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Testo del comunicato

Vedi allegato.

NEWS RELEASE

NET INCOME OF €94 MILLION, GOING UP TO € 127 MILLION ADJUSTED[1] DRIVEN BY RISING "CORE"[2] TOTAL INCOME (+5.6% Y/Y)

PROFIT FROM OPERATIONS OF € 854 MILLION (+10.2% Y/Y)

DECREASING OPERATING COSTS OF € 1,525 MILLION (-5.5% Y/Y)

INCREASE IN GROSS BAD LOAN COVERAGE[3] FROM 34.7% IN H1 2016 TO 49.0% (FROM 45.5% TO 50.7% INCLUDING WRITE-OFFS)

NET NON-PERFORMING LOANS DOWN BY € 2.9 BILLION Y/Y AND BY € 2.0 BILLION COMPARED TO YEAR-END, WITH WEIGHT ON TOTAL LOANS FALLING Y/Y FROM 15.0% TO 13.0% (-200 PB)

EXCELLENT LIQUIDITY POSITION WITH UNENCUMBERED ELIGIBLE ASSET AT € 20 BILLION

SIGNED TODAY THE AGREEMENT TO SELL ALETTI GESTIELLE SGR TO ANIMA HOLDING, SET TO GENERATE THE RECOGNITION OF A GROSS CAPITAL GAIN OF ABOUT 700 MILLION, WITH PRO-FORMA FULLY-LOADED CET1 RATIO COMING TO 11.3%

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[1] Net of non-recurring items illustrated in the Explanatory Notes of this news release and of the "badwill" (€ 3.076.1 million) posted to income following the completion of the Purchase Price Allocation (PPA) process at 1 January 2017 - the date of effectiveness of the merger between Gruppo Banco Popolare and Gruppo BPM. Considering non-recurring items and badwill, H1 2017 closed with a net income of 3,170.4 million

[2] Given by the sum of "net interest income" and "net fees and commissions".

[3] For more details on the accounting treatment of write-offs, please refer to the Explanatory notes of this news release.

Key balance sheet items [4]

- Customer loans of € 109.4 billion, of which performing +0.9% and non-performing -12.1% compared to 31 December 2016;
- Extended direct customer funds of € 106.8 billion[5] (€ 110 billion at the end of December 2016), where the decline is driven by the decrease in more expensive funding sources (time deposits and bonds), while "core" funding through checking accounts and deposits is surging (€ +6.2 billion y/y);
- Indirect customer funding [6] of € 99.8 billion (vs. € 97.2 billion at 31 December 2016), of which:
  - Assets under management € 61.9 billion
  - Assets under administration € 37.8 billion

Key P&L items

- "Core" total income of € 2,151 million, € 2,123 net of non-recurring items of € 28 million[7], up by 5.6% compared to the aggregate figure of H12016;
- Net fees and commissions of € 1,091 million (+15.7% y/y);
- Operating costs of € 1,525 million (€ 1,548 million net of non-recurring items), down by 5.5% over 1,614 million aggregated in H1 2016;
- Gross operating income of € 854 million, up by 10.2% over € 775 million in H1 2016;
- Loan loss provisions of € 647 million, well below the € 1,136 million in H1 2016
- Net income of € 3,170 million, which, net of a "badwill" of € 3,076 million, comes in at € 94 million, as compared to a loss of € 230 million reported in H1 2016.

Capital position:

- Pro-forma phase-in CET 1 ratio of 11.92%
- Pro-forma fully-loaded CET 1 ratio of 11.31%
- Phase-in CET 1 ratio of 11.7% (11. 59% net of the impact from the put option exercise by Unipol Sai on Popolare Vita and Aviva on Avipop)
- Fully-loaded CET 1 ratio of 10.40% (11.14% net of the impact from the above-mentioned put options exercise);
- Additional benefits expected to come from the rollout of AIRB model to former Gruppo BPM and from the completion of the bancassurance reorganization project.

[4] Comparison data at 30 June and 31 December of Gruppo Banco BPM reflect the sum of the data resulting from the consolidated financial statements as at 31/12/2016 of former Gruppo Banco Popolare and former Gruppo BPM net of intercompany relationships and write-downs illustrated in the Explanatory notes of this news release.

[5] Including capital protected certificates (€4.3 bn at 30 June 2017 vs. € 4.6 bn at the end of 2016), but net of repos).

[6] Net of capital protected certificates included in the "extended direct funding".

[7] Non-recurring items are detailed in the Explanatory Notes of this news release.

Credit quality [8]

- Net NPL stock of € 14.2 billion, down by 2.9 billion y/y and by 2.0 billion over year-end 2016 (-12.1% from €16.2 billion in 2016 and -16.8% compared to 30 June 2016)
- Coverage:
  - NPLs: 49,0% vs 37,5% del 2016 (50.7% and 47.9% respectively including write-offs).
  - Bad loans: 59.9% vs. 45.7% in 2016 (62.1% and 60.0% respectively including write-offs).

Liquidity profile

- Unencumbered eligible assets of € 20.0 billion at 30 June 2017, guaranteeing an ample flexibility when managing funding sources.
- LCR ~160% and NSFR >100%

Verona, 4 August 2017 – In today's meeting, the Board of Directors of Gruppo Banco BPM, chaired by Mr. Carlo Fratta Pasini, has approved the half-yearly consolidated financial report of Gruppo Banco BPM at 30 June 2017.

At the beginning of 2017, the Group launched the activities aiming at achieving the operational integration, completing the asset transfer, leading to the creation of the new BPM Spa, and the merger, leading to the creation of the Parent company Banco Bpm Spa. Moreover, the Group completed all the steps along the IT migration process of BPM Spa onto the target operating system as of 24 July last. In the meantime, the process aiming at measuring the effects of the Purchase Price Allocation (PPA) on the acquired balance sheet assets and liabilities of former Gruppo BPM has been completed. The ensuing impacts, that are now definitive, have been reflected in the half-yearly consolidated financial report, after minor adjustments compared to the provisional effects reported in the financial and operating situation at 31 March 2017.

In June, the Group continued with the derisking of the NPL portfolio, with the additional disposal of a bad loan portfolio reflecting a total exposure of € 693 million. This disposal, together with the on-balance sheet recognition in Q1 of write-offs on bad loans falling within the scope of former Gruppo Banco Popolare, led to an additional bolstering of total NPL coverage levels (including write-offs), which at 30 June 2017 came in at 50.7%.

From a purely operating perspective, H1 2017 reported an increase in "core" total income to € 2,151 million (+5.6% y/y), buoyed by the excellent performance of net fees and commissions (€ 1,091 million, +15.7% y/y) mainly driven by the growing Group asset management volumes.

Net interest income dipped slightly, in spite of benefitting from the declining in the cost of funding and the increase in performing loan volumes, which, however, could not fully neutralize the decline - which took place primarily in H2 2016 - in the average customer spread, tied also to the Euribor, which dropped y/y by 11 bps.

Operating costs came to € 1,525 million, down by 5.5% y/y, and even when stripping out the positive non-recurring items reported in the period and the PPA impact they still are declining thanks to the personnel expense reduction driven by the lower headcount ant the containment of variable wages.

[8] For more details on the accounting treatment of write-offs see the Explanatory notes of this news release.

As a result of this dynamic, profit from operations, again net of non-recurring items, stood at € 854 million (+10.2% y/y).
Loan loss provisions added up to € 647 million, comparing very favorably with H1 2016, which however had been impacted by non-recurring provisions. Moreover, in H1 a significant impairment of financial assets was reported, due to the well-known "Veneto banks" circumstances, totaling € 76.1[9] million.
Net income for the period, before the PPA impact at 1 January 2017 stood at € 94 million, as compared with the net loss of € 230 million in H1 last year.
The impact of the PPA process at the merger effectiveness date generated the recognition through profit and loss of a "badwill" of € 3,076 million.

Operating performance

Net interest income came in at € 1,060.0 million, compared to aggregate € 1,094.3 million at 30 June 2016, down by 3.1% and by 7.5% on a like-for-like basis (net of the contribution of non-recurring items and the impact of the PPA reversal effect). The annual drop was mainly driven by the lower contribution from the securities portfolio (down by € 55 million compared to H1 2016), generated by the fair value measurement (under the PPA) of the debt securities held by former Banca Popolare di Milano in its AfS portfolio. On a like-for-like basis, net interest income reports an increase in Q2 (+1.2%), driven by the increase in both the banking and financial income. The **gain on investments in associates carried under the equity method** came in at € 81.9 million, up from € 77.4 million in H1 last year (which included the € 9.2 million contribution of Anima Holding, which is no longer accounted for under the equity method after the partial sale of the share held in the company and the subsequent reclassification as available for sale), with a Q2 contribution of € 40.4 million, slightly below the Q1 contribution of € 41.6 million, due to the € 10.5 million negative contribution from Selma Bipiemme Leasing. The main contribution to this item was made by consumer credit through the stake in Agos Ducato (€ 62.5 million, compared to € 47.2 million in H1 2016), followed by the insurance business totaling € 20.6 million (€ 16.6 million at 30 June 2016).
Net fees and commissions added up to € 1,090.7 million, up by 15.7% compared to € 942.7 million in the same period last year. The growth was driven by brokerage, management and advisory services, which increased by € 164.9 million in absolute terms compared to the H1 2016 aggregate figure, driven essentialy by the growth in asset management and portfolio management products. The Q2 contribution of € 543 million was practically stable compared to € 547 million in Q1.
Other net operating income totaled € 44.7 million compared to € 65.8 million in H1 2016. The lower contribution was mainly due to a greater impairment of "client relationships", tied to their capitalization following the PPA of the merger of former Gruppo BPM, totaling approx. € 12.2 million.
Net financial income totaled € 101.5 million compared to € 208.3 million in H1 2016. The lower contribution is entirely to be ascribed to the reduced disposal of assets available for sale, in particular debt securities, generating a total income of € 37.6 million (€ 168.0 million at 30 June 2016). Trading income contributed as well to the period result with € 41.0 million (of which € 12.0 million from Banca Akros). As a result, **total income** added up to € 2,378.9 million compared to € 2,388.6 million aggregate in H1 2016 (-0.4%). "Core" total income added up to € 2,150.7 million, up by 5.6% compared to 2,037.0 million in H1 2016.
Personnel expenses, totaling € 917.1 million, went down by 4.8% compared to € 963.8 million aggregate in the same period last year, driven by the headcount reduction (-362 resources compared to 31 December 2016). In Q2 the line-item includes also the charge for allowances to the

[9] Of which € 61.0 million refer to the impairment of the shares held in the Atlante Fund, and € 15.3 million to the full recognition through profit and loss of the other exposures to the Veneto banks.

redundancy fund referring to 71 resources for whom the agreement was signed in June. The total headcount at 30 June 2017 added up to 24,318 employees, compared to 24,680 resources at the end of 2016.

Other administrative expenses amounted to € 498,7 million, down by 9.2% compared to the same period last year. This item factors in a positive impact of 27.2 million tied to the recovery of a charge paid out in 2016 to be able to convert DTAs in FY 2015, and to "systemic charges" (ordinary contributions to the Single Resolution Fund (SRF) of € 62.4 million - € 58.8 million in FY 2016 - and a fee of € 13.3 million to retain the right to deduct DTAs for the year), totaling € 75.6 million. Net of these components, compared with H1 2016, this line-item was fairly stable, despite the fact that it includes also integration charges.

Net write-downs of tangible and intangible assets for the period stood at € 109. million, up by 8.4% compared to € 101.0 million at 30 June 2016. The item includes an impairment of certain software elements of € 3.5 million (€ 2.0 million at 30 June 2016). Net of this non-recurring item, it increased by 7.1%, driven by an increase in depreciation of about € 4.5 million, as a result of the recognition at fair value of the property of Gruppo BPM during the PPA process, as well as by greater write-downs tied to the acceleration of the amortization process brought about by the reduction of the useful life of the software undergoing a rationalization process following the merger.

Total **operating costs** added up to € 1,525.3 million compared to € 1.613,7 million in H1 2016, down by 5.5%. The H1 cost to income ratio was 64.1%, shedding 344 bps compared to 30 June 2016.

Net write-downs on impairment of customer loans stood at € 647.0 million compared to € 1,135.5 million in H1 2016. The cost of credit, measured as the net loan loss provision to net loan ratio, came in at 118 bps, reporting a steep decline from 268 bps in H1 last year, when it had been affected by the decision to increase the average NPL coverage, to obtain the ECB's authorization to go ahead with the merger. Net NPL inflows from performing loans have also plummeted (-52.9%, or € 530.2 million vs. € 1,125.5 million pro-forma in H1 last year).

Net write-downs on impairment of other assets of € 79.2 million were charged to income (-€ 17.9 million at 30 June 2016), which include the € 61.0 million impairment of the shares held in the Atlante Fund (€ 52.2 million in Q2 alone) and the other exposures to the Veneto banks.

Net provisions for risks and charges reported a charge of € 9.1million compared to the recovery of € 2,8 million reported in H1 last year.

In H1 2017, **gains on disposal of equity and other investments** of € 13.3 million were reported, of which € 11.7 million for the measurement at fair value of the stake in Energreen, further to its reclassification under financial assets available for sale as no longer under significant influence following the decision to dispose of it, and € 1.6 million for the disposal of property (in H1 2016 the reported gain had been of € 32.5 million).

Income tax on continuing operations at 30 June 2017 come in at € 45.1 million (+€ 110.5 million at 30 June 2016), and it includes the negative impact of € 13.7 million tied to the closing of a tax litigation.

Considering the net income attributable to non-controlling interest (+€ 7.4 million), H1 2017 closed with a **net income for the period ex "badwill"** of € 94.2 million, compared to a net loss of € 230.0 million reported in H1 last year.

The "badwill" that came out once the PPA process was completed and that was posted to income amounted to € 3,076.1 million, bringing the net income for H1 at € 3,170.4 million.

Net of non-recurring items, which includes badwill, the "adjusted" Net income comes in at € 127.0 million.

Key balance sheet items

Extended direct funding[10] at 30 June 2017 totaled € 106.8 billion, down by 2.9% compared to € 110.0 billion at 31 December 2016 and by 2.2% compared to H1 last year. The y/y comparison shows a very strong growth of checking accounts and sight deposits held with the branch network (+10.5% y/y, from € 65.4 to € 72.2 billion), more than offset by the decline in bond issues (-27.5%), which dropped to € 21.8 billion from € 30.2 at 30 June 2016) and in time deposits, which declined to € 4.5 billion from € 5.1 billion in H1 last year (-11.9%). In this quarter, again the decline in this line-item was driven by the reduction in bond issues (-7.9%), followed by sight deposits (-1.4%), in line with the policy aiming at progressively reducing the cost of funding by cutting back on the more expensive funding sources. The funding guaranteed by the stock of certificates issued by the Group, which at 30 June 2017 was € 4.3 billion, reported a decline compared to € 4.6 billion at year-end 2016, as well as compared to Q1 2017, at € 4.5 billion.

Indirect funding, net of capital-protected certificates, amounted to € 99.8 billion, up by 2.6% compared to € 97.2 billion at 31 December 2016, and practically stable compared to € 95,2 billion in H1 2016. The growth in Q2 (+1.2%) was driven by assets under management (+2.7%), totaling € 61.9 billion, driven by the good performance of funds and SICAVs, which over the period grew by 4.7% to reach a total amount of about € 1.7 billion, and to the increase in portfolio management (+1.7%). Assets under administration, net of capital protected certificates, amounting to € 37.8 billion, went down by 4.7%.
Year-on-year, assets under management reported a strong growth (+11.1%, € 6.2 billion), always and almost exclusively driven by Funds and SICAVs. This growth has been only partly offset by the decline in assets under administration, net of capital protected certificates (-4.3%, € -1.7 billion).

Financial assets represented by securities totaled € 35.9 billion, up by 6.2% compared to € 33.8 billion at 31 December 2016 and all but stable (+0.1%) compared to € 35.8 billion in H1 2016. The period increase was driven by the growth in assets held to maturity, which went from € 8.4 billion at December to € 11.5 billion at the end of June, mainly represented by debt securities. At 30 June 2017, the portfolio composition was: € 33.6 billion of debt securities, € 1.7 billion of equity securities and finally units in collective investment undertakings of € 0.7 billion. The Sovereign debt securities exposure was € 28.6 billion, of which € 26.0 billion are represented by Italian government bonds.

At 30 June 2017, **net customer loans** came in at € 109.4 billion, slipping by 1.0% compared to € 110.6 billion at the start of the year. The decline was driven exclusively by strong drop in net non-performing loans, that over the six months decreased by approx. € 2 billion, while performing loans reported an increase of approx. € 0.9 billion, that rises to € 1.7 billion when excluding repo transactions and the Leasing division component. Compared to 30 June 2016, the NPL trend shows a decline of more than € 2.9 billion, and also performing loans decreased by € 1.6 billion (-1.2 billion excluding repo transactions and loans from the Leasing division).

Net non-performing exposures (bad loans, unlikely-to-pay and past dues) at 30 June 2017 totaled € 14.2 billion, down by € 2.9 billion compared to 30 June 2016, by € 2.0 billion (-12.1%) compared to € 16.2 billion at 31 December 2016 and by 5.3% compared to € 15.0 billion at 31 March last. The decline was driven by the drop in net NPL flows (€ 530 million in H1 2017, down by 52.9% compared to € 1.1 billion in H1 last year), internal workout, NPL sales carried out over the period and by the write-downs applied upon measuring the fair value of the NPLs of the former Gruppo BPM under the PPA.

[10] Includes checking accounts and sight and time deposits, issued bonds, certificate of deposits and other securities, facilities and other debts, capital protected certificates. Repos are not included.

The analysis of the single loan categories shows the following half-year dynamic:

- Net bad loans of 6.9 billion, down by 11.4% (-5.4% over 31 March 2017);
- Net Unlikely-to-pay loans of 7.2 billion, down by 12.8% (-4.7% over the previous quarter);
- Net past-due loans of 103 million, down by 17.4% (-30.0% compared to 31 March 2017).

The aggregate NPL coverage ratio stood at 49.0% (50.7% including write-offs), on the rise compared to 37.5% (47.9% including write-offs) at 31 December 2016 and 50.0% at 31 March 2017.

In greater detail, at 30 June 2017 the coverage ratios were:

- Bad loans 59.9%, up to 62.1% including write-offs (60.0% at 31 December 2016)
- Unlikely-to-pay loans 31.5% (27.2% at 31 December 2016);
- Past-due exposures 19.6% (18.2% at 31 December 2016).

The coverage ratio of performing loans came in at 0.41%, compared to 0.43% at 31 December 2016. Net of repo transactions, which are practically risk-free, the performing loans coverage ratio goes up to 0.44% (0.46% at 31 December 2016).

<u>Group capital ratios[11]</u>

At 30 June 2017, Group's Own Funds reached € 10,422 million.

The phase-in Common Equity Tier 1 ratio (CET1 ratio) came in at 11.07% compared to 12.30% at 31 December 2016 (11.94% pro-forma at 1 January 2017). The ratio in mainly affected by the temporary increase in capital deductions resulting from the exercise of put options by UnipolSai on Popolare Vita and by Aviva on Avipop, amounting to roughly 52 bps. Net of this impact, the CET1 ratio would come in at 11.59%. Moreover, in Q1 the CET1 ratio had already been negatively affected by the increase in RWAs of about 3 billion, mainly as a result of the adoption by the Regulator of a temporary buffer, based on the fact that the current AIRB models used to measure credit risks have not been validated yet to calculate RWAs on defaulted assets and retail EAD. Once we receive the authorization to rollout of the AIRB models to include the risk assets of former BPM, this buffer will be reabsorbed.

The phase-in Tier 1 ratio came in at 11.31% and the Total Capital ratio was 13.43%.

The estimated fully-loaded CET1 ratio is 10.40%, compared to 11.42% pro-forma at 31 December 2016). Net of the put option effect described above, the ratio goes up to 11.14%.

OPERATIONAL OUTLOOK

In the second half of 2017, with the NPL Unit fully on-stream and having completed the IT integration, the Group will continue to focus on the implementation of the actions set out in the 2016-2019 Strategic Plan, giving priority to the rationalization of the private and investment banking businesses and the definition of asset management and bancassurance partnerships.

As to the ordinary course of business, the focus will be on recovering profitability, that will benefit from the first synergies generated by the merger.

[11] Pursuant to art. 26, paragraph 2, of Regulation Eu no. 575/2013 of 26 June 2013 (CRR), year-end profits may be included in Common Equity Tier 1 Capital (CET1) only with the prior permission of the competent authority (ECB), which requires profits to be verified by the auditing firm.

The Half-yearly Report as at 30 June 2017 was subject to a limited audit. The audit firm will issue their report on 7 August 2017

Banco BPM had notified in advance the European Central Bank of the intention to apply for the inclusion of the H1 2017 net income into CET 1 and will send the formal application to the ECB. Pending the completion of the authorization process, the capital ratios shown in this news release have been calculated by including the full H1 2017 net income in CET 1.

Although income margins will still be under competitive pressure, the income dynamic may benefit from an additional reduction in funding costs, thanks to the actions put in place to cut back on the more expensive funding sources, as well as from rising loans and from the trends that are characterizing fees and commissions from management, brokerage and advisory services.
The containment of operating costs through efficiency gains, specific actions to optimize expenses and the rationalization of organizational functions will be a key focus area.
NPL coverage levels will remain high, and the NPL stock will keep on decreasing thanks to internal work-out activities and the implementation of the bad loan disposal plan.

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SIGNED THE AGREEMENT TO SELL ALETTI GESTIELLE SGR TO ANIMA HOLDING

Today Banco BPM has signed a binding Memorandum of Understanding to sell 100% of Aletti Gestielle SGR's capital to Anima Holding.
The agreed transaction price has been set at € 700 million, to be fully paid in cash at the closing, plus a deferred amount to be paid in 180 days after the closing, corresponding to the extra net equity and net income for the period accrued up to the closing, which indicatively has been estimated to add up to approx. € 250 million.
The sale of the stake in Aletti Gestielle SGR will generate a capital gain for Banco BPM of about 700 million, gross of tax effect. According to estimates, the recognition of the capital gain, including also the pro-rated subscription of the capital increase of Anima Holding up to the agreed max. ceiling, with all other things being equal, will increase the fully-loaded CET1 ratio by 91 bps. Therefore, the pro-forma fully-loaded CET1 ratio at 30 June 2017 comes in at 11.3%.
Moreover, the groundwork was laid to launch a project that may further expand the scope of the partnership, through the transfer to Gruppo Anima of the insurance sub-advised managed assets currently managed by Banca Aletti on behalf of certain insurance joint-ventures of which Banco BPM is currently a partner. The transfer of these sub-advised managed assets presupposes the positive closing of a separate negotiation of the transfer terms and conditions between the parties: should the project be implemented, it would in any case contribute about 11-billion-euro worth of mandates to Gruppo Anima (via Aletti Gestielle SGR), which based on current measurements reflect an additional amount of € 150 million.
Based on the agreement, the strategic partnership between Banco BPM and Anima and the associated product distribution agreements are applicable across the entire scope of Gruppo Banco BPM for 20 years after the closing.
The binding Memorandum of Understanding provides for the final agreements on the sale of Aletti Gestielle SGR to be signed as soon as possible, aiming at closing by the end of 2017, term by which also the binding agreements on the transfer of sub-advised managed assets could be signed.
The deal, which has been approved today by the Boards of Directors of Banco BPM and Anima, is subject to the usual conditions precedent for these type of transactions (including approvals by regulatory authorities).
Banco BPM will still hold a significant share in Anima Holding and has undertaken to subscribe - on a pro-rata basis - a possible capital increase by Anima Holding, of a total maximum amount estimated at 300 million euro, to fund the deal, which will allow Banco BPM to retain a significant presence within the Asset Management sector. The agreement will unleash the full potential of Banco BPM's sales network, leveraging the best capabilities and resources in Aletti Gestielle SGR and Anima SGR, maximizing synergies while avoiding overlaps.
In addition to generating a significant capital strengthening, the deal brings with it also a strategic add-on from an industrial perspective, as it may represent a key steppingstone to the creation of a

national asset management hub. Banco BPM will gain significant benefits from a commercial point of view, in terms of expansion of its product range and rebates to the distribution networks, and in terms of support to its AuM growth strategy. At the same time, through the stake held in Anima Holding and its expected value creation, Banco BPM may count on a solid contribution to the Group's future profitability.
The above described sale represents a transaction with related parties pursuant to Consob's Resolution no. 17221/10 (the "Consob RPT Regulation") and to corporate rules adopted by the Bank (the "Banco BPM Procedure", available for consultation on the website www.bancobpm.it, Governance section, Corporate documents), as Anima Holding, according to the above regulations, is considered a company over which Banco BPM exercises a significant influence.
To this regard, please note that – under the above-mentioned regulations and company rules – the sale may be eligible to be qualified as "major transaction"; however, as it is a transaction with an "associate", and since Anima Holding holds no significant interest in other related parties of Banco BPM, the exemptions provided for under the Consob RPT Regulation and under the Banco BPM Procedure could be applied, without prejudice to the obligation to provide the required information on the deal in compliance with applicable regulations.

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The financial reporting officer, Mr. Gianpietro Val, in compliance with art. 154, paragraph 2 of the Consolidated act for financial intermediation, hereby states that the accounting information illustrated in this press release is consistent with documental evidence, accounting books and book-keeping entries.

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The consolidated half-yearly report as at 30 June 2017 will be made available to the public, under the law, at the corporate head office and at Borsa Italiana, and will also be published on the corporate website www.bancobpm.it, as well as on the website of the authorized central storage mechanism www.emarketstorage.com

The results as at 30 June 2017 of Gruppo Banco BPM will be presented to the financial community during a conference call to be held today, 4 August at 18:30 (C.E.T.). All the instructions to connect to the event are explained on the Bank's website (www.bancobpmspa.it) in the Investor Relations section, as well as on the website of the authorized central storage mechanism www.emarketstorage.com .

Verona, 4 August 2017

Explanatory Notes

The comments in this news release on the performance of key balance sheet and income statement items make reference to the reclassified consolidated balance sheet and income statement attached below and annexed to the Consolidated half-yearly report as at 30 June 2017 approved today by the Board of Directors.
The explanatory notes illustrated below are deemed important for a better understanding of the basis of preparation of the financial statements and the first half results information illustrated in this news release.

1. Formation of key combined balance sheet and P&L items of Gruppo Banco BPM

On 1 January 2017, the consolidation between Banco Popolare Soc. Coop. and Banca Popolare di Milano S.c. a r.l., came into effect, to form a new bank named Banco BPM S.p.A.
For the purpose of this news release, in order to provide an adequate disclosure on the evolution of the Group's capital, financial and operating situation, we have prepared comparative reclassified financial statements, on a combined basis, namely the balance sheet as at 31 December 2016 and the income statement as at 30 June 2016. More precisely, the financial statements have been prepared by combining the data taken from the consolidated financial statements as at 31/12/2016 and 30/06/2016 of former Gruppo Banco Popolare and former Gruppo BPM, and introducing the following adjustments:

- elimination of main inter-company balance sheet and P&L relationships;
- value-adjustment based on the equity method of the equity investments held in the associates Alba Leasing and Factorit, for the corresponding share which before the merger was classified in the "AFS financial assets" portfolios of former Gruppo BPM for Alba Leasing and former Gruppo Banco Popolare for Factorit;
- elimination of the investment held by former Gruppo BPM in Release S.p.A. under "AFS financial assets", against the reduction in "Minority interest", as it was a fully consolidated subsidiary of former Gruppo Banco Popolare.

The comparative data combined as explained above have not been audited.

Please note that the reclassified statements contained in this news release have been prepared based on the financial statements provided for under the Circular of the Bank of Italy no. 262/2005, in line with the combination and classification criteria illustrated in the annual report as at 31 December 2016 of former Gruppo Banco Popolare, except for the changes introduced to provide a specific information on the "Merger difference (Badwill)", as explained in greater detail in item 2. below, and eliminating from the income statement the result linked to the change in own credit risk of the liabilities designated at fair value (FVO), which anyway was already posted in a specific line-item, as it was deemed irrelevant to the analysis of the operating performance. For a more detailed explanation refer to the following item.

2. New presentation of effects tied to the changes in own credit risk of liabilities designated at fair value (FVO) – Early adoption of the rules under the new IFRS 9

With Regulation EU no. 2067 of 22 November 2016, the accounting standard IFRS 9 was ratified, to come mandatorily into effect on 1 January 2018. Under this standard, it is permitted to make an early adoption limited to the provisions covering the presentation of changes in own credit risk for financial liabilities designated at fair value (known as "Fair Value Option - FVO") before 1 January 2018, without extending it to the other provisions of the standard. Gruppo Banco BPM has decided to make use of this option. More precisely, based on the new standard provisions, the effects of own credit risk changes are recognized under a specific equity reserve, and not through profit and loss, even if the liability is expired or has been paid off.
At 30 June 2017, changes in own credit risk of liabilities under fair value option, net of the associated taxes, generated a negative effect of € 7.4 million. To provide a like-for-like comparison, the comparative balances of the reclassified accounting statements have been restated; namely, the positive effects from the changes in own credit risk referring to H1 2016 and to full-year 2016, amounting to € 7.1 million and € 4.2 million respectively, have been posted as an off-set entry to the line-item "Capital and reserves" of the reclassified balance sheet.

3. PPA effects – Purchase Price Allocation for the business combination with former Gruppo Banca Popolare di Milano

Based on a number of size and qualitative parameters under IFRS 3 on business combinations, the merger between Banco Popolare Soc. Coop. and Banca Popolare di Milano S.c.a r.l. for purely accounting purposes is considered as an acquisition of Banca Popolare di Milano S.c. a r.l. by Banco Popolare Soc. Coop., to be accounted for using the acquisition method.
Based on this method, at the date of acquisition (1 January 2017), the acquirer must allocate the purchase price (known as PPA "*Purchase Price Allocation*") into the identifiable acquired assets and liabilities, both measured at fair value, and must also recognize the minority interest value of the acquiree. Any unallocated purchase price surplus must be recognized as goodwill; instead, any shortfall, generated by a purchasing price allocation at a bargain price, is recognized through profit and loss as badwill.

With respect to the merger under consideration, the purchase price was € 1,548.2 million, resulting from the valuation of the shares issued by Banco BPM S.p,A, assigned in exchange for the shares of former BPM (no. 687,482,024), based on the fair value set as the opening price on 2 January 2017 (Euro 2,252 per share), this being the first available share price since the coming into legal effect of the merger.

Based on the allocation process described above, the measurement at fair value of net assets acquired produced a surplus amounting to € 259.9 million, net of associated tax effect (€ 405.5 million, gross of tax effect) over the book equity of former Gruppo BPM, which amounted to € 4,364.4 million. The fair value of former Gruppo BPM's acquired net assets totaled € 4,624.3 million. Illustrated below are the value adjustments of acquired net assets compared to the corresponding book values reported by the former Gruppo BPM:

- lower loan value of € 482.5 million due to the joint effect of the higher value of performing exposures (€ 363.0 million) and the lower fair value assigned to non-performing exposures (€ 364.3 million for unlikely-to-pay loans and € 481.2 million for bad loans);
- write-up of tangible assets represented by property, of € 311.1 million;
- recognition of new intangible assets, represented by trademarks (€ 282.1 million) and client relationship *(*€ 299.3 million);
- fair value adjustment to equity shareholdings, with fair value lower compared to the book value, as measured along the equity-based method € 31.8 million;
- fair value adjustment to certain financial assets and liabilities, resulting in a net total amount of € 31.2 million;

- increase of € 4.0 million in provisions for risks and charges;
- net liabilities tied to the tax effects of the items listed above, amounting to € 145.6 million.

As a result of the above process, the negative difference between the purchase price (€ 1.548,2 million) and the fair value of net assets acquired (€ 4,624.3 million), equal to minus € 3,076.1 million, was posted to income as gain from "*bargain purchase*" and is listed as a separate line-item of the reclassified income statement as at 30 June 2017. The PPA process has been definitively approved by the Board of Directors of the Parent company in the meeting held on 8 June 2017.
Following the fair value adjustments of net identifiable assets recognized in the consolidated financial statements of Gruppo Banco BPM at 1 January 2017, described above, the total effect on the consolidated net income of H1 2017, as a result of the reversal of the above-mentioned value adjustments, came in at plus € 64.0 million, as itemized below by single reclassified income statement line-item:

- Net interest income: overall €+20.0 million positive impact for the period, as a combined effect of performing loans, with a negative impact of € -53.9 million and unlikely-to-pay loans, with a positive impact of € + 73.9 million, as a result of the higher and lower values recognized under the PPA;
- Other operating income: negative impact for the period of €– 13.2, driven by the amortization of definite-lived intangible assets (client relationships);
- Write-down of tangible assets: H1 negative impact of € 4.5 million, referring to the depreciation of the higher values recognized on property;
- Loan write-downs: lower net write-downs in H1, amounting to €+ 93.4 million, as a result of the reversal of lower values recognized under the PPA;
- Income tax for the year: total tax payable with respect to the above adjustments comes in at € -31.7 million.

Compared to the results of the above process temporarily recognized in the financial statements as at 31 March 2017, note that the bargain purchase has come down by euro 47.7 million, following the re-measurement of the fair value of assets tied to performing loans and real estate.

The new measurements of BPM's assets and liabilities pursuant to IFRS 3 and the new basis of presentation of the fair value option required that the Q1 2017 result be recalculated. As a result, the restated net income for Q1 2017 is 3,191.3 million, instead of 3,240.7 million.

4. P&L effects caused by the Purchase Price Allocation of the business combinations of former Gruppo Banca Popolare Italiana and former Gruppo Banca Italease

In compliance with IFRS 3, the income statement of Gruppo Banco BPM includes the P&L effects caused by the allocation of the merger difference in the business combination, which took place in 2007, with Gruppo Banca Popolare Italiana and of the price paid in 2009 to acquire Banca Italease under the above standard. To this respect please note that the P&L effects under examination have gradually tapered off and some of them are no longer significant. The only worth mentioning residual effects come from the amortization of intangible assets having a finite useful life recognized after the acquisition of Gruppo Banca Popolare Italiana, amounting to 9.9 million at 30 June 2017 (5.3 million at 31 March 2017), and posted under the line-item "Other operating income". Taking into account the additional reversals of adjustments under the PPA of the business combination under consideration, the overall negative effect on the net consolidated income as at 30 June 2017 came in at € 8.6 million (4.1 million at 31 March 2017).

5. **Presentation of loan loss provisions on exposures under insolvency procedure**

With regard to the recognition of loan loss provisions, in the accounting policies at 31 December 2016, former Gruppo Banco Popolare had illustrated the accounting treatment followed for bad loans to borrowers under insolvency procedures (bankruptcy, compulsory receivership, agreements with creditors, extraordinary administration for large companies in distress). The bad debt expense method followed for this type of exposures was the direct write-off method, based on which the loan amount considered uncollectible is written off. Moreover, it had been clarified that the loan write-off method was an equal alternative to the allowance method, whereby loans remain on-balance sheet through their recognition in a loan loss provision; in other words, the direct write-off procedure had by no means been construed to reflect the loan's different probability of recovery compared to that of a loan written-down against a loan loss provision.
The practice of writing off bad loans stemmed from the need to guarantee an immediate accounting recognition of losses from loans under insolvency procedures, due to the different tax treatment of loan losses compared to loan impairments under the regulations in force before the coming into effect of Law no. 132 of 6 August 2015.
To this respect, former BPM applied a different accounting practice.
When it came to harmonizing the accounting policies of the two merging groups, the basis of presentation of gross bad loans adopted by Banco BPM included the write-offs posted in the past by Banco Popolare, with loan loss provisions increased by an equal amount to ensure consistency. Taking 30 June 2017 as a reference date, the amount by which gross bad loans and the associated loan loss provisions have been increased as a result of the above accounting change totaled € 3.2 billion.

At 30 June 2017, outstanding bad loans to borrowers under insolvency procedures not included in the stated gross bad loans and associated loan loss provisions came to € 1.0 billion. This information is provided exclusively to calculate the coverage level of bad loans and impaired loans in a consistent manner, so that it can be compared with past reports of the merging banks,

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

Article 11 of L.D. no. 59 of 3 May 2016, transposed into law by amending Law no. 119 of 30 June 2016, introduced a new optional regime, whereby the guarantee to transform into tax credits those deferred tax assets (DTAs) complying with the requirements set forth by Law no. 214 of 22 December 2011 is subordinated to the payment of a fee, due for financial years from 31 December 2015 to 31 December 2029, whose amount is to be calculated every year. The election into the optional regime is irrevocable.
More specifically, the annual fee to be paid to be authorized to convert the eligible DTAs into tax credits must be calculated every year by applying a 1.5% charge to a "base" obtained by adding together the difference between convertible DTAs recognized in the reference annual report and the corresponding DTAs recognized in the 2007 annual report, the amount of DTAs converted into tax assets from 2008 up until the reference financial year, and by subtracting the taxes specified in the Decree and paid over the same period. Fees are deductible for both IRES and IRAP purposes in the financial year they have been paid out.
For FY 2016, the two merging groups had elected into the optional regime by paying the fee for FY 2015 by 31 July 2016. The total fee amount came in at € 27.2 million, and was fully charged in Q2 2016,
On 21 February 2017, the law transposing the Decree Law no. 237/2016 (known as Salva Risparmio) was published in the Official Gazette (L. no. 15 of 17 February 2017,); more specifically, art. 26 bis, paragraph 4, amended article 11 of D. L. 59/2016, postponing the period over which the annual fee is due, now from 31 December 2016 to 31 December 2030. Because of the new regulations, in the first quarter the line-item "Other administrative expenses" includes the non-recurring gain produced by the reversal of the 2015 "extraordinary" fee, recognized in the 2016 financial statements (€ 27.2 million).
The line-item "Other administrative expenses" includes also the estimated fee accrued in H1 2017 of € 13.4 million.

7. TLTRO II – "Targeted Longer-Term Refinancing Operations"

At 30 June 2017, funding operations with the ECB, entirely made up of TLTRO II facilities, totaled € 21.4 billion, of which € 15.0 billion pertaining to the Parent company Banco BPM and € 6,4 billion to the subsidiary BPM (totaling €21.4 billion at 30 March 2016).
For each TLTRO II operation, having a fixed maturity of four years after the disbursement (which occurred based on four quarterly auctions as of June 2016), the reference rate is the one applied to main refinancing operations at the date of each award, that is, zero. However, there is the possibility of benefitting from a more favorable interest rate on deposits with the ECB, up to max. 0.4%, if between 1 February 2016 and 31 January 2018, net eligible loans should exceed by at least 2.5% a given benchmark.
At 30 June 2017, since both Banco BPM and BPM have reached the target set for 31 January 2018, and since a plan is in place to maintain this result, the interest on the financing has been assessed taking the negative interest rate of 0.4% as reference, based on the amortized cost method under IAS 39, deemed applicable for this type of operation.
Please note, that the interest thus calculated over the first six months of 2017 totaled € 71.7 million (21.7 million in Q2 alone), of which € 31.7 million refer to non-recurring accruals as they refer to the second half of 2016, that were not recognized in the 2016 financial statements because at the date of preparation of the annual report there were no clear and sustainable elements to support the probability of attaining the potential benefit.

8. Charges generated by the contribution to resolution mechanisms

In April 2017, the Bank of Italy communicated to the banks of the Group the contribution amount to be paid to the Single Resolution Fund for FY 2017, totaling € 62.4 million (€ 58.7 million being the ordinary contributions for FY 2016). The contribution was fully charged to income in Q1 under the line-item "other administrative expenses". Please note that in 2017, as in the prior year, the Group decided not to exercise the option of paying up to 15% of the total contributions due with irrevocable payment commitments (IPC).

9. Changes in consolidation scope

At 1 January 2017, the consolidation scope of Gruppo Banco BPM, represented by subsidiaries and companies under significant influence, corresponded to the sum of equity investments in subsidiaries and associates of the two merging groups.
More specifically, with regard to controlling stakes, the controlling shareholding in the company Release S.p.a. has increased: the investment held by former Gruppo BPM, equal to 2.92% and classified in the "AFS financial assets" portfolio, has been added to the 80% interest held by former Gruppo Banco Popolare.
With regard to investments in associates, certain shareholdings increased as a result of the reclassification of the following investment which was previously classified in the "AFS financial assets" portfolio:

- Alba Leasing (39.189% interest held by Gruppo Banco BPM): the stake held by former Gruppo BPM (9.039%) was added to the interest held by former Gruppo Banco (30.15%), classified under equity investments;
- Factorit (39.5% interest held by Gruppo Banco BPM): the share classified by former Gruppo Banco Popolare (9.5% of share capital) has been classified under equity investments under significant control, and it incremented the stake already held by former Gruppo BPM and classified as equity investment (30% of share capital).

The only noteworthy change in Q1 2017 was the exit of Energreen S.A. from the scope of consolidation of associates; once we analyzed the events occurred over the period, we deemed we could rule out the possibility of classifying the investment as being under significant influence. Therefore, the equity investment was reclassified in the "AFS financial assets" portfolio; the positive difference between the newly recognized fair value and the previous book value, coming in at plus € 11.7 million, was posted in the consolidated income statement of Q1 2017, under line-item "gain or loss on the disposal of equity and other investments".

In Q2, following the completion of the liquidation procedures and the cancellation from the Companies Register, the subsidiaries Bipitalia Residential and BPV Mortgages were no longer within the full consolidation scope, effective in Q1.

Moreover, upon completion of two mergers, the subsidiaries Italease Gestione Beni, Sviluppo Comparto 2, TT Toscana Tissue, Essegibi Promozioni Immobiliari (merged into Bipielle Real Estate) and HCS (merged into Terme Ioniche) were no longer within the full consolidation scope.

It should be pointed out that the events that took place in the first half of the year regarding the reorganization of the Bancassurance business, following the non-renewal of the distribution agreements with Gruppo Unipol for life insurance and with Gruppo Aviva for P&C insurance, caused no change in the consolidation scope as at 30 June 2017 with respect to the stakes held in Popolare Vita and in Avipop Assicurazioni, on which the Group is still exercising a significant influence.
More precisely, following the non-renewal of the distribution agreement and in keeping with the shareholders' agreements signed on 7 September 2007, in June Gruppo Unipol exercised the put option on the stake held in Popolare Vita, equal to 50% plus one share; at the date of reporting this news release, the option's exercise price is being calculated based on the current market methodology specified in the shareholders' agreements. For Gruppo Banco BPM the exercise did not generate any balance sheet or P&L impact at 30 June 2017; however, from a prudential perspective the exercise of the put option has been considered a significant event such as to lead to an increase in deductions from "CET1 Capital" equal to the current best available estimate of the exercise price, as the put option represents a synthetic exposure towards financial sector entities.
As regards the put option Gruppo Aviva can exercise on the stake held in Avipop Assicurazioni, equal to 50% plus one share, note that based on the shareholders' agreements signed on 14 December 2017, the option exercise, which to date has not been notified yet, may be carried out no later than 31 August 2017. At 30 June 2017, it was deemed that the non-renewal of the distribution agreement and the consequent possibility of exercising the put option does not give rise to any balance sheet and P&L effects for Gruppo Banco BPM. From a prudential perspective, the put option underwent the same treatment as the put option already exercised by Gruppo Unipol.
Finally, please note that the actual transfer of the shareholding interest following the exercise of the above-mentioned options is subject to the issuance of the required authorizations by the competent authorities.

10. Non-recurring items in the combined income statement of Gruppo Banco BPM

In compliance with the instructions set forth in Consob's Communication no. DEM/6064293 dated 28 July 2006, the effects of the main non-recurring items are illustrated in the operating report. In particular, based on what has been explained in the items above, note that:

- the line-item "net interest income" includes interest income on the TLTRO II facility for FY 2016, totaling 31.7 million, gross of tax effect; moreover, the line-item includes the negative impact of 4.1 million from interest expense paid on the settlement agreement to close a past tax litigation;
- the line-item "dividends and gains or losses from equity investments" includes the loss reported by SelmaBipiemme Leasing in Q2 2017, of € -10.5 million (share attributable to Gruppo Banco BPM) almost entirely linked to non-recurring charges tied to the cancellation of collection notices from tax disputes;
- the line-item "personnel expenses" includes the charge of € 1.3 million related to the recalculation of the Redundancy Fund which among other things takes into account the agreement signed in June 2017 to include 71 additional resources;
- a contingent asset of € 27.2 million, gross of tax effect, was recognized under the line-item "other administrative expenses", referring to the reversal of the fee paid out for FY 2015 to obtain the guarantee to transform given DTAs, into tax credits, that was charged in FY 2016 but was no longer due for that year pursuant to the regulatory provisions introduced with Law no. 15 of 17 February 2017;
- the line-item "Impairment of tangible and intangible assets" includes the impairment of 3.5 million of the software to be disposed of upon completion of the IT migration underway;
- the line-item "net impairment of other assets" includes the impairment of the investments in the Atlante Fund and in the subordinated note issued by Banca Popolare di Vicenza, classified under Afs assets (available for sale), of € -61.0 million (8.7 million at 31 March 2017) and 15.3 million, respectively, gross of tax effect.
- net non-recurring gains of € 13.3, gross of tax effect, were recognized under the line-item "Gain on disposal of equity and other investments". The main component (€ 11.7 million) refers to the valuation effect generated by the reclassification of the equity investment in Energreen under the "AFS financial assets" portfolio, as explained above.

11. Capital requirements regulation

On 1 January 2014, the new harmonized prudential rules for banks and investment firms contained in the Capital Requirements Regulation (EU) no. 575/2013 ("CRR") and in the Capital Requirements Directive 2013/36/EU (CRD IV") of 26 June 2013 have come into effect, transposing the banking supervisory standards defined by the Basel Committee (Basel 3 framework) in the European Union. The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".
Note that the new regulation defined in the "Single Rulebook" provides for a phase-in period for the gradual implementation of certain new rules. The estimated capital ratios the Group is expected to reach at the end of the "phase-in" period are called "Basel 3 Fully-Loaded".

The 2017 minimum capital requirements are:
- minimum Common Equity Tier 1 ratio ("CET1 ratio"): 4.5% + 2.5% Capital Conservation Buffer ("CCB");
- minimum Tier 1 ratio: 6.0% + 2.5% CCB;
- minimum Total Capital ratio: 8% + 2.5% CCB.

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

With communication dated 24 March 2017, the Bank of Italy confirmed that the countercyclical capital buffer (CCyB) has been kept unchanged at zero percent also for Q2 2017.

On 24 February 2017, the European Central Bank (ECB) communicated to Banco BPM its final decision regarding minimum capital ratios Banco must comply with on an ongoing basis.
The decision rests on the supervisory review and evaluation process (SREP) conducted in compliance with art. 4(1)(f) of Regulation (EU) no. 1024/2013, based on the individual evaluations of the former Groups Banco Popolare and Banca Popolare di Milano.
Therefore, pursuant to art. 16 (2) (a) of EU Regulation no. 1024/2013, which gives the ECB the power to require that supervised banks hold an amount of own funds higher than the minimum capital requirements set by the current regulations, a requirement of 2.40% was introduced, to be added on top of the requirements listed above.
Taking into account the SREP CCB requirements, at consolidated level Gruppo Banco BPM must fulfill the following capital requirements:

- *CET1 ratio*: 8.15%;
- *Tier 1 ratio*: 9.65%;
- *Total Capital ratio*: 11.65%.

12. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 30 June 2017, or, when not available, to the most recently approved financial reports.
Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 30 June 2017, or, if not available, the most recent financial reports prepared by the associates.

Attachments referring to Gruppo Banco BPM

Reclassified consolidated balance sheet at 30 June 2017 compared with combined data at 31 December 2016
Reclassified consolidated income statement at 30 June 2017 compared with combined data at 30 June 2016
Reclassified consolidated H1 2017 income statement including evidence of PPA
Reclassified consolidated income statement – 2016-2017 quarterly evolution
Quarterly 2017 reclassified consolidated income statement including evidence of PPA

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BANCO BPM GROUP

Reclassified consolidated balance sheet

Reclassified assets *(euro thousand)*	**30/06/2017**	**31/12/2016 Pro-forma**	**Changes**	
Cash and cash equivalents	790,196	897,704	(107,508)	(12.0%)
Financial assets and hedging derivatives	38,145,739	36,580,435	1,565,304	4.3%
Due from banks	4,897,797	6,678,493	(1,780,696)	(26.7%)
Customer loans	109,440,543	110,550,576	(1,110,033)	(1.0%)
Equity investments	1,344,125	1,594,849	(250,724)	(15.7%)
Property and equipment	2,985,957	2,695,781	290,176	10.8%
Intangible assets	2,394,868	1,833,509	561,359	30.6%
Non-current assets held for sale and discontinued operations	6,722	77,369	(70,647)	(91.3%)
Other assets	7,714,386	7,346,204	368,182	5.0%
Total	**167,720,333**	**168,254,920**	**(534,587)**	**(0.3%)**

Reclassified liabilities *(euro thousand)*	**30/06/2017**	**31/12/2016 Pro-forma**	**Changes**	
Due to banks	26,286,161	23,276,415	3,009,746	12.9%
Due to customers, debt securities issued and financial liabilities designated at fair value	110,240,379	116,773,095	(6,532,716)	(5.6%)
Financial liabilities and hedging derivatives	10,008,681	10,682,892	(674,211)	(6.3%)
Liability provisions	1,601,258	1,706,089	(104,831)	(6.1%)
Liabilities associated with assets held for sale	101	960	(859)	(89.5%)
Other liabilities	7,140,401	3,816,296	3,324,105	87.1%
Minority interests	53,120	58,238	(5,118)	(8.8%)
Shareholders' equity	12,390,232	11,940,935	449,297	3.8%
- Capital and reserves	9,219,863	10,733,631	(1,513,768)	(14.1%)
- Net income (loss) for the period	3,170,369	1,207,304	1,963,065	162.6%
Total	**167,720,333**	**168,254,920**	**(534,587)**	**(0.3%)**

Comparison data reflect the sum of the data resulting from the consolidated financial statements as at 31/12/2016 of former Gruppo Banco Popolare and former Gruppo BPM net of intercompany relationships and write-downs illustrated in the section “Explanatory notes of Gruppo Banco BPM” of this news release

BANCO BPM GROUP

Reclassified consolidated income statement

Reclassified Income Statement *(in euro thousand)*	**H1 2017**	**Pro-Forma H1 2016**	**Change**
Net interest income	1,059,989	1,094,342	(3.1%)
Income (loss) from investments in associates carried at equity	81,939	77,394	5.9%
Net interest, dividend and similar income	**1,141,928**	**1,171,736**	**(2.5%)**
Net fee and commission income	1,090,730	942,652	15.7%
Other net operating income	44,662	65,849	(32.2%)
Net financial result	101,540	208,346	(51.3%)
Other operating income	**1,236,932**	**1,216,847**	**1.7%**
Total income	**2,378,860**	**2,388,583**	**(0.4%)**
Personnel expenses	(917,107)	(963,759)	(4.8%)
Other administrative expenses	(498,731)	(548,988)	(9.2%)
Amortization and depreciation	(109,463)	(100,981)	8.4%
Operating costs	**(1,525,301)**	**(1,613,728)**	**(5.5%)**
Profit (loss) from operations	**853,559**	**774,855**	**10.2%**
Net adjustments on loans to customers	(647,020)	(1,135,512)	(43.0%)
Net adjustments on other assets	(79,177)	(17,901)	342.3%
Net provisions for risks and charges	(9,137)	2,800	
Profit (loss) on the disposal of equity and other investments	13,301	32,456	(59.0%)
Income (loss) before tax from continuing operations	**131,526**	**(343,302)**	
Tax on income from continuing operations	(45,090)	110,549	
Income (loss) after tax from discontinued operations	402	(1,485)	
Income (loss) attributable to minority interests	7,394	4,209	75.7%
Net income (loss) for the period excluding Badwill	**94,232**	**(230,029)**	
Badwill	**3,076,137**		
Net income (loss) for the period	**3,170,369**		

Comparison data reflect the sum of the data resulting from the consolidated financial statements as at 30/06/2016 of former Gruppo Banco Popolare and former Gruppo BPM net of intercompany relationships and write-downs illustrated in the section "Explanatory notes of Gruppo Banco BPM" of this news release

BANCO BPM GROUP

Reclassified consolidated H1 2017 income statement including evidence of PPA

Reclassified Income Statement *(euro thousand)*	**H1 2017**	**P.P.A.**	**H1 2017 without P.P.A.**
Net interest income	1,059,989	20,048	1,039,941
Income (loss) from investments in associates carried at equity	81,939		81,939
Net interest, dividend and similar income	**1,141,928**	**20,048**	**1,121,880**
Net fee and commission income	1,090,730		1,090,730
Other net operating income	44,662	(23,092)	67,754
Net financial result	101,540		101,540
Other operating income	**1,236,932**	**(23,092)**	**1,260,024**
Total income	**2,378,860**	**(3,044)**	**2,381,904**
Personnel expenses	(917,107)		(917,107)
Other administrative expenses	(498,731)		(498,731)
Amortization and depreciation	(109,463)	(6,288)	(103,175)
Operating costs	**(1,525,301)**	**(6,288)**	**(1,519,013)**
Profit (loss) from operations	**853,559**	**(9,332)**	**862,891**
Net adjustments on loans to customers	(647,020)	93,351	(740,371)
Net adjustments on other assets	(79,177)		(79,177)
Net provisions for risks and charges	(9,137)		(9,137)
Profit (loss) on the disposal of equity and other investments	13,301	(981)	14,282
Income (loss) before tax from continuing operations	**131,526**	**83,038**	**48,488**
Tax on income from continuing operations	(45,090)	(27,570)	(17,520)
Income (loss) after tax from discontinued operations	402		402
Income (loss) attributable to minority interests	7,394		7,394
Net income (loss) for the period excluding Badwill	**94,232**	**55,468**	**38,764**
Badwill	**3,076,137**		
Net income (loss) for the period	**3,170,369**		

BANCO BPM GROUP

Reclassified consolidated income statement - quarterly evolution

Reclassified Income Statement	2017		2016 (**)			
(euro thousand)	Q2	Q1 (*)	Q4	Q3	Q2	Q1
Net interest income	511,276	548,713	496,246	517,183	535,841	558,501
Income (loss) from investments in associates carried at equity	40,354	41,585	36,642	33,826	32,779	44,615
Net interest, dividend and similar income	**551,630**	**590,298**	**532,888**	**551,009**	**568,620**	**603,116**
Net fee and commission income	543,373	547,357	511,456	449,288	474,532	468,120
Other net operating income	14,464	30,198	40,744	32,622	32,794	33,055
Net financial result	63,841	37,699	119,770	111,967	132,722	75,624
Other operating income	**621,678**	**615,254**	**671,970**	**593,877**	**640,048**	**576,799**
Total income	**1,173,308**	**1,205,552**	**1,204,858**	**1,144,886**	**1,208,668**	**1,179,915**
Personnel expenses	(458,386)	(458,721)	(661,419)	(620,291)	(483,205)	(480,554)
Other administrative expenses	(235,551)	(263,180)	(372,397)	(269,118)	(265,507)	(283,481)
Amortization and depreciation	(56,495)	(52,968)	(152,668)	(67,282)	(52,168)	(48,813)
Operating costs	**(750,432)**	**(774,869)**	**(1,186,484)**	**(956,691)**	**(800,880)**	**(812,848)**
Profit (loss) from operations	**422,876**	**430,683**	**18,374**	**188,195**	**407,788**	**367,067**
Net adjustments on loans to customers	(354,530)	(292,490)	(1,029,512)	(793,128)	(385,944)	(749,568)
Net adjustments on other assets	(70,820)	(8,357)	(88,619)	(5,941)	(12,964)	(4,937)
Net provisions for risks and charges	(9,641)	504	(41,489)	(16,373)	5,887	(3,087)
Impairment of goodwill	-	-	(279,000)	-	-	-
Profit (loss) on the disposal of equity and other investments	(3,765)	17,066	122,846	2,688	30,894	1,562
Income (loss) before tax from continuing operations	**(15,880)**	**147,406**	**(1,297,400)**	**(624,559)**	**45,661**	**(388,963)**
Tax on income from continuing operations	(9,761)	(35,329)	310,027	209,098	(869)	111,418
Income (loss) after tax from discontinued operations	415	(13)	4,009	-	(5)	(1,480)
Income (loss) attributable to minority interests	4,256	3,138	2,311	12,832	1,991	2,218
Net income (loss) for the period excluding Badwill	**(20,970)**	**115,202**	**(981,053)**	**(402,629)**	**46,778**	**(276,807)**
Badwill		**3,076,137**				
Net income (loss) for the period		**3,191,339**				

(*) Q1 2017 data have been restated following the final approval of the Purchase Price Allocation (PPA) into the identifiable acquired assets and liabilities

(**) 2016 data reflect the sum of the data resulting from the consolidated financial statements of former Gruppo Banco Popolare and former Gruppo BPM net of intercompany relationships and write-downs illustrated in the section "Explanatory notes of Gruppo Banco BPM" of this news release

BANCO BPM GROUP

Quarterly 2017 reclassified consolidated income statement including evidence of PPA

Reclassified Income Statement *(euro thousand)*	**Q2 2017**	***o/w: PPA***	**Q1 2017 (*)**	***o/w: PPA***
Net interest income	511,276	5,949	548,713	14,099
Income (loss) from investments in associates carried at equity	40,354		41,585	
Net interest, dividend and similar income	**551,630**	**5,949**	**590,298**	**14,099**
Net fee and commission income	543,373		547,357	
Other net operating income	14,464	(11,213)	30,198	(11,879)
Net financial result	63,841		37,699	
Other operating income	**621,678**	**(11,213)**	**615,254**	**(11,879)**
Total income	**1,173,308**	**(5,264)**	**1,205,552**	**2,220**
Personnel expenses	(458,386)		(458,721)	
Other administrative expenses	(235,551)		(263,180)	
Amortization and depreciation	(56,495)	(3,077)	(52,968)	(3,211)
Operating costs	**(750,432)**	**(3,077)**	**(774,869)**	**(3,211)**
Profit (loss) from operations	**422,876**	**(8,341)**	**430,683**	**(991)**
Net adjustments on loans to customers	(354,530)	49,285	(292,490)	44,066
Net adjustments on other assets	(70,820)		(8,357)	
Net provisions for risks and charges	(9,641)		504	
Impairment of goodwill	-		-	
Profit (loss) on the disposal of equity and other investments	(3,765)	(981)	17,066	
Income (loss) before tax from continuing operations	**(15,880)**	**39,963**	**147,406**	**43,075**
Tax on income from continuing operations	(9,761)	(13,277)	(35,329)	(14,293)
Income (loss) after tax from discontinued operations	415		(13)	
Income (loss) attributable to minority interests	4,256		3,138	
Net income (loss) for the period excluding Badwill	**(20,970)**	**26,686**	**115,202**	**28,782**
Badwill			**3,076,137**	
Net income (loss) for the period			**3,191,339**	

(*) Q1 2017 data have been restated following the final approval of the Purchase Price Allocation (PPA) into the identifiable acquired assets and liabilities

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