Q1 2017 Results Presentation

11 May 2017

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This presentation includes both accounting data (based on fiancial accounts) and internal management data (which are also based on estimates).

Mr Gianpietro Val as the manager responsible for preparing the Bank’s accounts hereby states pursuant to Article 154-*bis*, paragraph 2 of the Financial Consolidated Act that the accounting information contained in this presentation corresponds to the documentary evidence, corporate books and accounting records.

Agenda

EXECUTIVE SUMMARY (1/2)

✓ **Q1 2017 NET INCOME OF €117MLN[1]**

SUPPORTED BY TOTAL INCOME (excl. Net Financial Result)
(POSITIVE EFFECT FROM NET COMMISSION AND TLTRO 2)

✓ **GROWING CORE REVENUES[2]**

TOTALLING €1.104M (+7.5% Y/Y)

✓ **CONTAINMENT OF OPERATING COSTS**

-4.7% Y/Y EVEN THOUGH THE SYNERGIES UNDER THE PLAN HAVE NOT KICKED IN YET

✓ **EXCELLENT OPERATING PROFITABILITY TREND**

OPERATING INCOME OF €438M (+19.4% Y/Y)

✓ **GROWING SIGHT DEPOSITS**

C/A AND SIGHT DEPOSITS: €71BN (+€6.9BN Y/Y)

Notes:
1. Net of badwill (about €3.1bn) which is the result of temporary PPA differences as at 1st Jan. 2017 (merger effective day). The figure includes €34m PPA
2. Aggregate NII + Net Commissions.

EXECUTIVE SUMMARY (2/2)

✓ CONSTANT GROWTH IN ASSETS UNDER MANAGEMENT

TOTALLING €60BN (+€4.3BN Y/Y)

✓ GROWTH IN NEW LOANS GRANTED TO CORPORATES AND HOUSEHOLDS

NEW M/LT LOANS: €4.8BN (+14.8% Y/Y), o/w €3.7BN TO CORPORATES (+14.8% Y/Y)

✓ CONTINUOUS IMPROVEMENT IN THE RISK PROFILE

NET NPLs DOWN: -€2.2BN Y/Y
NET NPL ON TOTAL LOANS DECREASED TO 13.6%, FROM 15.3% (-170bps Y/Y)
NET FLOWS TO NPLs: - €213M (-42.5% Y/Y)
INFLOWS TO BAD LOANS FROM OTHER IMPAIRED LOAN CATEGORIES: -€278M (-44.9% Y/Y)

✓ ROBUST LIQUIDITY POSITION CONFIRMED

LCR: >160%; NSFR: >100%[1]; UNENCUMBERED ELIGIBLE ASSETS[2]: €22.1BN[2]

✓ SOUND CAPITAL POSITION (CET1 PROFORMA PHASED-IN AT 11.66% AND CET1 PF FULLY PHASED AT 11.13%)[3]

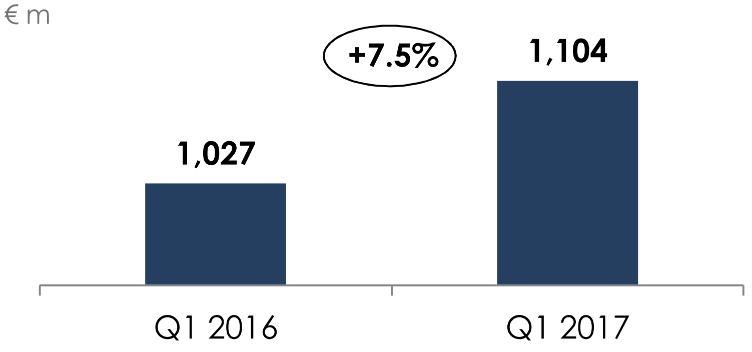
IN SPITE OF TEMPORARY NEGATIVE EFFECTS FROM RWAs ON DEFAULTED ASSETS AND EAD RETAIL WHICH SHALL BE REMOVED FOLLOWING THE ROLLOUT OF AIRB MODELS ACROSS THE FORMER BPM SCOPE

Notes:
1. Management accounting data as at March 2017.
2. Figure as at 04/05/2017.
3. Figures include the entire quarterly income, dividends from associates distributed after 31/03/2017 as well as the effect of DTA transformation into tax credit.

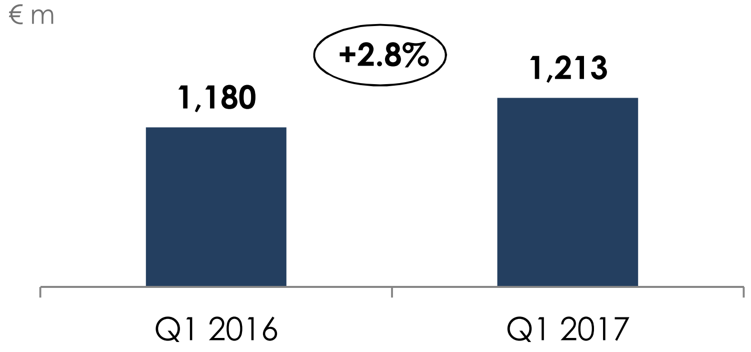
Q1 2017 RESULTS[1]: KEY HIGHLIGHTS (1/3)

NET INCOME OF €117M THANKS TO AN EXCELLENT PERFORMANCE OF OPERATING TRENDS

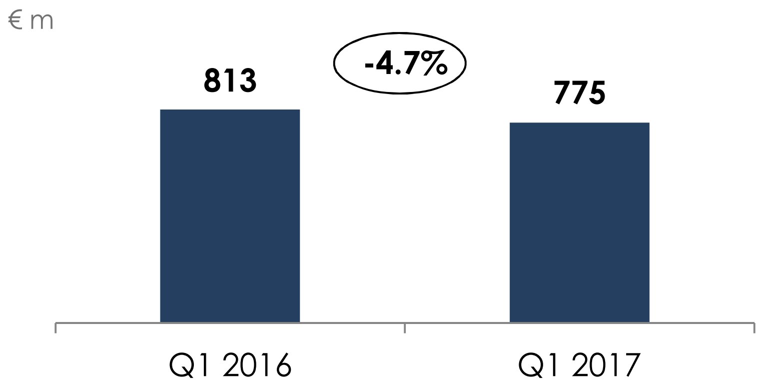
TOTAL "CORE INCOME" (NII + Commissions)



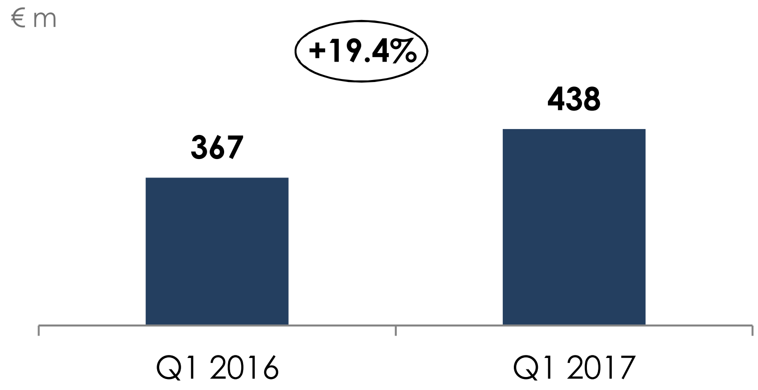
TOTAL INCOME



OPERATING COSTS



PROFIT FROM OPERATIONS



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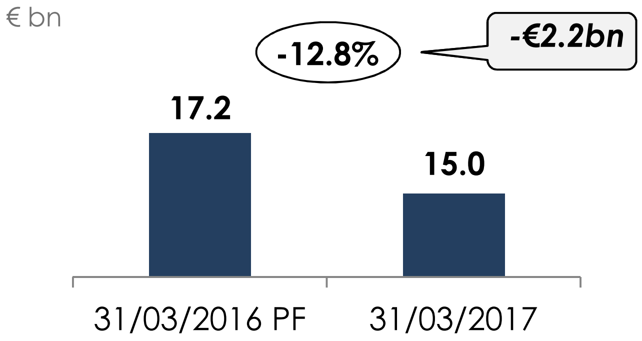
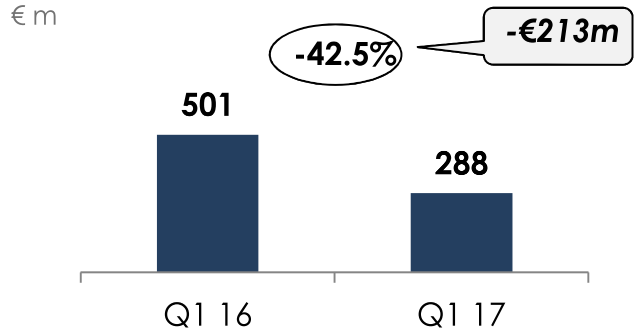
Q1 2017 RESULTS: KEY HIGHLIGHTS (2/3)

IMPROVED OVERALL RISK PROFILE AND CONFIRMED SOLID LIQUIDITY POSITION

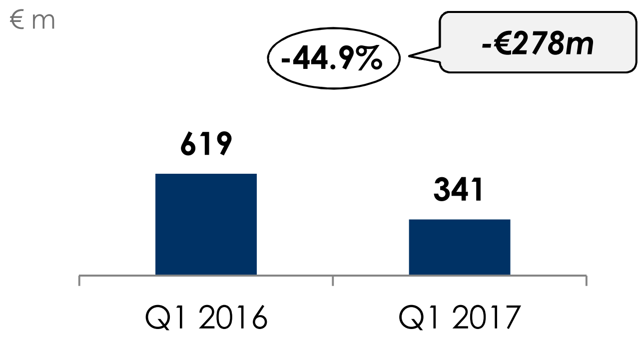
NET NPL



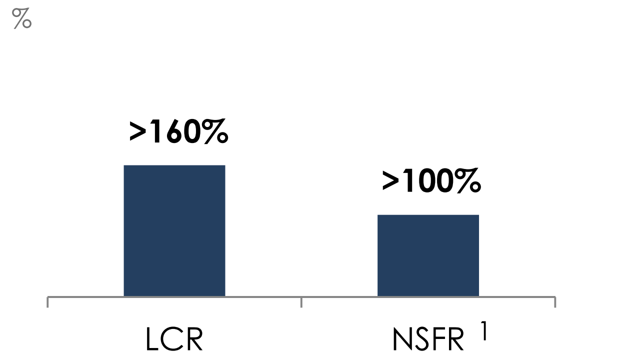
NET FLOWS TO NPL



INFLOWS TO BAD LOANS FROM OTHER IMPAIRED LOANS CATEGORIES



LIQUIDITY RATIO

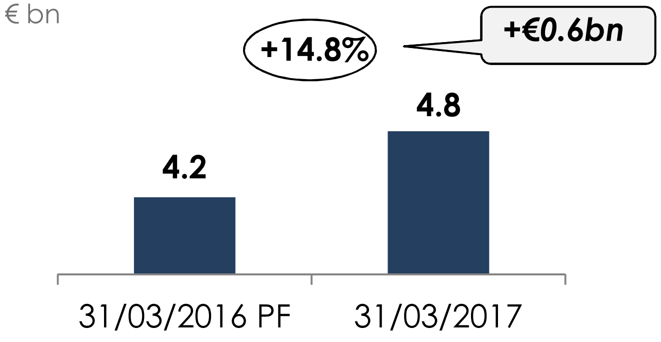


Note:
1. Management accounting data as at March 2017

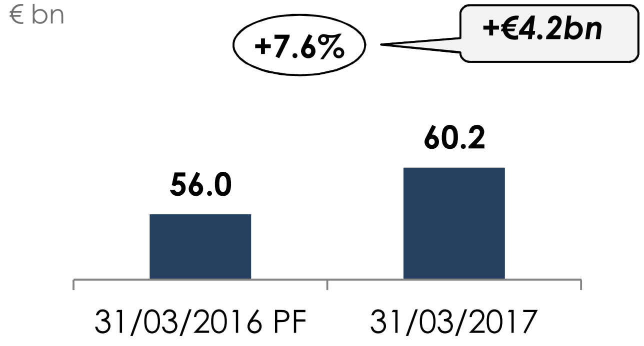
Q1 2017 RESULTS: KEY HIGHLIGHTS (3/3)

POSITIVE COMMERCIAL PERFORMANCE

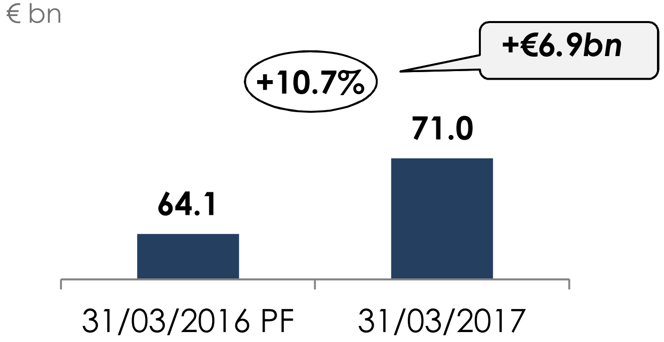
NEW M/LT LOANS



AUM



C/A AND DEPOSITS



INTEGRATION PROCESS WELL ON TRACK

❑ **PROJECTS ON TRACK AND IN LINE WITH THE STRATEGIC PLAN 2016-2019**

❑ **FIRST THREE PROJECTS ANNOUNCED WERE ACHIEVED IN Q1 17**

- ✓ **DEFINITION OF THE SOLIDARITY FUND PHASING**
- ✓ **NPL UNIT FINALISATION**
- ✓ **CLOSURE OF 50% OF BRANCHES UNDER THE PLAN[1]**

❑ **KICK-OFF OF THE "COST OPTIMISATION PROJECT"**

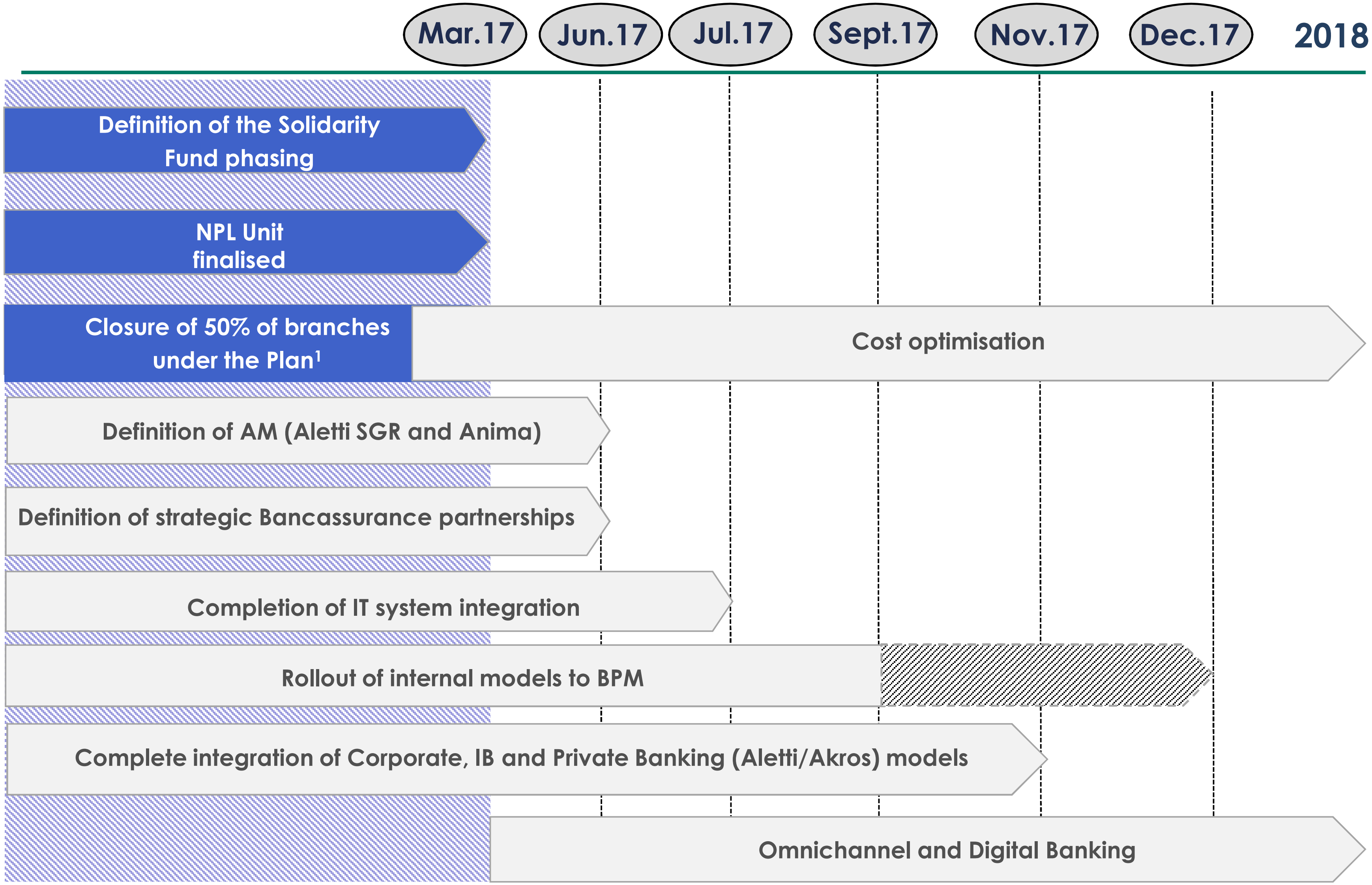
➢ Analysis of all cost components expected to have a further positive effect on administrative expenses in the period of Strategic Plan .

❑ **KICK-OFF OF THE "OMNICHANNEL AND DIGITAL BANKING PROJECT"**

➢ Inter-functional project for the development and integration of Digital Banking in the Group's commercial strategy.

Note:
1. The Strategic Plan envisages the closure of 355 branches by 2019.

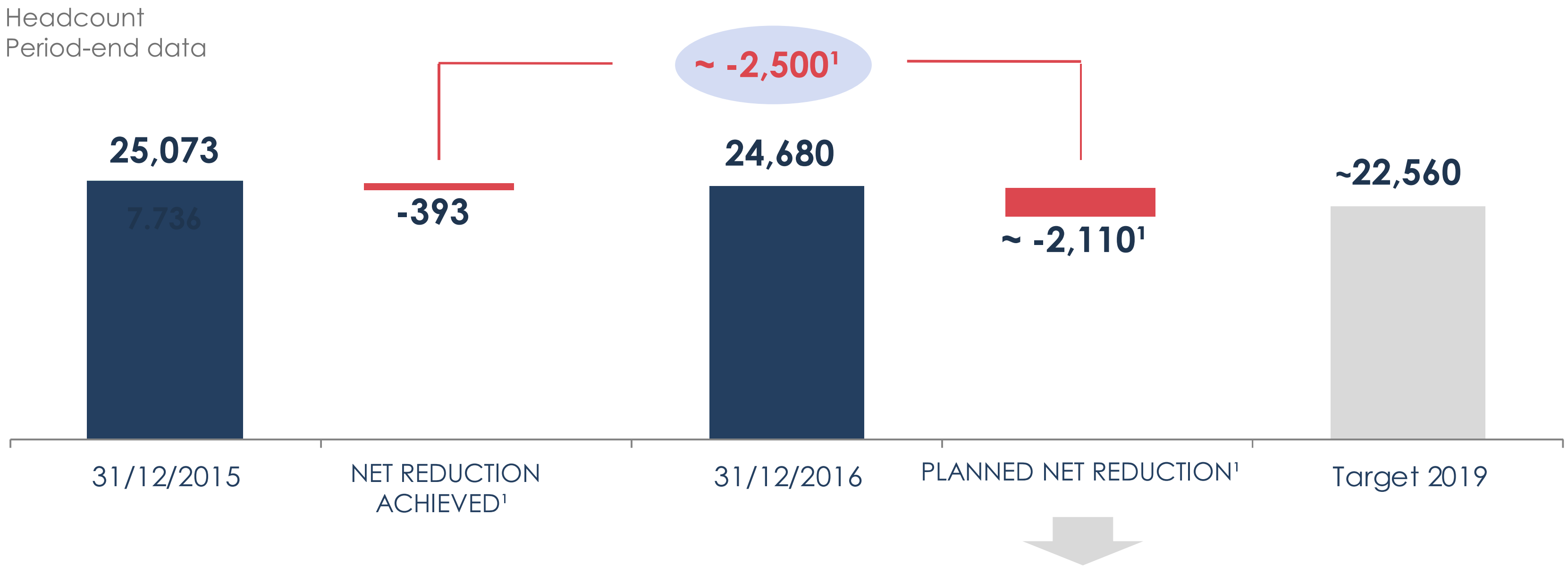
MAIN ONGOING PROJECTS



Note:
1. The Strategic Plan envisages the closure of 355 branches by 2019

HEADCOUNT EVOLUTION

Headcount evolution: backward and forward outlook[1]



of which: exits phasing of the Solidarity Fund in 2017-2018

JUNE 2017	SEPTEMBER 2017	DECEMBER 2017	JUNE 2018	DECEMBER 2018
-220	-412	-523	-356	-286

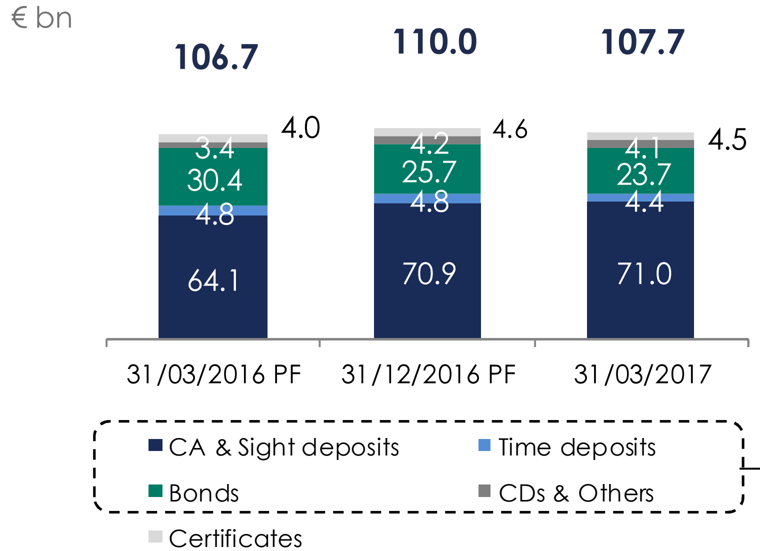
Note:
1. Including natural turnover.

Agenda

DIRECT FUNDING

Growth in deposits and decline in more expensive sources of funding

Extended direct funding[1] *(without Repos)*



CHANGES	In % y/y	In % q/q
CA & Sight deposits	10.7%	0.2%
Time deposits	-9.6%	-8.6%
Bonds	-21.9%	-7.6%
CDs & Others	22.8%	-0.8%
"Core" Direct Funding	**0.5%**	**-2.2%**
Certificates	12.3%	-1.1%
Extended Direct Funding (without Repos)	**0.9%**	**-2.1%**

"Core" Direct Funding: €103.2bn as at 31/03/2017

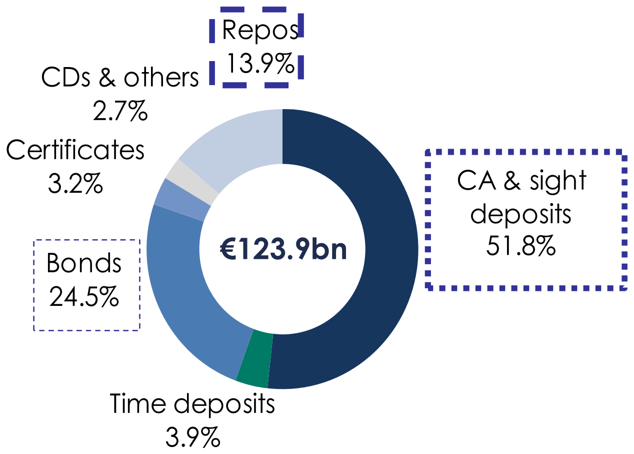
- Extended core direct funding stood at €107.7bn, up by €1bn in 12 months.
- On a yearly basis, the decline in the more expensive components (bonds and time deposits: -€7.1bn, -20.2%) was basically offset by the increase in core sight deposits (+€6.9bn, +10.7%) and Certificates (+€0.5bn, +12.3%).
- On a quarterly basis, the reduction of the more expensive funding components is confirmed, with a concurrent move in favor of indirect funding (in particular assets under management), in keeping with the strategy outlined in the Strategic Plan.

Note:
1. Including only Certificates with guaranteed capital, recognized under Held-for-trading financial liabilities.

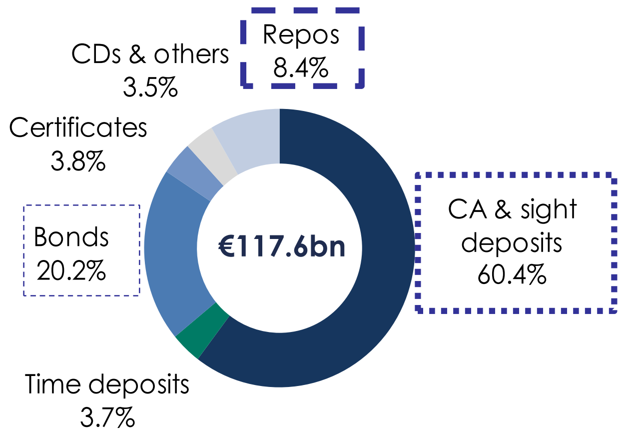
DIRECT FUNDING BREAKDOWN

Analysis of extended Core direct funding[1] (with Repos)

Breakdown as at 31/03/2016



Breakdown as at 31/03/2017



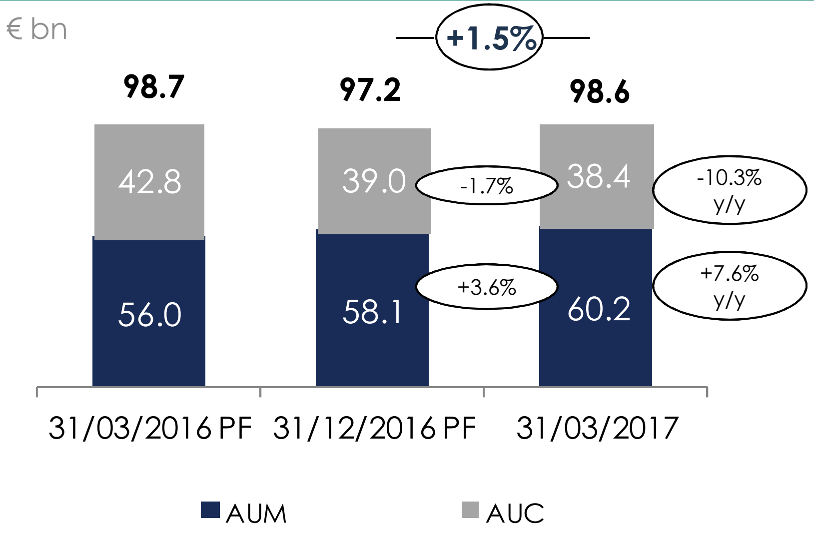
- As at March 2017, Extended Direct Funding was €117.6bn, including Repos.
- Increase in the share of CA and sight deposits (from 51.8% to 60.4%; +8.6 p.p. y/y), a trend that highlights the ability to acquire new customers and deposits (more than 28k new c/a in Q1 2017).

Note:
1. Including only Certificates with guaranteed capital, recognized under Held-for-trading financial liabilities.

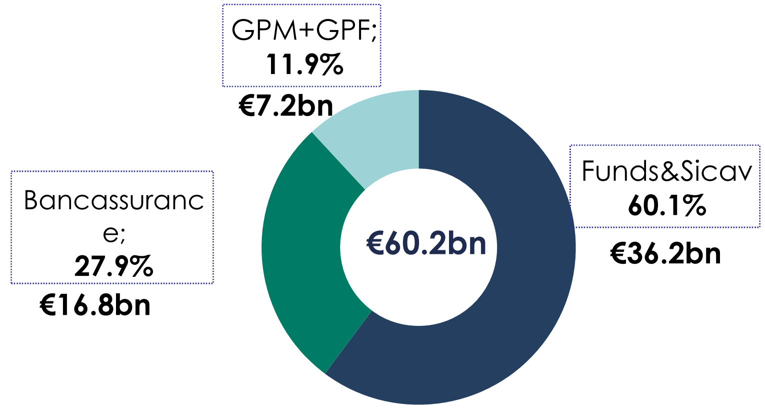
INDIRECT FUNDING

Strong growth in AUM which is increasing its share of indirect funding (from 57% in Mar '16 to 61% in Mar '17)

Indirect funding[1]



AuM Analysis as at 31/03/2017



- Total indirect funding (net of guaranteed capital certificates) is basically stable y/y and up by 1.5% q/q.
- Asset Management reports an excellent growth (+7.6% y/y and +3.6% q/q), driving the rise in indirect funding .
- The Asset Management breakdown highlights the growth of the Funds and Sicav sleeve (+13.1% y/y and +5.4% q/q), and the good performance of the portfolio management GPM+GPF sleeve (+2.9% y/y and +3.5% q/q).

Note:
1. Starting from this quarter, Indirect Funding is calculated net of capital guaranteed certificates. This item, previously included in AuC, is now classified in the extended direct funding (see previous slide).

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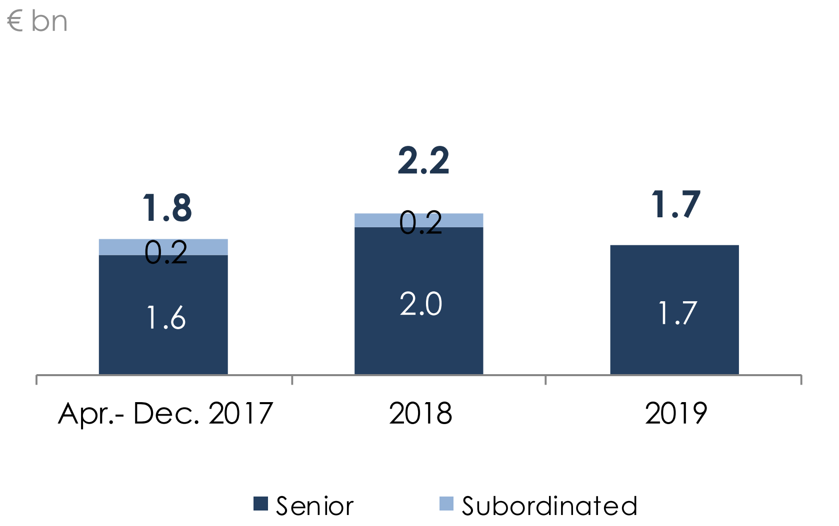
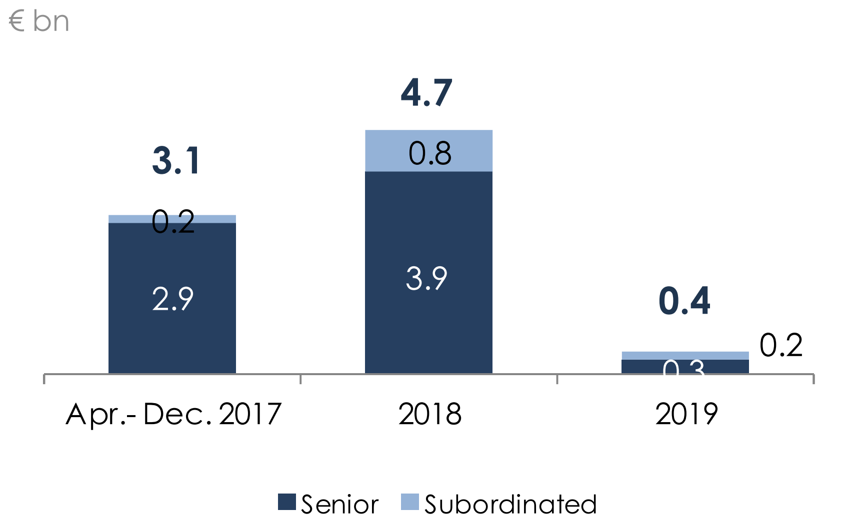
INSTITUTIONAL AND RETAIL BOND MATURITY PROFILE

Significant potential towards a reduction in the cost of funding

Institutional bond maturities



Retail bond maturities

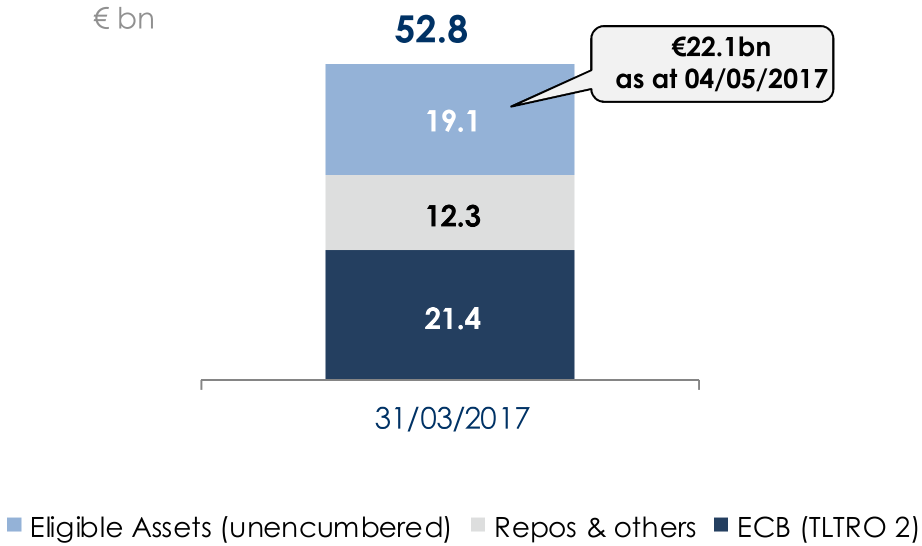


- €1.1bn institutional bonds and €0.9bn retail bonds matured in Q1 2017.
- The average spread of the outstanding securities maturing in 2017 (€4.9bn) is around 2.5%, slightly higher than maturities in the period 2018-2019.
- Thanks to the Group's strong liquidity position, the upcoming maturities over the next three years can be managed with a view to optimizing the cost of funding and increasing assets under management.

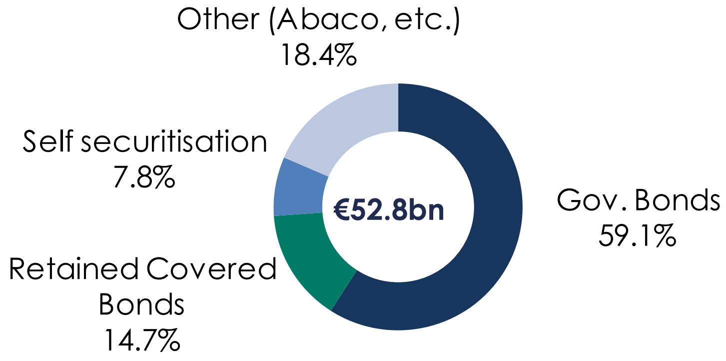
Note: maturities include calls.

ROBUST LIQUIDITY POSITION

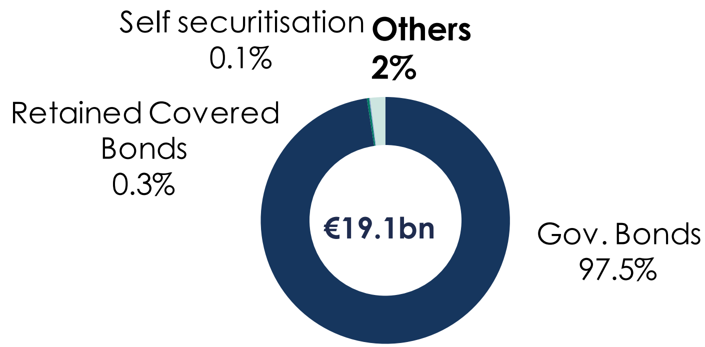
Use of eligible assets and liquidity buffer



Breakdown of total eligible assets



Breakdown of Unecumbered* eligible assets



- Unencumbered assets >€19bn, mostly Italian Government bonds.
- TLTRO 2 position of €21.4bn (€18,3bn at the end of January): reached maximum take-up for the Group at the March 2017 auction.
- LCR >160% and NSFR >100%[1].

Notes:
Net of haircuts. Inclusive of assets received as collateral.
1. Management accounting data as at March 2017.

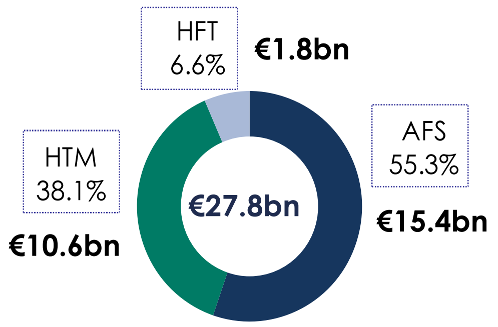
FOCUS ON SECURITIES PORTFOLIO

Analysis of the securities portfolio

€ bn

				Chg. y/y		Chg. q/q	
	31/03/17	31/12/16 PF	31/03/16 PF	Value	%	Value	%
Govies and Central Banks	28.9	26.9	31.0	-2.1	-6.8%	2.0	7.3%
- o/w: Italian Govies	**27.8**	**26.7**	**30.7**	**-2.9**	**-9.4%**	**1.2**	**4.4%**
Financials & others	5.2	4.7	4.5	0.7	16.5%	0.6	12.0%
Equity securities	1.8	1.2	0.9	0.8	90.5%	0.6	52.5%
Open-end funds & private equity	0.8	1.0	1.0	-0.1	-11.7%	-0.2	-19.3%
TOTAL	**36.7**	**33.8**	**37.4**	**-0.6**	**-1.6%**	**2.9**	**8.7%**

Breakdown of Italian Govies portfolio



- The securities portfolio decreased by €0.6bn y/y. Within the total, the Italian government bond component is down by €2.9bn.
- Diversification of the government bond portfolio, which now has 4% of non-Italian securities (primarily France, followed by Germany and USA).
- The Italian Govies Portfolio is classified for 55.3% by AFS and 38.1% HTM. HFT accounts for only 6.6%.
- The modified duration of Italian govies classified as AFS is 2.5 years.

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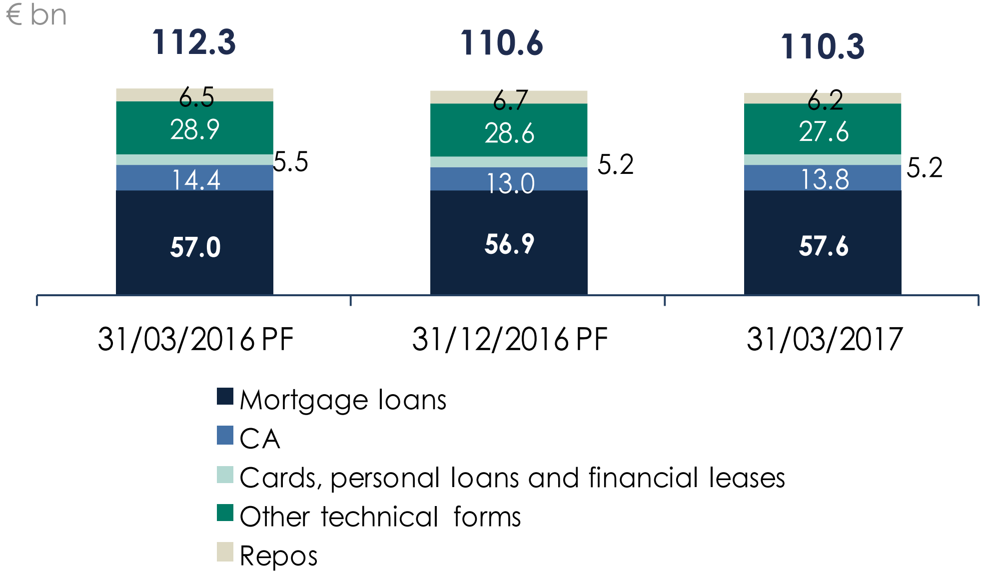
CUSTOMER LOANS

Performing loans up both q/q and y/y, thanks to €4.8bn of new loans granted

Net Customer Loans



CHANGES	In % y/y	In % q/q
Mortgages loans	+1.1%	+1.2%
CA	-4.3%	+5.8%
Cards, personal loans and leasing	-5.9%	-1.0%
o/w leasing	-15.1%	-5.3%
Other technical forms	-4.5%	-3.7%
Repos	-4.5%	-7.7%
TOTAL	**-1.7%**	**-0.2%**
o/w: performing	***+0.3%***	***+1.0%***
o/w: NPLs	***-12.8%***	***-7.2%***

NEW LOANS (€ bn)	Q1 2017	Q1 2016 PF
HOUSEHOLDS	1,053	915
CORPORATE	3,748	3,265
TOTAL	**4,800**	**4,180**

- After a negative 2011-2016 CAGR (-4%), Q1 2017 net performing loans increased by 0.3% y/y and by 1.0% q/q.
- The decline in customer loans, be it y/y (-1.7%) or q/q (-0.2%), has been fully driven by the drop in non-performing loans (-12.8% y/y and -7.2% q/q). Leasing loans were also down (-15.1% y/y and -5.3% q/q), as they are naturally running-off.
- Over the quarter, €4.8bn loans were granted, of which €1.1bn to Households (+15.0%) and €3.7bn to Corporates (+14.8%).

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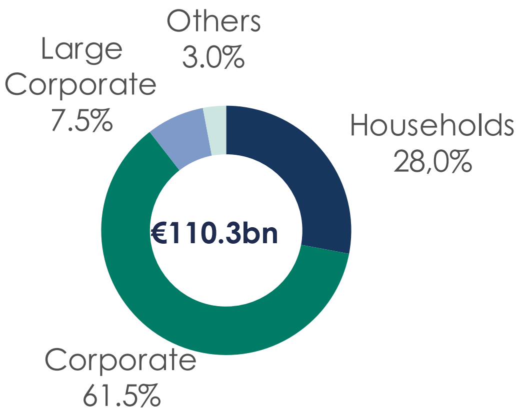
CUSTOMER LOANS ANALYSIS

Retail-oriented Banking group, with main franchise in Northern Italy

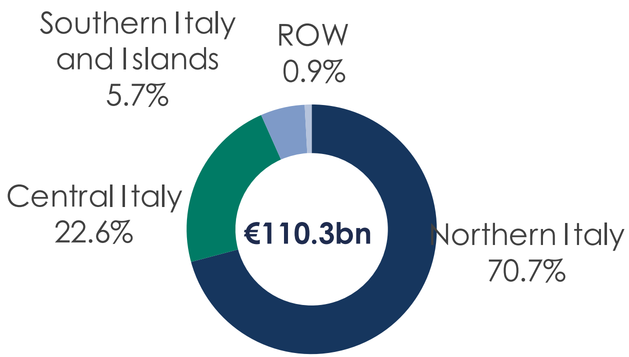
Breakdown of net loans by customer segment at 31/03/2017

%



Breakdown of net loans by geographical area at 31/03/2017

%



- 28% of customer loans hinge on households.
- SMEs represent 62% of the loan book and the average loan ticket is very small, coming in at €296K.
- 70% of the portfolio is concentrated in the wealthiest areas of the Country.

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PURCHASE PRICE ALLOCATION: EFFECTS AT A GLANCE

- **PPA Concept**

  PPA is a process whereby the purchase price of the acquired assets and liabilities of the ex-BPM perimeter, are measured at fair value. The main assets are performing and non-performing loans, property, intangible indefinite assets (brand names) and definite (client relationships). The main liabilities are represented by outstanding bonds.

- **Badwill in 2017**

  The difference between the purchase price (difference between the fair value of the new shares issued on 1 January 2017 and the fair value of net acquired assets and liabilities) is negative (badwill); it gives rise to a gain that must be posted to P&L. As at 31 March 2017, badwill was temporarily[1] quantified as amounting to € 3,123.9m, which was added up to the net income of €116.8m, thus coming to a net income for the period of €3,240.7m. It is noted moreover that the capital effect stemming from the allocation of the badwill tied to the sum of the CET1 of BP and BPM is negative for about €81m.

- **PPA reversal in the income statement**

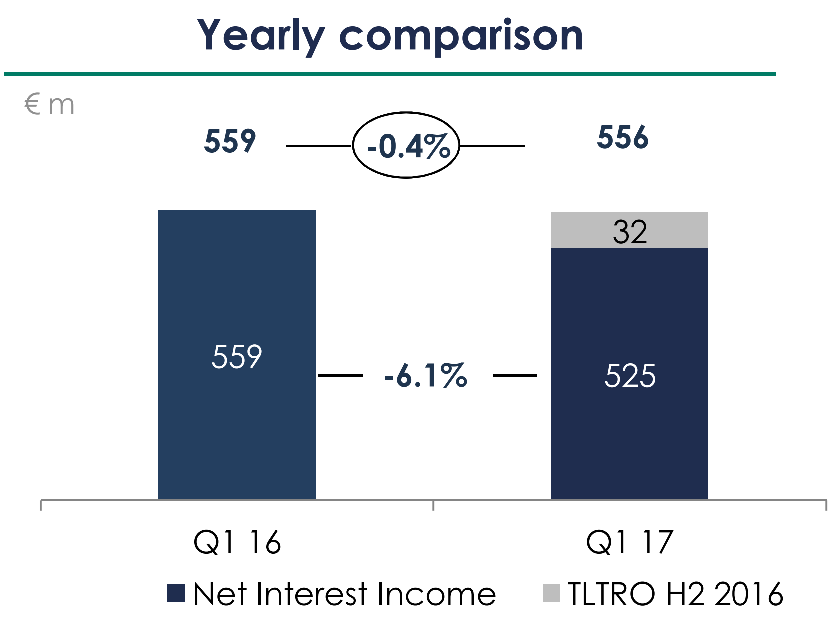
  The higher or lower values assigned to the above-mentioned net assets trigger "reversal" effects onto future income statements. For Q1 2017, the effect from said PPA "reversals" has been positive and it came in at a net figure of € 34m (see slide 37 for more details).

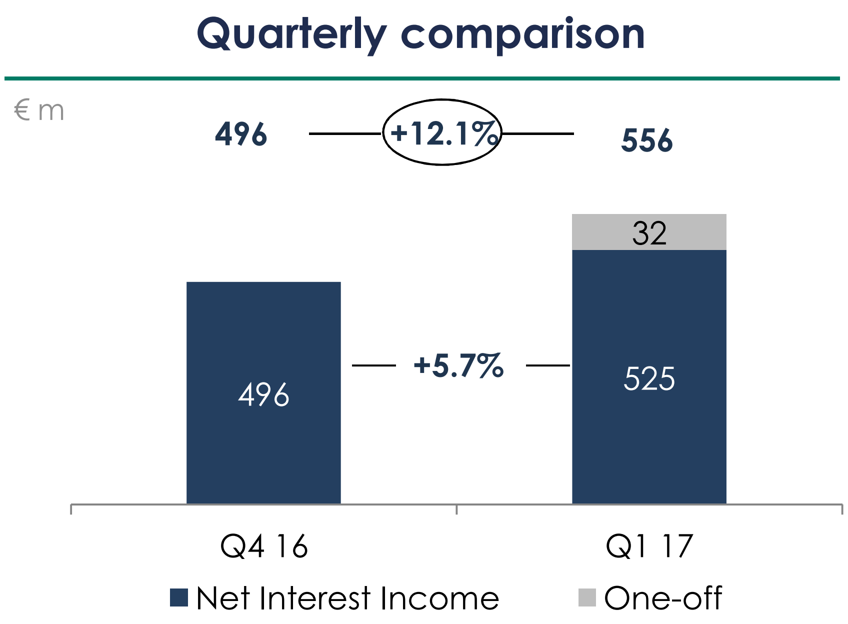
- **Phasing of reversal**

  Based on preliminary estimates and assuming that the higher or lower values can be linearly spread throughout the residual life of the net assets they have been allocated to, the quarterly impact is expected to give rise to a positive pre-tax effect of roughly €40-45 million during the Strategic Plan period.

Notes:
1. As known, accounting rules allow for a 12-month period of time for the final quantification of PPA.

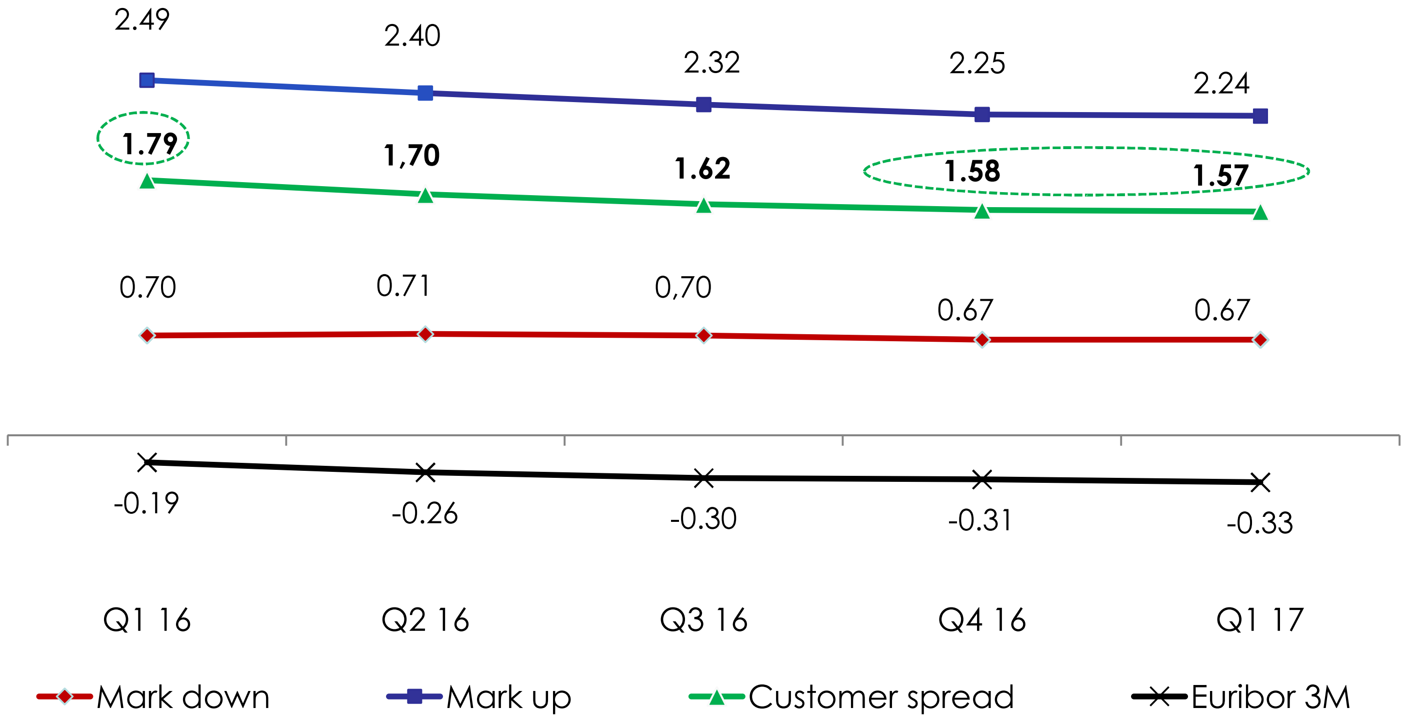
NET INTEREST INCOME





- Net interest income remained fairly stable y/y (-0.4%), while it went up 12.1% q/q, mainly driven by the positive impact of interest earned on H2 2016 TLTRO2 (€31.7m).
- On a like-for-like basis, net interest income grew by 5.7% q/q, in spite of declining financial net interest income from the bond portfolio (also due to the mark-to-market measurement of the ex-BPM portfolio), offset by the Q1 2017 ordinary contribution of TLTRO2 (€18m).

QUARTERLY NET INTEREST SPREAD TREND



AVERAGE CHANGE

Quarterly spreads	Y/Y	Q/Q
Asset spread	**-25bps**	**-1bps**
Liability spread	**-3bps**	**0 bps**
Spread	**-22bps**	**-1bps**
Euribor 3M	**-14bps**	**-2bps**

- The customer spread remained basically stable q/q, in spite of Euribor 3M declining 2bps.
- The decline vs Q1 2016 (-22bps) includes 3M Euribor effect(-14bps).

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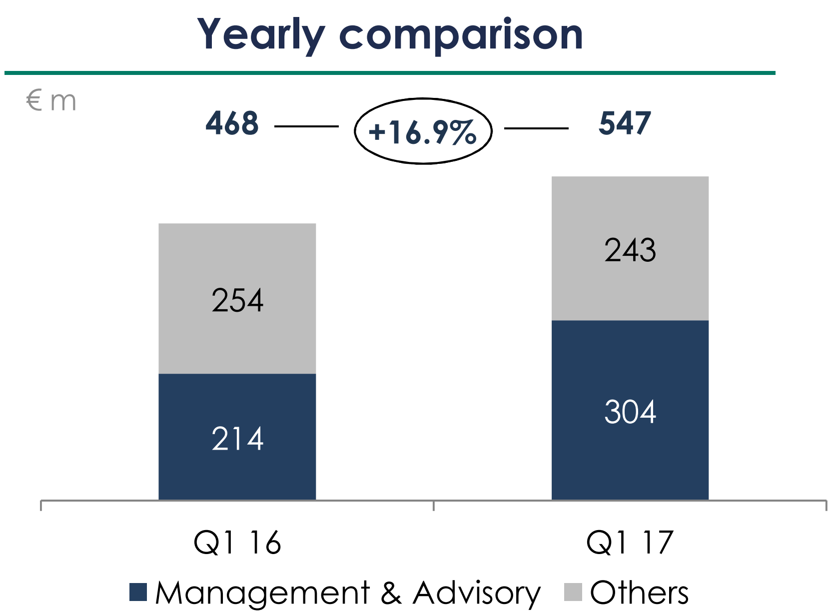
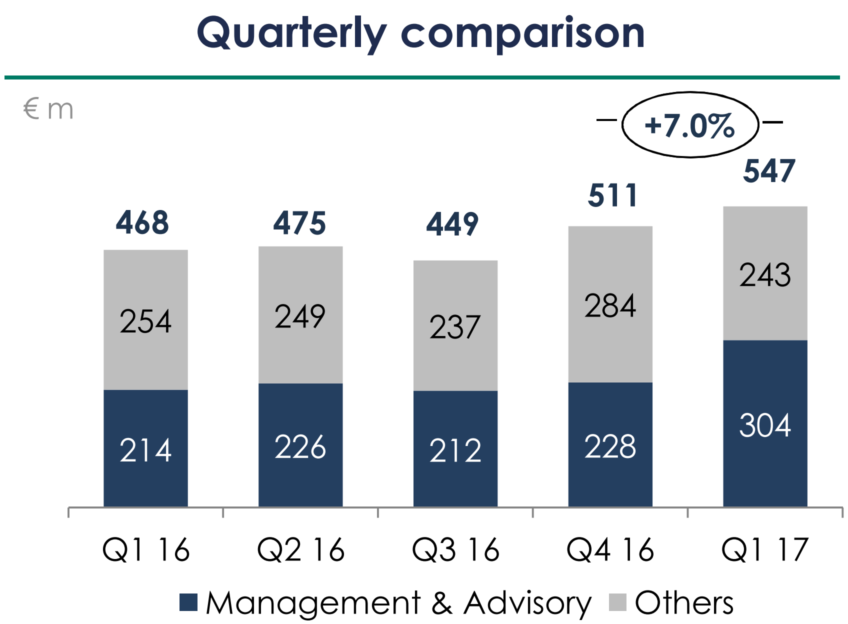
NET FEES AND COMMISSION





- Net fees and commission up by 16.9% y/y and by 7.0% q/q, driven by increasing commissions from the placement of savings products.
- In Q1 2017, performance fees amounted to €16m.
- Consumer credit fees showed a positive trend (+€7.6% y/y), which is reflected in the good performance of Agos Ducato, with an additional contribution to P&L (€32.4m) booked as "net income from associates carried at equity".

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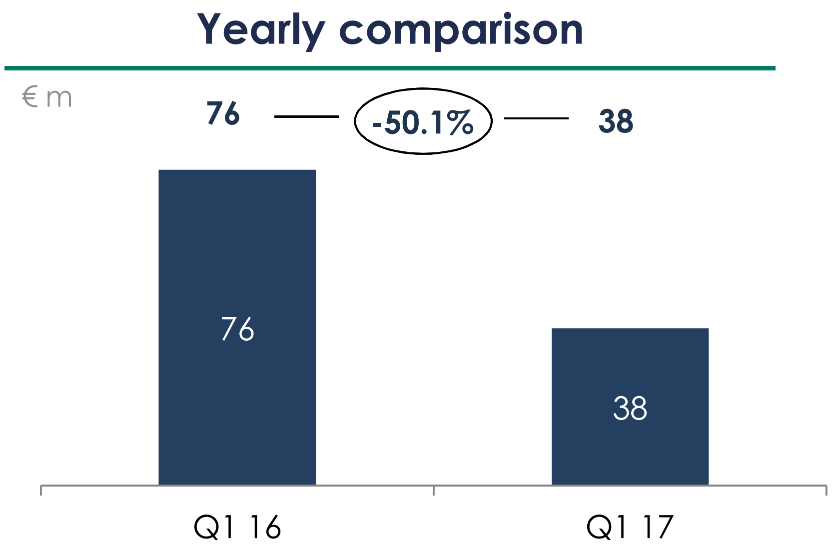
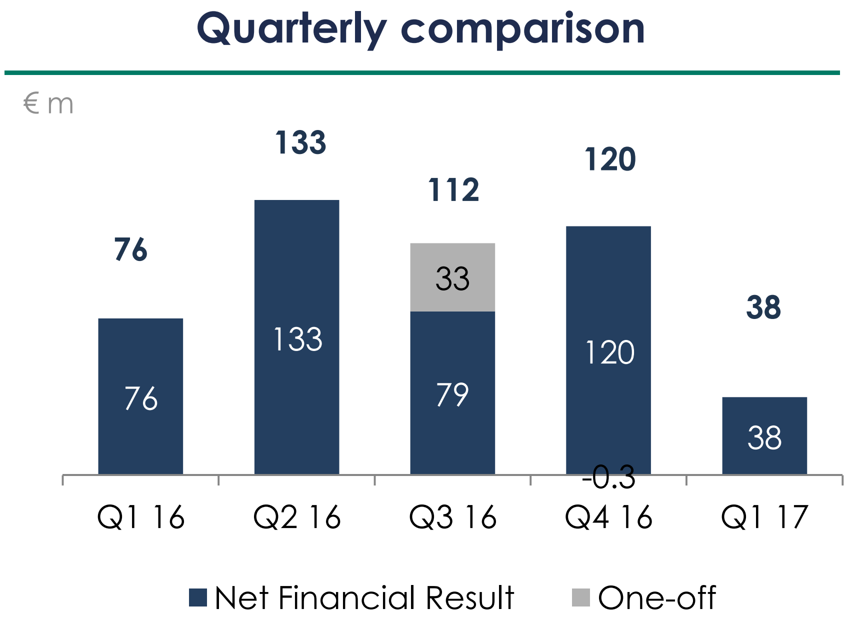
NET FINANCIAL RESULT

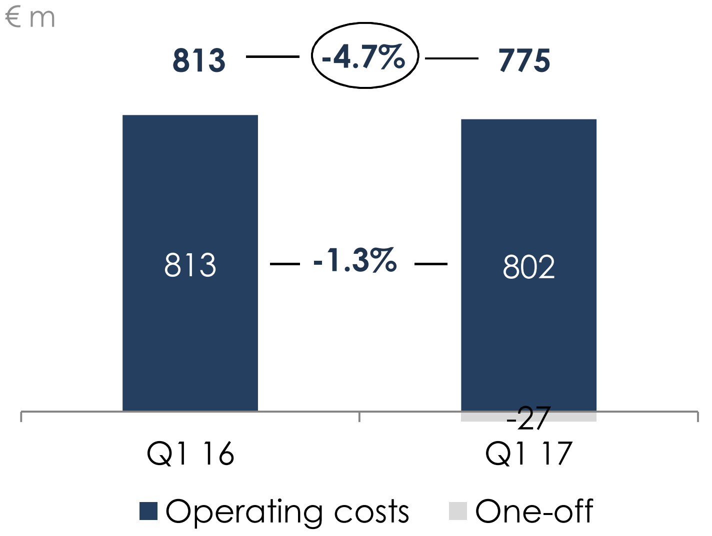




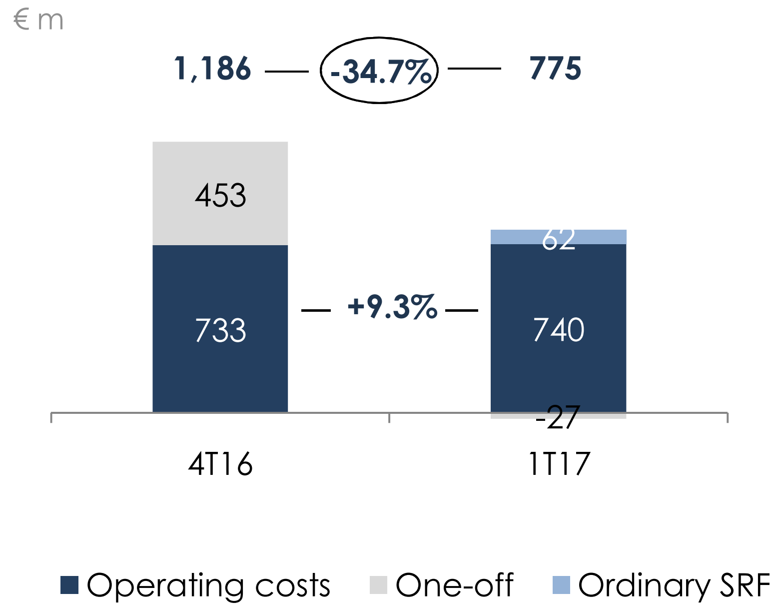
- The decrease in the Net financial result y/y was mainly driven by the decline in gains from the disposal of debt securities classified in the AFS portfolio (€4m in Q1 2017 vs €70m in Q1 2016) while net income from trading, hedging and dividends increased.
- The quarterly comparison had been affected by gains from the disposal of govies of the AFS portfolio, mainly in relation to ex-BPM.

OPERATING COSTS

Yearly comparison



Quarterly comparison



- Operating costs are down both y/y (-4.7%) and q/q (-34.7%).
- On a like-for-like basis, operating costs are down 1.3% y/y, while they are up 9.3% q/q, mainly due to the ordinary contribution to the Single Resolution Fund (€62m), not booked in Q4 2016.

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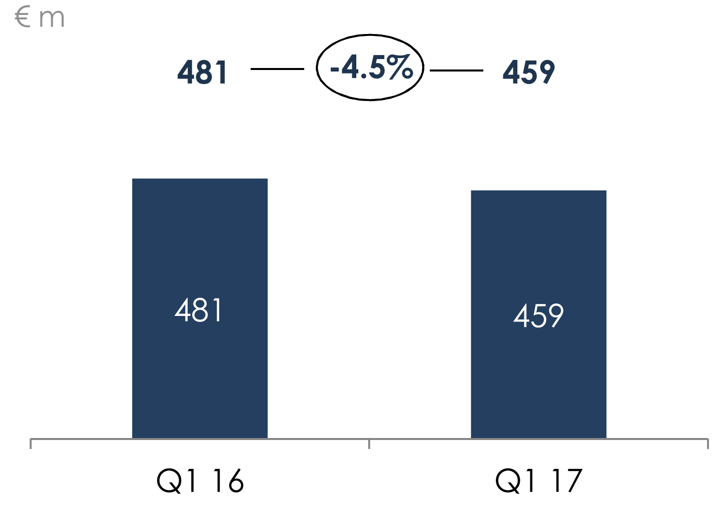
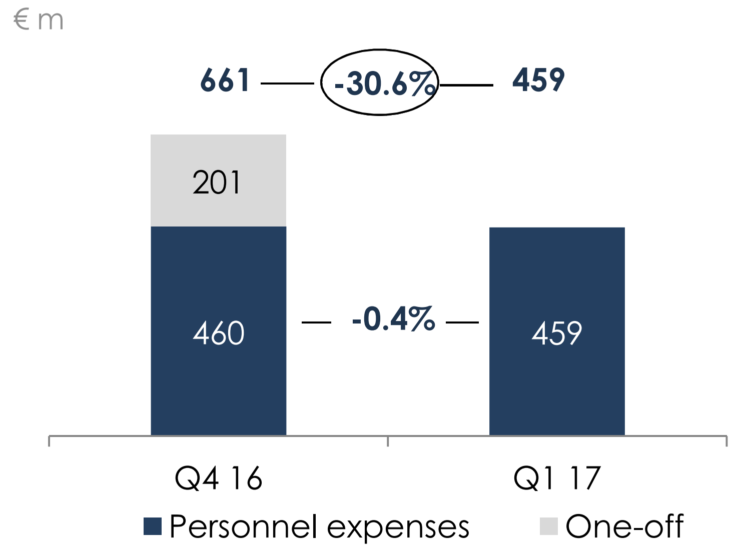
PERSONNEL EXPENSES

Yearly comparison



Quarterly comparison



- Personnel expenses dropped by 4.5% y/y, driven by average headcount optimisation (already decreased by 200 people) and by lower variable remuneration components.
- Personnel expenses declined by 30.6% q/q and by 0.4% on a like-for-like basis (Q4 2016 included the one-off expense tied to the cost of the ex BP Redundancy Fund).

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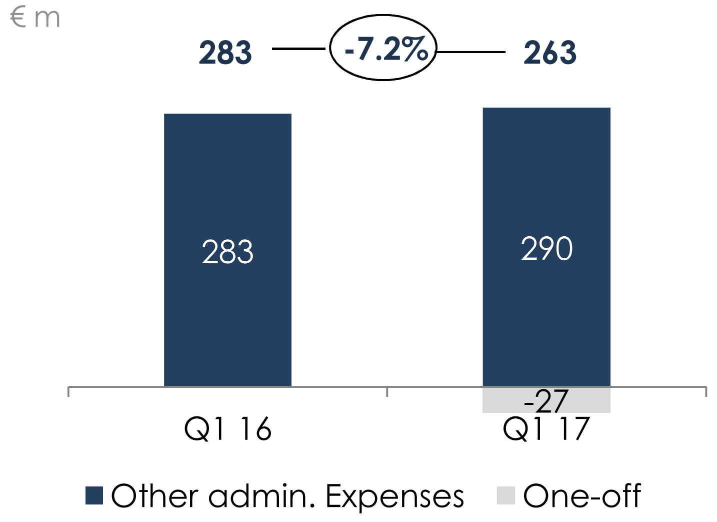
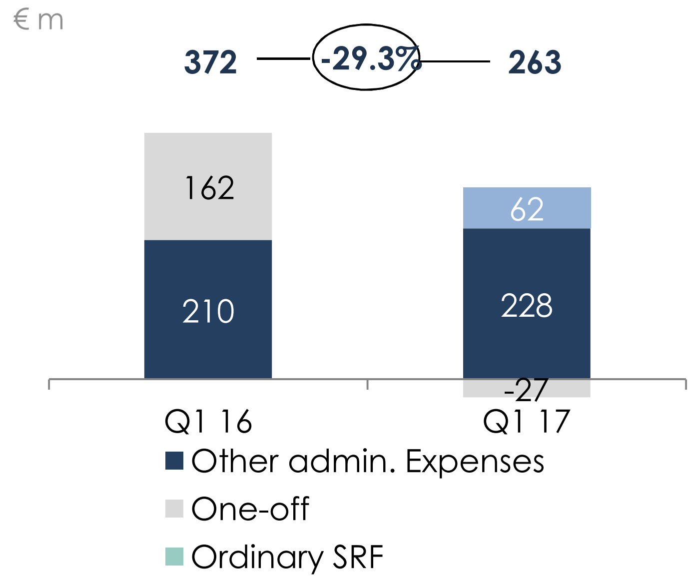
OTHER ADMINISTRATIVE EXPENSES

Yearly comparison



Quarterly comparison



- Other administrative expenses went down by 7.2% y/y. This figure benefitted from the refund of the 2015 DTA fee (€27m) and it includes the higher ordinary contribution to the Resolution Fund (€62.4m in Q1 2017 vs. €58.8m in Q1 2016) and the 2017 DTA quota (€6.7m), which was not booked in Q1 2016.
- Other administrative expenses dropped by 29.3% (Q4 2016 included one-off expenses tied to the integration costs and non-recurring systemic contributions). Q1 2017 benefitted from the 2015 DTA fee refund (€27m), but includes about €62.4m ordinary contribution to the Resolution Fund and €14m integration costs.

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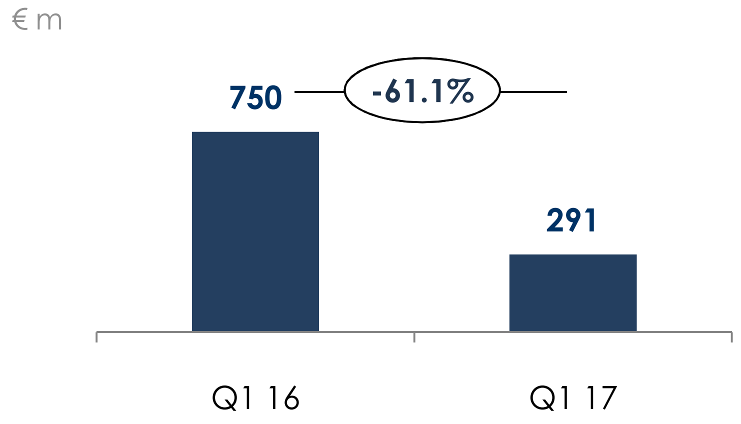
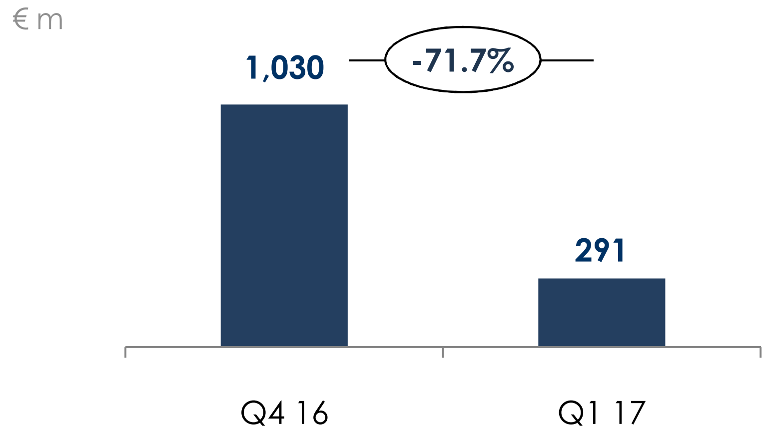
LOAN LOSS PROVISIONS

Yearly comparison

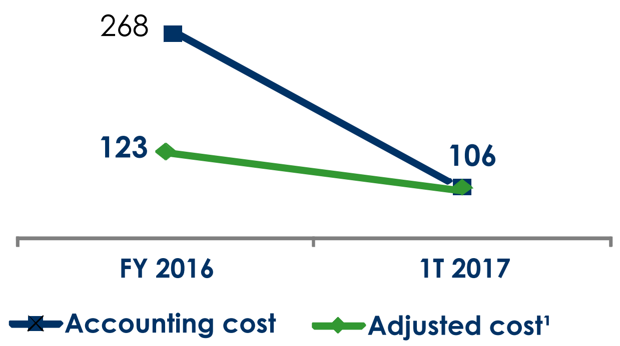


Quarterly comparison



Cost of Risk

In bps, on net customer loans



- The cost of risk declined sharply, from 268bp in 2016 (123bp Adjusted) to 106bps, while having kept a conservative approach on coverage levels, in line with the targets of the Strategic Plan.

Note:
1. Calculated net of the impact from bringing the coverage in line with the Plan targets reported in 2016 (about €1.6bn).

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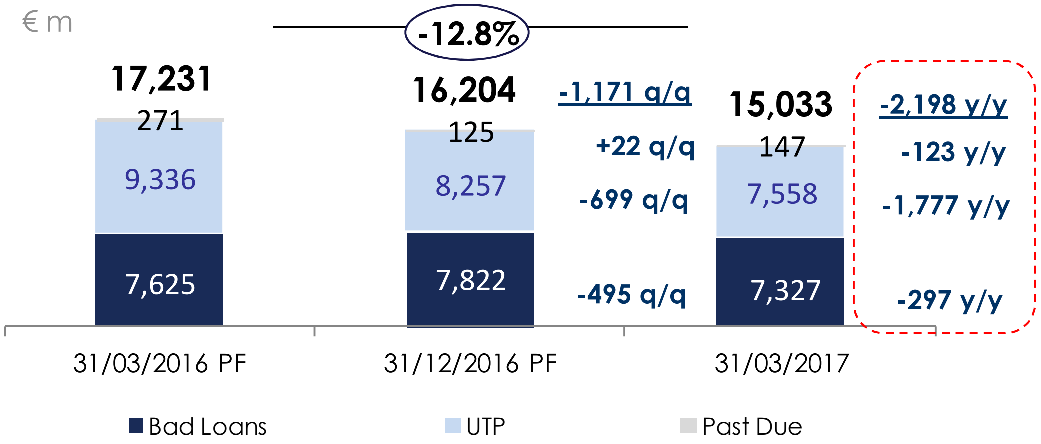
STRONG DECREASE IN NET NPLs

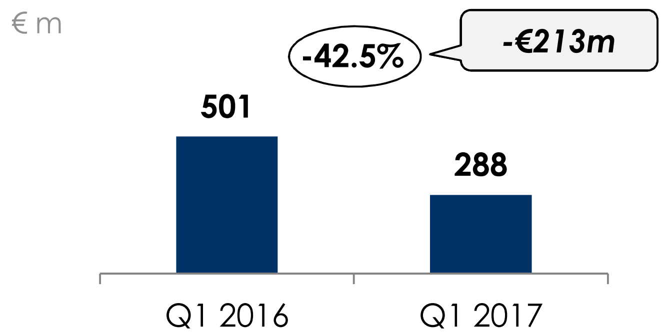
Significant improvement in new NPL flows and in stock trends

Net NPLs



CHANGES	In % y/y	In % q/q
Bad Loans	-3.9%	-6.3%
Unlikely-to-Pay	-19.0%	-8.5%
Past due	-45.6%	+17.9%
TOTAL NET NPLs	**-12.8%**	**-7.2%**

NPL net flows



The stock of net NPLs declined sharply both y/y (-€2.2bn; -12.8%) and q/q (-€1.2bn;-7.2%) thanks to:

- decline in NPLs net flows (-42.5% y/y);
- internal workout and disposals in the quarter;
- increase in coverage (also helped by the adoption of the IFRS 3 accounting principle on the ex BPM portfolio).

CREDIT QUALITY: FOCUS ON WRITE-OFFS

Accounting restatement of write-offs starting from Q1 2017: concept in a nutshell

- At 31/12/2016, Banco BPM's combined data included write-offs totalling € 5.2 billion.
- Ex-BP and Ex-BPM had different policies on «partial write-offs». The Merger has made it necessary to adopt one of the two criteria for the new Group. In coherence with the common practice used by the system, the Group has decided to adopt the policy of ex-BPM, which allows for the inclusion of provisions on-balance sheet, in line also with the preference of the financial industry.
- Moreover, it is noted that write-offs had previously been included in the nominal exposure and were taken into consideration when calculating the bad loan and non-performing loan coverage ratios, a policy also adopted in the Strategic Plan 2016-19.
- As at 31/03/2017, as a result of the afore-mentioned and considering disposals and/or cancellations, the residual write-offs that have been booked on-balance sheet totalled €3.5 billion, while €1.0 billion of write-offs still remain off-balance sheet.

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GOOD INCREASE IN COVERAGE

Coverage in line with the Strategic Plan's targets

NPL coverage

50.0% considering write-off not restated on BS

	31/03/17[1]	31/12/16 PF		31/03/16 PF	
		Stated	Nominal[2]	Stated	Nominal[2]
Total NPLs	**48.2%**	**37.5%**	**47.9%**	**35.4%**	**45.5%**
- with real guarantees	**102.1%**	**98.8%**	**99.0%**	**Nd**	**Nd**
Bad Loans	59.0%	45.7%	60.0%	45.7%	59.9%
- with real guarantees	*107.4%*	106.2%	104.6%	Nd	Nd
Unlikely-to-Pay Loans	*31.2%*	27..2%	27.2%	24.2%	24.2%
- with real guarantees	*93.7%*	89.7%	89.7%	Nd	Nd
Past Due Loans	15.0%	18.2%	18.2%	16.1%	16.1%
- with real guarantees	92.0%	78.5%	78.5%	nd	Nd

61.2% considering write-off not restated on BS

Chg. Y/Y Nominal	Chg. Q/Q Nominal
+450bps	**+210bps**
+140bps	**+120bps**
+710bps	**+400bps**
-100bps	**-320bps**

Like-for-like (Total NPLs)

Like-for-like (Bad Loans)

- The NPL coverage increased sharply (+270bps y/y), notwithstanding the disposal of unsecured Bad Loans (€1.7bn since the beginning of 2016, o/w €641m in Q1 17), with a particular strengthening of the Unlikely-to-pay component.

Notes:
1. As at 31/03/2017, the majority of write-offs were restated on-balance sheet in the Gross Bad Loans, while in the past they had been included in the Nominal Value (slide 31). As of the end of March 2017, €1bn write-offs are still off-balance sheet; for a homogeneous management comparison, including also the off-balance sheet write-offs, the bad loan coverage would increase to 61.2% and to the total NPL coverage to 50.0%.
2. The Nominal coverage includes write-offs that were off-balance sheet before 31/03/2017.

Real guarantees consider the value of collateral capped at the residual debt. For Leasing, the value of assets is capped at the salvage value (VPR-Valore di Pronto Realizzo).

FOCUS ON NPL UNIT

Strong performance in recoveries

- The new NPL Unit is constantly working to improve the process and the performance of Bad loan management
- Numerous goals have already been attained in different areas:

Operations

- New segmentation launched starting from "Large" portfolios
- Outsourcing perimeter defined and widened

Monitoring

- Internal reporting enhanced to increase top management awareness about NPL strategy implementation
- Workout KPIs and budget set at Risk Management level
- Weekly performance dialogue activated, supported by dedicated operational reporting

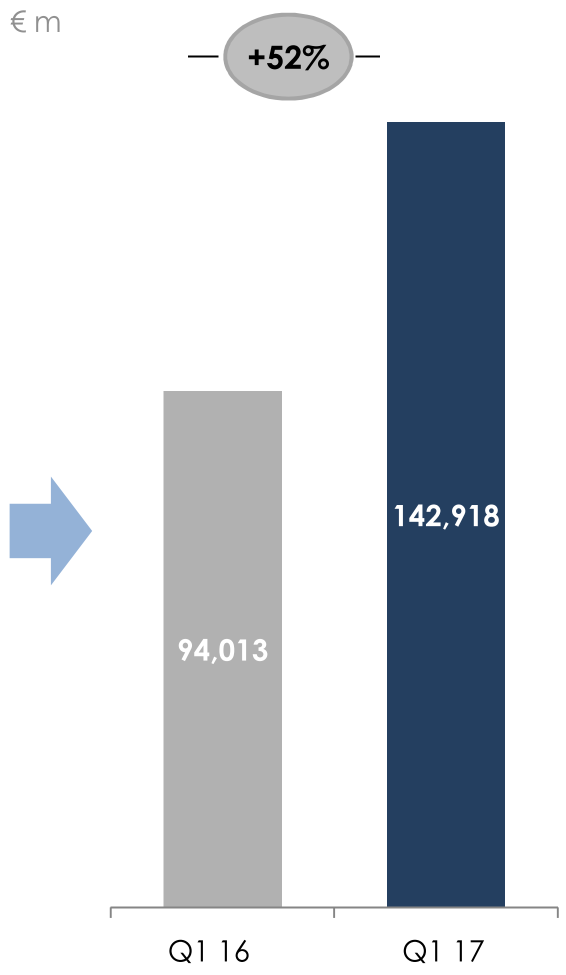
Disposals

- Activities related to the disposal of secured positions ("Rainbow" project) fully on track – completion expected by Q2 2017
- Focus from 2Q: unsecured disposals – Loan data Tape preparation already ongoing

Real Estate

- Top positions selected to activate potential synergies with other Group functions (i.e. Corporate, Private Banking, Retail)

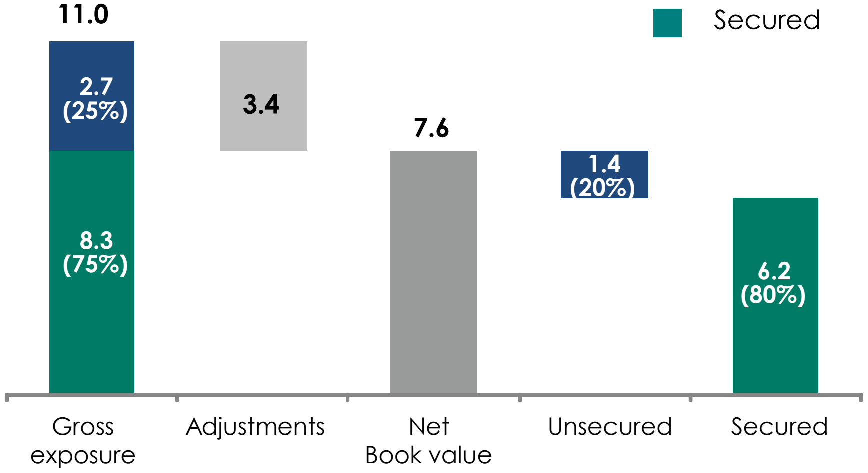
Total recoveries on Bad Loans excluding disposals



UNLIKELY-TO-PAY BREAKDOWN

UTP Breakdown

Data as at 31/03/2017, €bn



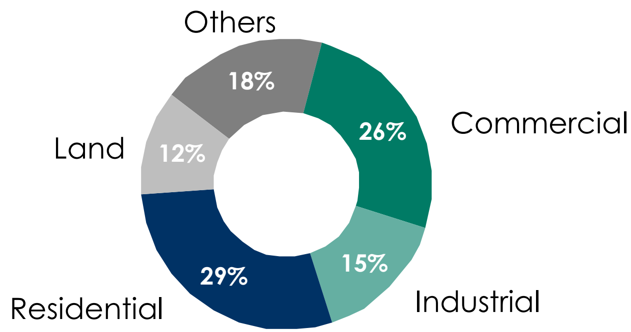
Coverage ratio 31% 46% 26%

UTP Geographic Breakdown	%
Northern Italy	72%
Central Italy	21%
Southern Italy and Islands	6%
ROW	1%

o/w Rome: 40%

UTP: Collateral breakdown

€11.4bn = Fair Value of collateral



$$\frac{\textbf{FV of collateral}}{\textbf{Net Book Value}}$$ 187%

$$\frac{\textbf{FV of collateral + Adjustments}}{\textbf{Gross Book Value}}$$ 164%

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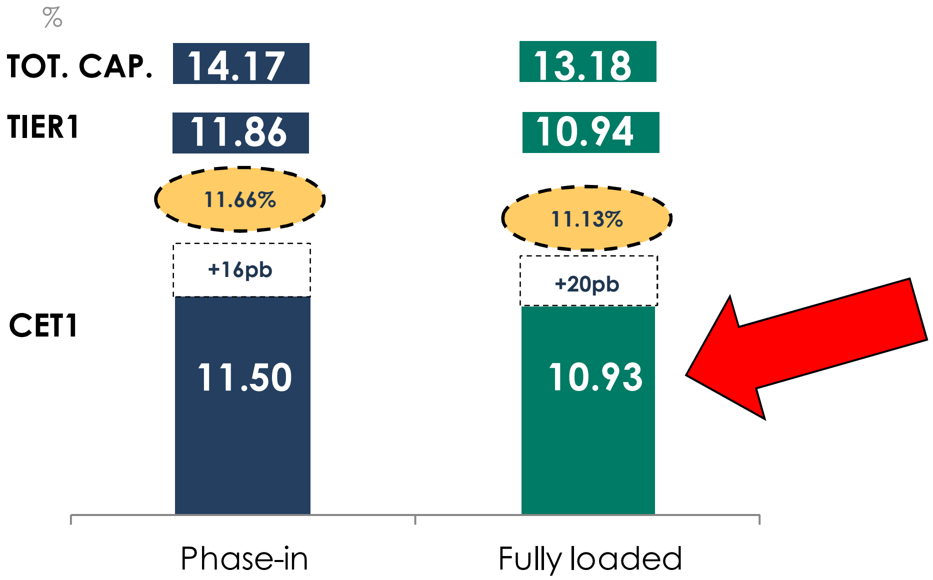
CAPITAL ADEQUACY: CAPITAL RATIOS

Capital *Ratios* as at 31/03/2017[1]



The ratios include a temporary negative buffer in order to take into account the RWAs tied to defaulted assets and Retail EAD, with a negative impact of:

-54bps at phase-in level

-52bps at fully loaded level

This component is set to be re-absorbed as soon as the new AIRB models are extended to the ex-BPM perimeter.

- The Group's capital position as at 31/03/2017 already incorporates a series of regulatory headwinds, whereas, in addition to the positive impacts indicated in the chart above, it does not include the positive effect stemming from the upcoming extension of the AIRB models to the ex-BPM perimeter.
- More specifically, the figures as at 31/03/2017 do not include the positive effects stemming from the distribution of dividends already approved by the participations[2] and from the transformation of DTAs into tax credits, with a combined positive impact estimated at 16bps on a phase-in basis and at 20bps at fully loaded level.
- The phase-in CET1 ratio as at 31/03/2017 (11.50%) highlights a wide buffer as compared to the SREP requirement (8.15%).
- After the closing of the quarter, an incremental trend in the AFS reserves has been registered.

Note:
1. The ratios are calculated including the full net income of the period, subject to authorisation by the ECB pursuant to art. 26, comma 2, Reg. UE 575/2013.
2. Estimate of positive impacts deriving from higher income through the P&L and lower values tied to deductions for investments.

RECLASSIFIED P&L – Y/Y COMPARISON

Voci del conto economico riclassificate (€mln)	1T 2017	*di cui PPA*	1T 2017 senza PPA	1T 2016 PF	*di cui PPA*	1T 2016 senza PPA	Var. a/a senza PPA
Net interest income	556.2	*21.6*	534.6	558.5	*0.0*	558.5	-4.3%
Income (loss) from invest. in associates carried at equity	41.6	*0.0*	41.6	44.6	*0*	44.6	-6.8%
Net interest, dividend and similar income	**597.8**	***21.6***	**576.2**	**603.1**	***0.0***	**603.1**	**-4.5%**
Net fee and commission income	547.4	*0.0*	547.4	468.1	*0.0*	468.1	16.9%
Other net operating income	30.2	*-11.9*	42.1	33.1	*-5.5*	38.5	9.2%
Net financial result (excluding FVO)	37.7	*0.0*	37.7	75.6	*0.0*	75.6	-50.1%
Other operating income	**615.3**	***-11.9***	**627.1**	**576.8**	***-5.5***	**582.3**	**7.7%**
Total income	**1,213.1**	***9.7***	**1,203.3**	**1,179.9**	***-5.5***	**1,185.4**	**1.5%**
Personnel expenses	-458.7	*0.0*	-458.7	-480.6	*0.0*	-480.6	-4.5%
Other administrative expenses	-263.2	*0.0*	-263.2	-283.5	*0.0*	-283.5	-7.2%
Amortization and depreciation	-53.0	*-3.3*	-49.8	-48.8	*-0.9*	-47.9	3.8%
Operating costs	**-774.9**	***-3.3***	**-771.7**	**-812.8**	***-0.9***	**-812.0**	**-5.0%**
Profit (loss) from operations	**438.1**	***6.5***	**431.7**	**367.1**	***-6.4***	**373.4**	**15.6%**
Net adjustments on loans to customers	-291.4	*45.1*	-336.6	-749.6	*0.0*	-749.6	-55.1%
Net adjustments on other assets	-8.4	*0.0*	-8.4	-4.9	*0.0*	-4.9	69.3%
Net provisions for risks and charges	0.5	*0.0*	0.5	-3.1	*0.0*	-3.1	n.s.
Impairment of goodwill and equity investments	0.0	*0.0*	0.0	0.0	*0.0*	0.0	-
Profit (loss) on the disposal of equity and other investments	17.1	*0.0*	17.1	1.6	*0.0*	1.6	n.s.
Income (loss) before tax from continuing operations	**155.9**	***51.6***	**104.3**	**-389.0**	***-6.4***	**-382.6**	**n.s.**
Tax on income from continuing operations (excluding FVO)	-38.6	*-17.6*	-21.0	111.4	*2.1*	109.4	n.s.
Income (loss) after tax from discontinued operations	-0.0	*0.0*	0.0	-1.5	*0.0*	-1.5	n.s.
Income (loss) attributable to minority interests	3.1	*0.0*	3.1	2.2	*0.0*	2.2	41.5%
Net income (loss) for the period excluding FVO	**120.4**	***34.0***	**86.4**	**-276.8**	***-4.3***	**-272.5**	**n.s.**
Fair Value Option result (FVO)	-3.6	*0.0*	-3.6	10.1	*0.0*	10.1	n.s.
Net income (loss) for the period excluding Badwill	**116.8**	***34.0***	**82.9**	**-266.7**	***-4.3***	**-262.4**	**n.s.**
Temporary merger differences (Badwill)	3,123.9						
Net income (loss) for the period	**3,240.7**						

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RECLASSIFIED P&L – Q/Q COMPARISON

Voci del conto economico riclassificate (€mln)	1T 2017	*di cui PPA*	1T 2017 senza PPA	4T 2016 PF	*di cui PPA*	4T 2016 senza PPA	Var. t/t senza PPA
Net interest income	556.2	*21.6*	534.6	496.2	*0.0*	496.2	7.7%
Income (loss) from invest. in associates carried at equity	41.6	*0.0*	41.6	36.6	*0*	36.6	13.5%
Net interest, dividend and similar income	**597.8**	***21.6***	**576.2**	**532.9**	***0.0***	**532.9**	**8.1%**
Net fee and commission income	547.4	*0.0*	547.4	511.5	*0.0*	511.5	7.0%
Other net operating income	30.2	*-11.9*	42.1	40.7	*-5.6*	46.3	-9.1%
Net financial result (excluding FVO)	37.7	*0.0*	37.7	119.8	*0.0*	119.8	-68.5%
Other operating income	**615.3**	***-11.9***	**627.1**	**672.0**	***-5.6***	**677.5**	**-7.4%**
Total income	**1,213.1**	***9.7***	**1,203.3**	**1,204.9**	***-5.6***	**1,210.4**	**-0.6%**
Personnel expenses	-458.7	*0.0*	-458.7	-661.4	*0.0*	-661.4	-30.6%
Other administrative expenses	-263.2	*0.0*	-263.2	-372.4	*0.0*	-372.4	-29.3%
Amortization and depreciation	-53.0	*-3.3*	-49.8	-152.7	*-0.9*	-151.8	-67.2%
Operating costs	**-774.9**	***-3.3***	**-771.7**	**-1,186.5**	***-0.9***	**-1,185.6**	**-34.9%**
Profit (loss) from operations	**438.1**	***6.5***	**431.7**	**18.4**	***-6.5***	**24.8**	**1638.7%**
Net adjustments on loans to customers	-291.4	*45.1*	-336.6	-1,029.5	*0.0*	-1,029.5	-67.3%
Net adjustments on other assets	-8.4	*0.0*	-8.4	-88.6	*0.0*	-88.6	-90.6%
Net provisions for risks and charges	0.5	*0.0*	0.5	-41.5	*0.0*	-41.5	n.s.
Impairment of goodwill and equity investments	0.0	*0.0*	0.0	-279.0	*0.0*	-279.0	-
Profit (loss) on the disposal of equity and other investments	17.1	*0.0*	17.1	122.8	*0.0*	122.8	n.s.
Income (loss) before tax from continuing operations	**155.9**	***51.6***	**104.3**	**-1,297.4**	***-6.5***	**-1,290.9**	**n.s.**
Tax on income from continuing operations (excluding FVO)	-38.6	*-17.6*	-21.0	310.0	*2.1*	307.9	n.s.
Income (loss) after tax from discontinued operations	-0.0	*0.0*	0.0	4.0	*0.0*	4.0	n.s.
Income (loss) attributable to minority interests	3.1	*0.0*	3.1	2.3	*0.0*	2.3	35.8%
Net income (loss) for the period excluding FVO	**120.4**	***34.0***	**86.4**	**-981.1**	***-4.4***	**-976.7**	**n.s.**
Fair Value Option result (FVO)	-3.6	*0.0*	-3.6	-1.7	*0.0*	-1.7	n.s.
Net income (loss) for the period excluding Badwill	**116.8**	***34.0***	**82.9**	**-982.7**	***-4.4***	**-978.3**	**n.s.**
Temporary merger differences (Badwill)	3,123.9						
Net income (loss) for the period	**3,240.7**						

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CONCLUSIONS

- **Excellent operating performance: increase in core operating income, with costs under control**
- **Integration process well on track**
- **Strong improvement in the risk profile**
- **Robust liquidity and capital position**
- **Net income amounting to €117m**

Agenda

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RECLASSIFIED BALANCE SHEET AS AT 31/03/2017

Reclassified assets (€ m)	A 31/03/2017	B 31/12/2016 PF	C 31/03/2016 PF	Chg. A/B Value	Chg. A/B %	Chg. A/C Value	Chg. A/C %
Cash and cash equivalents	780	898	854	-117	-13.1%	-74	-8.6%
Financial assets and hedging derivatives	39,210	36,580	41,546	2,630	7.2%	-2,335	-5.6%
Due from banks	5,692	6,678	5,781	-986	-14.8%	-89	-1.5%
Customer loans	110,341	110,551	112,265	-209	-0.2%	-1,924	-1.7%
Equity investments	1,455	1,595	1,716	-139	-8.7%	-261	-15.2%
Property and equipment	3,004	2,696	2,844	308	11.4%	160	5.6%
Intangible assets	2,400	1,834	2,189	566	30.9%	211	9.7%
Non-current assets held for sale and discontinued operations	10	77	80	-68	-87.4%	-71	-87.9%
Other assets	7,250	7,346	7,136	-96	-1.3%	114	1.6%
Total	**170,143**	**168,255**	**174,411**	**1,888**	**1.1%**	**-4,268**	**-2.4%**

Reclassified liabilities (€ m)	A 31/03/2017	B 31/12/2016 PF	C 31/03/2016 PF	Chg. A/B Value	Chg. A/B %	Chg. A/C Value	Chg. A/C %
Due to banks	26,708	23,276	22,620	3,431	14.7%	4,087	18.1%
Due to customers, debt securities issued and financial liabilities designated at fair value	113,086	116,773	119,853	-3,688	-3.2%	-6,767	-5.6%
Financial liabilities and hedging derivatives	10,690	10,683	11,120	7	0.1%	-430	-3.9%
Liability provisions	1,643	1,706	1,733	-63	-3.7%	-90	-5.2%
Liabilities associated with assets held for sale	1	1	0	0	n.s.	1	n.s.
Other liabilities	5,652	3,816	5,631	1,836	48.1%	21	0.4%
Minority interests	58	58	63	0	-0.7%	-5	-8.0%
Shareholders' equity	12,307	11,941	13,392	366	3.1%	-1,085	-8.1%
Total	**170,143**	**168,255**	**174,411**	**1,888**	**1.1%**	**-4,268**	**-2.4%**

QUARTERLY RECLASSIFIED P&L

Reclassified P&L items (€m)	Q1 2017	Q4 2016 PF	Q3 2016 PF	Q2 2016 PF	Q1 2016 PF
Net interest income	556.2	496.2	517.2	535.8	558.5
Income (loss) from invest. in associates carried at equity	41.6	36.6	33.8	32.8	44.6
Net interest, dividend and similar income	**597.8**	**532.9**	**551.0**	**568.6**	**603.1**
Net fee and commission income	547.4	511.5	449.3	474.5	468.1
Other net operating income	30.2	40.7	32.6	32.8	33.1
Net financial result (excluding FVO)	37.7	119.8	112.0	132.7	75.6
Other operating income	**615.3**	**672.0**	**593.9**	**640.0**	**576.8**
Total income	**1,213.1**	**1,204.9**	**1144.9**	**1208.7**	**1179.9**
Personnel expenses	-458.7	-661.4	-620.3	-483.2	-480.6
Other administrative expenses	-263.2	-372.4	-269.1	-265.5	-283.5
Amortization and depreciation	-53.0	-152.7	-67.3	-52.2	-48.8
Operating costs	**-774.9**	**-1,186.5**	**-956.7**	**-800.9**	**-812.8**
Profit (loss) from operations	**438.1**	**18.4**	**188.2**	**407.8**	**367.1**
Net adjustments on loans to customers	-291.4	-1,029.5	-793.1	-385.9	-749.6
Net adjustments on other assets	-8.4	-88.6	-5.9	-13.0	-4.9
Net provisions for risks and charges	0.5	-41.5	-16.4	5.9	-3.1
Impairment of goodwill and equity investments	0.0	-279.0	0.0	0.0	0.0
Income (loss) before tax from continuing operations	17.1	122.8	2.7	30.9	1.6
Income (loss) before tax from continuing operations	**155.9**	**-1,297.4**	**-624.6**	**45.7**	**-389.0**
Tax on income from continuing operations (excluding FVO)	-38.6	310.0	209.1	-0.9	111.4
Income (loss) after tax from discontinued operations	-0.0	4.0	0.0	-0.1	-1.5
Income (loss) attributable to minority interests	3.1	2.3	12.8	2.0	2.2
Net income (loss) for the period excluding FVO	**120.4**	**-981.1**	**-402.6**	**46.7**	**-276.8**
Fair Value Option result (FVO)	-3.6	-1.7	-1.2	-3.0	10.1
Net income (loss) for the period excluding Badwill	**116.8**	**-982.7**	**-403.8**	**43.7**	**-266.7**
Temporary differences (Badwill)	3,123.9				
Net income (loss) for the period	**3,240.7**				

NET FEES AND COMMISSION

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ANALYSIS OF MANAGEMENT, BROKERAGE AND ADVISORY SERVICES	Q1 17	Q1 16	Chg. %	Q1 17	Q1 16	Chg. %
Placement of saving products:	**264**	**165**	**59.6%**	**264**	**188**	**40.2%**
- Securities sale & distribution	*4*	*0*	*n.s.*	*4*	*1*	n.s.
- Asset Management	*227*	*115*	*98.3%*	*227*	*149*	*52.8%*
- Bancassurance	*33*	*51*	*-35.1%*	*33*	*38*	*-14.2%*
Consumer credit	**9**	**8**	***7.6%***	**9**	**4**	***112.5%***
Credit cards	**6**	**5**	***17.6%***	**6**	**9**	***-28.6%***
Custodian banking services	**5**	**4**	***8.6%***	**5**	**5**	***1.1%***
FX & trading activities of branch customers	**20**	**22**	**-6.8%**	**20**	**19**	**8.9%**
Others	**0**	**9**	**-95.4%**	**0**	**3**	**-86.1%**
Total	**304**	**214**	**42.2%**	**304**	**228**	**33.7%**

BANCO BPM

CREDIT QUALITY OF GRUPPO BANCO BPM: DETAILS

Starting from Q1 17 €3.5bn write-offs have been booked on Gross exposures and bad laans' adjustments. As of end March 2017, €1bn write-offs remain off-balance sheet

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Includes the on-balance sheet restatement of €3.5bn of write-offs

31/03/2017	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	17,865	10,538	59.0%	7,327
Unlikely to pay	10,993	3,435	31.2%	7,558
Past Due	173	26	15.0%	147
Non-performing Loans	**29,032**	**13,999**	**48.2%**	**15,033**
Performing Loans	**95,717**	**408**	**0.4%**	**95,308**
Total Customer Loans	**124,748**	**14,407**	**11.5%**	**110,341**

31/12/2016 pf	Nominal exposure	Write-offs	Gross exposure	Adjustments	Adjustments with write-offs	Coverage with write-offs	Coverage without write-offs	Net exposure
Bad Loans	19,578	5,166	14,413	6,590	11,756	60.0%	45.7%	7,822
Unlikely to Pay	11,349		11,349	3,092	3,092	27.2%	27.2%	8,257
Past Due	153		153	28	28	18.2%	18.2%	125
Non-performing Loans	**31,080**	**5,166**	**25,914**	**9,710**	**14,876**	**47.9%**	**37.5%**	**16,204**
Performing Loans	**94,754**		**94,754**	**408**	**408**	**0.4%**	**0.4%**	**94,346**
Total Customer Loans	**125,834**	**5,166**	**120,669**	**10,118**	**15,284**	**12.1%**	**8.4%**	**110,551**

31/03/2016 pf	Nominal exposure	Write-offs	Gross exposure	Adjustments	Adjustments with write-offs	Coverage with write-offs	Coverage without write-offs	Net exposure
Bad Loans	19,003	4,955	14,047	6,423	11,378	59.9%	45.7%	7,625
Unlikely to Pay	12,311		12,311	2,975	2,975	24.2%	24.2%	9,336
Past Due	322		322	52	52	16.1%	16.1%	271
Non-performing loans	**31,636**	**4,955**	**26,681**	**9,450**	**14,405**	**45.5%**	**35.4%**	**17,231**
Performing Loans	**95,522**		**95,522**	**487**	**487**	**0.5%**	**0.5%**	**95,034**
Total Customer Loans	**127,157**	**4,955**	**122,202**	**9,937**	**14,892**	**11.7%**	**8.1%**	**112,265**

BANCO BPM

CAPITAL ADEQUACY: RWA DETAILS

Composition of RWAs as at al 31/03/2017

(€ m)

Risk Weighted Assets	Phase-in		Fully Loaded	
	Value	% on total	Value	% on total
Credit Risk	69,137	88.9%	68,689	88.9%
Market Risk	3,045	3.9%	3,045	3.9%
Operational Risk	5,544	7.1%	5,544	7.2%
TOTAL	**77,727**	**100%**	**77,278**	**100%**
Memo RWAs as at 31/12/16	***74,679***	***100%***	***74,187***	***100%***
RWAs growth q/q	***4.1%***	-	***4.2%***	-

- In the first quarter, the RWAs registered an increase of about 4%.
- The growth is concentrated in the credit risk component, primarily stemming from a temporary negative buffer in order to take into account RWAs tied to defaulted assets and Retail EAD, which is set to be re-absorbed as soon as the new AIRB models are extended to the ex-BPM perimeter (amounting to about €3.5bn).

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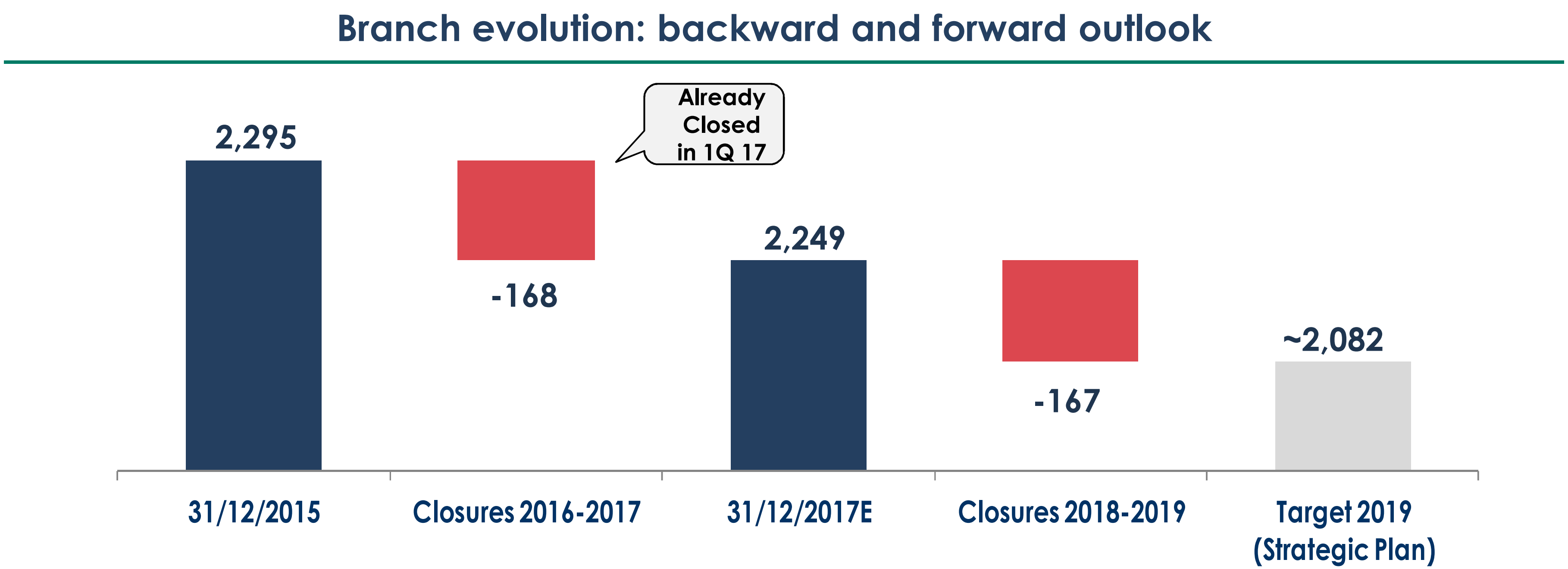
BRANCH EVOLUTION



The distribution strategy revision process continues:

- leading to the optimization of our footprint guaranteed by the branch network…
- … with expected benefits at operational efficiency level…
- … backed by a stronger competitive position thanks to alternative channels (Digital Banking/Financial Advisors/Corporate Product Specialists/ Development Task Force etc.)