BPER:
Banca

PRESS RELEASE

BPER Group’s preliminary 2016 consolidated results approved

Growth in the Group's ordinary profitability: Net profit comes to € 71.5 million (€ 62.1 million in 2015), net of non-recurring items and excluding the contributions to the Resolution and Deposit Guarantee Funds[1]; book net profit of € 14.3 million (€ 220.7 million in 2015).

Cash dividend of € 6 cents per share proposed for the Parent Company BPER Banca (€ 10 cents in 2015).

Asset quality continues to improve with the help of particularly conservative provisioning policies:

- **Gross stock of non-performing and bad loans has decreased by 1.9% and 1.0% from the end of 2015, thanks to a number of bad loan assignments - for a total gross amount of approximately € 700 million during the year, without a significant impact on the income statement - carried out as part of a broader strategy for the management of non-performing loans.**

- **ratio of gross non-performing loans stands at 22.1%, down by 122 bps in the year**

- **inflows to non-performing loans from "performing" loans down by 6.1% compared with 2015 (-32.5% compared with 2014); inflows to bad loans have also fallen by 5.4% compared with 2015 (-34.5% compared with 2014)**

- **a significant increase in the flows from non-performing loans back to "performing" (+16.9% y/y), confirming greater efficiency in the management of problem loans**

- **further increase in the coverage ratio of non-performing loans to 44.5%, despite higher assignments of bad loans during the year (+86 bps since September 2016 and +32 bps since the end of 2015), with net adjustments to loans down by 12.2% y/y**

Net lending to customers with significant growth of 4.1% (gross +3,5%) compared with last year, also due to the inclusion of the CR Saluzzo Group in the scope of consolidation,[2] and despite the assignments of bad loans, with a strong increase in new disbursements of mortgages and personal loans of +19.1% y/y

Core business revenues down by 3.6% in the period, more than offset by the reduction in net adjustments to loans (-12.2% y/y)

Financial solidity at the top of the Italian banking system with a Phased In CET1 ratio of 13.8% (13.3% Fully Phased). Capital buffer over the ECB's minimum requirement for 2017 (SREP at 7.25%) by more than 650 bps

Work has begun on preparing the new Business Plan that will be presented to the market by the end of the summer, earlier than the natural expiry of the current plan at the end of 2017, due to the fact that the macroeconomic, market and interest rate conditions have changed compared with its initial underlying assumptions

The Board of Directors of BPER Banca today reviewed and approved the separate results of the Bank and the consolidated results of the Group at 31 December 2016.

At the end of the Board meeting, Alessandro Vandelli, CEO of BPER, declared: "2016 was certainly a challenging year from various points of view, for the economy, for Italian and European politics and for the banking sector, especially in Italy. In this scenario, the BPER Banca Group experienced a 2016 that could be called "historical", marked by very important events for the life of the company and its shareholders. Firstly, the bank's transformation into a joint stock company, a process that was went very smoothly and without any of the shareholders asking to withdraw. Another important milestone was the validation of our internal models by the ECB, which allows us to express our financial solidity even more effectively, ranking among the best in Italy and in Europe. In addition, 2016 was the first year of operations of BPER Credit Management, the Group's bad debt management company, with initial results showing an improvement in recoveries on bad loans of almost 20%; during the year, the Group carried out bad debt assignments for a total of Euro 700 million, approximately 10% of the stock at the beginning of the year, completing the planned sales programme in full consistency with the aim of reducing the gross stock. Greater efficiency in the management of problem loans has led to a significant increase in the flows from non-performing loans back to "performing" loans (+16.9% y/y); the improvement in the quality of the loan portfolio is evidenced by a further decline in transfers to NPL (-6.1% compared with 2015), a reduction of 122 basis points in the ratio of gross non-performing loans (to 22.1%) and by the increase in the level of coverage to 44.5% The profitability of the ordinary business with customers is satisfactory considering the continuing economic context and rates that are particularly difficult, as well as the significant contributions provided by the Group throughout 2016 to the Resolution and the Deposit Guarantee Funds. The customer lending business recorded a significant acceleration during the year by 4.1%, both in the retail and in the corporate sector. A very positive result was the growth in total deposits of 3.9%, with indirect funding showing an increase of more than 8%; furthermore, the performance of the "bancassurance" sector has been excellent, with double digit growth. In light of the positive assessment of the economic result achieved by the ordinary activity, the excellent financial strength and confidence in the growth prospects of the Group, the Board also approved a proposal to distribute a dividend of € 6 cents per share, confirming the attention we have always paid to our shareholders, despite the constraints of the difficult external scenario. Lastly, let me emphasise that we have already started preparing the new Business Plan, which will presumably be presented by the end of the summer, a few months in advance compared with the natural expiry of the current plan at the end of the 2017; this decision is justified by the significant changes that we have seen over the last two years in the macroeconomic, market and interest rate scenario compared to the assumptions underlying the previous plan."

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Income statement: key figures[3]

Net interest income comes to € 1,170.4 million, down 4.7% on 2015 mainly due to short-term interest rates that are by now structurally negative (average 3 months Euribor in 2016 amounted to -26 bps, which compares with an average of -2 bps the previous year), which negatively affected the trend in the overall spread: in this context, the steady gradual decline in the cost of funding (which includes the benefit for 2016 of participating in emissions of "TLTRO2" - "Targeted Longer Term Refinancing Operations-II "- for € 5 billion, calculated as € 8.3 million)[4] was not able to offset the decline in asset yields.

Net commission income of € 712.7 million is 1.9% down on with last year. In detail, net commission income on managed funds and "bancassurance" business increased by 1.2% year on year, whereas there has been a decline in both net commission income on loans and guarantees (-3.0% y/y) and those of cards, collections and payments (-6.6% y/y).

The **net result from trading activities** (including dividends of € 9.9 million) amounts to € 129.9 million, comprising net profits realised on securities and derivatives for € 103.1 million, net gains on securities and derivatives for € 7.2 million, and other positive elements for € 9.7 million. This result includes extraordinary income of € 37.6 million[5]. Net of these extraordinary items in the two years[6], the net ordinary result from trading activities and dividends amounts to € 92.3 million (€ 120.6 million in 2015).

Operating profit amounted to € 2,068.1 million, down 12.8% y/y (-4.6% excluding the extraordinary income mentioned above[7]) mainly due to a lower contribution from net interest income.

Operating costs amounted to € 1,267.0 million compared with € 1,305.9 million in 2015, which included, among payroll costs, extraordinary expenses for redundancy incentives and the Solidarity Fund for a total of € 58.6 million; on an ordinary basis, operating costs recorded an increase of 1.6% y/y. Payroll costs amounted to € 769.1 million, substantially unchanged at ordinary level compared with 2015 (€ 766.4 million taking into account the extraordinary expenses mentioned above). Other administrative expenses amount to € 417.2 million (€ 400.6 million in 2015), an increase of 4.1% y/y due to higher expenses relating to the various projects in the Business Plan. Depreciation on tangible and amortisation on intangible assets amounted to € 80.6 million (€ 80.2 million in the prior year;+0.4% y/y).

Net adjustments to loans and other financial assets amount to € 659.1 million, 10.7% down on the previous year. In detail, adjustments to loans amount to € 619.8 million (€ 705.8 million in 2015; -12.2% y/y). Net impairment adjustments to financial assets amount to € 51.8 million (€ 27.3 million in 2015) and include adjustments to BPER's interest in the Atlante Fund (for € 28.3 million, equal to 34.8% of the quotas paid to date) and the Group's share of the payments made to the FITD-SV (Volunteer Scheme) for the intervention in CR Cesena (€ 2.5 million). Net adjustments to other assets are positive (i.e. writebacks) for € 12.5 million (they were negative for € 4.7 million in 2015), and include an extraordinary writeback of € 11.0 million for the recovery of the amount paid to the FITD for Banca Tercas[8]. The total cost of credit in 2016 amount to 136 bps (162 bps in 2015).

Net provisions for risks and charges come to € 32.6 million (€ 47.4 million in 2015), down 31.1% y/y.

In 2016, **the BPER Group's total contributions to the Resolution and the Deposit Guarantee Funds** (SRF, DGS and FITD-SV) amount to € 73.5 million (€ 66.3 million in 2015), the main components of which can be summarised as follows[9]: contributions to the Single Resolution Fund ("SRF") for € 50.0 million, of which € 15.1 of ordinary contributions and € 34.9 million of extraordinary contributions (in 2015, these contributions totalled € 53.3 million, of which € 13.3 million of ordinary contributions and € 40 million of extraordinary contributions); ordinary contribution to the Deposit Guarantee Scheme ("DGS") of € 16.9 million (€ 8.2 million in 2015). In the reclassified income statement, under contributions to the above funds, there is also the extraordinary repayment to the Interbank Deposit Guarantee Fund - intervention scheme on a voluntary basis ("FIDT-SV") for Banca Tercas, for an amount of € 11.3 million, which was, however, accompanied by an almost complete recovery of the amount, allocated in large part to writebacks on other financial assets (caption 130.d) in the income statement. It should be remembered that in the reclassified income statement such contributions are shown on a separate line in the interests of clarity and that in the Bank of Italy format they are included in caption 180 b) "Other administrative expenses".

The **profit from current activities before tax** comes to € 10.5 million on a profit of € 213.5 million last year. **Income taxes** are positive for € 5.3 million (positive for € 5.7 million at 31 December 2015). **Excluding non-recurring items and contributions to funds for the banking system in the two years[10], the gross profit comes to € 98.8 million (€ 95.2 million in 2015), an increase of 3.8% year on year**.

Total net profit for the year comes to € 15.8 million (€ 219.2 million in 2015), including the net profit pertaining to minority interests of € 1.5 million (a loss of € 1.4 million at 31 December 2015). The profit pertaining to the Parent Company therefore comes to € 14.3 million (€ 220.7 million at 31 December 2015). **Excluding non-recurring items and contributions to funds for the banking system in the two years[11], the net profit for 2016 attributable to the parent company amounts to € 71.5 million (€ 62.1 million in 2015), an increase of 15.2% year on year.**

Balance sheet: key figures

Direct borrowing from customers (due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss) amounts to € 47.7 billion (with a contribution of € 0.8 billion from CR Saluzzo[12]), 1.0% up on the end of 2015; of the various types of deposits, there has been an increase of € 3.3 billion (+11.4% compared with the end of 2015) in demand deposits (current accounts and unrestricted deposit accounts), while there has been a decline in the mainly retail bond component of € 1.6 billion (-20.3% since the end of 2015), time deposits of € 0.2 billion (-8.4% since the end of 2015) and certificates of deposit of € 1.0 billion (-27.1% since the end of 2015). Direct borrowing is made up principally of current accounts, unrestricted and short-term restricted deposits (72.4%) and bonds (12.9%), of which 56.3% are in the hands of retail customers.

Indirect customer deposits, at market price, amount to € 32.9 billion (contribution by CR Saluzzo of € 0.4 billion), an increase of 8.2% on the start of the year. In particular, assets under management amount to € 16.3 billion (+10.6% since the end of 2015), with a positive net inflow for the period of around € 1.1 billion. During the year, assets under administration of € 16.6 billion posted an increase of 5.6%, mainly due to institutional funding. The life insurance policy portfolio, which is not included in indirect borrowing, comes to € 4.4 billion, a substantial increase since the start of the year (+18.0%).

Loans to customers, net of adjustments, amount to € 45.5 billion (contribution by CR Saluzzo of € 0.6 billion), an increase of 4.1% on the end of 2015 (the increase on the basis of the same scope of consolidation amounts to 2.7%), recording a significant acceleration both in the retail and corporate sector, particularly in the last quarter and despite the sale of bad loans with a gross book value of € 700 million in 2016. Looking at the various types of loans, there has again been a positive performance on the part of home mortgages, which saw an increase of 5.6% y/y.

Net non-performing loans (bad, "unlikely to pay" and past due loans) amount to € 6.2 billion (total net non-performing loans relating to CR Saluzzo amount to € 68.4 million), 2.5% down on the end of 2015, with a total coverage ratio of 44.5% (43.7% in September 2016 and 44.2% at the end of 2015); and this does not take into consideration the write-offs of bad loans still outstanding (€ 1.1 billion), which take the coverage ratio to 49.4% (48.6% in September 2016 and 49.7% at 31 December 2015), nor the value of secured and unsecured guarantees. In detail, net bad loans amount to € 3.0 billion (+1.2% since the end of 2015) with coverage of 57.2% (57.4% in September 2016 and 58.2% at 31 December 2015), without considering the value of secured and unsecured guarantees; in addition, taking into account the direct write-offs of bad loans still outstanding, coverage comes to 62.9% (63.1% in September 2016 and 64.4% at the end of 2015). Net "unlikely to pay" loans amount to € 3.0 billion, a significant decrease compared with the end of 2015 (-2.7%), with a level of coverage of 23.5%, an increase of 125 bps since September 2016 and 161 bps since the end of 2015; net past due loans amount to € 0.1 billion, almost halved (-43.1%) from the end of last year with coverage of 7.8% (8.6% in September 2016 and 10.0% at 31 December 2015).

Note that these figures include a number of bad loan disposals for a total gross book value of around € 700 million completed during the year, which did not have any significant impact on the income statement. It did have a negative effect on the coverage ratio, but it still remained fairly stable as regards bad loans and, as we said, is significantly higher for overall NPL.

The **net interbank position**, which is negative for € 8.1 billion compared with € 4.4 billion at the end of 2015, is the difference between the amounts due from banks of € 1.3 billion and the amounts due to banks of € 9.4 billion. The total amount of refinancing with the European Central Bank amounted to € 5.1 billion, entirely attributable to participation in the second round of longer term refinancing operations called "TLTRO2" with a four year maturity (€ 4.1 billion in June, partially used for the full repayment of the "TLTRO1" funding and € 1 billion in late December). Financial instruments eligible for use as collateral for refinancing transactions on the market amount to € 13.1 billion, net of the haircut, of which € 4.4 billion is available.

Financial activities come to a total of € 13.7 billion (CR Saluzzo's contribution was € 0.3 billion), an increase of 18.6% compared with the end of 2015, and amounted to 21.1% of total assets. Debt securities represent 93.0% of the total portfolio and amount to € 12.8 billion: of these, € 6.4 billion relate to government securities (mostly represented by Italian government bonds, € 5.9 million) and € 4.6 billion to banks and supranational entities.

Against assets available for sale (AFS) of € 10.4 billion, there are positive valuation reserves for a total of € 108.4 million, net of the related tax effect, which is the net result of positive reserves for debt securities, equities and UCITS of € 155.0 million, less negative reserves of € 46.6 million. The "AFS" reserve for government securities is showing gains for an amount (net of taxes) of € 37.3 million (€ 90.2 million at 31 December 2015). Moreover, with regard to the portfolio of financial assets held to maturity (HTM) of € 2.5 billion, the difference between their fair value and book value is positive, net of the related tax effect, resulting in a net implicit reserve of € 121.8 million.

Total equity ("own funds") at 31 December 2016 amounts to € 5.6 billion (-1.7% on the end of 2015), with minority interests of € 0.7 billion. Consolidated shareholders' equity of the Group, including the result for the period, comes to € 4.9 billion, -2.9% since the end of 2015.

The Phased In Basel 3 **leverage ratio** of 6.7% (6.5% Fully Phased) is among the best of the system. the LCR ("Liquidity Coverage Ratio") and NSFR ("Net Stable Funding Ratio") liquidity ratios are over 100%; in particular, at 31 December 2016, the LCR ratio was equal to 102.0%, while the NSFR ratio was estimated at over 100% (compared with 106.6% at 30 September 2016 and 110.9% 31 December 2015).

Capital ratios

The capital ratios, calculated since last June taking into account the AIRB methodology for the credit risk requirement, thanks to the recent validation of internal models received from that date (with a benefit of around 3 percentage points calculated in June), are calculated with reference to the value of Own Funds including the share of profit realised during the year and the dividend provided for the Parent Company BPER Banca:

- Phased In Common Equity Tier 1 ratio of 13.80% (14.47% at 30 September 2016 and 11.54% at 31 December 2015). The ratio calculated on the full application regime (Fully Phased) is equal to 13.27%, a decrease of 86 bps compared with 30 September 2016; the changes compared with September 30 derive mainly from the inclusion of CR Saluzzo in the scope of consolidation, the increase in loans to customers and the decline in capitalisable profit compared with 30 September;
- Phased In Tier 1 ratio of 13.89% (14.56% at 30 September 2016 and 11.65% at 31 December 2015);
- Own Funds ratio (Phased In) of 15.21% (15.98% at 30 September 2016; 12.80% at 31 December 2015).

Key figures at 31 December 2016

The Group has a presence in 18 Regions of Italy with 1,200 branches, as well as the head office of BPER (Europe) International s.a. in Luxembourg (1,216 at the end of 2015). The change was caused by the closure of 43 branches on the inclusion of CR Saluzzo in the Group's scope of consolidation with 27 branches. The 2015-17 Business Plan provides for the closure of about 130 branches in three years; to date, 100 have been closed.

The Group currently has 11,635 employees, 198 of whom are on the books of CR Saluzzo; excluding them, the Group's headcount fell by 10 units over the year (there were 11,447 at the end of 2015). It is recalled that during the course of 2017 a significant number of staff are expected to leave (377 resources have already left on 1 January 2017 - approximately 3.2% of the total number of employees at 31 December 2016) as a result of the Agreement for Redundancy Incentives and for the Solidarity Fund signed with the Unions on 14 August 2015 and almost entirely expensed in the income statement in the same year, implementing the provisions contained in the 2015-17 Business Plan.

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The Parent Company BPER Banca

The Bank's financial statements at 31 December 2016, which have been approved on a preliminary basis by the Board of Directors, show the financial and economic values reported below (including various kinds of extraordinary income and expenses), compared directly with those of 2015.

Balance sheet:

direct deposits amount to € 34.8 billion (+0.2%);

indirect deposits come to € 29.1 billion (+8.4%);

net loans to customers amount to € 35.5 billion (-4.7%), with non-performing loans of € 4.1 billion (-5.4%), representing 11.4% of total net loans (12.7%) and coverage of 47.1% (46.1%); non-performing loans amount to € 1.9 billion (-0.3%), which is 5.3% of total net loans, with coverage of 60.2% (60.9%);

shareholders' equity, including the result for the year, comes to € 4.7 billion (-1.5%).

Income statement:

net interest income comes to € 853.3 million (-5.0%);

net commission income amounts to € 536.2 million (-1.7%);

net interest and other banking income comes to € 1,501.0 million (-12.6%);

net profit from financial activities comes to € 943.4 million (-16.7%);

operating costs, including operating income, amount to € 931.7 million (-4.3%);

The **result of current operations before income taxes** for the year is positive for € 1.4 million (€ 153.7 million);

The **net result for the period**, considering the positive impact of tax of € 17.3 million, is a net profit of € 18.7 million (€ 162.0 million).

Proposed allocation of the net profit of BPER Banca

The Board approved the proposed allocation of the profit made by the Bank (for an amount of € 18,698,675.54), with the distribution of a cash dividend of Euro 6 cents for each of the 481,308,435 shares representing the share capital (net of those held in portfolio at the ex-dividend date: 455,458 at 31 December 2016 and to date), for a total of € 28,878,506.10, with the use of reserves for a total of 10,179,830.56.

Payment of the dividend, which will be submitted to the Shareholders' Meeting for approval, is scheduled from 24 May 2017 onwards, according to the calendar of Borsa Italiana S.p.A. As regards its market price, BPER's stock will go ex-coupon on Monday, 22 May 2017, while the record date is scheduled for Tuesday, 23 May 2017.

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Significant subsequent events

On 3 January 2017, BPER Banca SpA announced that none of the legitimate holders of the Bank's shares had exercised their right of withdrawal following its transformation into a joint-stock company, as approved by the Shareholders' Meeting, in extraordinary session, of 26 November 2016. It had not therefore been necessary to implement the liquidation procedure in accordance with art. 2437-*quater* of the Italian Civil Code and explained in the report on the proposed transformation presented to the Shareholders' Meeting, made available to the public on 19 October 2016.

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Outlook for operations

In the Eurozone, the trend of the economy is expected to improve and in Italy the recovery should continue, albeit gradually, encouraged by the progress taking place in the global economy and by the expansionary approach to monetary policy. The most recent information published in the Bank of Italy's Economic Bulletin estimates a growth in gross domestic product in our country of around 1% on an annual basis, on average, for the next three years (2017-19). In this context, the still very low level of market interest rates and high competition in the traditional financing business will continue to put pressure on asset yields, even though the intensity will gradually decline; At the same time, the repricing of liabilities and the benefit of the sweetener provided by the ECB's TLTRO2 programme will allow a further decline in the cost of deposits, helping to reduce the pressure on the interest margin. A positive contribution to revenue is expected to come from fee income, especially in asset management and bancassurance. Operating costs are expected to decrease, both as regards personnel costs and for other administrative costs, benefiting from this year from the staff reduction plan and gradual completion of the investments relating to implementation of the various projects in the business plan. The slowdown in flows of new problem loans during the period is expected to get better in 2017, albeit gradually, helping to improve the cost of credit considerably compared with 2016. All of these factors should bolster the Group's profitability prospects for the current year (before considering any extraordinary items). Lastly, the new Business Plan is expected to be presented by the end of this summer. Preliminary activities are already underway, anticipating by a few months the natural expiry of the current plan at the end of 2017; this decision is justified by the significant changes that we have seen over the last two years in the macroeconomic, market and interest rate scenario compared to the assumptions underlying the previous plan.

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Approval of the BPER's draft separate and consolidated financial statements for 2016 by the Board of Directors is scheduled for 28 February 2017.

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Calling of the Ordinary Shareholders' Meeting

The Board of Directors of the Bank today resolved to call an Ordinary Shareholders' Meeting on 8 April 2017 at 9.00 am, at a single calling, at the meeting hall of "Modena Fiere" in Viale Virgilio, Modena (main entrance). The notice of calling will be published in accordance with the law.

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To complete the information provided, we attach the consolidated and separate balance sheets and income statements (split into quarters with comparative figures, the latter also in a reclassified format) at 31 December 2016, as well as a summary of the main indicators.

PricewaterhouseCoopers is still doing its audit and will issue a report by the legal deadline on the draft separate and consolidated financial statements at 31 December 2016, due to be approved by the Board of Directors of the Bank on 28 February 2017, as mentioned previously.

Modena, 9 February 2017

Chief Executive Officer
Alessandro Vandelli

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The Manager responsible for preparing the Company's financial reports, Emilio Annovi, declares in accordance with art. 154-*bis*, para. 2, of Legislative Decree 58/1998 (Consolidated Finance Act) that the accounting information contained in this press release agrees with the books of account, accounting entries and supporting documentation.

Modena, 9 February 2017

Manager responsible for preparing the
Company's financial reports
Emilio Annovi

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A conference call has been organised for **9 February 2017 at 6:15 p.m**. (CET) to explain the BPER Group's results at 31 December 2016.
The conference call, in English, will be chaired by **Alessandro Vandelli, the Chief Executive Officer**.

To join the conference call, key in the following number:

ITALY: +39 02 8020911
UK: +44 1212 818004
USA: +1 718 7058796

A set of slides supporting the presentation will be available the same day before the start of the presentation and conference call in the Investor Relations section of the website of the Bank and of the Group www.bper.it and www.gruppobper.it.

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The press release is also available in the 1INFO storage device.
This is a translation into English of the original in Italian. The Italian text shall prevail over the English version.

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Notes:

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[1] **Main extraordinary items in 2016 and 2015.**
2016.
<u>Extraordinary income in 2016.</u>
1) and 2) at the end of last year the VISA Inc. Group (USA) announced its intention to buy out the rest of its former subsidiary VISA Europe, which included among its shareholders Banca di Sassari and CartaSi, which is under the control of ICBPI, which was transferred simultaneously by the various participating banks, including BPER Banca. The contract for the sale of ICBPI's shareholding, in connection with the VISA transaction, envisaged an earn-out clause that would fall due within five years from execution of the sale, at which point an additional consideration would be potentially be calculated to take account of "VISA net proceeds". At the end of the various changes in company holdings and the expected authorisations from the Supervisory Authorities, in late June VISA paid the agreed consideration for the predominant part in cash, to which was added a portion in shares and an additional cash amount with deferred payment after three years. From this sale Banca di Sassari realised a capital gain of approximately € 20.8 million, which was accounted for at 30 June 2016. CartaSì also realised a substantial capital gain from this sale, which gave rise to an obligation to pay BPER for its share of the earn-out under the contract by the end of the year. At 30 June, BPER therefore ascertained the portion that was already considered certain, for an amount of € 9.4 million, and at September 30 this figure was raised by a further € 2.7 million, for an overall earn-out, still conservatively estimated, of 12.1 million. The deal was closed in December with the payment of € 16.8 million, generating a further benefit to the income statement of € 4.7 million. Overall, the amount of extraordinary income relating to this transaction accounted for at 31 December 2016 in item 100 b) of the income statement amounted to € 37.6 million (before tax estimated at € 2.6 million).
<u>Extraordinary expenses in 2016.</u>
3) and 4) The item Adjustments to AFS securities (130 b of the income statement) includes the impairment on the entire amount paid (including the payment made on 3 January 2017, recognised in the 2016 financial statements) to the Atlante Fund (Euro 28.3 million, or 34.8% of the amount paid), and the contribution paid to the FITD-SV for the intervention in favour of CariCesena (€ 2.5 million);
5) € 34.9 million before the tax effect (€ 23.4 million net of taxes) for the extraordinary contribution to the Single Resolution Fund ("SRF") in connection with the resolution plan for the four banks, called on 29 December and equal to two further annual instalments for 2016; this contribution has been recorded under item 180 b) "Other administrative expenses"; even if not yet paid, but ascertained as a liability to the Resolution Authority;
6) Goodwill impairment of € 32.9 million.
The normalized net profit at 31 December 2016, taking into account the effects of the extraordinary items mentioned above and detailed in the table below and of minority interests (€ 1.1 million), amounts to 55.1 million.

2015.
<u>Extraordinary income in 2015.</u>
1) € 174.3 million gross of the tax effect (€ 162.2 million net of taxes) relating to the sale of a 9.1422% stake in Istituto Centrale delle Banche Popolari Italiane (ICBPI), completed on 18 December 2015;
2) € 69 million (neutral tax effect) relating to the transfer of the interest in ARCA Sgr from the "Available for sale - AFS" portfolio (asset caption 30) to "Equity investments" (asset caption 100), with an impact on the consolidated financial statements only and not on the separate financial statements of BPER, following the increase of the interest in the company from 19.998% to 32.752% completed on 22 December 2015.
<u>Extraordinary expenses in 2015.</u>
3) € 58.6 million before taxes relating to extraordinary costs for redundancy incentives and the Solidarity Fund at 31 December 2015 (of these, € 54.3 million had been already recognized in the first nine months of the year in accordance with the agreement signed with the Trade Unions on 14 August 2015 in full compliance with the guidelines of the 2015-2017 Business Plan;
4) € 40 million before taxes (€ 26.8 after taxes) for the extraordinary contribution to the Single Resolution Fund ("SRF") required by Directive 2014/49/EU in force since 1 January 2015, recorded under caption 180 b) "Other administrative expenses".
The normalized net profit at 31 December 2015, taking into account the effects of the extraordinary items mentioned above and detailed in the table below and of minority interests (€ 9.4 million), amounts to 46.1 million.

Extraordinary income and expenses at 31 December 2016 (€/million)

Description	Income statement caption	1Q16	2Q16	3Q16	4Q16	Total 2016
1) Gain on the sale of the interest in VISA by Banca di Sassari	100 b) - Gain on disposal of AFS financial assets		+20.8			+20.8
2) Earn-out for the sale of ICBPI (Cartasì – see above for description of the transaction)	100 b) - Gain on disposal of AFS financial assets		+9.4	+2.7	+4.7	+16.8
3) Impairment of the share of the Atlante Fund	130 b) - Net adjustments to AFS securities				-28.3	-28.3
4) Extraordinary contributions to FITD-SV Volunteer Scheme (CariCesena)	130 b) - Net adjustments to AFS securities				-2.5	-2.5
5) Extraordinary contributions to the Single Resolution Fund (SRF)	180 b) - Other administrative expenses				-34.9	-34.9
6) Goodwill impairment	260) - Adjustments to goodwill				-32.9	-32.9
Total non-recurring income and expenses			**30.2**	**2.7**	**-93.9**	**-61.0**
Total tax effect	290 - Income taxes		-7.5	-0.2	+26.8	+19.1
Total impact on the income statement			**+22.7**	**+2.5**	**-67.1**	**-41.9**

With minority interests of € -1.1 million

Non-recurring income and expenses at 31 December 2015 (€/million)

Description	Income statement caption	1Q15	2Q15	3Q15	4Q15	Total 2015
1) Sale of the investment in ICBPI	100 b) – Gain on disposal of AFS financial assets				+174.3	+174.3
2) Transfer of the investment in ARCA SGR to Equity investments from the AFS portfolio	100 b) – Gain on disposal of AFS financial assets				+69.0	+69.0
3) Extraordinary costs for redundancy incentives and the Solidarity Fund (2015-17 Business plan)	180 a) - Payroll costs		-1.8	-52.5	-4.3	-58.6
4) Extraordinary contributions to the single resolution fund (SRF)	180 b) - Other administrative expenses				-40.0	-40.0
Total non-recurring income and expenses			**-1.8**	**-52.5**	**+199.0**	**+144.6**
Total tax effect	290 - Income taxes		+0.6	+17.4	+2.6	+20.5
Total impact on the income statement			**-1.2**	**-35.1**	**201.5**	**+165.2**

With minority interests of € -9.4 million

In addition, the following is a list of the contributions made to the Resolution and Deposit Guarantee Funds for 2016 and 2015:

2016 (€/million)

Description	**Income statement caption**	**1Q16**	**2Q16**	**3Q16**	**4Q16**	**Total 2016**
Ordinary contributions to the Single Resolution Fund ("SRF")	180 b) - Other administrative expenses	-15.0	-0.1			-15.1
Ordinary contributions to the Deposit Guarantee Scheme ("DGS")	180 b) - Other administrative expenses			-17.6	+0.7	-16.9
Recovery for provision to the Solidarity Fund (Stability Law 2016)	160) Provisions for risks and charges				+4.0	+4.0
Recovery for provision to FITD Tercas 2015	220) Other operating income				+0.8	+0.8
Total expenses		**-15.0**		**-17.6**	**+5.5**	**-27.2**
Total tax effect	290 - Income taxes	+5.0		+5.8	-1.8	+9.0
Total impact on the income statement		**-10.0**	**-0.1**	**-11.8**	**+0.5**	**-18.2**

With minority interests of € 1.8 million.

2015 (€/million)

Description	**Income statement caption**	**1Q15**	**2Q15**	**3Q15**	**4Q15**	**Total 2015**
Ordinary contributions to the Single Resolution Fund ("SRF")	180 b) - Other administrative expenses		-10.2	-0.3	-2.8	-13.3
Ordinary contributions to the Deposit Guarantee Scheme ("DGS")	180 b) - Other administrative expenses			-8.5	+0.3	-8.2
Provision to the Solidarity Fund (Stability Law 2016)	160) Provisions for risks and charges				-4.0	-4.0
Provision to FITD Tercas 2015	160) Provisions for risks and charges				-0.8	-0.8
Total expenses			**-10.2**	**-8.9**	**-7.2**	**-26.3**
Total tax effect	290 - Income taxes		+3.4	+2.9	+1.1	+8.7
Total impact on the income statement						**-17.6**

With minority interests of € 1.7 million.

Worth noting are the transfers between accounts that took place in the fourth quarter of 2015 compared with the previous quarters:

1) 2015 contribution to the Deposit Guarantee Schemes (DGS) required by Directive 2014/59/EU in force since 3 July 2015, calculated for the third quarter of 2015 in € 8.5 million under caption 190 "Net provisions for risks and charges", redefined and reallocated for accounting purposes to caption 180 b) "Other administrative expenses" on payment and recognition of the actual amount due (€ 8.2 million).
2) 2015 contribution to the "Single Resolution Fund ("SRF") required by Directive 2014/49/EU in force since 1 January 2015 (€ 10.5 million) accrued in the second quarter of 2015 under item 190 "Net provisions for risks and charges" reallocated for accounting purposes to item 180 b) "Other administrative expenses"; in the fourth quarter of 2015, at the time of the payment and accounting recognition of the actual amount due (€ 13.3 million).

[2] On 4 October 2016, BPER and Fondazione Cassa di Risparmio di Saluzzo, after having obtained the necessary authorisations from the competent Authorities, implemented the "Share sale and purchase agreement", signed last 13 April, with a view to allowing Cassa di Risparmio di Saluzzo to join the BPER Group. The Bank acquired 48.98% of the share capital of the Bank from the Fondazione, thus increasing its interest from 31.02% to 80%. Subsequently, on 23 December 2016, the Fondazione Cassa di Risparmio di Saluzzo exercised its put option (granted under the agreements for CRS to join the BPER Group) for the sale of its shares in CRS to BPER Banca SpA. As a result, on that date the latter acquired 20% of the share capital of Cassa di Risparmio di Saluzzo SpA from the Fondazione, increasing its stake from 80% to 100%.

[3] The income statement of CR Saluzzo has been included in the line-by-line consolidation since 1 October 2016, so the consolidated income statement only includes the results for the fourth quarter of 2016; the result of the first nine months is included in non-operating income for the stake held previously to assuming control (31.02%). CR Saluzzo's main income statement items as a subsidiary included in the corresponding items of the consolidated income statement at 31 December 2016 are as follows: Net interest and other banking income comes to € 5.9 million, of which net interest income of € 3.2 million and net commission income of € 2.1 million; Operating costs of € 7.0 million, including payroll costs of € 3.3 million and other administrative expenses of € 3.2 million; Loss before taxes of € 3.9 million, taxes positive for € 0.5 million and a net loss after tax of € 3.5 million.

[4] For further details, see the section on the net interbank position on page. 5

[5] See note 1

[6] See note 1

[7] See note 1

[8] "Net adjustments to other financial assets" include a write-back of € 11.0 million due to the intervention to save Banca Tercas. Following the objections of the European Commission which considered this operation to be "state aid", the FITD arranged to return the amounts paid in 2014 to the banks, which are now members of the Voluntary Scheme set up as part of the same Fund. Member banks in turn paid these amounts to the FITD - Voluntary Scheme, recognising them under administrative expenses. The write-back and related reversal mentioned above were already accounted for in the first half of 2016.

[9] See note 1

[10] See note 1

[11] See note 1

[12] This term, here and in the next comments, indicates the value relating to CR Saluzzo, control over which was acquired at the beginning of October and therefore included in the scope of line-by-line consolidation at 31 December 2016).

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Consolidated balance sheet as at 31 December 2016

(in thousands of Euro)

Assets	31.12.2016	31.12.2015	Change	% Change
10. Cash and cash equivalents	364,879	390,371	(25,492)	-6.53
20. Financial assets held for trading	676,844	790,403	(113,559)	-14.37
30. Financial assets designated at fair value through profit and loss	84,307	86,639	(2,332)	-2.69
40. Financial assets available for sale	10,433,222	8,022,164	2,411,058	30.05
50. Financial assets held to maturity	2,515,993	2,663,859	(147,866)	-5.55
60. Due from banks	1,331,811	1,087,313	244,498	22.49
70. Loans to customers	45,494,179	43,702,561	1,791,618	4.10
80. Hedging derivatives	62,365	38,182	24,183	63.34
100. Equity investments	413,923	415,200	(1,277)	-0.31
120. Property, plant and equipment	969,470	941,121	28,349	3.01
130. Intangible assets	517,833	515,164	2,669	0.52
of which: goodwill	361,505	380,395	(18,890)	-4.97
140. Tax assets	1,518,027	1,471,928	46,099	3.13
a) current	221,395	208,238	13,157	6.32
b) deferred	1,296,632	1,263,690	32,942	2.61
b1) of which L. 214/2011	1,073,172	1,072,618	554	0.05
160. Other assets	574,175	1,136,326	(562,151)	-49.47
Total assets	**64,957,028**	**61,261,231**	**3,695,797**	**6.03**

(in thousands of Euro)

Liabilities and shareholders' equity	31.12.2016	31.12.2015	Change	% Change
10. Due to banks	9,462,678	5,522,992	3,939,686	71.33
20. Due to customers	38,912,714	35,887,658	3,025,056	8.43
30. Debt securities in issue	8,587,243	10,494,565	(1,907,322)	-18.17
40. Financial liabilities held for trading	226,837	242,149	(15,312)	-6.32
50. Financial liabilities designated at fair value through profit and loss	247,933	873,558	(625,625)	-71.62
60. Hedging derivatives	40,697	23,715	16,982	71.61
80. Tax liabilities	97,996	109,013	(11,017)	-10.11
a) current	1,715	3,911	(2,196)	-56.15
b) deferred	96,281	105,102	(8,821)	-8.39
100.Other liabilities	1,197,062	1,844,715	(647,653)	-35.11
110. Provision for termination indemnities	205,364	200,669	4,695	2.34
120. Provisions for risks and charges	422,791	410,399	12,392	3.02
a) pensions and similar commitments	136,409	124,500	11,909	9.57
b) other provisions	286,382	285,899	483	0.17
140. Valuation reserves	89,951	148,982	(59,031)	-39.62
170. Reserves	2,410,357	2,288,125	122,232	5.34
180. Share premium reserve	930,073	930,073	-	-
190. Share capital	1,443,925	1,443,925	-	-
200. Treasury shares	(7,258)	(7,255)	(3)	0.04
210. Minority interests	674,366	627,287	47,079	7.51
220. Profit (Loss) for the period	14,299	220,661	(206,362)	-93.52
Total liabilities and shareholders' equity	**64,957,028**	**61,261,231**	**3,695,797**	**6.03**

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Consolidated reclassified income statement as at 31 December 2016

For the sake of clarity, we provide below a breakdown of the aggregations and reclassifications with respect to the income statement format required by Circular no. 262/2005 of the Bank of Italy:

- "*Net result from financial activities*" includes items 80, 90, 100 and 110 in the standard reporting format;
- indirect tax recoveries, allocated for accounting purposes to item 220 *"Other operating charges/income"*, have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 118,704 thousand at 31 December 2016 and Euro 123,302 thousand at 31 December 2015);
- *"Net adjustments to property, plant and equipment and intangible assets"* include captions 200 and 210 in the standard reporting format;
- *"Net impairment adjustments to AFS and HTM financial assets"* includes captions 130 b) and 130 c) in the reporting format;
- *"Gains (losses) on equity investments, disposal of investments and adjustments to goodwill"* include captions 240, 260 and 270 in the reporting format;
- "Contributions to the DGS, SRF and FITD-SV (Voluntary Scheme) funds" has been shown separately from the specific accounting technical forms to give a better and clearer representation, as well as to leave the caption 180 b) *"Other administrative costs"* as a better reflection of the trend in the Group's operating costs. In particular, at 31 December 2016, this caption of Euro 73,478 thousand represents the component allocated for accounting purposes to the caption 180 b) *"Other administrative costs"* (Euro 78,233 thousand):
  - 2016 ordinary contribution to the SRF (Single Resolution Fund) for Euro 15,090 thousand;
  - 2016 contribution to the DGS (Deposit Guarantee Scheme) for Euro 16,913 thousand;
  - the contribution to the FITD-SV (Voluntary Scheme) for the intervention on behalf of Banca Tercas for Euro 11,298 thousand;
  - extraordinary contributions to the SRF (Single Resolution Fund) for Euro 34,932 thousand.

  and from the accounting recovery of the provision made to the Solidarity Fund in 2015 (Euro 3,980 thousand, allocated to the caption 190 *"Net provisions for risks and charges"*) as paid by ordinary DGS contributions, and of the guarantee expired as part of the Banca Tercas transaction (Euro 775 thousand, recognised under the caption 220 *"Other operating income/expenses")*.

At 31 December 2015, on the other hand, the captions concerned were 180 b) *"Other administrative expenses"* for Euro 61,554 thousand (Euro 13,356 thousand for the ordinary contribution to the SRF, Euro 8,198 thousand to the DGS and Euro 40,000 thousand for the extraordinary contribution to the SRF) and 190 *"Net provisions for risks and charges"* for Euro 4,755 thousand, relating to estimated contributions to the Solidarity Fund (Stability Law 2016), and for the voluntary scheme established under the Interbank Deposit Guarantee Fund to finance the new intervention in favour of Banca Tercas.

Please note that the caption "Contributions to the SRF, DGS and FITD-VS funds" has been included from 30 June 2016 and that the comparative figures at 31 December 2015 have therefore been restated with respect to those published at the time of the Consolidated financial statements at 31 December 2015. The table showing the reclassified quarterly figures has also been adjusted to this approach.

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(in thousands of Euro)

Captions		31.12.2016	31.12.2015	Change	% Change
10+20	Net interest income	1,170,447	1,227,541	(57,094)	-4.65
40+50	Net commission income	712,722	726,693	(13,971)	-1.92
70	Dividends	9,872	15,953	(6,081)	-38.12
80+90+100+110	Net trading income	119,999	347,884	(227,885)	-65.51
220 (*) (**)	Other operating charges/income	54,238	52,502	1,736	3.31
	Operating income	**2,067,278**	**2,370,573**	**(303,295)**	**-12.79**
180 a)	Payroll	(769,149)	(825,053)	55,904	-6.78
180 b) (*) (***)	Other administrative costs	(417,217)	(400,622)	(16,595)	4.14
200+210	Net adjustments to property, plant, equipment and intangible assets	(80,595)	(80,249)	(346)	0.43
	Operating costs	**(1,266,961)**	**(1,305,924)**	**38,963**	**-2.98**
	Net operating income	**800,317**	**1,064,649**	**(264,332)**	**-24.83**
130 a)	Net impairment adjustments to loan	(619,750)	(705,799)	86,049	-12.19
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(51,811)	(27,343)	(24,468)	89.49
130 d)	Net impairment adjustments to other financial assets	12,497	(4,658)	17,155	-368.29
	Net impairment adjustments	**(659,064)**	**(737,800)**	**78,736**	**-10.67**
190 (****)	Net provisions for risks and charges	(32,648)	(47,382)	14,734	-31.10
###	Contribution to SRF, DGS, FITD-SV	(73,478)	(66,309)	(7,169)	10.81
240+260+270	Gains (Losses) from equity instruments, on disposal of investments and adjustment to goodwill	(24,583)	356	(24,939)	--
280	**Profit (Loss) from current operations before tax**	**10,544**	**213,514**	**(202,970)**	**-95.06**
290	Income taxes on current operations for the period	5,270	5,718	(448)	-7.83
320	**Net profit (loss) for the period**	**15,814**	**219,232**	**(203,418)**	**-92.79**
330	Net profit (loss) pertaining to minority interests	(1,515)	1,429	(2,944)	-206.02
340	**Profit (Loss) for the period pertaining to the Parent Company**	**14,299**	**220,661**	**(206,362)**	**-93.52**
	Caption net of:				
(*)	Recovery of taxes	118,704	123,302	(4,598)	-3.73
(**)	Accounting recovery of the guarantee expired as part of the Banca Tercas transaction	775	-		
(***)	Contribution to SRF, DGS, FITD-SV	(78,233)	(61,554)	(16,679)	27.10
(****)	Contribution to SRF, DGS, FITD-SV	3,980	(4,755)	8,735	-183.7

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Consolidated reclassified income statement by quarter as at 31 December 2016

(in thousands)

Captions		1st quarter 2016	2nd quarter 2016	3rd quarter 2016	4th quarter 2016	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015
10+20	Net interest income	296,800	293,576	285,728	294,343	314,095	308,370	302,036	303,040
40+50	Net commission income	177,083	181,035	174,803	179,801	179,203	180,650	177,844	188,996
70	Dividends	86	8,732	338	716	249	13,583	457	1,664
80+90+ 100+110	Net trading income	15,662	49,064	25,518	29,755	46,058	15,463	20,361	266,002
220 (*)(**)	Other operating charges/income	15,538	16,430	13,605	8,665	15,443	9,269	12,274	15,516
	Operating income	**505,169**	**548,837**	**499,992**	**513,280**	**555,048**	**527,335**	**512,972**	**775,218**
180 a)	Payroll	(196,586)	(201,655)	(176,168)	(194,740)	(199,322)	(196,883)	(232,374)	(196,474)
180 b) (*) (***)	Other administrative costs	(101,125)	(102,758)	(106,098)	(107,236)	(93,620)	(103,392)	(95,698)	(107,912)
200+210	Net adjustments to property, plant and equipment and intangible assets	(17,084)	(20,443)	(17,943)	(25,125)	(17,330)	(17,087)	(17,495)	(28,337)
	Operating costs	**(314,795)**	**(324,856)**	**(300,209)**	**(327,101)**	**(310,272)**	**(317,362)**	**(345,567)**	**(332,723)**
	Net operating income	**190,374**	**223,981**	**199,783**	**186,179**	**244,776**	**209,973**	**167,405**	**442,495**
130 a)	Net impairment adjustments to loans	(114,167)	(161,935)	(124,578)	(219,070)	(147,504)	(150,237)	(127,156)	(280,902)
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(3,678)	(3,524)	(4,948)	(39,661)	(6,347)	(2,552)	(7,563)	(10,881)
130 d)	Net impairment adjustments to other financial assets	(3,666)	14,888	3,097	(1,822)	3,879	(4,997)	(348)	(3,192)
	Net impairment adjustments	**(121,511)**	**(150,571)**	**(126,429)**	**(260,553)**	**(149,972)**	**(157,786)**	**(135,067)**	**(294,975)**
190 (****)	Net provisions for risks and charges	(9,621)	(12,504)	(5,791)	(4,732)	(14,096)	(12,439)	(6,585)	(14,262)
###	Contributions to SRF, DGS, FITD-SV	(15,000)	(11,402)	(17,607)	(29,469)	-	(10,250)	(8,855)	(47,204)
240+260 +270	Gains (Losses) on disposal of investments and adjustments to goodwill	3,193	(4,077)	2,462	(26,161)	(1,773)	7,173	(6,846)	1,802
280	**Profit from current operations before income tax**	**47,435**	**45,427**	**52,418**	**(134,736)**	**78,935**	**36,671**	**10,052**	**87,856**
290	Income taxes on current operations	(14,104)	(13,689)	(12,838)	45,901	(27,234)	(7,367)	(2,313)	42,632
320	**Net profit (loss) for the period**	**33,331**	**31,738**	**39,580**	**(88,835)**	**51,701**	**29,304**	**7,739**	**130,488**
330	Net profit (loss) for the period pertaining to minority interests	(2,356)	2,029	(3,162)	1,974	(6,504)	(1,270)	1,616	7,587
340	**Profit (Loss) for the period pertaining to the Parent Company**	**30,975**	**33,767**	**36,418**	**(86,861)**	**45,197**	**28,034**	**9,355**	**138,075**

	Captions net of:								
(*)	Recovery of taxes	30,405	28,899	29,385	30,015	30,864	31,763	30,804	29,871
(**)	Accounting recovery of the guarantee expired as part of the Banca Tercas transaction				775				
(***)	Contributions to SRF, DGS, FITD-SV	(15,000)	(11,402)	(17,607)	(34,224)	-	-	-	(61,554)
(****)	Contributions to SRF, DGS, FITD-SV				3,980	-	(10,250)	(8,855)	14,350

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Consolidated income statement as at 31 December 2016

(in thousands of Euro)

Captions	31.12.2016	31.12.2015	Change	% Change
10. Interest and similar income	1,483,051	1,648,399	(165,348)	-10.03
20. Interest and similar expense	(312,604)	(420,858)	108,254	-25.72
30. Net interest income	**1,170,447**	**1,227,541**	**(57,094)**	**-4.65**
40. Commission income	745,959	762,474	(16,515)	-2.17
50. Commission expense	(33,237)	(35,781)	2,544	-7.11
60. Net commission income	**712,722**	**726,693**	**(13,971)**	**-1.92**
70. Dividends and similar income	9,872	15,953	(6,081)	-38.12
80. Net trading income	7,944	32,831	(24,887)	-75.80
90. Net hedging gains (losses)	(335)	(889)	554	-62.32
100. Gains/losses on disposal or repurchase of:	107,662	315,466	(207,804)	-65.87
a) loans	(9,748)	4,023	(13,771)	-342.31
b) financial assets available for sale	118,627	313,171	(194,544)	-62.12
c) financial assets held to maturity	-	221	(221)	-100.00
d) financial liabilities	(1,217)	(1,949)	732	-37.56
110. Net results on financial assets and liabilities designated at fair value	4,728	476	4,252	893.28
120. Net interest and other banking income	**2,013,040**	**2,318,071**	**(305,031)**	**-13.16**
130. Net impairment adjustments to:	(659,064)	(737,800)	78,736	-10.67
a) loans	(619,750)	(705,799)	86,049	-12.19
b) financial assets available for sale	(51,811)	(27,343)	(24,468)	89.49
d) other financial assets	12,497	(4,658)	17,155	-368.29
140. Net profit from financial activities	**1,353,976**	**1,580,271**	**(226,295)**	**-14.32**
180. Administrative costs:	(1,383,303)	(1,410,531)	27,228	-1.93
a) payroll	(769,149)	(825,053)	55,904	-6.78
b) other administrative costs	(614,154)	(585,478)	(28,676)	4.90
190. Net provision for risks and charges	(28,668)	(52,137)	23,469	-45.01
200. Net adjustments to property, plant and equipment	(45,709)	(48,336)	2,627	-5.43
210. Net adjustments to intangible assets	(34,886)	(31,913)	(2,973)	9.32
220. Other operating charges/income	173,717	175,804	(2,087)	-1.19
230. Operating costs	**(1,318,849)**	**(1,367,113)**	**48,264**	**-3.53**
240. Profit (Loss) from equity investments	8,491	97	8,394	--
260. Adjustments to goodwill	(32,854)	-	(32,854)	n.a.
270. Gains (Losses) on disposal of investments	(220)	259	(479)	-184.94
280. Profit (Loss) from current operations before tax	**10,544**	**213,514**	**(202,970)**	**-95.06**
290. Income taxes on current operations for the period	5,270	5,718	(448)	-7.83
300. Profit (Loss) from current operations after tax	**15,814**	**219,232**	**(203,418)**	**-92.79**
320. Net profit (loss) for the period	**15,814**	**219,232**	**(203,418)**	**-92.79**
330. Net profit (Loss) pertaining to minority interests	(1,515)	1,429	(2,944)	-206.02
340. Profit (Loss) for the period pertaining to the Parent Company	**14,299**	**220,661**	**(206,362)**	**-93.52**

Consolidated income statement by quarter as at 31 December 2016

(in thousands of Euro)

Captions	1st quarter 2016	2nd quarter 2016	3rd quarter 2016	4th quarter 2016	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015
10. Interest and similar income	384,670	373,463	359,459	365,459	431,035	415,453	402,855	399,056
20. Interest and similar expense	(87,870)	(79,887)	(73,731)	(71,116)	(116,940)	(107,083)	(100,819)	(96,016)
30. Net interest income	**296,800**	**293,576**	**285,728**	**294,343**	**314,095**	**308,370**	**302,036**	**303,040**
40. Commission income	185,186	189,189	183,068	188,516	188,020	189,373	187,648	197,433
50. Commission expense	(8,103)	(8,154)	(8,265)	(8,715)	(8,817)	(8,723)	(9,804)	(8,437)
60. Net commission income	**177,083**	**181,035**	**174,803**	**179,801**	**179,203**	**180,650**	**177,844**	**188,996**
70. Dividends and similar income	86	8,732	338	716	249	13,583	457	1,664
80. Net trading income	(25,801)	(3,956)	12,051	25,650	20,413	(6,009)	591	17,836
90. Net hedging gains (losses)	120	(82)	(129)	(244)	355	(520)	(634)	(90)
100. Gains/losses on disposal or repurchase of:	37,346	55,129	11,199	3,988	28,438	15,882	22,809	248,337
a) loans	7	1,027	(4,495)	(6,287)	3,804	601	(200)	(182)
b) financial assets available for sale	38,237	54,210	15,833	10,347	25,092	15,486	23,048	249,545
c) financial assets held to maturity	-	-	-	-	(92)	300	-	13
d) financial liabilities	(898)	(108)	(139)	(72)	(366)	(505)	(39)	(1,039)
110. Net results on financial assets and liabilities designated at fair value	3,997	(2,027)	2,397	361	(3,148)	6,110	(2,405)	(81)
120. Net interest and other banking income	**489,631**	**532,407**	**486,387**	**504,615**	**539,605**	**518,066**	**500,698**	**759,702**
130. Net impairment adjustments to:	(121,511)	(150,571)	(126,429)	(260,553)	(149,972)	(157,786)	(135,067)	(294,975)
a) loans	(114,167)	(161,935)	(124,578)	(219,070)	(147,504)	(150,237)	(127,156)	(280,902)
b) financial assets available for sale	(3,678)	(3,524)	(4,948)	(39,661)	(6,347)	(2,552)	(7,563)	(10,881)
d) other financial assets	(3,666)	14,888	3,097	(1,822)	3,879	(4,997)	(348)	(3,192)
140. Net profit from financial activities	**368,120**	**381,836**	**359,958**	**244,062**	**389,633**	**360,280**	**365,631**	**464,727**
180. Administrative costs:	(343,116)	(344,714)	(329,258)	(366,215)	(323,806)	(332,038)	(358,876)	(395,811)
a) payroll	(196,586)	(201,655)	(176,168)	(194,740)	(199,322)	(196,883)	(232,374)	(196,474)
b) other administrative costs	(146,530)	(143,059)	(153,090)	(171,475)	(124,484)	(135,155)	(126,502)	(199,337)
190. Net provision for risks and charges	(9,621)	(12,504)	(5,791)	(752)	(14,096)	(22,689)	(15,440)	88
200. Net adjustments to property, plant and equipment	(8,983)	(12,104)	(9,150)	(15,472)	(9,944)	(9,171)	(9,295)	(19,926)
210. Net adjustments to intangible assets	(8,101)	(8,339)	(8,793)	(9,653)	(7,386)	(7,916)	(8,200)	(8,411)
220. Other operating charges/income	45,943	45,329	42,990	39,455	46,307	41,032	43,078	45,387
230. Operating costs	**(323,878)**	**(332,332)**	**(310,002)**	**(352,637)**	**(308,925)**	**(330,782)**	**(348,733)**	**(378,673)**
240. Profit (Loss) from equity investments	3,143	(406)	2,344	3,410	(1,886)	7,270	(6,843)	1,556
260. Adjustments to goodwill	-	(3,254)	-	(29,600)	-	-	-	-
270. Gains (Losses) on disposal of investments	50	(417)	118	29	113	(97)	(3)	246
280. Profit (Loss) from current operations before tax	**47,435**	**45,427**	**52,418**	**(134,736)**	**78,935**	**36,671**	**10,052**	**87,856**
290. Income taxes on current operations for the period	(14,104)	(13,689)	(12,838)	45,901	(27,234)	(7,367)	(2,313)	42,632
300. Profit (Loss) from current operations after tax	**33,331**	**31,738**	**39,580**	**(88,835)**	**51,701**	**29,304**	**7,739**	**130,488**
320. Net profit (Loss) for the period	**33,331**	**31,738**	**39,580**	**(88,835)**	**51,701**	**29,304**	**7,739**	**130,488**
330. Net profit (Loss) pertaining to minority interests	(2,356)	2,029	(3,162)	1,974	(6,504)	(1,270)	1,616	7,587
340. Profit (Loss) for the period pertaining to the Parent Company	**30,975**	**33,767**	**36,418**	**(86,861)**	**45,197**	**28,034**	**9,355**	**138,075**

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Performance ratios as at 31 December 2016

Financial ratios	31.12.2016	31.12.2015
Structural ratios (%)		
net loans to customers/total assets	70.04%	71.34%
net loans and advances to customers/direct deposits from customers	95.28%	92.48%
financial assets/total assets	21.11%	18.88%
fixed assets/total assets	2.13%	2.21%
goodwill/total assets	0.56%	0.62%
direct deposits/total assets	88.07%	86.15%
deposits under management/indirect deposits	49.55%	48.48%
financial assets/tangible equity[1]	2.72	2.25
total tangible assets[2]/tangible equity	12.79	11.83
net interbank lending/borrowing (in thousands of Euro)	(8,130,867)	(4,435,679)
number of employees	11,635	11,447
number of national bank branches	1,200	1,216
Profitability ratios (%)		
ROE	0.30%	4.57%
ROTE	0.33%	5.10%
ROA (net profit/total assets)	0.02%	0.36%
Cost/income ratio[3]	61.29%	55.09%
Net adjustments to loans/net loans to customers	1.36%	1.62%
Basic EPS	0.030	0.459
Diluted EPS	0.030	0.459
Risk ratios (%)		
non-performing exposures/net loans to customers	13.62%	14.54%
net bad loans/net loans to customers	6.61%	6.81%
net unlikely to pay loans/net loans to customers	6.69%	7.15%
net past due loans/net loans to customers	0.32%	0.58%
adjustments to non-performing exposures/gross non-performing exposures	44.54%	44.22%
adjustments to bad loans/gross bad loans	57.25%	58.16%
adjustments to unlikely to pay loans/gross unlikely to pay loans	23.49%	21.88%
adjustments to past due loans/gross past due loans	7.80%	10.02%
adjustments to performing exposures/gross performing exposures	0.47%	0.54%
texas ratio[4]	111.58%	111.98%

[1] *Tangible equity = total shareholders' equity net of intangible assets.*
[2] *Total tangible assets = total assets net of intangible assets.*
[3] *The cost/income ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); the figure at 31 December 2015 has been restated to take into account that the caption "Contributions to the SRF funds, DGS, FITD-SV" has been added to this scheme. When calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 65.52% (58.98% as at 31 December 2015).*
[4] *The texas ratio is calculated as the relationship between total gross non-performing loans and net tangible equity, including minority interests, increased by total provisions for non-performing loans.*

Financial ratios	31.12.2016	31.12.2015
Own Funds (Phased in)[5]		
Common Equity Tier 1 (CET1)	4,497,645	4,629,088
Own Funds	4,958,045	5,133,802
Risk-weighted assets (RWA)	32,593,235	40,101,688
Capital and liquidity ratios[6]		
Common Equity Tier 1 Ratio (CET1 Ratio) - Phased in	13.80%	11.54%
Tier 1 Ratio (T1 Ratio) - Phased in	13.89%	11.65%
Total Capital Ratio (TC Ratio) - Phased in	15.21%	12.80%
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased	13.27%	11.21%
Leverage Ratio - Phased in[7]	6.7%	7.1%
Leverage Ratio - Fully Phased[8]	6.5%	6.9%
Liquidity Coverage Ratio (LCR)	102.0%	136.1%
Net Stable Funding Ratio (NSFR)[9]	n.a.	110.9%

Non-financial ratios	31.12.2016	31.12.2015
Productivity ratios (in thousands of Euro)		
direct deposits per employee	4,103.82	4,128.22
loans and advances to customers per employee	3,910.11	3,817.82
assets managed per employee	1,399.75	1,286.45
assets administered per employee	1,425.44	1,366.99
core revenues[10] per employee	161.85	170.72
net interest and other banking income per employee	173.02	202.50
operating costs per employee	113.35	119.43

[5] *The comparative ratios at 31 December 2015 are presented in the pro-forma version, taking into account the share of profit realized in the second half of 2015 that is allocable to equity (€ 118.6 milion, equal to around 30 bps).*

[6] *See previous note.*

[7] *The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.*

[8] *See previous note*

[9] *The NSFR, not yet available, is in any case estimated to exceed 100% (106.6% as at 30 September 2016).*

[10] *Core revenues = net interest income + net commission income.*

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Balance sheet of the Parent Company as at 31 December 2016

(in thousands of Euro)

	Assets	31.12.2016	31.12.2015	Change	% Change
10.	Cash and cash equivalents	255,934	276,777	(20,843)	-7.53
20.	Financial assets held for trading	702,293	815,114	(112,821)	-13.84
30.	Financial assets designated at fair value through profit and loss	38,643	36,899	1,744	4.73
40.	Financial assets available for sale	8,575,832	6,746,054	1,829,778	27.12
50.	Financial assets held to maturity	2,515,993	2,663,859	(147,866)	-5.55
60.	Due from banks	2,155,637	1,737,029	418,608	24.10
70.	Loans to customers	35,478,258	33,885,273	1,592,985	4.70
80.	Hedging derivatives	59,767	35,715	24,052	67.34
100.	Equity investments	1,619,457	1,471,789	147,668	10.03
110.	Property, plant and equipment	426,715	438,260	(11,545)	-2.63
120.	Intangible assets	296,923	298,292	(1,369)	-0.46
	of which: goodwill	280,236	280,236	-	-
130.	Tax assets	1,233,837	1,187,605	46,232	3.89
	a) current	202,317	188,100	14,217	7.56
	b) deferred	1,031,520	999,505	32,015	3.20
	b1) of which L. 214/2011	862,068	862,146	(78)	-0.01
150.	Other assets	375,787	803,659	(427,872)	-53.24
	Total assets	**53,735,076**	**50,396,325**	**3,338,751**	**6.62**

(in thousands of Euro)

	Liabilities and shareholders' equity	31.12.2016	31.12.2015	Change	% Change
10.	Due to banks	12,539,337	8,655,264	3,884,073	44.88
20.	Due to customers	27,383,757	25,198,115	2,185,642	8.67
30.	Debt securities in issue	7,208,172	8,700,062	(1,491,890)	-17.15
40.	Financial liabilities held for trading	232,098	247,408	(15,310)	-6.19
50.	Financial liabilities designated at fair value through profit and loss	247,933	873,558	(625,625)	-71.62
60.	Hedging derivatives	36,860	20,359	16,501	81.05
80.	Tax liabilities:	63,233	70,792	(7,559)	-10.68
	b) deferred	63,233	70,792	(7,559)	-10.68
100.	Other liabilities	891,096	1,435,114	(544,018)	-37.91
110.	Provision for termination indemnities	122,008	120,872	1,136	0.94
120.	Provisions for risks and charges:	328,888	319,725	9,163	2.87
	a) pensions and similar commitments	134,691	124,021	10,670	8.60
	b) other provisions	194,197	195,704	(1,507)	-0.77
130.	Valuation reserves	(11,747)	33,640	(45,387)	-134.92
160.	Reserves	2,307,997	2,192,709	115,288	5.26
170.	Share premium reserve	930,073	930,073	-	-
180.	Share capital	1,443,925	1,443,925	-	-
190.	Treasury shares	(7,253)	(7,253)	-	-
200.	Profit (loss) for the period	18,699	161,962	(143,263)	-88.45
	Total liabilities and shareholders' equity	**53,735,076**	**50,396,325**	**3,338,751**	**6.62**

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Income statement of the Parent Company as at 31 December 2016

(in thousands of Euro)

	Captions	31.12.2016	31.12.2015	Change	% Change
10.	Interest and similar income	1,124,288	1,256,241	(131,953)	-10.50
20.	Interest and similar expense	(270,978)	(358,009)	87,031	-24.31
30.	**Net interest income**	**853,310**	**898,232**	**(44,922)**	**-5.00**
40.	Commission income	565,223	575,352	(10,129)	-1.76
50.	Commission expense	(29,053)	(29,745)	692	-2.33
60.	**Net commission income**	**536,170**	**545,607**	**(9,437)**	**-1.73**
70.	Dividends and similar income	19,961	33,349	(13,388)	-40.15
80.	Net trading income	6,867	30,959	(24,092)	-77.82
90.	Net hedging gains (losses)	(297)	(689)	392	-56.89
100.	Gains (losses) on disposal or repurchase of:	80,874	209,355	(128,481)	-61.37
	a) loans	(9,130)	3,624	(12,754)	-351.93
	b) financial assets available for sale	90,001	206,439	(116,438)	-56.40
	c) financial assets held to maturity	-	222	(222)	-100.00
	d) financial liabilities	3	(930)	933	-100.32
110.	Net results on financial assets and liabilities designated at fair value	4,138	429	3,709	864.57
120.	**Net interest and other banking income**	**1,501,023**	**1,717,242**	**(216,219)**	**-12.59**
130.	Net impairment adjustments to:	(557,594)	(585,135)	27,541	-4.71
	a) loans	(516,606)	(558,844)	42,238	-7.56
	b) financial assets available for sale	(48,988)	(23,369)	(25,619)	109.63
	d) other financial assets	8,000	(2,922)	10,922	-373.79
140.	**Net profit from financial activities**	**943,429**	**1,132,107**	**(188,678)**	**-16.67**
150.	Administrative costs:	(1,027,400)	(1,041,374)	13,974	-1.34
	a) payroll	(481,800)	(523,844)	42,044	-8.03
	b) other administrative costs	(545,600)	(517,530)	(28,070)	5.42
160.	Net provisions for risks and charges	(20,832)	(40,704)	19,872	-48.82
170.	Net adjustments to property, plant and equipment	(22,684)	(28,105)	5,421	-19.29
180.	Net adjustments to intangible assets	(2,509)	(2,473)	(36)	1.46
190.	Other operating charges/income	141,694	139,124	2,570	1.85
200.	**Operating costs**	**(931,731)**	**(973,532)**	**41,801**	**-4.29**
210.	Profit (loss) from equity investments	(10,045)	(5,179)	(4,866)	93.96
240.	Gains (losses) on disposal of investments	(212)	351	(563)	-160.40
250.	**Profit (loss) from current operations before tax**	**1,441**	**153,747**	**(152,306)**	**-99.06**
260.	Income taxes on current operations for the period	17,258	8,215	9,043	110.08
270.	**Profit (loss) from current operations after tax**	**18,699**	**161,962**	**(143,263)**	**-88.45**
290.	**Net profit (loss) for the period**	**18,699**	**161,962**	**(143,263)**	**-88.45**