Customer health and safety			
	Report on management methods	44-45, 54-55	
G4-PR1	Product and service categories for which health and safety impacts are assessed for improvement	44-45, 54-55	
G4-PR2	Incidents of non-compliance with regulations concerning the health and safety impacts of products and services during their life cycle	37-38	
Material aspect: Product and service labelling			
	Report on management methods	18, 37-39	
G4-PR3	Information on products and services	37-38	
G4-PR4	Incidents of non-compliance with regulations concerning product and service information and labelling	37-38	
G4-PR5	Results of surveys measuring customer satisfaction	37	
Material aspect: Marketing communications			
	Report on management methods	15, 41	
G4-PR6	Sale of banned or disputed products	41	
G4-PR7	Incidents of non-compliance with regulations concerning marketing communications	15	No incidents of non-compliance with regulations concerning marketing communications were recorded in 2016
Material aspect: Customer privacy			
	Report on management methods	37-38, 44	
G4-PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	37-38, 44	
Material aspect: Compliance			
	Report on management methods	38	
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision of products and services	38	
Material aspect: Product portfolio			
	Report on management methods	34-44, 70-71	
G4-FS6	Customer portfolio	34-36	
G4-FS7	Products and services designed to deliver a specific social benefit	39-44	
G4-FS8	Products and services designed to deliver a specific environmental benefit	43, 70-71	
Material aspect: Audit			
	Report on management methods	20-21, 23	
Material aspect: Active ownership			
	Report on management methods	41, 58-72	
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	41, 58-72	
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	28, 39-44	

Editorial project and coordination of content:
RESEARCH DEPARTMENT

Graphics development and communications project
COMMUNICATION PLANNING CONTROL AND CORPORATE IDENTITY

Layout



