



FY 2017 Group Results Presentation

7 February 2018



DISCLAIMER

This presentation has been prepared by Banco BPM ("Banco BPM"); for the purposes of this notice, "presentation" means this document, any oral presentation, any question and answer session and any written or oral material discussed following the distribution of this document.

The distribution of this presentation in other jurisdictions may be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of, and observe, these restrictions. To the fullest extent permitted by applicable law, Banco BPM and its companies disclaim any responsibility or liability for the violation of such restrictions by any person.

This presentation does not constitute or form part of, and should not be construed as, any offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of Banco BPM or any member of its group, nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities in Banco BPM or any member of its group, or any commitment whatsoever. This presentation and the information contained herein does not constitute an offer of securities in, the United States or to any U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933 (the "Securities Act"), as amended), Canada, Australia, Japan or any other jurisdiction where such offer is unlawful.

The information contained in this presentation is for background purposes only and is subject to amendment, revision and updating. Certain statements in this presentation are forward-looking statements about Banco BPM. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Banco BPM does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

None of Banco BPM, its subsidiaries or any of their respective members, Directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or otherwise arising in connection therewith.

By participating to the presentation of the Group results and accepting a copy of this presentation, you agree to be bound by the foregoing limitations regarding the information disclosed in this presentation.

This presentation includes both accounting data (based on financial 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 data contained in this presentation correspond to the documentary evidence, corporate books and accounting records.

METHODOLOGICAL NOTES

- In this presentation, with a view to provide adequate information on the Group's balance sheet, financial and income statement position, reclassified accounting tables and comparative data have been prepared, on an aggregate basis with reference to 31 December 2016. Such data have been obtained through the aggregation of the data referring to the former Banco Popolare Group and to the former BPM Group as at 31/12/2016, with the inclusion of appropriate adjustments.
- These comparative data calculated on an aggregate basis have not been subject to an external audit.

* * *

- In August 2017, Banco BPM signed a binding Memorandum of Understanding to sell 100% of Aletti Gestielle SGR's capital to Anima Holding. For this reason, starting from 30/09/2017, the contribution of Aletti Gestielle has been classified according to IFRS 5 as a "discontinued operation". The sale of the Company was perfected in December 2017; in P&L statement the 2017 contribution of Aletti Gestielle SGR and the gain realised from disposal are booked in line item "Income after tax from discontinued operation"
- In this presentation, in order to ensure coherence with the historical reporting, all the P&L data are stated accounting data, with the exception of Aletti Gestielle SGR which contribution for 2017 has remained line-by-line. In line item "Income after tax from discontinued operation" is indicated only the gain realised from disposal of the Company.
- In the Annex, slides on the P&L account where Aletti Gestielle is reported on a line-by-line basis are also referred to as 'Previous Perimeter' (from 45 to 50). At the same time, slides on the P&L account where Aletti Gestielle is classified according to IFRS 5 as a "discontinued operation" are also referred to as 'New Perimeter' (from 51 to 56).

Agenda

1. Executive Summary	4
2. Profitability Highlights	15
3. Balance Sheet and Liquidity Highlights	25
4. Credit Quality and NPL Unit	32
5. Capital Update	39
6. Conclusion	42
Annexes	44

EXECUTIVE SUMMARY: «BANCO BPM DELIVERS»

A 2017 BEYOND THE TARGETS

- FAST TRACK MERGER PROGRAMME
- STRONG OPERATING PERFORMANCE
 - DERISKING AHEAD OF PLAN

READY FOR THE NEXT CHALLENGES...

- RAISING THE BAR TOWARDS A MORE AGGRESSIVE NPL REDUCTION
(NPL STOCK DOWN ~57% BY 2020)

... ENABLED BY A SOLID CAPITAL POSITION

- STRONG CAPITAL POSITION: CET1 FL PROFORMA AT 12.02%
AFTER THE NEGATIVE IMPACT FROM IFRS9 FTA (-175BPS)
WHICH ALLOWS HIGHER DERISKING THROUGH A PHASE-IN PROCESS

A SUCCESSFUL 2017: BANCO BPM DELIVERS

Fast Track merger programme (1/2)

Strategic Plan Focus

Capital strengthening: +>250bps

- Re-definition of strategic partnerships
- Internal model update
- Capital management actions

Derisking:

- Disposal of bad loans
- NPL workout
- Reduction of UTP stock

Status update



+103bps created through new partnership in AM and Bancassurance and +20bps from the transfer of insurance reserve management to Anima



Extension and review of AIRB model (+80bps CET1 FL)¹



Further capital actions finalized: custodian bank and other optimisation actions (aggregate +54 bps CET1 FL)



Original NPL disposal target of the Strategic Plan to be achieved already by H1 2018 (1.5 years in advance), paving the way for a more aggressive NPL reduction



**Stronger-than-expected NPL workout
UTP Stock at YE 2017 already well below the 2019 target**

Note:

1. Estimated impact based on the Draft Decision received by the ECB at the beginning of February following the release of a final report and taking into account the evolution of CET 1 capital, provisions and RWA since the reference date of the ECB Draft Letter (June 2017). The validation is expected to become effective with the report as at 31 March 2018.

A SUCCESSFUL 2017: BANCO BPM DELIVERS

Fast Track merger programme (2/2)

Strategic Plan Focus

Integration, Transformation and Business Development:

- Simplified Group Structure
- Consolidation of dedicated businesses
- Rationalisation of Product Factories

Cost reduction and cost effectiveness:

- Cost of funding reduction
- Headcount reduction (1,800 in original Plan)
- Cost synergies (€320m in original Plan)

Status update

✓ AuM: Aletti Gestielle contributed to Anima creating a strong national player
Bancassurance: Partnership with Cattolica

✓ Banca Akros specialised in CIB business
Banca Aletti specialised in Private banking business

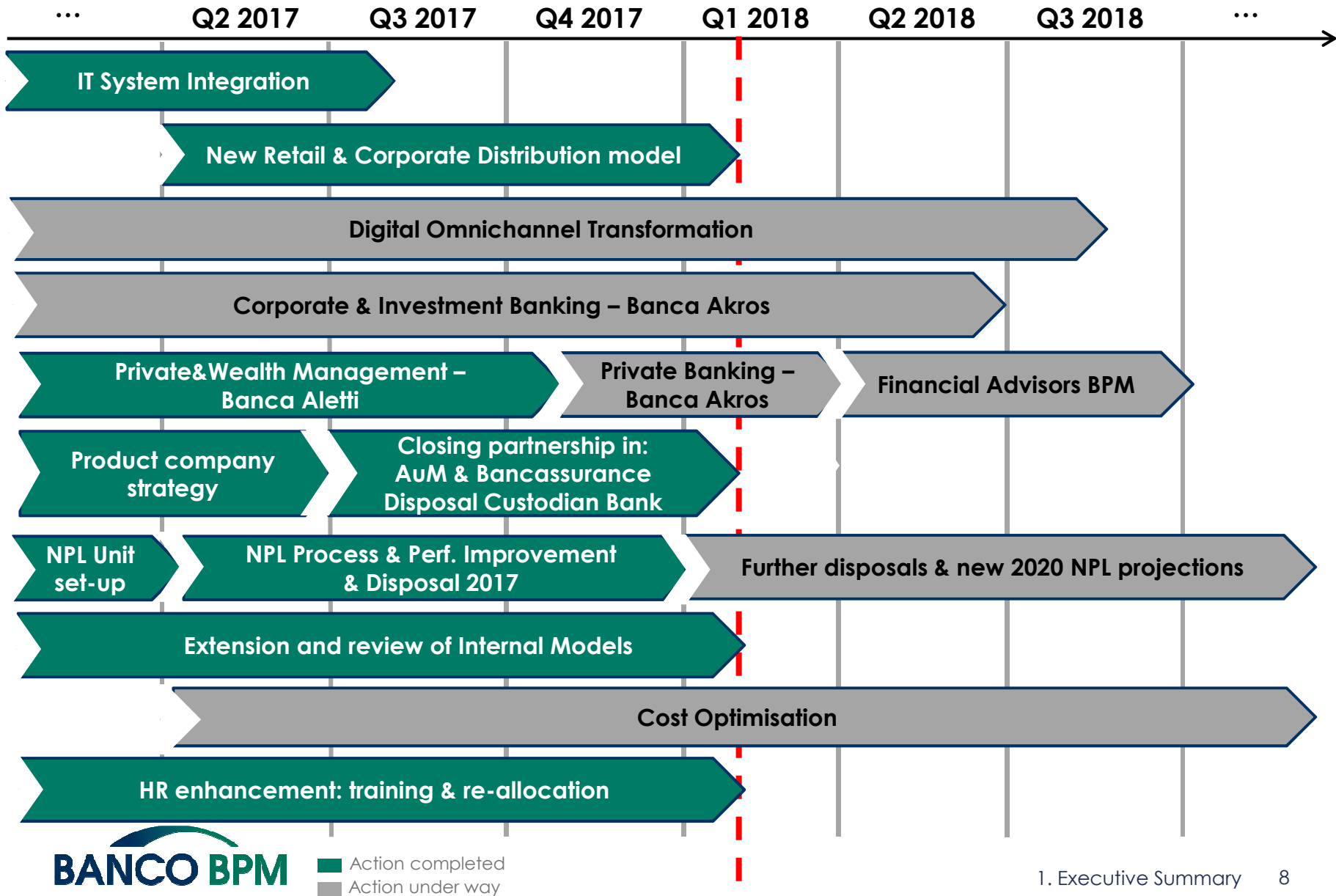
✓ IT integration completed in record time by July 2017
Group reporting governed on a single IT platform

✓ Cost of Funding: 2018E projections 1 year ahead of target

✓ Headcount reduction: ahead of plan, with ~1,500 exits achieved by 2017 and an additional ~ 700 planned in 2018, for a total of almost 2,200

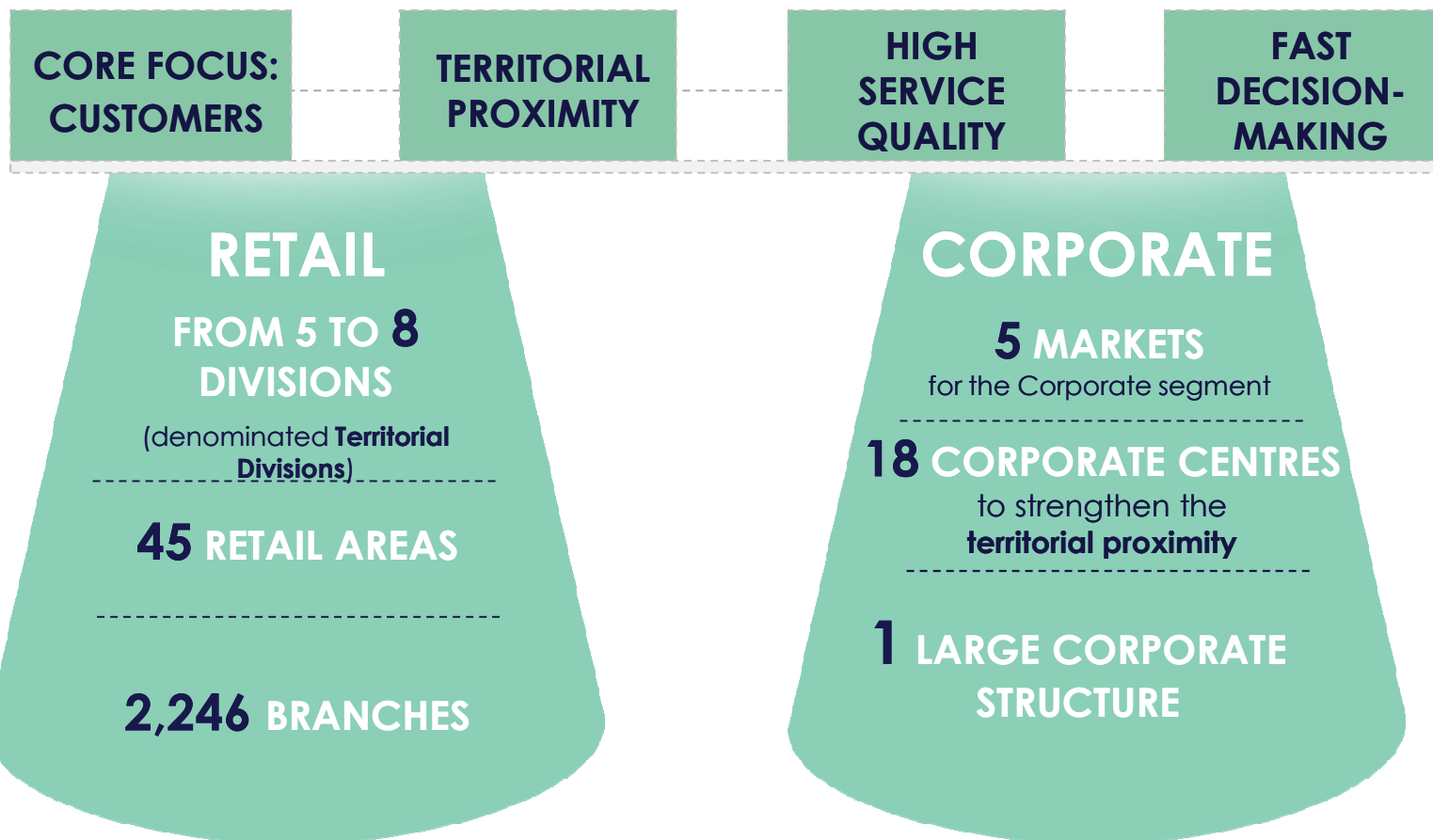
✓ Cost synergy projections raised to c. €400m

STRATEGIC PLAN ROADMAP: DELIVERY PROCESS AT A GLANCE



NEW COMMERCIAL NETWORK MODEL FROM JANUARY 2018

- ✓ **NEW NETWORK STRUCTURE:** increase in **commercial effectiveness** and **cost efficiency**
- ✓ **NEW COMMERCIAL MODEL:** development of **processes** and **supporting IT procedures**



A SUCCESSFUL 2017: BANCO BPM DELIVERS

Strong operating and business performance

ROBUST OPERATING PERFORMANCE, NOTWITHSTANDING THE SIGNIFICANT EFFORTS DEVOTED TO IT MIGRATION AND GROUP RATIONALISATION

		Y/Y	Q/Q
PROFIT FROM OPERATIONS AT A GLANCE	▪ NET INTEREST INCOME	+0.3%	+0.7%
	▪ CORE REVENUES ¹	+4.9%	+3.2%
	▪ OPERATING COSTS	-18.8%	-7.2%
	▪ PROFIT FROM OPERATIONS	+60.9%	+39.6%
SOLID BANKING VOLUMES	▪ C/A AND SIGHT DEPOSITS	+9.2%	+3.6%
	▪ ASSETS UNDER MANAGEMENT ²	+7.5%	+0.1%
	▪ PERFORMING CUSTOMER LOANS	+ 0.8%	+1.3%

Notes:

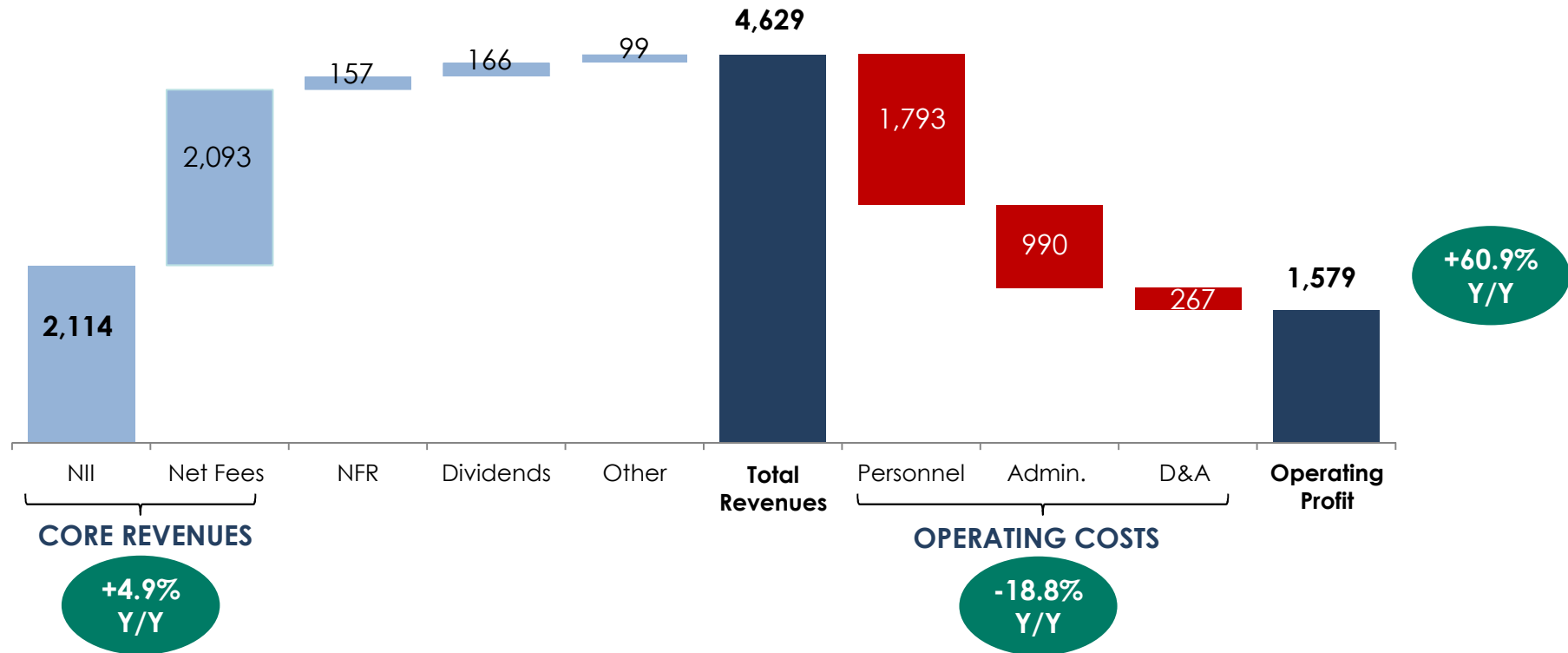
1. NII + Net Fees and Commissions.

2. Includes the AUM of non-captive network of Aletti Gestielle, see slide 29 for details.



A SUCCESSFUL 2017: BANCO BPM DELIVERS

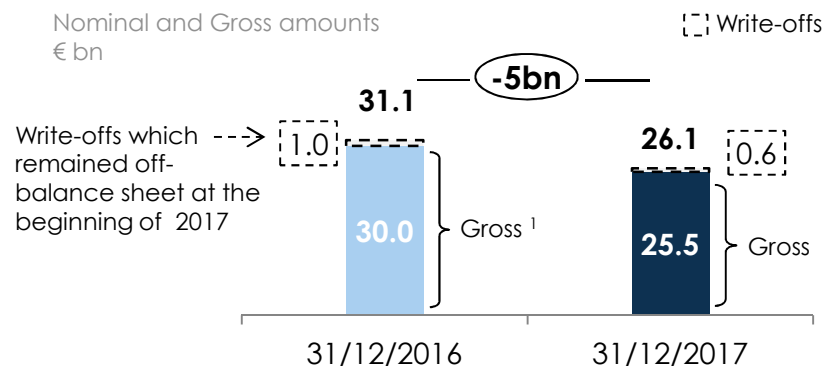
Strong operating performance trend in FY 2017



DERISKING: OUTPERFORMING KEY NPL TARGETS IN 2017

Top level performance in NPL reduction in the Italian banking industry

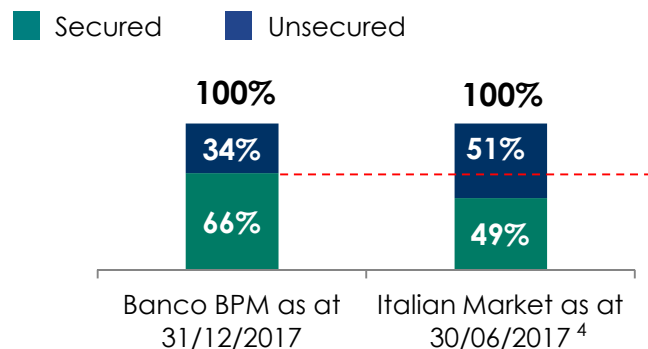
NPL TREND: IMPROVED PERFORMANCE VS OPERATIONAL PLAN



KEY DRIVERS: WORKOUT AND INFLOWS BEATING EXPECTATIONS, DISPOSALS ABOVE TARGET

Management Accounting data (Nominal values)	FY 2016	FY 2017	Chg. y/y
Disposals	~(1bn)	~(3.5bn)	+250%
Recoveries, Cancellations, Cure and other changes	~(2.4bn)	~(3.1bn)	+30%
Gross Inflows	~3.0bn	~1.7bn	-45%
TOTAL	~(0.4bn)	~(5.0bn)	

HIGH PORTION OF SECURED BAD LOANS VS ITALIAN MARKET



NPL COVERAGE

	31/12/17	Chg. (In bps)	PROFORMA Post IFRS9 FTA stage3
Nominal Coverage	50.1%	12M ³	
Total NPLs	48.8%	+94	~ 54%
Bad Loans	58.9%	-112	~ 67%
UTP Loans	32.4%	+518	

Write-offs

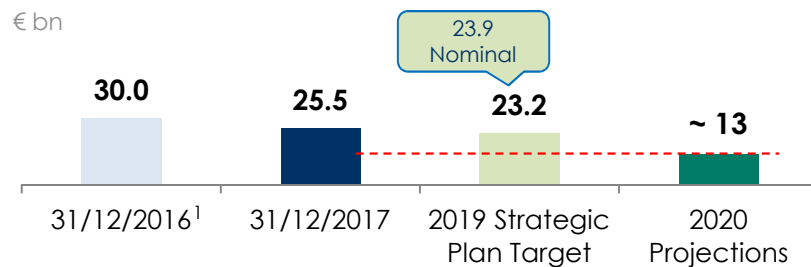
Note:

- Data restated excluding from the Nominal amount only the write-offs which remained off-balance sheet at the beginning of 2017.
- The December 2016 Nominal coverage includes all the write-offs that had been off-balance sheet at that time, in line with the values used in the Strategic Plan. For further details, please see slide 61.
- The twelve-month changes are measured against the nominal values in December 2016 (i.e. inclusive of all write-offs).
- Report PWC "The Italian NPL market – Ready for the breakthrough", December 2017.

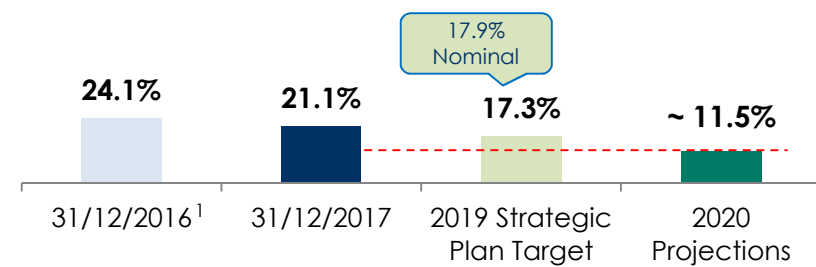
DERISKING: STRONG FURTHER NPL REDUCTION

€17bn reduction in the 2016/2020 period, ~€10bn better than the Strategic Plan

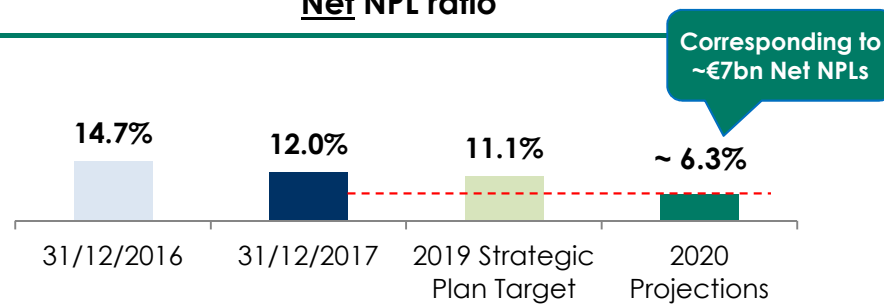
Gross NPLs: -57% vs. 2016



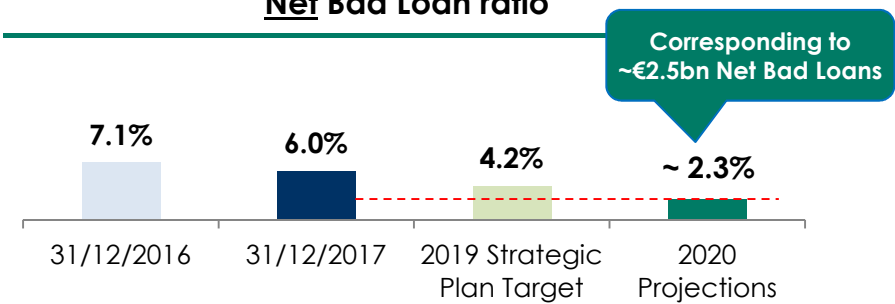
Gross NPL ratio: ca. -12.6 p.p. vs. 2016



Net NPL ratio



Net Bad Loan ratio



✓ HIGHER DISPOSALS

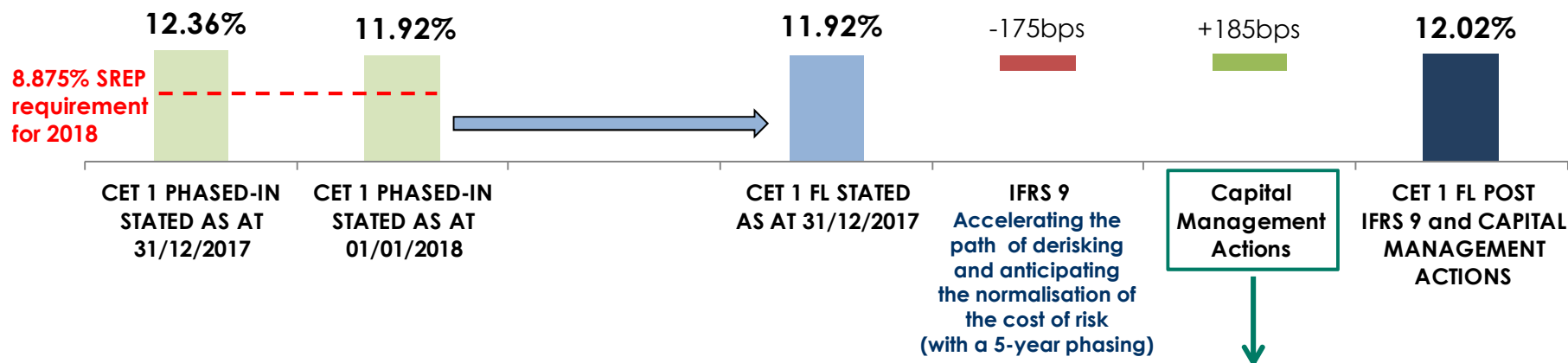
- €13bn cumulative in 2016-2020 (+€5bn vs. the Strategic Plan)

✓ REDUCTION IN INFLOWS FROM PERFORMING LOANS

✓ STRONGER PERFORMANCE IN NPL WORKOUT AND CURE

CAPITAL OVERVIEW: A SOUND LEVEL FACILITATING A HEALTHY PATH OF ADDITIONAL DE-RISKING

CET 1 RATIO: WIDE BUFFERS VS. THE LATEST SREP REQUIREMENTS, EVEN WHEN INCORPORATING THE IFRS 9 FTA



Action details

EXTENSION & REVIEW OF THE AIRB MODELS FOR CREDIT RISK (Draft Decision received in early Feb. 2018): +80bps¹

The validation process includes a deep review of the existing models.

CAPITAL MANAGEMENT ACTIONS SIGNED AND/OR FINALISED: +32bps

Reorganization of Bancassurance business, including combined put option impact (+12bps)

Transfer of the insurance reserve management to Anima (+20bps)

DIVIDENDS FROM ASSOCIATES (Agos and other): +19bps

OTHER CAPITAL MANAGEMENT ACTIONS: +54bps

Disposal of the custodian banking activity – MoU finalised (+33bps)

Other optimisation actions (+21bps)



Note:

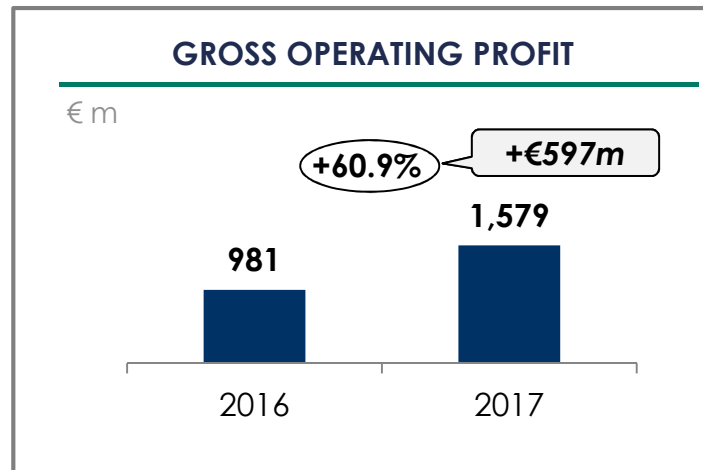
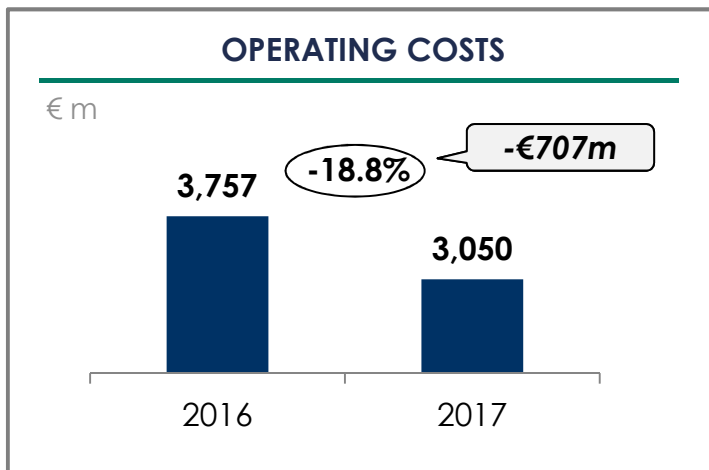
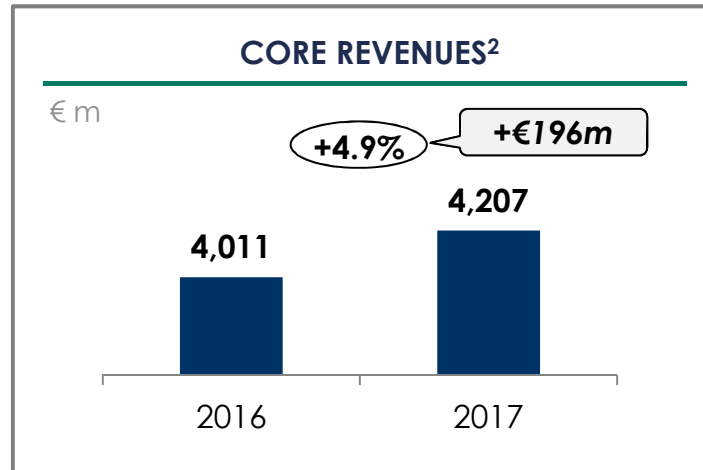
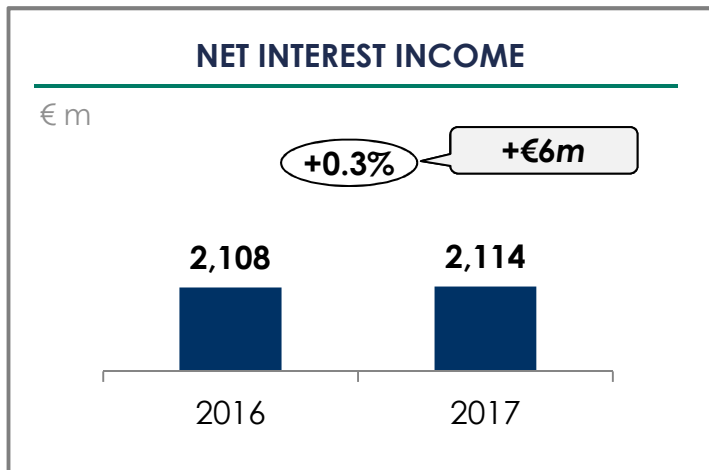
1. Estimated impact based on the Draft Decision received by the ECB at the beginning of February following the release of a final report and taking into account the evolution of CET 1 capital, provisions and RWA since the reference date of the ECB Draft Letter (June 2017). The validation is expected to become effective with the report as at 31 March 2018.

Agenda

1. Executive Summary	4
2. Profitability Highlights	15
3. Balance Sheet and Liquidity Highlights	25
4. Credit Quality and NPL Unit	32
5. Capital Update	39
6. Conclusion	42
Annexes	44

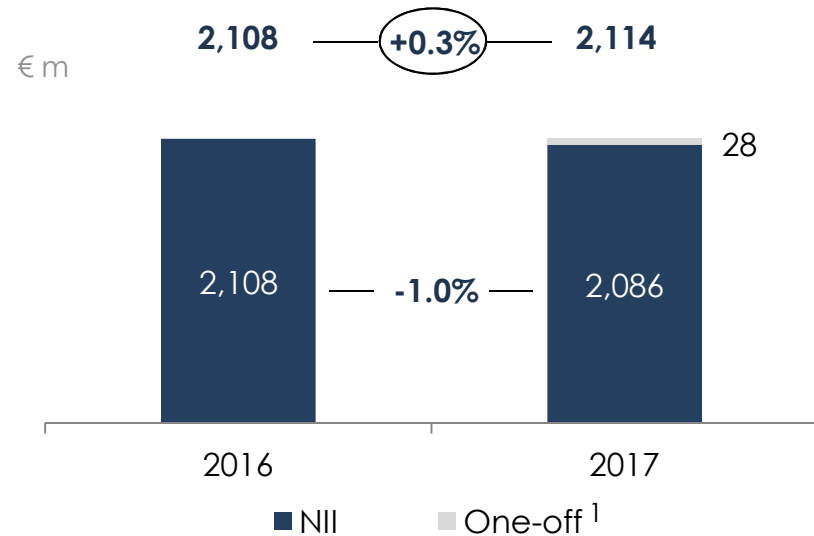
OPERATING RESULTS: ROBUST PERFORMANCE IN COMMERCIAL BANKING BUSINESS

FY 2017 NET INCOME AT €558M (€14M ADJUSTED¹)

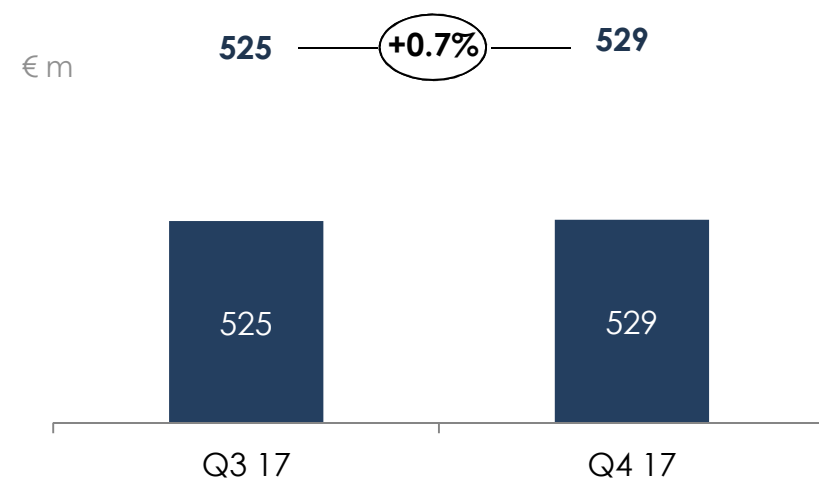


NET INTEREST INCOME

Yearly comparison



Quarterly comparison



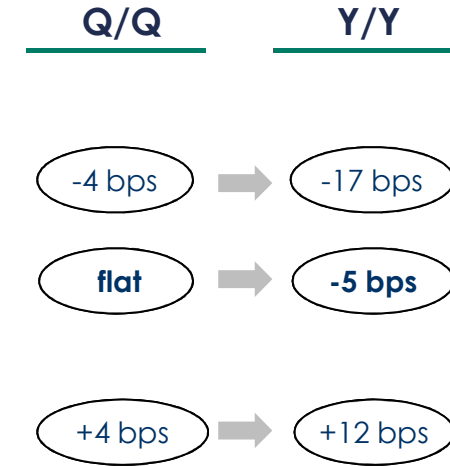
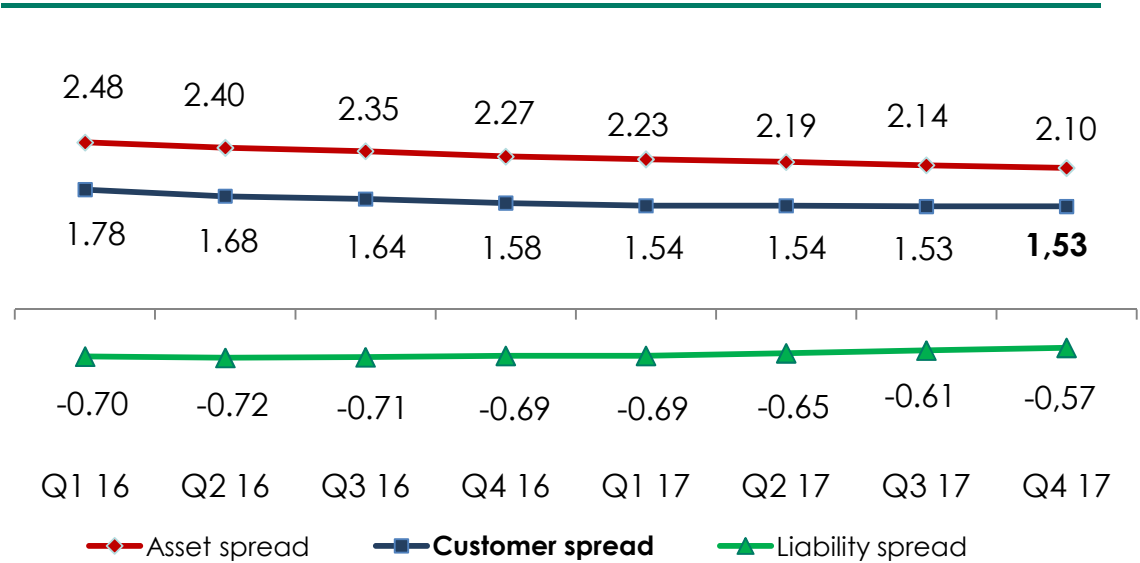
- Net Interest Income slightly up y/y mainly due to the following effects:
 - decrease in cost of funding;
 - lower contribution of financial income from the AFS portfolio (-€91m vs 2016)
- Net interest income was up 0.7% q/q. A growth was registered for the fourth consecutive quarter, mainly driven by lower cost of funding.

Notes:

1. Includes approx. €32m TLTRO2 accrued in 2016 and booked in Q1 17 and a one-off interest expense of €4m linked to a tax litigation closed in Q2 2017.
2. 2017 figures include PPA (€31m in FY 2017, with €1m in Q4 and €10m in Q3).

NET INTEREST SPREAD

Quarterly comparison



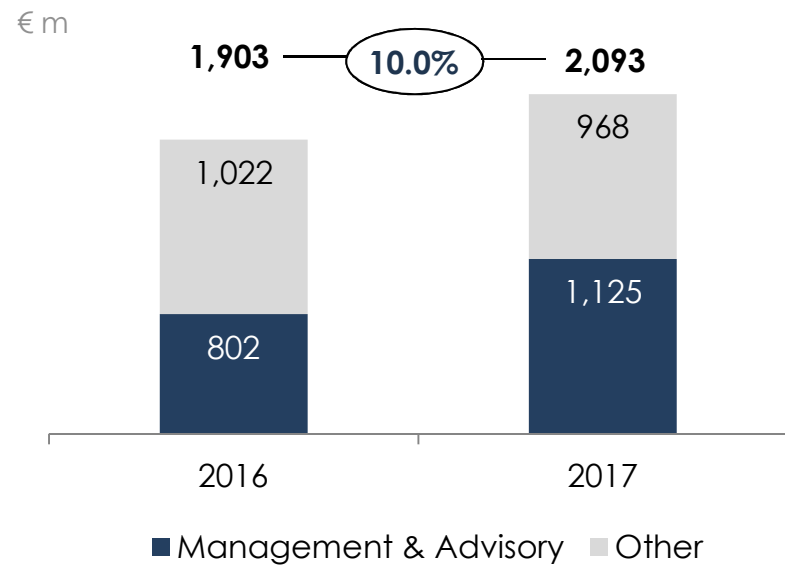
**Euribor
3M**



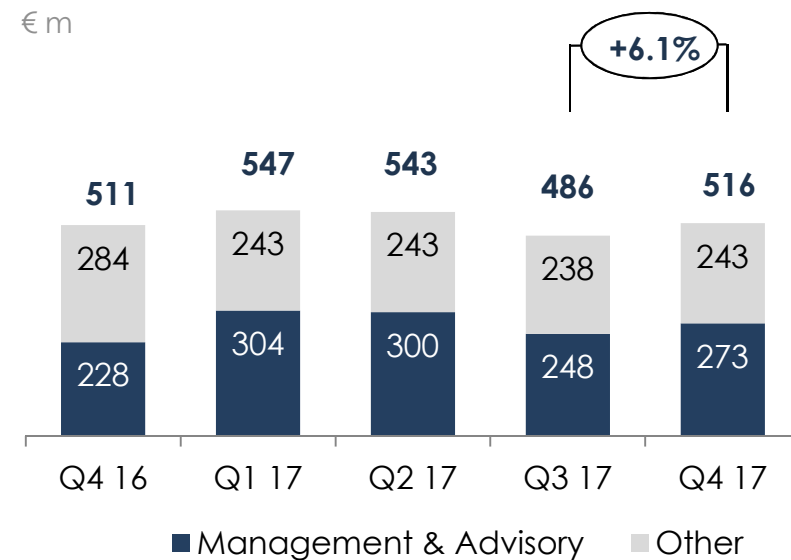
- Customer spread (1.53%) stable q/q, thanks to the improvement in the liability spread
- The liability spread improved by 12bps in 2017 and by 4bps q/q

NET FEES AND COMMISSIONS

Yearly comparison

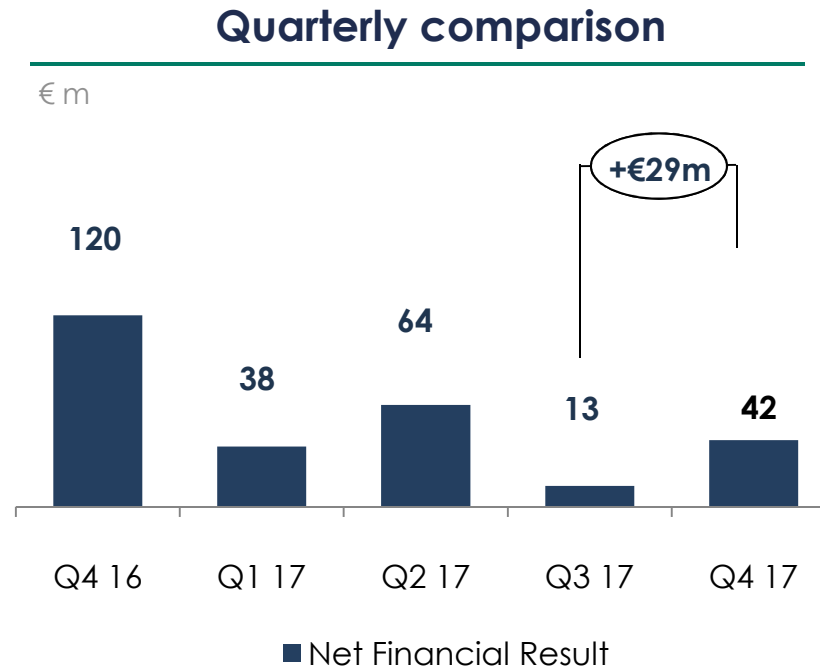
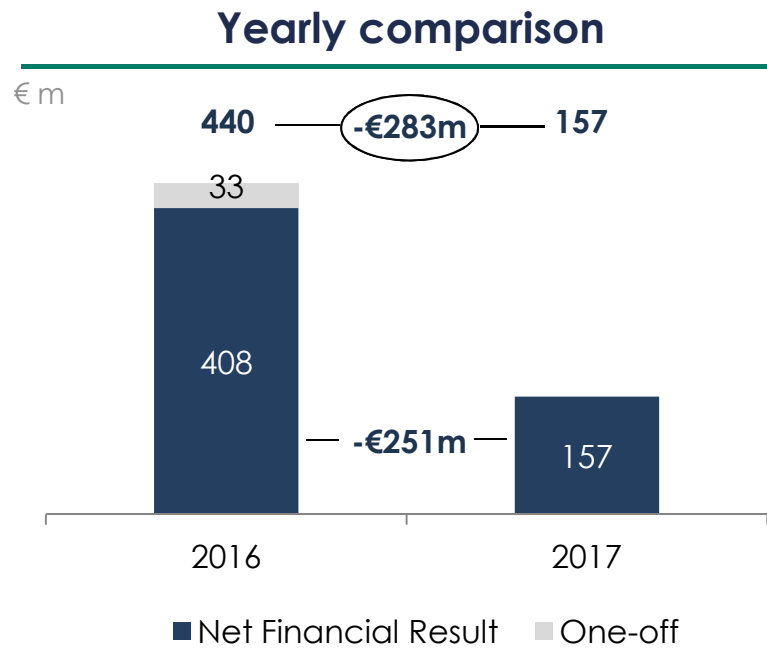


Quarterly comparison



- In 2017, Net fees and commissions grew by 10.0% y/y, driven by increasing commissions from management, brokerage and advisory services (+40.2% y/y), mainly thanks to the growing asset management business
- In Q4 2017, commissions were up 6.1% q/q and 0.9% vs Q4 2016

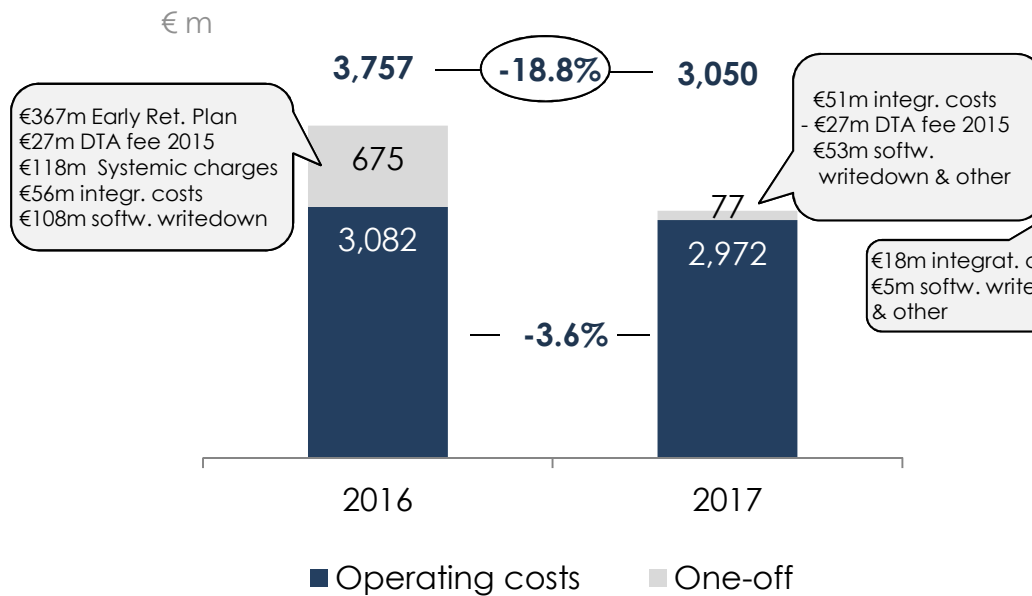
NET FINANCIAL RESULT



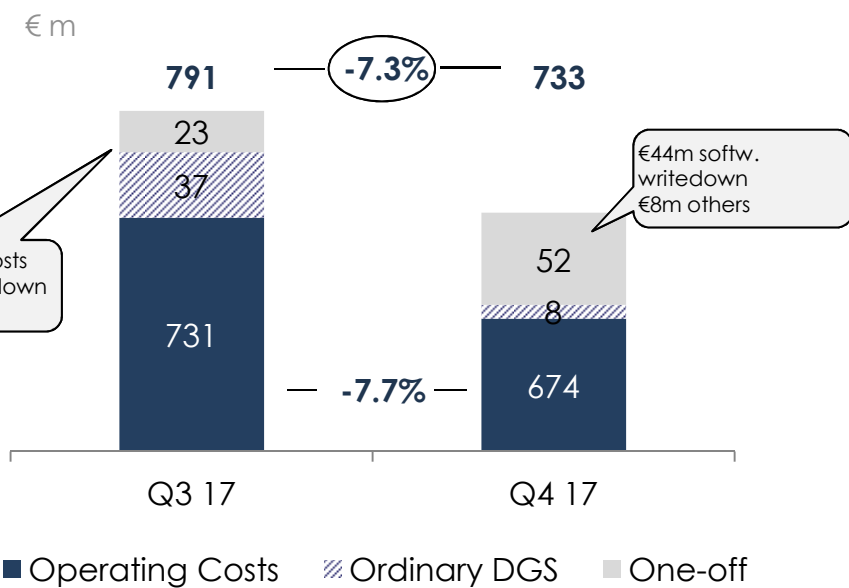
- The Net Financial Result y/y reduction was mainly due to strong one-off gains registered in 2016 from the disposal of securities, mainly govies held in the AFS portfolio, related to the merger (€75m in 2017 vs. €316m in 2016: - €242m)
- The quarterly increase (+€29m) benefited from higher disposal of securities, mainly govies held in the AFS portfolio (+€23m y/y)

OPERATING COSTS

Yearly comparison



Quarterly comparison

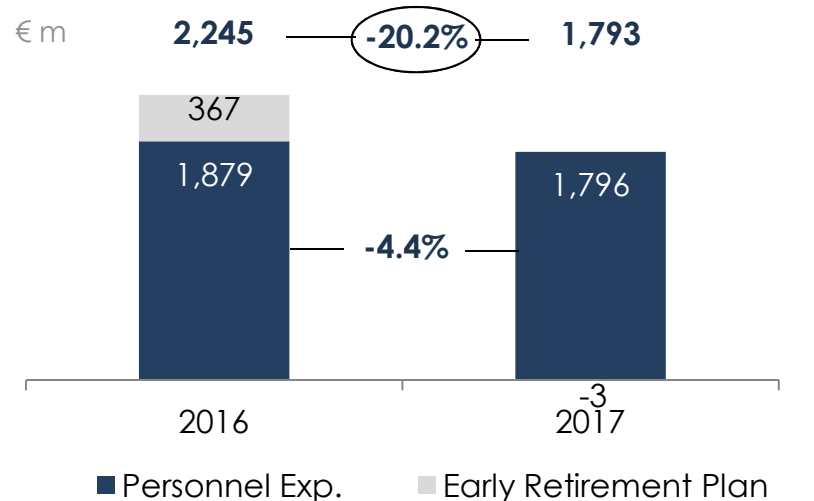


- Operating costs dropped significantly y/y (-18.8%) and, on a like-for-like basis (excluding one-offs), they fell by 3.6%
- In the quarterly comparison, Operating costs were down by 7.3% q/q, while when excluding non-recurring items and the ordinary contribution to the DGS, they were down by 7.7%

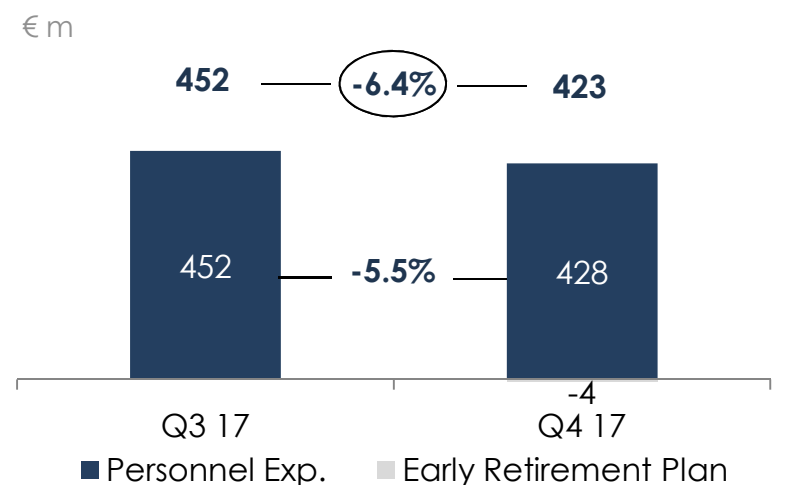
Notes: 2017 includes approx. €13m PPA (~€3m per quarter).

PERSONNEL EXPENSES

Yearly comparison



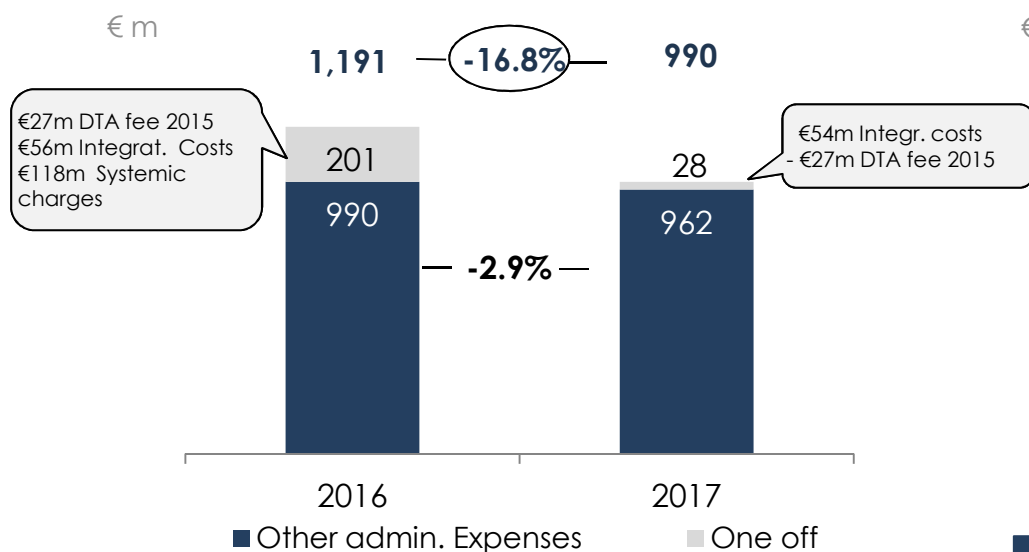
Quarterly comparison



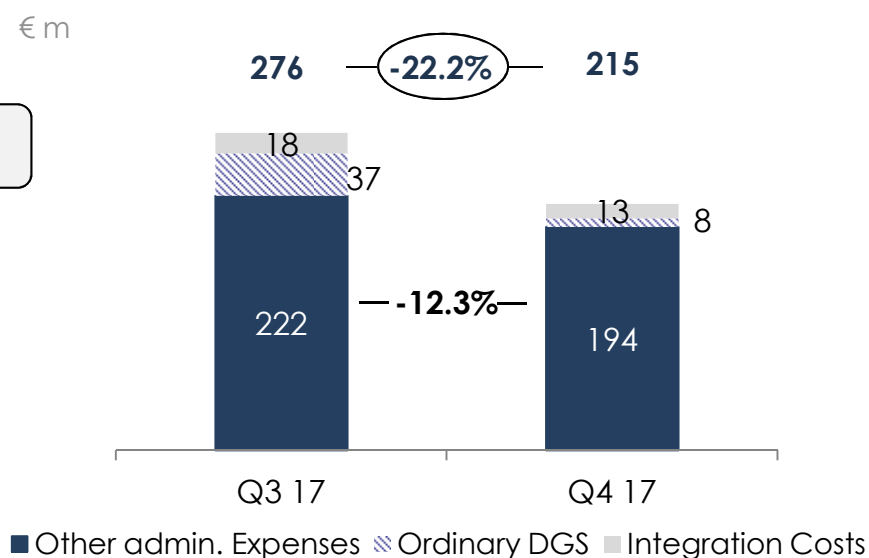
- On a like-for-like basis, Personnel expenses were down 4.4% y/y, mainly driven by headcount reduction
- Personnel expenses down by 6.4% q/q, mainly thanks to the partial effect of exits linked to the Solidarity Fund
- Total headcount stood at 23,331 at 31 December 2017, down from 24,680 in December 2016 (-1,349)
- Additional 689 exits are planned in 2018 (linked to the Solidarity Fund)

OTHER ADMINISTRATIVE EXPENSES

Yearly comparison



Quarterly comparison

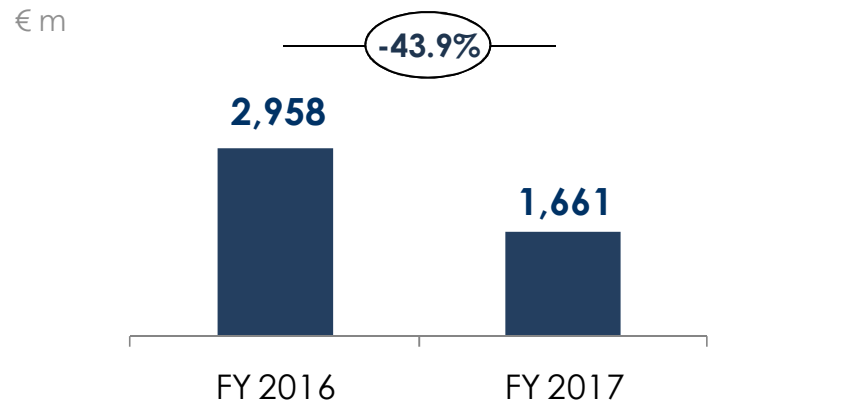


Ordinary systemic charges (€ m)	2017	2016
SRF	62	59
DGS	45	35
DTA (fee for tax benefit)	27	27
Total contribution to funds	134	121

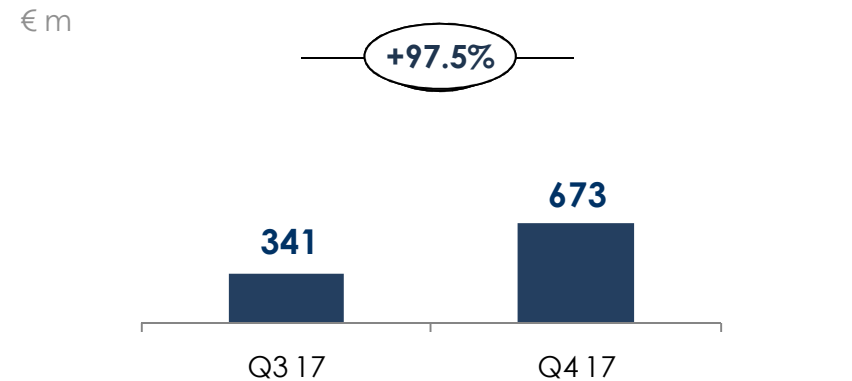
- Other administrative expenses decreased 16.9% y/y and 2.9% on a like-for-like basis (net of DTA fee for 2015 and integration costs)
- In the quarterly comparison, Other administrative expenses down by 22.3%, and on a like-for-like basis (net of DGS and integration costs), they are down 12.3% thanks to strict cost control

LOAN LOSS PROVISIONS

Yearly comparison

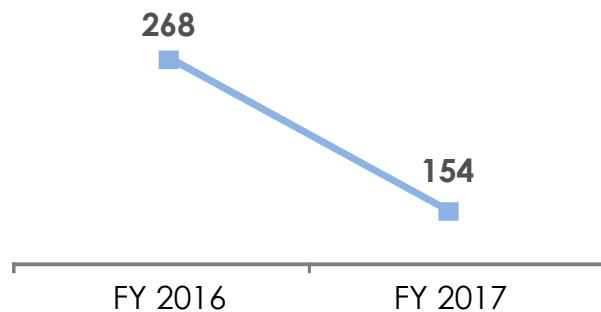


Quarterly comparison



Cost of credit

In bps, calculated on net customer loans



- In Q4, LLPs reflect:
 - a conservative change in estimates in the credit evaluation policy (e.g. for UTP time value, conservative ELBE applied to higher thresholds, etc.), leading to a one-off charge in the quarter
 - the disposal of €1.8bn of unsecured bad loans (finalised in December)
 - a further increase in UTP coverage (+144bps in Q4)
- Cost of credit (154bps in FY 2017) reflects the decision to maintain high coverage levels even after the significant NPL disposals in FY 2017: about 75% of €3.5bn of total bad loan disposals were highly covered unsecured positions

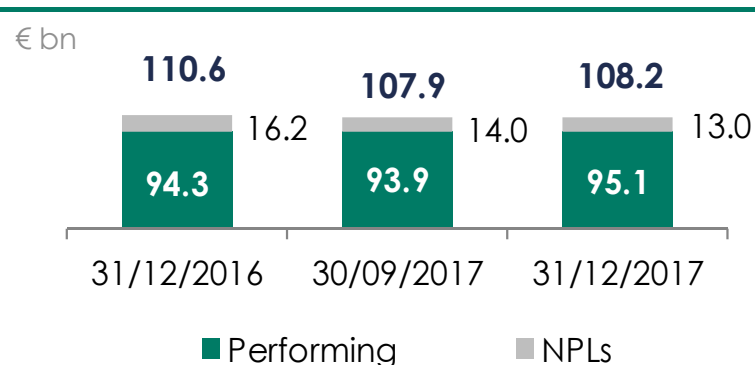
Agenda

1. Executive Summary	4
2. Profitability Highlights	15
3. Balance Sheet and Liquidity Highlights	25
4. Credit Quality and NPL Unit	32
5. Capital Update	39
6. Conclusion	42
Annexes	44

CUSTOMER LOANS

Trend in customer loans driven by derisking process and leasing run-off

Net Customer Loans



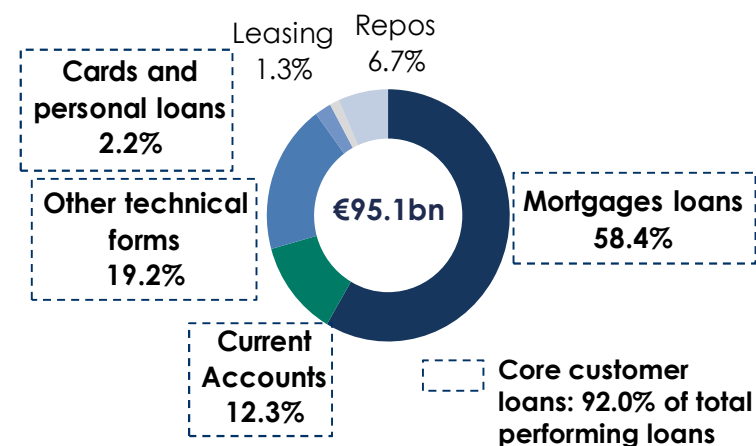
- The trend in Net customer loans is significantly affected by the de-risking process: net NPLs -19.6% y/y; -6.8% q/q
- Good performance of Core performing customer loans (+1.6% y/y; +1.0% q/q), while non-core components (leasing in run-off and REPOs) register a strong decrease y/y
- €18.1bn of new mortgage and personal loans granted in 2017 (+7.6% y/y), of which €14.5bn to Corporates (+11.8% y/y) and €3.6bn to Households (-6.5% y/y)

NEW LENDING (€ bn)	FY 2017	FY 2016
HOUSEHOLDS ²	3.6	3.8
CORPORATE/SMEs ³	14.5	13.0
TOTAL	18.1	16.8



CHANGE	In % 12M	In % 3M
Performing loans	0.8%	1.3%
- Core customer loans ¹	1.6%	1.0%
- Leasing (in run off)	-13.9%	-3.2%
- Repos	-5.3%	6.7%
NPLs	-19.6%	-6.8%
TOTAL	-2.1%	0.2%

Performing Loan breakdown



Notes:

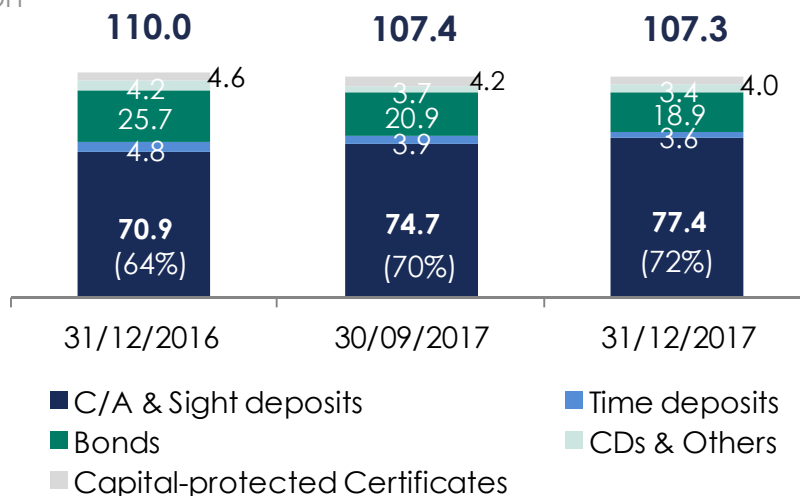
1. Include Mortgages loans, Current Accounts, Cards & Personal Loans and other technical forms.
2. Mortgages and personal loans.
3. SMEs, Large Corporates, Institutionals and Third Sector.

DIRECT FUNDING

Healthy growth in core deposits, with concurrent decline in more expensive sources of funding

Direct funding¹ (without Repos)

€ bn



CHANGE	In % 12M	In % 3M
C/A & Sight deposits	9.2%	3.6%
Time deposits	-24.6%	-8.4%
Bonds	-26.4%	-9.6%
CDs & Others	-17.1%	-6.4%
Cap.-protected Certificates	-13.2%	-6.1%
Direct Funding (excl. Repos)	-2.5%	-0.1%

- Direct funding trend (-2.5% y/y; stable q/q) driven by:
 - Positive dynamic of C/A and sight deposits (+9.2% y/y; +3.6% q/q), which now represent 72% of Direct funding (up from 64% at YE 2016)
 - Decrease in more expensive components (bonds -26.4% y/y; -9.6% q/q)
- Bond reduction continues to have a positive effect on cost of funding and on AuM growth
- Successful issue of a €500m T2 bond in Sept. 2017 and of a €750m Covered Bond in Jan. 2018

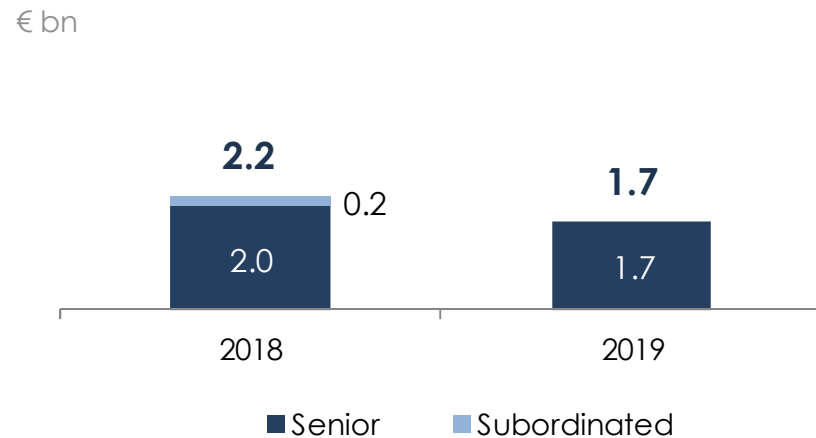
Note:

1. Direct funding restated according to a management logic: it includes capital-protected certificates, recognized under 'Held-for-trading liabilities', while it does not include Repos (€4.2bn at December 2017, basically transactions with Cassa di Compensazione e Garanzia), classified in the Accounting Report under 'Due to customers'.

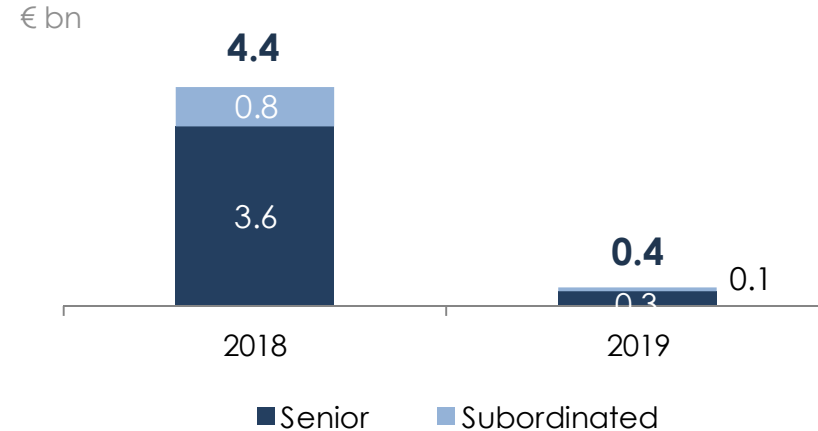
BOND MATURITIES

Positive for funding cost reduction

Institutional bond maturities



Retail bond maturities



- In 2017, a total of about €7bn¹ of bonds matured, with a positive effect on the cost of funding
- Average spread of bonds maturing in 2018 and 2019: ~2.8%
- Maturities in the period 2018-2019 are set to be only partially replaced by new bond issues, with relatively cheaper funding costs (mainly covered bonds)
- Thanks to the Group's strong liquidity position, the upcoming maturities can be managed to further optimize the cost of funding, while at the same time developing assets under management and maintaining a robust funding structure as well as a balanced ALM profile

Maturities include calls.

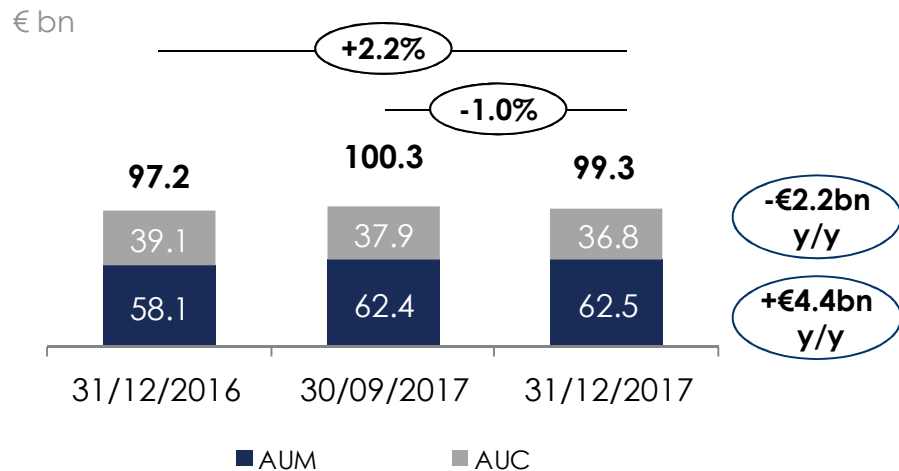
Note:

1. Including also the two buy-backs completed in April and June.

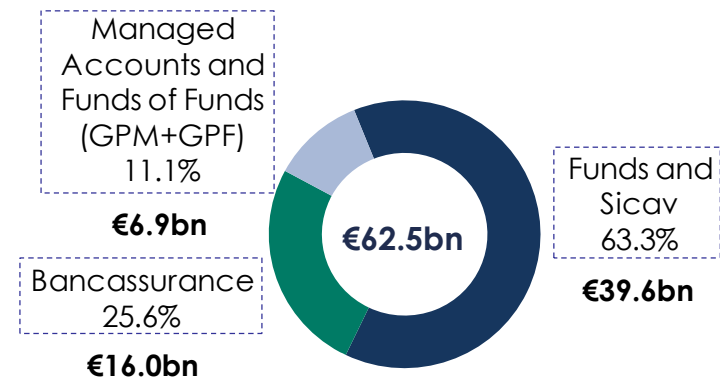
INDIRECT FUNDING

Strong performance of AuM, driven by 'Funds and Sicav' sleeve

Indirect funding¹



AuM breakdown at 31/12/2017



- Excellent growth in AuM (+€4.4bn y/y; +€61m q/q), bringing the share on total Indirect Funding to 63% (from 60% at YE 2016)
- AuM growth mainly driven by the 'Funds and Sicav' component (+15.1% y/y, +1.8% q/q)

N.B. The AUM of non-captive network of Aletti Gestielle (amounting to €2.0bn as at 31/12/2017, €1.9bn as at 30/09/2017 and €1.7bn as at 31/12/2016), was deconsolidated after the sale of the company in December 2017, but remains included in Indirect Funding in this slide, in order to ensure coherence with the historical reporting.

Note:

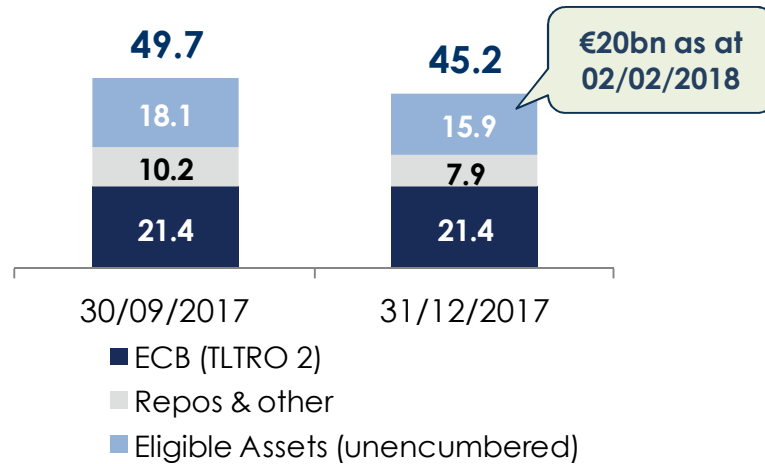
1. Indirect Funding is reported net of capital-protected certificates (previously included in Assets under Custody), as they have been regrouped in extended Direct Funding (see slide 27).

STRONG LIQUIDITY POSITION

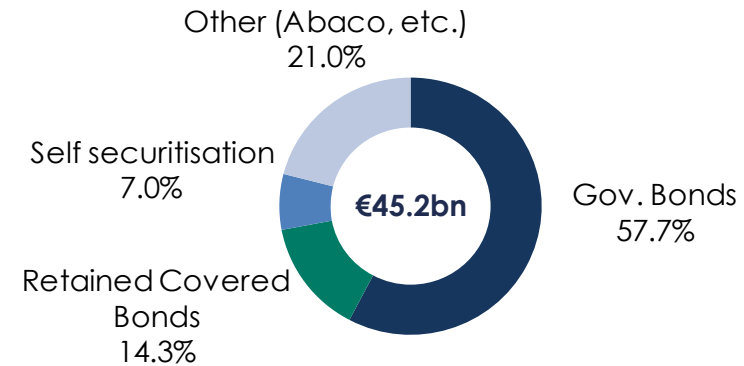
Relevant amount of unencumbered assets, almost entirely composed of Government bonds

Use of eligible assets and liquidity buffer

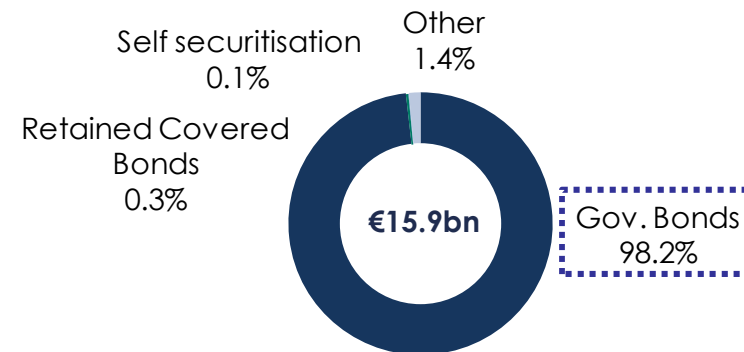
€ bn



Breakdown of total eligible assets as at 31/12/2017



Breakdown of unencumbered assets as at 31/12/2017



- Relevant amount of unencumbered assets, at €20bn at the beginning of February 2018, composed almost entirely of Government bonds
- TLTRO 2 position stable at €21.4bn: maximum take-up reached at the March 2017 auction
- LCR >125%; NSFR >100%¹

SECURITIES PORTFOLIO

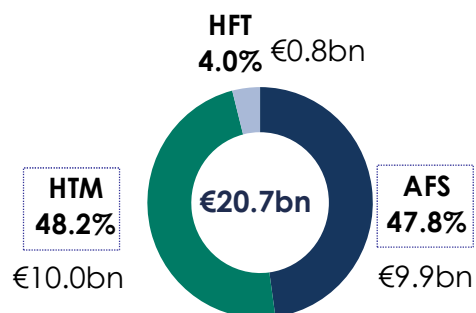
Prudent diversification, support NII and solid liquidity level

€ bn

Analysis of the Securities Portfolio

	31/12/2017	30/09/2017	31/12/2016	Chg. 12M		Chg. 3M	
				Value	%	Value	%
Debt securities: Govies	25.2	28.6	26.9	-1.7	-6.2%	-3.4	-11.8%
- o/w: Italian Govies	20.7	24.6	26.7	-6.0	-22.3%	-3.9	-15.9%
Debt securities: Other	5.0	5.1	4.7	0.3	6.7%	-0.1	-2.2%
Equity securities: Financials & other	1.7	1.8	1.2	0.5	44.3%	-0.1	-5.0%
Open-end funds & private equity	0.5	0.6	1.0	-0.6	-55.4%	-0.1	-18.8%
TOTAL	32.4	36.1	33.8	-1.4	-4.2%	-3.7	-10.2%

Classification of Italian Government bonds at 31/12/2017



- Increased diversification of the government bond portfolio:
 - Italian govies: -€6.0bn y/y and -€3.9bn q/q
 - 18% of non-Italian govies (vs. 14% in Sep. 17 and 1% in Dec. 16), primarily France (9%) and USA (5%), followed by Germany and Spain (2% each)
- Italian govies: 47.8% in AFS, 48.2% in HTM and 4.0% in HFT (vs. 63.8% in AFS, 31.1% in HTM and 5.1% in HFT as at 31/12/2016)
- Modified duration of Italian govies in AFS: ~2.5 years¹
- Gross AFS reserve at €170m (+€90m vs. Sep. 17), mainly thanks to the improvement in the reserve of Italian govies¹. As at 01/02/2018 the gross AFS reserve has stayed at a comfortable level (€139m)².

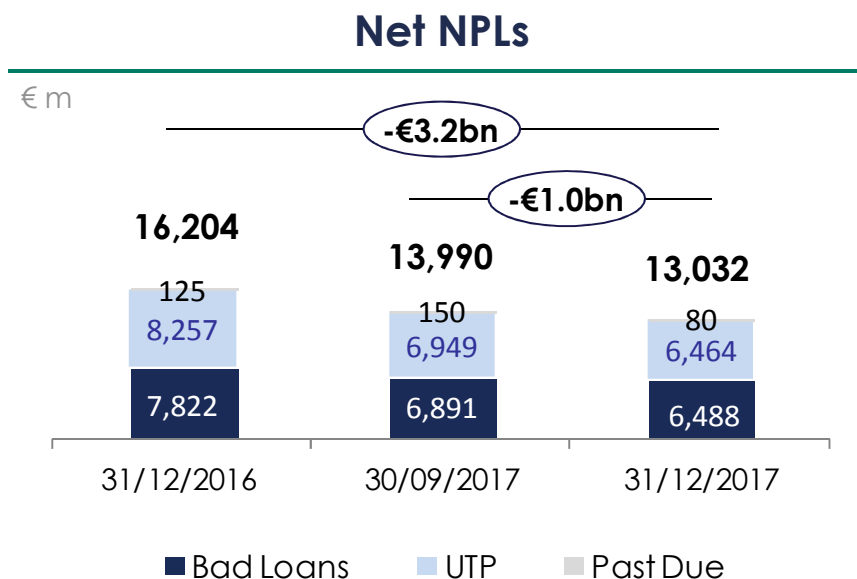
Note:

1. Management accounting data, excluding Banca Akros perimeter.
2. Gross HTCS (ex AFS) prior to IFRS 9 FTA.

Agenda

1. Executive Summary	4
2. Profitability Highlights	15
3. Balance Sheet and Liquidity Highlights	25
4. Credit Quality and NPL Unit	32
5. Capital Update	39
6. Conclusion	42
Annexes	44

STRONG NPL STOCK REDUCTION...



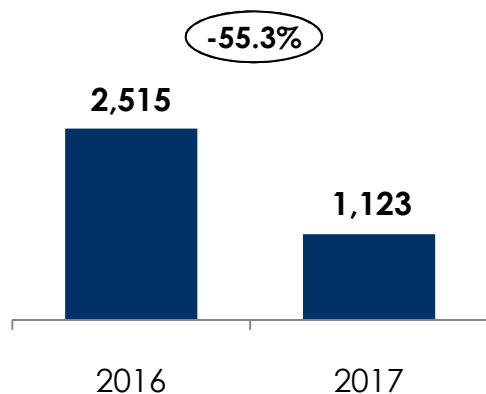
CHANGE €/m and %	Chg. 12M		Chg. 3M	
	Value	%	Value	%
Bad Loans	-1,335	-17.1%	-404	-5.9%
UTP	-1,793	-21.7%	-485	-7.0%
Past Due	-45	-35.6%	-69	-46.3%
TOTAL NPLs	-3,172	-19.6%	-958	-6.8%

- Net NPL stock down by €3.2bn y/y (-19.6%), thanks to:
 - decrease in net flows of NPLs (-55.3% y/y)
 - effective internal workout (€781m¹) and disposals of Bad Loans (€3.5bn nominal value in 2017)
 - increase in coverage (+94bps y/y)
- Net UTPs down by €1.8bn y/y (-21.7%), confirming a normalization in asset quality trends

...AND MATERIAL IMPROVEMENT IN NPL FLOWS AND RECOVERIES

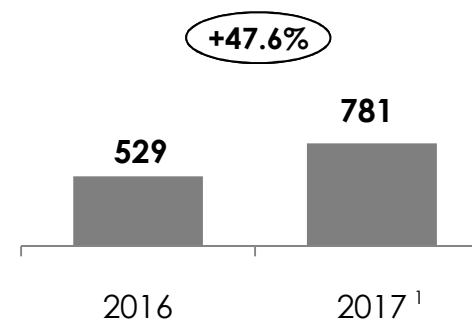
NET FLOWS TO NPLs

€ m



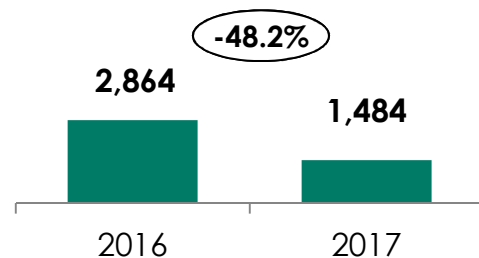
CASH RECOVERIES ON BAD LOANS

€ m



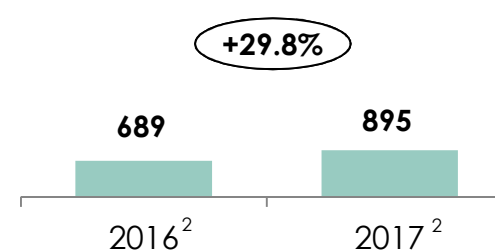
INFLOWS FROM UTP TO BAD LOANS

€ m



OUTFLOWS FROM UTP TO PERFORMING LOANS

€ m



Notes:

1. Management accounting data, includes also recoveries from single name disposals.
2. Internal management accounting data, in order to ensure coherence with the historical reporting.

CONSERVATIVE COVERAGE LEVELS

Coverage in line with Strategic Plan targets

NPL coverage STATED¹

		31/12/2017	30/09/2017	31/12/2016	Chg. (in pbs)	
		Nominal ²			12M ³	3M
Total NPLs	Nominal: 50.1% +220bps y/y	48.8%	49.1%	47.9%	94	-31
Bad Loans	Nominal: 60.5% +50bps y/y	58.9%	60.0%	60.0%	-112	-108
UTP Loans		32.4%	31.0%	27.2%	518	144
Past Due Loans		15.7%	22.1%	18.2%	-252	-646

NPL coverage PROFORMA

	PROFORMA POST IFRS 9 FTA STAGE 3
Total NPLs	~54%
Bad Loans	~67%

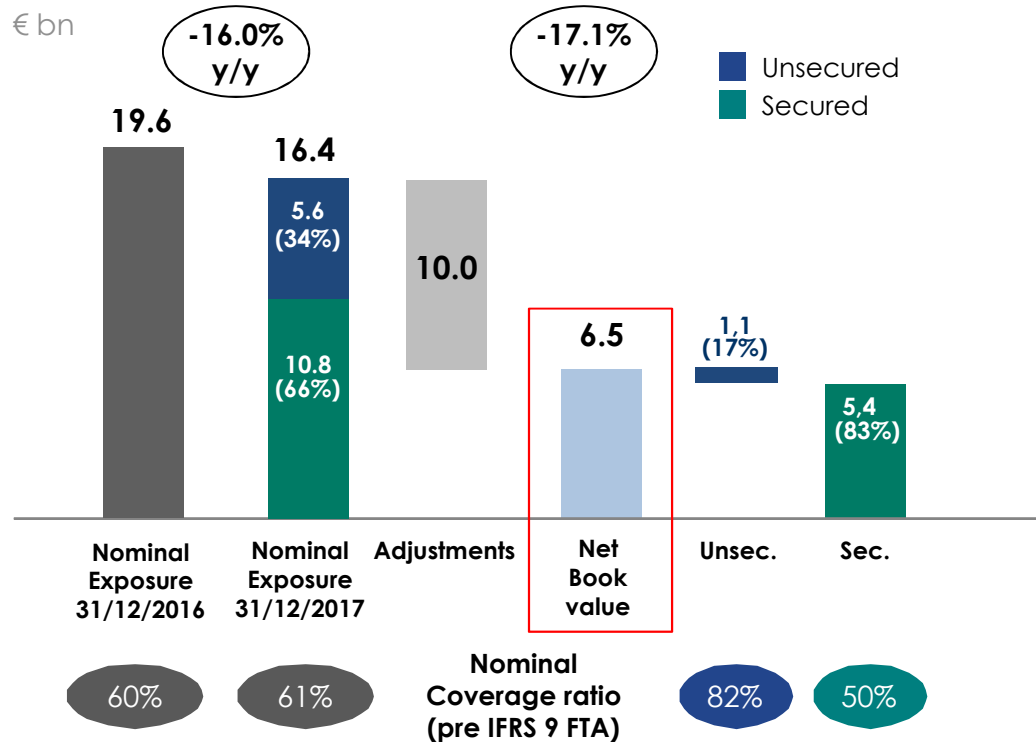
- NPL coverage at 48.8%, in line with the Strategic Plan target: +94bps y/y (50.1% nominal, +220bps)
- Coverage strengthened above all for UTP (+518bps y/y), but also for Bad Loans (+50bps at nominal level), particularly when factoring in the large portion of Bad Loan disposals perfected in the highly covered unsecured space, resulting in an increasing share of loans assisted by collateral (66%, +5 p.p. vs. YE 2016)
- Bad Loan coverage proforma with the effect of IFRS 9 FTA on stage 3 assets at ~67% (consistently with an NPL ratio of ~11.5%), leading the proforma NPL coverage to increase to ~54%

Notes:

1. Starting from 31/03/2017, most write-offs, which had been included in the Nominal values in the past, have been brought back on-balance sheet. At the end of March 2017, write-offs of about €1bn were still recorded off-balance sheet (down to €0.9bn in Sep. 17 and to €0.6bn in Dec. 17).
2. The December 2016 Nominal coverage includes all the write-offs that had been off-balance sheet at that time, in line with the values used in the Strategic Plan. For further details, please see slide 61.
3. The twelve-month changes are measured against the nominal values in December 2016 (i.e. inclusive of all write-offs).

BAD LOANS: FURTHER HIKE OF SECURED LOANS

Bad Loans: evolution and composition



- Secured/Unsecured composition in terms of nominal value (66%/34%) well above industry average (49%/51%)¹, with the share of secured Bad Loans up by 5 p.p. vs. YE 2016.
- Including the impact of IFRS 9 FTA, the nominal coverage grows to ~87% for unsecured positions and to ~59% for secured positions.

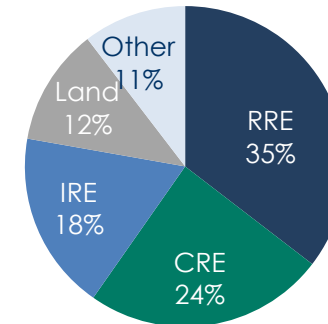


Notes:

- Report PWC "The Italian NPL market – the place to be", Dec- 2017.
- Collateral FV capped at nominal value.

Collateral composition

Fair Value of collateral: €14.4bn

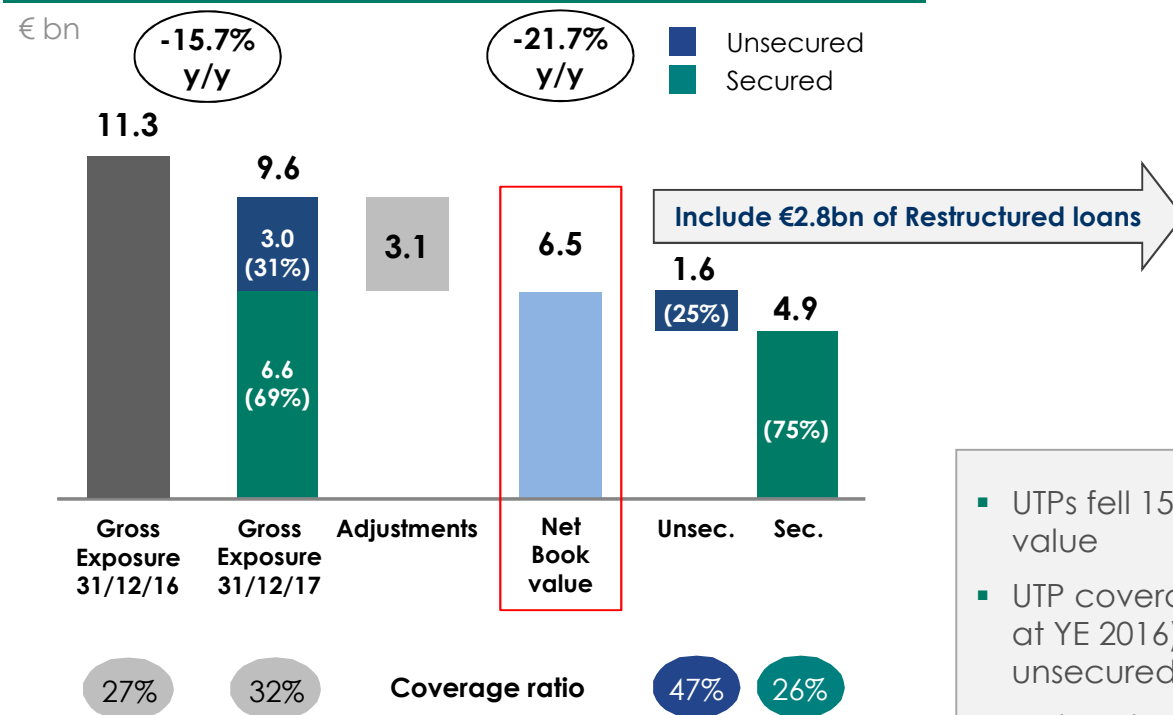


Coverage with collateral²

FV Collateral + Coverage	126%
Nominal Value	
FV Collateral	152%
Net Value	

UNLIKELY-TO-PAY LOANS: PROGRESS ANALYSIS

UTP analysis



Breakdown of Net UTP Loans

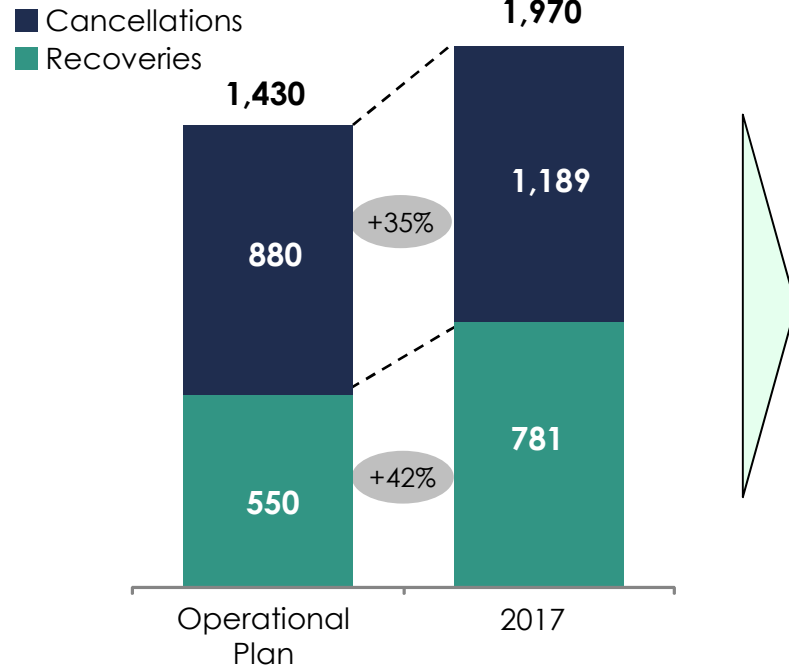
Total net UTP		6.5
of which: Restructured		2.8
- Secured		1.8
- Unsecured		1.1
of which: Other UTP		3.6
- Secured		3.1
- Unsecured		0.5

- UTPs fell 15.7% y/y at gross and 21.7% y/y at net value
- UTP coverage rose to 32.4% at YE 2017 (from 27.2% at YE 2016), with a solid level of 46.9% for the unsecured portion
- Net Restructured loans (€2.8bn) account for 43.9% of total net UTP: they are essentially related to formalised underlying restructuring plans and procedures (mainly under Italian credit protection rules procedures)
- Net unsecured UTP other than Restructured loans are limited to €0.5bn

WORKOUT ACTIVITIES: 2017 PERFORMANCE VS. PLAN TARGET

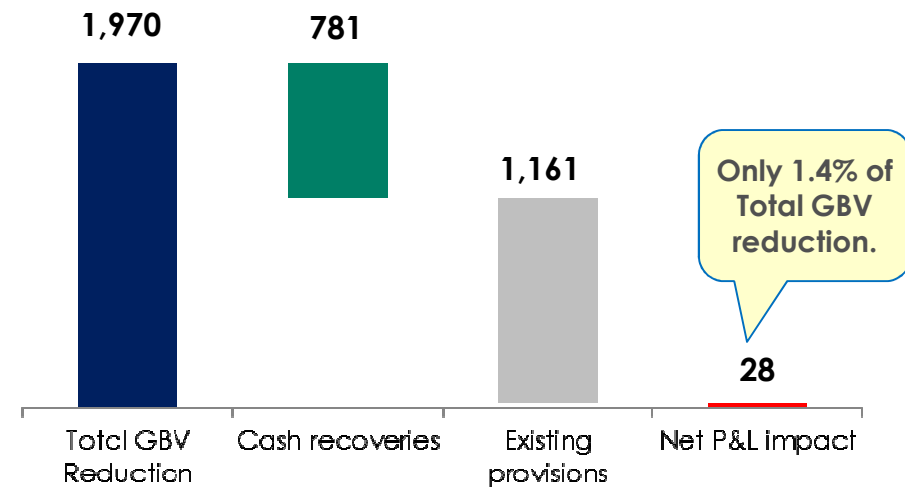
Delta GBV from Cancellations & Recoveries

€ m – YTD



Bad Loans GBV Reduction

€ m – YTD



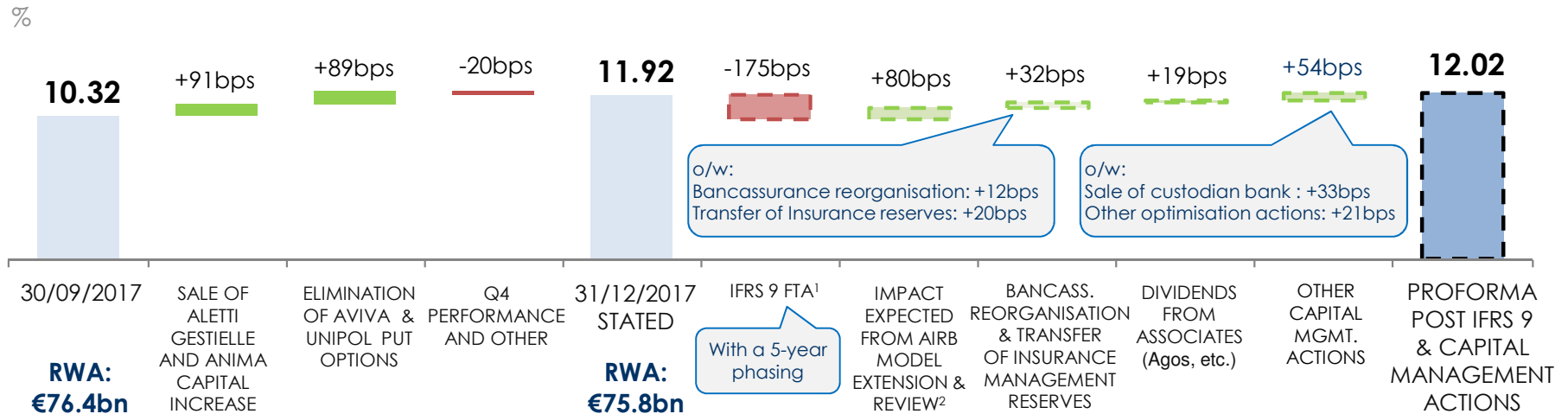
- In 2017, recoveries and cancellations were 38% higher than the operational plan target
- The workout activities had only a very limited impact on the cost of credit

Agenda

1. Executive Summary	4
2. Profitability Highlights	15
3. Balance Sheet and Liquidity Highlights	25
4. Credit Quality and NPL Unit	32
5. Capital Update	39
6. Conclusion	42
Annexes	44

CET1 RATIO: EVOLUTION DETAILS

Fully-Loaded CET 1 ratio: Dynamic analysis



- Strong capital position fully loaded (CET 1 proforma at 12.02%), benefitting from significant capital management actions and already incorporating the full impact of -175bps from the IFRS 9 FTA¹.
- The IFRS 9 FTA will be phased in 5 years.

Note:

1. See the following slide for details.
2. Estimated impact based on the Draft Decision received by the ECB at the beginning of February following the release of a final report and taking into account the evolution of CET 1 capital, provisions and RWA since the reference date of the ECB Draft Letter (June 2017). The validation is expected to become effective with the report as at 31 March 2018.

IFRS 9 FTA IMPACT: AN OPPORTUNITY TO ACCELERATE DERISKING AND TO STRENGTHEN FUTURE PROFITABILITY

Preliminary IFRS 9 First Time Application (FTA) impact estimate: -€1.2bn (pre-tax), mainly due to the application of the new impairment model as detailed below:

- application of new impairment model to non-performing exposures:	-€1.2bn
- application of new impairment model to performing exposures:	-€0.1bn
- application of new classification and measurement rules:	+€0.1bn

The consequent impact on the fully phased CET1 ratio is estimated at a total of -175 bps.

The Group has already communicated the decision to adopt the transitional arrangements to phase-in the IFRS 9 FTA impact in five years (5% for 2018)



IFRS 9 FTA provides a good opportunity to further increase the Bad Loan coverage in a meaningful way, thereby allowing the Group to:

- Accelerate the path of derisking: higher recovery rates and more disposal opportunities (disposal target increased from €8bn to €13bn)
- Anticipate the normalisation of the cost of risk, with positive implications for the bottom line result

Agenda

1. Executive Summary	4
2. Profitability Highlights	15
3. Balance Sheet and Liquidity Highlights	25
4. Credit Quality and NPL Unit	32
5. Capital Update	39
6. Conclusion	42

Annexes	44
---------	----

CONCLUSION: IMPRESSIVE ACHIEVEMENTS IN YEAR ONE

- ✓ **Integration/rationalisation/simplification**: achievement at a fast pace
- ✓ **Derisking**: solid results in terms of disposals and workout, with a timing well ahead of the schedule, paving the way for a more aggressive NPL reduction strategy
- ✓ **NPL flows**: significant improvement in NPL flows
- ✓ **Capital strengthening**: pro-forma CET 1 FL ratio of 12.02% (including IFRS 9 FTA), supporting a path of accelerated de-risking, while maintaining a good degree of capital buffers and capital flexibility
- ✓ **Cost efficiency**: effective action plan set to translate into stronger and better-than-expected cost savings from FY 2018
- ✓ **Consolidation of core businesses and definition of new commercial network model**: strengthening of competitive position and enhanced commercial effectiveness

Agenda

Annexes

ANNEXES

PREVIOUS PERIMETER*: FY 2017 RECLASSIFIED P&L Y/Y COMPARISON

Reclassified income statement (in euro million)	FY 2017	o/w	FY 2017	FY 2016	o/w	FY 2016	Chg. Y/Y	Chg. Y/Y
	Stated	PPA	without PPA	Aggregated	PPA	without PPA	with PPA	without PPA
Net interest income	2,114.0	31.2	2,082.8	2,107.8	0.0	2,107.8	0.3%	-1.2%
Income (loss) from investments in associates carried at equity	166.0	0.0	166.0	147.9	0.0	147.9	12.3%	12.3%
Net interest, dividend and similar income	2,280.0	31.2	2,248.8	2,255.6	0.0	2,255.6	1.1%	-0.3%
Net fee and commission income	2,093.0	0.0	2,093.0	1,903.4	0.0	1,903.4	10.0%	10.0%
Other net operating income	99.1	-46.3	145.5	139.2	-22.0	161.2	-28.8%	-9.7%
Net financial result	156.6	0.0	156.6	440.1	0.0	440.1	-64.4%	-64.4%
Other operating income	2,348.7	-46.3	2,395.0	2,482.7	-22.0	2,504.6	-5.4%	-4.4%
Total income	4,628.7	-15.2	4,643.9	4,738.3	-22.0	4,760.3	-2.3%	-2.4%
Personnel expenses	-1,792.7	0.0	-1,792.7	-2,245.5	0.0	-2,245.5	-20.2%	-20.2%
Other administrative expenses	-989.9	0.0	-989.9	-1,190.5	0.0	-1,190.5	-16.8%	-16.8%
Amortization and depreciation	-267.3	-13.3	-254.0	-320.9	-3.6	-317.3	-16.7%	-19.9%
Operating costs	-3,049.9	-13.3	-3,036.7	-3,756.9	-3.6	-3,753.3	-18.8%	-19.1%
Profit (loss) from operations	1,578.8	-28.4	1,607.2	981.4	-25.5	1,007.0	60.9%	59.6%
Net adjustments on loans to customers	-1,661.0	197.2	-1,858.2	-2,958.2	0.0	-2,958.2	-43.9%	-37.2%
Net adjustments on other assets	-140.2	0.0	-140.2	-112.5	0.0	-112.5	24.7%	24.7%
Net provisions for risks and charges	-13.8	0.0	-13.8	-55.1	0.0	-55.1	-75.0%	-75.0%
Profit (loss) on the disposal of equity and other investments	25.7	-0.9	26.6	158.0	0.0	158.0	-83.7%	-83.1%
Income (loss) before tax from continuing operations	-210.4	167.9	-378.3	-1,986.3	-25.5	-1,960.7	n.s.	n.s.
Tax on income from continuing operations	85.1	-55.9	141.0	629.7	8.2	621.4	-86.5%	-77.3%
Income (loss) after tax from discontinued operations	673.6	0.0	673.6	2.5	0.0	2.5	n.s.	n.s.
Income (loss) attributable to minority interests	9.7	0.0	9.7	19.4	0.0	19.4	-50.1%	-50.1%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	557.8	112.0	445.9	-1,334.7	-17.3	-1,317.4	n.s.	n.s.
Impairment of goodwill and client relationship	-1,017.6			-279.0		-279.0	n.s.	n.s.
Badwill	3,076.1		3,076.1	0.0		0.0	n.s.	n.s.
Net income (loss) for the period	2,616.4	112.0	2,504.4	-1,613.7	-17.3	-1,596.4	n.s.	n.s.

ANNEXES

PREVIOUS PERIMETER*: ADJUSTED FY 2017 RECLASSIFIED P&L Y/Y COMPARISON

Reclassified income statement (in euro million)	FY 2017	o/w	FY 2017	FY 2016	o/w	FY 2016	Chg. Y/Y	Chg. Y/Y
	Stated	One-off	Adjusted	Aggregated	One-off	Aggregated Adjusted	Stated	Adjusted
Net interest income	2,114.0	27.6	2,086.4	2,107.8	0.0	2,107.8	0.3%	-1.0%
Income (loss) from investments in associates carried at equity	166.0	-10.5	176.5	147.9	0.0	147.9	12.3%	19.4%
Net interest, dividend and similar income	2,280.0	17.1	2,262.9	2,255.6	0.0	2,255.6	1.1%	0.3%
Net fee and commission income	2,093.0	0.0	2,093.0	1,903.4	0.0	1,903.4	10.0%	10.0%
Other net operating income	99.1	0.0	99.1	139.2	0.0	139.2	-28.8%	-28.8%
Net financial result	156.6	0.0	156.6	440.1	32.6	407.5	-64.4%	-61.6%
Other operating income	2,348.7	0.0	2,348.7	2,482.7	32.6	2,450.1	-5.4%	-4.1%
Total income	4,628.7	17.1	4,611.6	4,738.3	32.6	4,705.7	-2.3%	-2.0%
Personnel expenses	-1,792.7	3.1	-1,795.8	-2,245.5	-366.7	-1,878.8	-20.2%	-4.4%
Other administrative expenses	-989.9	-28.1	-961.9	-1,190.5	-200.5	-990.0	-16.8%	-2.8%
Amortization and depreciation	-267.3	-52.5	-214.8	-320.9	-107.8	-213.1	-16.7%	0.8%
Operating costs	-3,049.9	-77.5	-2,972.5	-3,756.9	-675.0	-3,081.9	-18.8%	-3.6%
Profit (loss) from operations	1,578.8	-60.4	1,639.2	981.4	-642.4	1,623.8	60.9%	0.9%
Net adjustments on loans to customers	-1,661.0	0.0	-1,661.0	-2,958.2	0.0	-2,958.2	-43.9%	-43.9%
Net adjustments on other assets	-140.2	-132.4	-7.8	-112.5	-65.2	-47.3	24.7%	-83.4%
Net provisions for risks and charges	-13.8	0.0	-13.8	-55.1	-24.8	-30.2	-75.0%	-54.5%
Profit (loss) on the disposal of equity and other investments	25.7	25.7	0.0	158.0	137.9	20.1	-83.7%	-100.0%
Income (loss) before tax from continuing operations	-210.4	-167.0	-43.4	-1,986.3	-594.4	-1,391.8	n.s.	n.s.
Tax on income from continuing operations	85.1	37.1	48.0	629.7	193.9	435.8	-86.5%	-89.0%
Income (loss) after tax from discontinued operations	673.6	673.1	0.4	2.5	0.0	2.5	n.s.	n.s.
Income (loss) attributable to minority interests	9.7	1.1	8.5	19.4	2.4	17.0	-50.1%	-49.7%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	557.8	544.3	13.5	-1,334.7	-398.2	-936.5	n.s.	n.s.

ANNEXES

PREVIOUS PERIMETER*: FY 2017 RECLASSIFIED P&L NON RECURRING ITEMS

Reclassified income statement (in euro million)	FY 2017 Stated	FY 2017 Adjusted	One- off FY 17	Non-recurring items and extraordinary systemic charges
Net interest income	2,114.0	2,086.4	27.6	TLTRO2 interests accrued in 2H16 and tax litigation
Income (loss) from investments in associates carried at equity	166.0	176.5	-10.5	SelmaBipiemme Leasing impact
Net interest, dividend and similar income	2,280.0	2,262.9	17.1	
Net fee and commission income	2,093.0	2,093.0	0.0	
Other net operating income	99.1	99.1	0.0	
Net financial result	156.6	156.6	0.0	
Other operating income	2,348.7	2,348.7	0.0	
Total income	4,628.7	4,611.6	17.1	
Personnel expenses	-1,792.7	-1,795.8	3.1	Early Retirement Plan
Other administrative expenses	-989.9	-961.9	-28.1	Refund of the 2015 DTA fee and integration costs
Amortization and depreciation	-267.3	-214.8	-52.5	Software impairments
Operating costs	-3,049.9	-2,972.5	-77.5	
Profit (loss) from operations	1,578.8	1,639.2	-60.4	
Net adjustments on loans to customers	-1,661.0	-1,661.0	0.0	
Net adjustments on other assets	-140.2	-7.8	-132.4	Impairment of Atlante, Vicenza bond and FITD
Net provisions for risks and charges	-13.8	-13.8	0.0	
Profit (loss) on the disposal of equity and other investments	25.7	0.0	25.7	Real Estate investments and other investments
Income (loss) before tax from continuing operations	-210.4	-43.4	-167.0	
Tax on income from continuing operations	85.1	48.0	37.1	Impact linked to tax litigation and other fiscal effects on non-recurring items
Income (loss) after tax from discontinued operations	673.6	0.4	673.1	Disposal of Aletti Gestielle
Income (loss) attributable to minority interests	9.7	8.5	1.1	
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	557.8	13.5	544.3	

* With Aletti Gestielle line-by-line

ANNEXES

PREVIOUS PERIMETER*: Q4 2017 RECLASSIFIED P&L

Q/Q COMPARISON

Reclassified income statement (in euro million)	Q4 2017	o/w	Q4 2017	Q3 2017	o/w	Q3 2017	Chg. Q/Q	Chg. Q/Q
	Stated	PPA	without PPA	Stated	PPA	without PPA	with PPA	without PPA
Net interest income	528.9	1.1	527.8	525.1	10.0	515.1	0.7%	2.5%
Income (loss) from investments in associates carried at equity	45.2	0.0	45.2	38.9	0.0	38.9	16.0%	16.0%
Net interest, dividend and similar income	574.1	1.1	573.0	564.0	10.0	554.0	1.8%	3.4%
Net fee and commission income	515.9	0.0	515.9	486.3	0.0	486.3	6.1%	6.1%
Other net operating income	24.5	-11.6	36.1	30.0	-11.6	41.6	-18.5%	-13.3%
Net financial result	41.8	0.0	41.8	13.3	0.0	13.3	215.6%	215.6%
Other operating income	582.2	-11.6	593.9	529.5	-11.6	541.2	10.0%	9.7%
Total income	1,156.3	-10.5	1,166.8	1,093.6	-1.6	1,095.2	5.7%	6.5%
Personnel expenses	-423.3	0.0	-423.3	-452.3	0.0	-452.3	-6.4%	-6.4%
Other administrative expenses	-214.9	0.0	-214.9	-276.3	0.0	-276.3	-22.2%	-22.2%
Amortization and depreciation	-95.6	-3.8	-91.8	-62.3	-3.2	-59.1	53.5%	55.4%
Operating costs	-733.8	-3.8	-730.0	-790.9	-3.2	-787.7	-7.2%	-7.3%
Profit (loss) from operations	422.5	-14.3	436.8	302.7	-4.8	307.5	39.6%	42.1%
Net adjustments on loans to customers	-673.1	62.7	-735.8	-340.8	41.2	-382.0	97.5%	92.6%
Net adjustments on other assets	-12.7	0.0	-12.7	-48.3	0.0	-48.3	-73.7%	-73.7%
Net provisions for risks and charges	-9.2	0.0	-9.2	4.6	0.0	4.6	n.s.	n.s.
Profit (loss) on the disposal of equity and other investments	12.1	-0.1	12.2	0.3	0.1	0.2	n.s.	n.s.
Income (loss) before tax from continuing operations	-260.5	48.3	-308.8	-81.5	36.5	-118.0	n.s.	n.s.
Tax on income from continuing operations	91.4	-16.1	107.5	38.8	-12.2	51.0	n.s.	n.s.
Income (loss) after tax from discontinued operations	673.4	0.0	673.4	-0.2	0.0	-0.2	n.s.	n.s.
Income (loss) attributable to minority interests	0.9	0.0	0.9	1.4	0.0	1.4	-37.9%	-37.9%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	505.1	32.2	472.9	-41.5	24.3	-65.8	n.s.	n.s.

ANNEXES

PREVIOUS PERIMETER*: ADJUSTED Q4 2017 RECLASSIFIED P&L Q/Q COMPARISON

Reclassified income statement (in euro million)	Q4 2017	o/w	Q4 2017	Q3 2017	o/w	Q3 2017	Chg. Q/Q
	Stated	one-off	Adjusted	Stated	one-off	Adjusted	Adjusted
Net interest income	528.9	0.0	528.9	525.1	0.0	525.1	0.7%
Income (loss) from investments in associates carried at equity	45.2	0.0	45.2	38.9	0.0	38.9	16.0%
Net interest, dividend and similar income	574.1	0.0	574.1	564.0	0.0	564.0	1.8%
Net fee and commission income	515.9	0.0	515.9	486.3	0.0	486.3	6.1%
Other net operating income	24.5	0.0	24.5	30.0	0.0	30.0	-18.5%
Net financial result	41.8	0.0	41.8	13.3	0.0	13.3	n.s.
Other operating income	582.2	0.0	582.2	529.5	0.0	529.5	10.0%
Total income	1,156.3	0.0	1,156.3	1,093.6	0.0	1,093.6	5.7%
Personnel expenses	-423.3	4.4	-427.8	-452.3	0.0	-452.3	-5.4%
Other administrative expenses	-214.9	-12.6	-202.3	-276.3	-17.7	-258.7	-21.8%
Amortization and depreciation	-95.6	-43.5	-52.1	-62.3	-5.5	-56.8	-8.3%
Operating costs	-733.8	-51.6	-682.1	-790.9	-23.2	-767.7	-11.1%
Profit (loss) from operations	422.5	-51.6	474.2	302.7	-23.2	325.9	45.5%
Net adjustments on loans to customers	-673.1	0.0	-673.1	-340.8	0.0	-340.8	n.s.
Net adjustments on other assets	-12.7	-10.7	-2.1	-48.3	-45.5	-2.8	n.s.
Net provisions for risks and charges	-9.2	0.0	-9.2	4.6	0.0	4.6	n.s.
Profit (loss) on the disposal of equity and other investments	12.1	12.1	0.0	0.3	0.3	0.0	n.s.
Income (loss) before tax from continuing operations	-260.5	-50.2	-210.3	-81.5	-68.3	-13.2	n.s.
Tax on income from continuing operations	91.4	11.6	79.8	38.8	28.2	10.6	n.s.
Income (loss) after tax from discontinued operations	673.4	673.1	0.2	-0.2	0.0	-0.2	n.s.
Income (loss) attributable to minority interests	0.9	0.6	0.3	1.4	0.5	0.9	-65.9%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	505.1	635.1	-129.9	-41.5	-39.5	-2.0	n.s.

ANNEXES

PREVIOUS PERIMETER*: Q4 2017 RECLASSIFIED P&L NON RECURRING ITEMS

Reclassified income statement (in euro million)	Q4 2017	Q4 2017	One-off	Non-recurring items and extraordinary systemic charges
	Stated	Adjusted		
Net interest income	528.9	528.9	0.0	
Income (loss) from investments in associates carried at equity	45.2	45.2	0.0	
Net interest, dividend and similar income	574.1	574.1	0.0	
Net fee and commission income	515.9	515.9	0.0	
Other net operating income	24.5	24.5	0.0	
Net financial result	41.8	41.8	0.0	
Other operating income	582.2	582.2	0.0	
Total income	1,156.3	1,156.3	0.0	
Personnel expenses	-423.3	-427.8	4.4	Early Retirement Plan
Other administrative expenses	-214.9	-202.3	-12.6	Integration Costs
Amortization and depreciation	-95.6	-52.1	-43.5	Software writedowns
Operating costs	-733.8	-682.1	-51.6	
Profit (loss) from operations	422.5	474.2	-51.6	
Net adjustments on loans to customers	-673.1	-673.1	0.0	
Net adjustments on other assets	-12.7	-2.1	-10.7	Impairment of FITD
Net provisions for risks and charges	-9.2	-9.2	0.0	
Profit (loss) on the disposal of equity and other investments	12.1	0.0	12.1	Real Estate investments and other investments
Income (loss) before tax from continuing operations	-260.5	-210.3	-50.2	
Tax on income from continuing operations	91.4	79.8	11.6	Fiscal effects on non-recurring items
Income (loss) after tax from discontinued operations	673.4	0.2	673.1	Disposal of Aletti Gestielle
Income (loss) attributable to minority interests	0.9	0.3	0.6	
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	505.1	-129.9	635.1	

ANNEXES

NEW PERIMETER: FY 2017 RECLASSIFIED P&L Y/Y COMPARISON

Reclassified income statement (in euro million)	FY 2017	o/w	FY 2017	FY 2016	o/w	FY 2016	Chg. Y/Y with PPA	Chg. Y/Y without PPA
	Stated	PPA	without PPA	Aggregated	PPA	Aggregated without PPA		
Net interest income	2,113.4	31.2	2,082.3	2,106.8	0.0	2,106.8	0.3%	-1.2%
Income (loss) from investments in associates carried at equity	166.0	0.0	166.0	147.9	0.0	147.9	12.3%	12.3%
Net interest, dividend and similar income	2,279.5	31.2	2,248.3	2,254.7	0.0	2,254.7	1.1%	-0.3%
Net fee and commission income	1,950.4	0.0	1,950.4	1,824.7	0.0	1,824.7	6.9%	6.9%
Other net operating income	98.8	-46.3	145.2	138.3	-22.0	160.2	-28.5%	-9.4%
Net financial result	155.0	0.0	155.0	438.3	0.0	438.3	-64.6%	-64.6%
Other operating income	2,204.3	-46.3	2,250.6	2,401.3	-22.0	2,423.2	-8.2%	-7.1%
Total income	4,483.8	-15.2	4,498.9	4,656.0	-22.0	4,677.9	-3.7%	-3.8%
Personnel expenses	-1,784.9	0.0	-1,784.9	-2,237.5	0.0	-2,237.5	-20.2%	-20.2%
Other administrative expenses	-979.3	0.0	-979.3	-1,180.9	0.0	-1,180.9	-17.1%	-17.1%
Amortization and depreciation	-266.9	-13.3	-253.7	-320.6	-3.6	-317.0	-16.7%	-20.0%
Operating costs	-3,031.0	-13.3	-3,017.8	-3,739.0	-3.6	-3,735.4	-18.9%	-19.2%
Profit (loss) from operations	1,452.7	-28.4	1,481.1	916.9	-25.5	942.5	58.4%	57.2%
Net adjustments on loans to customers	-1,661.0	197.2	-1,858.2	-2,958.2	0.0	-2,958.2	-43.9%	-37.2%
Net adjustments on other assets	-140.2	0.0	-140.2	-112.5	0.0	-112.5	24.7%	24.7%
Net provisions for risks and charges	-13.8	0.0	-13.8	-55.1	0.0	-55.1	-75.0%	-75.0%
Profit (loss) on the disposal of equity and other investments	25.7	-0.9	26.6	158.0	0.0	158.0	-83.7%	-83.1%
Income (loss) before tax from continuing operations	-336.5	167.9	-504.4	-2,050.8	-25.5	-2,025.2	n.s.	n.s.
Tax on income from continuing operations	122.4	-55.9	178.3	650.2	8.2	642.0	-81.2%	-72.2%
Income (loss) after tax from discontinued operations	762.3	0.0	762.3	46.4	0.0	46.4	n.s.	n.s.
Income (loss) attributable to minority interests	9.7	0.0	9.7	19.4	0.0	19.4	-50.1%	-50.1%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	557.8	112.0	445.9	-1,334.7	-17.3	-1,317.4	n.s.	n.s.
Impairment of goodwill and client relationship	-1,017.6			-279.0		-279.0	n.s.	n.s.
Badwill	3,076.1		3,076.1			0.0	n.s.	n.s.
Net income (loss) for the period	2,616.4	112.0	2,504.4	-1,613.7	-17.3	-1,596.4	n.s.	n.s.

ANNEXES

NEW PERIMETER: ADJUSTED FY 2017 RECLASSIFIED P&L Y/Y COMPARISON

Reclassified income statement (in euro million)	FY 2017	o/w	FY 2017	FY 2016	o/w	FY 2016	Chg. Y/Y
	Stated	One-off	Adjusted	Aggregated	One-off	Aggregated	Adjusted
Net interest income	2,113.4	27.6	2,085.9	2,106.8	0.0	2,106.8	-1.0%
Income (loss) from investments in associates carried at equity	166.0	-10.5	176.5	147.9	0.0	147.9	19.4%
Net interest, dividend and similar income	2,279.5	17.1	2,262.4	2,254.7	0.0	2,254.7	0.3%
Net fee and commission income	1,950.4	0.0	1,950.4	1,824.7	0.0	1,824.7	6.9%
Other net operating income	98.8	0.0	98.8	138.3	0.0	138.3	-28.5%
Net financial result	155.0	0.0	155.0	438.3	32.6	405.7	-61.8%
Other operating income	2,204.3	0.0	2,204.3	2,401.3	32.6	2,368.6	-6.9%
Total income	4,483.8	17.1	4,466.7	4,656.0	32.6	4,623.3	-3.4%
Personnel expenses	-1,784.9	3.1	-1,788.0	-2,237.5	-366.7	-1,870.9	-4.4%
Other administrative expenses	-979.3	-28.1	-951.2	-1,180.9	-200.5	-980.4	-3.0%
Amortization and depreciation	-266.9	-52.5	-214.4	-320.6	-107.8	-212.8	0.8%
Operating costs	-3,031.0	-77.5	-2,953.6	-3,739.0	-675.0	-3,064.0	-3.6%
Profit (loss) from operations	1,452.7	-60.4	1,513.1	916.9	-642.4	1,559.3	-3.0%
Net adjustments on loans to customers	-1,661.0	0.0	-1,661.0	-2,958.2	0.0	-2,958.2	-43.9%
Net adjustments on other assets	-140.2	-132.4	-7.8	-112.5	-65.2	-47.3	-83.4%
Net provisions for risks and charges	-13.8	0.0	-13.8	-55.1	-24.8	-30.2	-54.5%
Profit (loss) on the disposal of equity and other investments	25.7	25.7	0.0	158.0	137.9	20.1	n.s.
Income (loss) before tax from continuing operations	-336.5	-167.0	-169.5	-2,050.8	-594.4	-1,456.3	n.s.
Tax on income from continuing operations	122.4	37.1	85.3	650.2	193.9	456.4	-81.3%
Income (loss) after tax from discontinued operations	762.3	673.1	89.1	46.4	0.0	46.4	n.s.
Income (loss) attributable to minority interests	9.7	1.1	8.5	19.4	2.4	17.0	-49.7%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	557.8	544.3	13.5	-1,334.7	-398.2	-936.5	n.s.

ANNEXES

NEW PERIMETER: FY 2017 RECLASSIFIED P&L

NON RECURRING ITEMS

Reclassified income statement (in euro million)	FY 2017 Stated	FY 17 Adjusted	One - off	Non-recurring items and extraordinary systemic charges
Net interest income	2,113.4	2085.9	27.6	TLTRO2 interests accrued in 2H16 and tax litigation
Income (loss) from investments in associates carried at equity	166.0	176.5	-10.5	Selm aBipiemme Leasing impact
Net interest, dividend and similar income	2,279.5	2,262.4	17.1	
Net fee and commission income	1,950.4	1950.4	0.0	
Other net operating income	98.8	98.8	0.0	
Net financial result	155.0	155.0	0.0	
Other operating income	2,204.3	2,204.3	0.0	
Total income	4,483.8	4,466.7	17.1	
Personnel expenses	-1,784.9	-1788.0	3.1	Early Retirement Plan
Other administrative expenses	-979.3	-951.2	-28.1	Refund of the 2015 DTA fee and integration costs
Amortization and depreciation	-266.9	-214.4	-52.5	Software writedowns
Operating costs	-3,031.0	-2,953.6	-77.5	
Profit (loss) from operations	1,452.7	1,513.1	-60.4	
Net adjustments on loans to customers	-1,661.0	-1661.0	0.0	
Net adjustments on other assets	-140.2	-7.8	-132.4	Impairment of Atlante, Vicenza bond and FITD
Net provisions for risks and charges	-13.8	-13.8	0.0	
Profit (loss) on the disposal of equity and other investments	25.7	0.0	25.7	Real Estate investments and other investments
Income (loss) before tax from continuing operations	-336.5	-169.5	-167.0	
Tax on income from continuing operations	122.4	85.3	37.1	Impact linked to tax litigation and other fiscal effects on non-recurring items
Income (loss) after tax from discontinued operations	762.3	89.1	673.1	Disposal of Aletti Gestielle
Income (loss) attributable to minority interests	9.7	8.5	1.1	
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	557.8	13.5	544.3	

ANNEXES

NEW PERIMETER: Q4 2017 RECLASSIFIED P&L

Q/Q COMPARISON

Reclassified income statement (in euro million)	Q4 2017	o/w	Q4 2017	Q3 2017	o/w	Q3 2017	Chg. Q/Q	Chg. Q/Q
	Stated	PPA	without PPA	Stated	PPA	without PPA	with PPA	without PPA
Net interest income	528.8	1.1	527.7	524.9	10.0	514.9	0.7%	2.5%
Income (loss) from investments in associates carried at equity	45.2	0.0	45.2	38.9	0.0	38.9	16.0%	16.0%
Net interest, dividend and similar income	573.9	1.1	572.8	563.9	10.0	553.8	1.8%	3.4%
Net fee and commission income	472.1	0.0	472.1	458.9	0.0	458.9	2.9%	2.9%
Other net operating income	24.7	-11.6	36.4	29.4	-11.6	41.0	-15.9%	-11.4%
Net financial result	41.9	0.0	41.9	13.0	0.0	13.0	n.s.	n.s.
Other operating income	538.7	-11.6	550.4	501.3	-11.6	512.9	7.5%	7.3%
Total income	1,112.7	-10.5	1,123.2	1,065.1	-1.6	1,066.8	4.5%	5.3%
Personnel expenses	-420.8	0.0	-420.8	-450.6	0.0	-450.6	-6.6%	-6.6%
Other administrative expenses	-212.3	0.0	-212.3	-273.2	0.0	-273.2	-22.3%	-22.3%
Amortization and depreciation	-95.5	-3.8	-91.7	-62.2	-3.2	-59.0	53.6%	55.4%
Operating costs	-728.6	-3.8	-724.8	-786.0	-3.2	-782.8	-7.3%	-7.4%
Profit (loss) from operations	384.1	-14.3	398.4	279.2	-4.8	284.0	37.6%	40.3%
Net adjustments on loans to customers	-673.1	62.7	-735.8	-340.8	41.2	-382.0	n.s.	92.6%
Net adjustments on other assets	-12.7	0.0	-12.7	-48.3	0.0	-48.3	-73.7%	-73.7%
Net provisions for risks and charges	-9.2	0.0	-9.2	4.6	0.0	4.6	n.s.	n.s.
Profit (loss) on the disposal of equity and other investments	12.1	-0.1	12.2	0.3	0.1	0.2	n.s.	n.s.
Income (loss) before tax from continuing operations	-298.9	48.3	-347.2	-105.0	36.5	-141.5	n.s.	n.s.
Tax on income from continuing operations	103.2	-16.1	119.3	45.6	-12.2	57.8	n.s.	n.s.
Income (loss) after tax from discontinued operations	700.0	0.0	700.0	16.5	0.0	16.5	n.s.	n.s.
Income (loss) attributable to minority interests	0.9	0.0	0.9	1.4	0.0	1.4	-37.9%	-37.9%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	505.1	32.2	472.9	-41.5	24.3	-65.8	n.s.	n.s.

ANNEXES

NEW PERIMETER: ADJUSTED Q4 2017 RECLASSIFIED P&L Q/Q COMPARISON

Reclassified income statement (in euro million)	Q4 2017	o/w	Q4 2017	Q3 2017	o/w	Q3 2017	Chg. Q/Q
	Stated	one-off	Adjusted	Stated	one-off	Adjusted	Adjusted
Net interest income	528.8	0.0	528.8	524.9	0.0	524.9	0.7%
Income (loss) from investments in associates carried at equity	45.2	0.0	45.2	38.9	0.0	38.9	16.0%
Net interest, dividend and similar income	573.9	0.0	573.9	563.9	0.0	563.9	1.8%
Net fee and commission income	472.1	0.0	472.1	458.9	0.0	458.9	2.9%
Other net operating income	24.7	0.0	24.7	29.4	0.0	29.4	-15.9%
Net financial result	41.9	0.0	41.9	13.0	0.0	13.0	n.s.
Other operating income	538.7	0.0	538.7	501.3	0.0	501.3	7.5%
Total income	1,112.7	0.0	1,112.7	1,065.1	0.0	1,065.1	4.5%
Personnel expenses	-420.8	4.4	-425.2	-450.6	0.0	-450.6	-5.6%
Other administrative expenses	-212.3	-12.6	-199.8	-273.2	-17.7	-255.5	-21.8%
Amortization and depreciation	-95.5	-43.5	-52.0	-62.2	-5.5	-56.7	-8.3%
Operating costs	-728.6	-51.6	-677.0	-786.0	-23.2	-762.8	-11.3%
Profit (loss) from operations	384.1	-51.6	435.7	279.2	-23.2	302.3	44.1%
Net adjustments on loans to customers	-673.1	0.0	-673.1	-340.8	0.0	-340.8	n.s.
Net adjustments on other assets	-12.7	-10.7	-2.1	-48.3	-45.5	-2.8	n.s.
Net provisions for risks and charges	-9.2	0.0	-9.2	4.6	0.0	4.6	n.s.
Profit (loss) on the disposal of equity and other investments	12.1	12.1	0.0	0.3	0.3	0.0	n.s.
Income (loss) before tax from continuing operations	-298.9	-50.2	-248.7	-105.0	-68.3	-36.7	n.s.
Tax on income from continuing operations	103.2	11.6	91.6	45.6	28.2	17.4	n.s.
Income (loss) after tax from discontinued operations	700.0	673.1	26.8	16.5	0.0	16.5	n.s.
Income (loss) attributable to minority interests	0.9	0.6	0.3	1.4	0.5	0.9	-65.9%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	505.1	635.1	-129.9	-41.5	-39.5	-2.0	n.s.

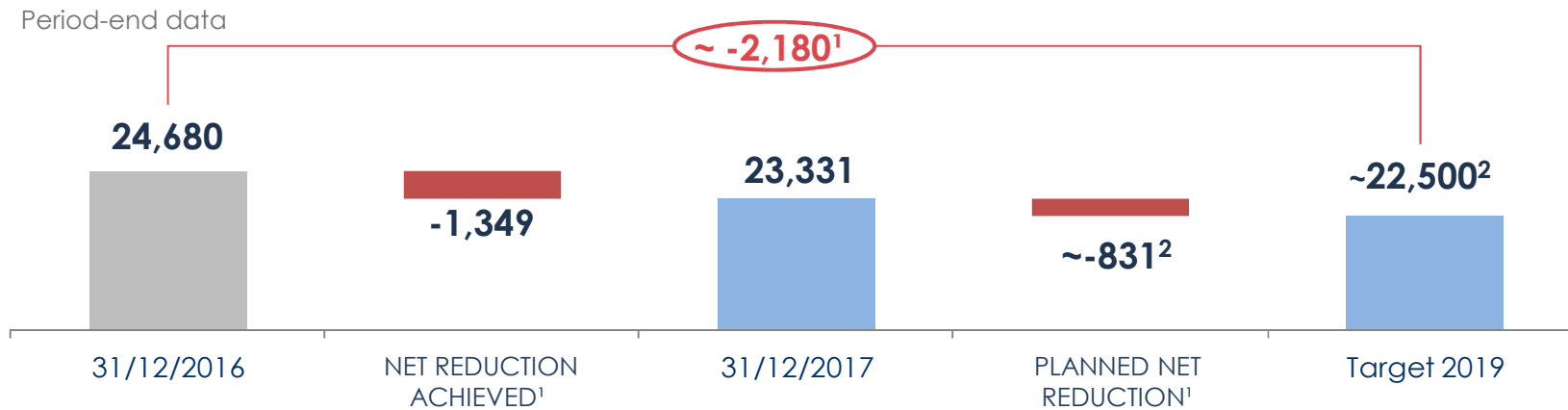
ANNEXES

NEW PERIMETER: Q4 2017 RECLASSIFIED P&L NON RECURRING ITEMS

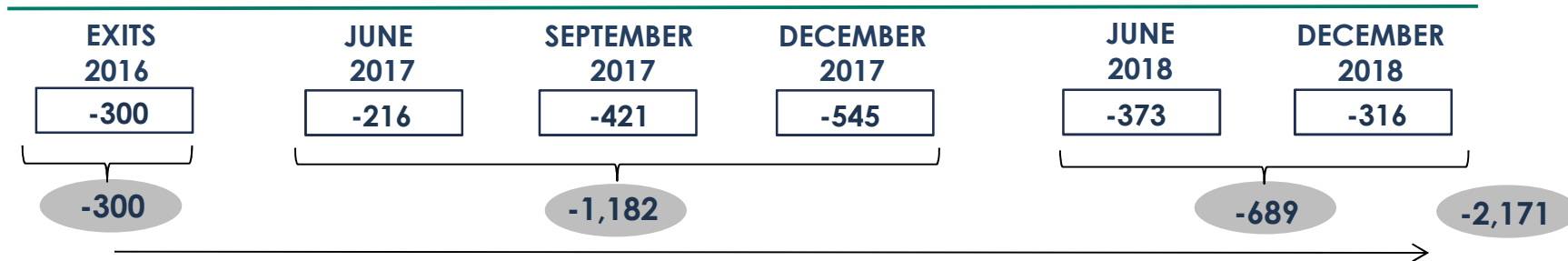
Reclassified income statement (in euro million)	Q4 2017	Q4 2017	One-off	Non-recurring items and extraordinary systemic charges
	Stated	Adjusted		
Net interest income	528.8	528.8	0.0	
Income (loss) from investments in associates carried at equity	45.2	45.2	0.0	
Net interest, dividend and similar income	573.9	573.9	0.0	
Net fee and commission income	472.1	472.1	0.0	
Other net operating income	24.7	24.7	0.0	
Net financial result	41.9	41.9	0.0	
Other operating income	538.7	538.7	0.0	
Total income	1,112.7	1,112.7	0.0	
Personnel expenses	-420.8	-425.2	4.4	Early Retirement Plan
Other administrative expenses	-212.3	-199.8	-12.6	Integration Costs
Amortization and depreciation	-95.5	-52.0	-43.5	Software writedowns
Operating costs	-728.6	-677.0	-51.6	
Profit (loss) from operations	384.1	435.7	-51.6	
Net adjustments on loans to customers	-673.1	-673.1	0.0	
Net adjustments on other assets	-12.7	-2.1	-10.7	Impairment of FITD
Net provisions for risks and charges	-9.2	-9.2	0.0	
Profit (loss) on the disposal of equity and other investments	12.1	0.0	12.1	Real Estate investments and other investments
Income (loss) before tax from continuing operations	-298.9	-248.7	-50.2	
Tax on income from continuing operations	103.2	91.6	11.6	Fiscal effects on non-recurring items
Income (loss) after tax from discontinued operations	700.0	26.8	673.1	Disposal of Aletti Gestielle
Income (loss) attributable to minority interests	0.9	0.3	0.6	
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	505.1	-129.9	635.1	

ANNEXES HEADCOUNT EVOLUTION

Headcount evolution



Solidarity Fund: Exit phasing in 2017-2018



- Starting from 31/12/2015 (25,073 units), the headcount reduction expected by 2019 is ~2,570, equal to -10% of the workforce

Notes:

- Including natural turnover.
- Including the 71 higher Solidarity Fund exits coming from the new agreement signed in June 2017.

ANNEXES

RECLASSIFIED BALANCE SHEET OF BANCO BPM GROUP AS AT 31/12/2017

Reclassified assets (€ m)	A	B	C	Chg. A/B		Chg. A/C	
	31/12/2017	30/09/17 *	31/12/16	Value	%	Value	%
Cash and cash equivalents	977	812	898	165	20.3%	79	8.8%
Financial assets and hedging derivatives	33,874	38,135	36,580	-4,261	-11.2%	-2,706	-7.4%
Due from banks	5,165	4,622	6,678	543	11.8%	-1,514	-22.7%
Customer loans	108,176	107,900	110,551	276	0.3%	-2,374	-2.1%
Equity investments	1,349	1,384	1,595	-34	-2.5%	-246	-15.4%
Property and equipment	2,735	2,894	2,696	-159	-5.5%	39	1.5%
Intangible assets	1,297	2,383	1,834	-1,086	-45.6%	-536	-29.3%
Non-current assets held for sale and discontinued operations	106	257	77	-151	-58.7%	29	37.2%
Other assets	7,527	7,495	7,346	33	0.4%	181	2.5%
Total	161,207	165,880	168,255	-4,673	-2.8%	-7,048	-4.2%

Reclassified liabilities (€ m)	A	B	C	Chg. A/B		Chg. A/C	
	31/12/2017	30/09/17 *	31/12/16	Value	%	Value	%
Due to banks	27,199	27,571	23,276	-371	-1.3%	3,923	16.9%
Due to customers, debt securities issued and financial liabilities designated at fair value	107,510	109,901	116,773	-2,391	-2.2%	-9,263	-7.9%
Financial liabilities and hedging derivatives	8,708	9,811	10,683	-1,103	-11.2%	-1,975	-18.5%
Liability provisions	1,461	1,531	1,706	-70	-4.5%	-245	-14.4%
Liabilities associated with assets held for sale	0	21	1	-21	-99.8%	-1	-96.4%
Other liabilities	4,365	4,577	3,816	-212	-4.6%	549	14.4%
Minority interests	63	52	58	12	22.4%	5	8.7%
Shareholders' equity	11,900	12,417	11,941	-517	-4.2%	-41	-0.3%
Total	161,207	165,880	168,255	-4,673	-2.8%	-7,048	-4.2%

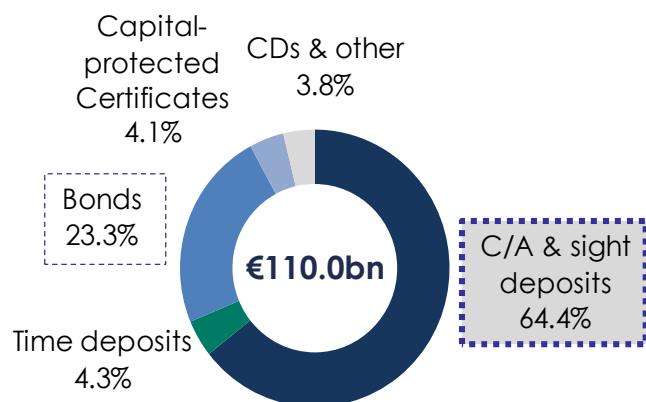
Note: (*) As at 30/09/2017 Aletti Gestelle is classified within the Non-current assets held for sale as well as within the associated liabilities, having signed an agreement with Anima for the sale of this subsidiary. Afterwards, in December 2017, the company has been sold and deconsolidated.

ANNEXES

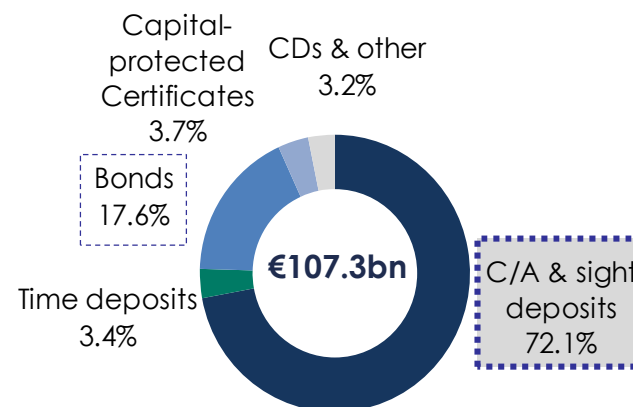
ANALYSIS OF DIRECT FUNDING¹

Good progress in the cheapest sources of funding

Breakdown at 31/12/2016 (without Repos)



Breakdown at 31/12/2017 (without Repos)



- Increase in the share of C/A and sight deposits (to 72.1%; +7.7 p.p. y/y), in line with the strategy to reduce the cost of funding

Note:

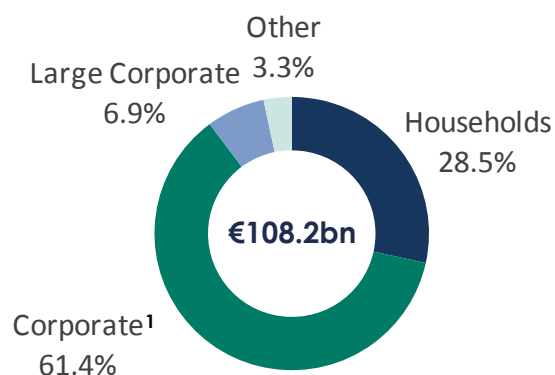
1. Direct funding restated according to a management logic: it includes capital-protected certificates, recognized under 'Held-for-trading liabilities', while it does not include Repos (€4.2bn at December 2017, basically transactions with Cassa di Compensazione e Garanzia), classified in the Accounting Report under 'Due to customers'.

ANNEXES

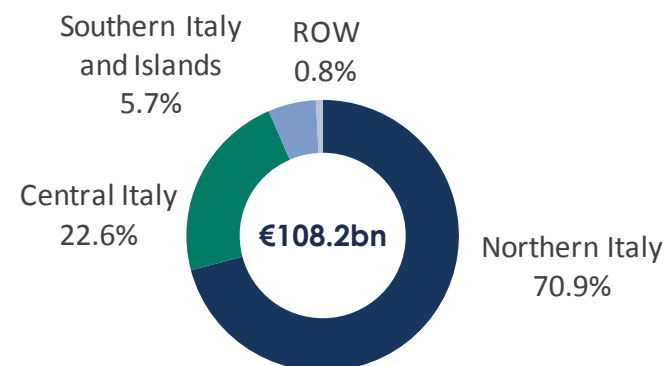
CUSTOMER LOAN ANALYSIS

Retail and SME-oriented banking group, with franchise concentrated in Northern Italy

Breakdown of net loans by customer segment at 31/12/2017



Breakdown of net loans by geographical area at 31/12/2017



- Roughly 29% of customer loans in relation to the Household segment.
- Corporates¹, excluding Large Corporates, account for roughly 61% of the loan book and the average loan ticket is small, coming in at about €270K.
- More than 70% of the portfolio is concentrated in the wealthiest areas of the Country.

Note:

1. Non-financial companies (mid-corporate and small business) and financial companies. Includes €6.4bn of Repos, mainly with Cassa di Compensazione e Garanzia.

ANNEXES

CREDIT QUALITY DETAILS

€ m

	31/12/2017			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	15,794	9,306	58.9%	6,488
Unlikely to pay	9,566	3,102	32.4%	6,464
Past Due	95	15	15.7%	80
Non-performing Loans	25,455	12,423	48.8%	13,032
Performing Loans	95,463	319	0.3%	95,144
Total Customer Loans	120,918	12,742	10.5%	108,176

	30/09/2017			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	17,230	10,339	60.0%	6,891
Unlikely to pay	10,069	3,120	31.0%	6,949
Past Due	192	43	22.1%	150
Non-performing Loans	27,491	13,501	49.1%	13,990
Performing Loans	94,301	391	0.4%	93,910
Total Customer Loans	121,792	13,892	11.4%	107,900

	31/12/2016							
	Nominal exposure	Off-balance sheet 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

Note: * Corresponding to € 30.0bn, if restated excluding from the Nominal amount only the write-offs which remained off-balance sheet at the beginning of 2017 (€1bn). See note below.

N.B. Restatement of write-offs as of Q1 2017:

Starting from 31/03/2017, most write-offs, which had been included in the Nominal values in the past, have been brought back on-balance sheet. At the end of March 2017, write-offs of about €1bn were still recorded off-balance sheet (down to €0.9bn in Sep. 17 and to €0.6bn in Dec. 17).

ANNEXES

PHASED IN AND FULLY PHASED CAPITAL POSITION IN DETAIL

PHASED IN CAPITAL POSITION (€/m and %)	30/09/2017	31/12/2017
CET 1 Capital	8,463	9,379
T1 Capital	8,637	9,608
Total Capital	10,649	11,544
RWA	76,850	75,896
CET 1 Ratio	11.01%	12.36%
T1 Ratio	11.24%	12.66%
Total Capital Ratio	13.86%	15.21%

RWA BREAKDOWN (€/mln)	31/12/2017
CREDIT & COUNTERPARTY RISK	67.4
<i>of which: Standard</i>	49.0
MARKET RISK	2.6
OPERATIONAL RISK	5.6
CVA	0.3
TOTAL	75.9

FULLY PHASED CAPITAL POSITION (€/m and %)	30/09/2017	31/12/2017
CET 1 Capital	7,883	9,031
T1 Capital	7,889	9,036
Total Capital	9,934	10,975
RWA	76,381	75,772
CET 1 Ratio	10.32%	11.92%
T1 Ratio	10.33%	11.93%
Total Capital Ratio	13.01%	14.48%

RWA BREAKDOWN (€/mln)	31/12/2017
CREDIT & COUNTERPARTY RISK	67.3
<i>of which: Standard</i>	49.0
MARKET RISK	2.6
OPERATIONAL RISK	5.6
CVA	0.3
TOTAL	75.8

CONTACTS FOR INVESTORS AND FINANCIAL ANALYSTS

INVESTOR RELATIONS



Roberto Peronaglio	+39-02-7700.2574
Tom Lucassen	+39-045-867.5537
Arne Riscassi	+39-02-7700.2008
Silvia Leoni	+39-045-867.5613
Andrea Agosti	+39-02-7700.7848

Registered Offices: Piazza Meda 4, I-20121 Milan, Italy
Corporate Offices: Piazza Nogara 2, I-37121 Verona, Italy

investor.relations@bancobpm.it
www.bancobpm.it (IR Section)

