BANCO BPM

Q1 2018 Group Results Presentation

9 May 2018

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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.

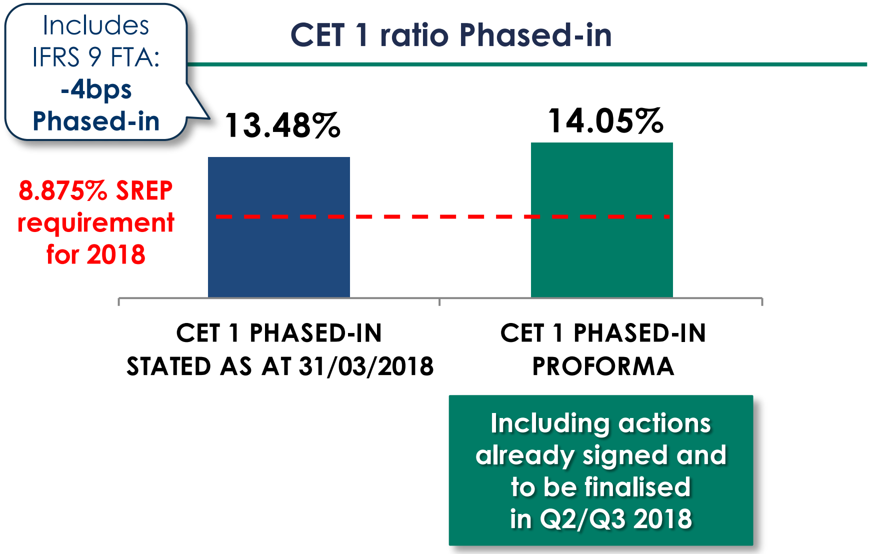
METHODOLOGICAL NOTES

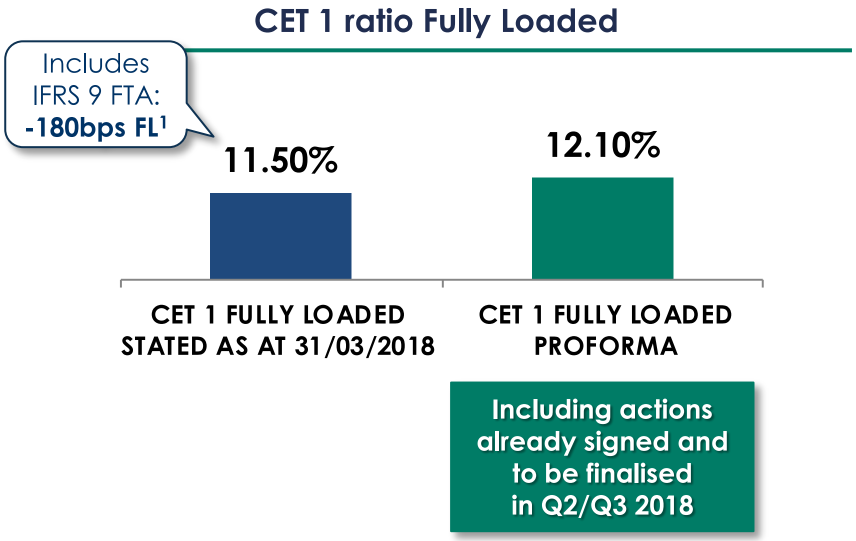
- The new accounting standard IFRS 9 on "Financial Instruments" has become effective beginning on 1 January 2018 and therefore the P&L and balance sheet results of Q1 2018 have been prepared in compliance with the new accounting standard IFRS 9, while the 2017 P&L and balance sheet results had been prepared in compliance with the former accounting standard IAS 39.
- To favor a more consistent comparison between the 2018 and 2017 P&L data, in this presentation Q1 2018 data is complemented with the main reclassifications on adoption of the new accounting standard IFRS 9. However, it should be pointed out that the new classification and measurement criteria and the new impairment model for financial assets and liabilities do not allow a full comparability of the two sets of data under comparison.
- For a correct understanding of the Balance Sheet quarterly evolution, with accounting standards being equal, the balance sheet data as at 31/03/2018 has been compared with the balance sheet data as at 01/01/2018, recalculated, whenever possible, based on the new accounting standard, with all the differences and reclassifications as at 01/01/2018 duly highlighted compared to IAS 39 compliant data at 31/12/2017.
- It should be noted that as at 31 March 2018 the reclassified balance sheet face has been changed to include the new accounting categories of financial instruments, and that for the reclassified income statement face, the adoption of IFRS 9 required that some aggregates be redefined (for more details please refer to the explanatory notes of the news release of 9 May 2018 on the approval of the consolidated results as at 31 March 2018).
- It is also reminded that 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; For this reason, in the 2017 P&L statement, the contribution of Aletti Gestielle SGR and the gain realised from disposal are booked in line item "Income after tax from discontinued operation".
- Moreover, in February 2018, Banco BPM signed an agreement to sell the Custodian Banking activity. For this reason, starting from 31/03/2018, the Balance Sheet data related to this Business Unit (substantially CA and Deposits) have been classified according to IFRS 5 as a "discontinued operation". However, in this presentation, in order to ensure coherence with the historical reporting, the Direct Funding is reported including the data related to this Business Unit.

Agenda

SOUND CAPITAL SUPPORTING THE DERISKING STRATEGY

Capital management actions more than compensating the IFRS 9 FTA registered in Q1 2018 at FL level





CET 1 RATIO: WIDE BUFFER VS. THE LATEST SREP REQUIREMENT

Capital management actions already finalised in Q1 2018

- Extension & Review of the AIRB models for Credit Risk
- Reorganization of Bancassurance business, including combined put option impact
- Dividend from Agos

Capital management actions already signed and to be finalised in Q2/Q3 2018: +60bps

- Dividends from other associates (Q2 2018; +5bps)
- Transfer of the insurance reserve management to Anima (Q2 2018; +21bps)
- Disposal of the custodian banking activity (Q3 2018; +34bps)

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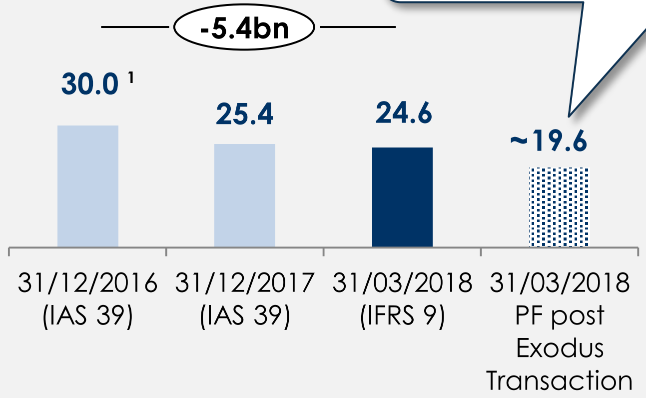
1. The new FTA impairment model to non-performing exposures has been applied exclusively on bad loans cluster coherent with the accounting rules

DERISKING: STRONG NPL REDUCTION PROGRESSING WELL

DERISKING

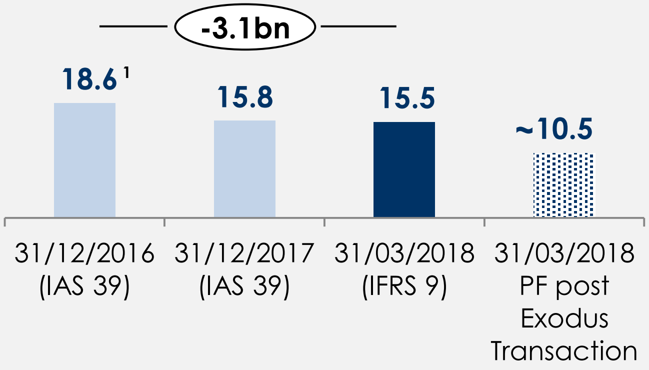
Gross amounts
€ bn

NPLs



Expected accounting effects as of H1 2018

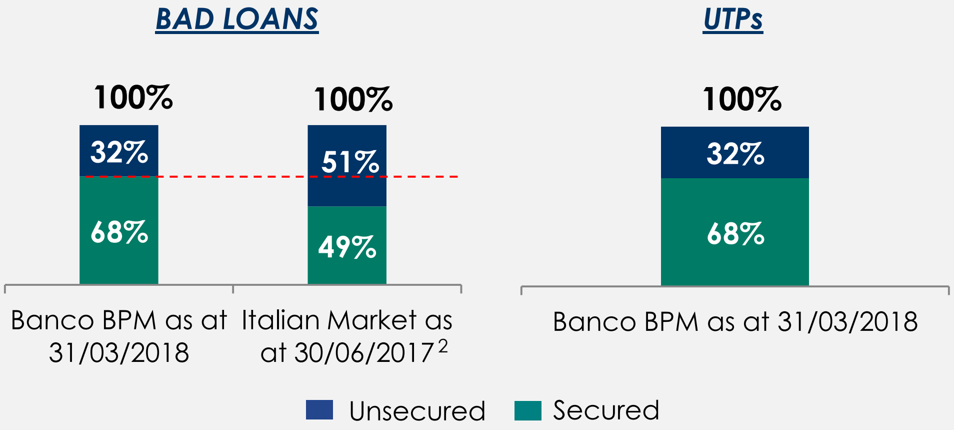
BAD LOANS



COVERAGE

	31/03/18 (IFRS 9)	31/12/17 (IAS 39)
Total NPLs	**53.8%**	**48.8%**
Bad Loans	66.4%	58.9%
UTP Loans	32.2%	32.3%

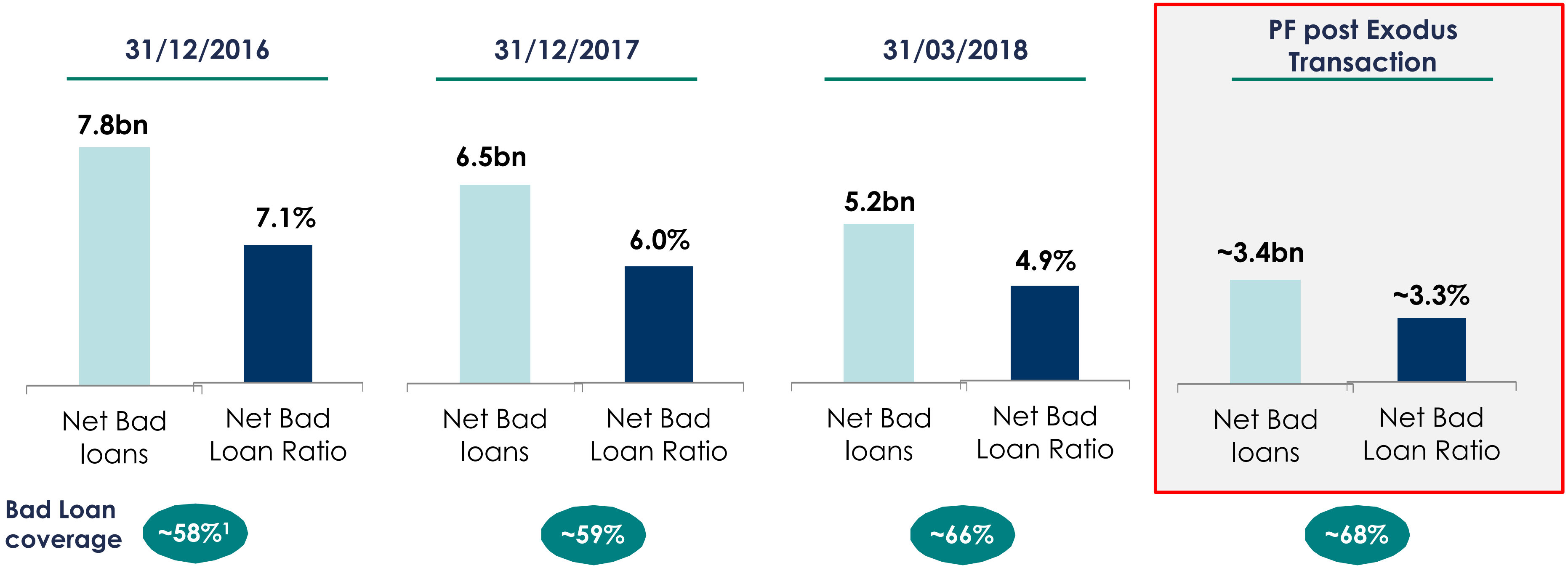
COLLATERALISATION



Note:

1. Data restated excluding from the Nominal amount only the write-offs which remained off-balance sheet at the beginning of 2017.
2. Report PWC "The Italian NPL market – Ready for the breakthrough", Dec. 2017.

DERISKING: STRONG NET BAD LOAN REDUCTION UNDER WAY



- Rigorous provisioning policy enabling a dramatic reduction in net bad loans: -56% vs. 31/12/2016 [2]
- Limited residual amount of net bad loans leaves the Group with a wide range of options to accelerate/potentially go beyond the derisking plan targets

Notes

1. The December 2016 figure, in line with the coverage calculated since 31/03/2017, includes most of the write-offs which in the past were included in Nominal value and since 31/03/2017 have been brought back on-balance.
2. Post Exodus Transaction.

EXODUS TRANSACTION: A KEY MILESTONE IN BANCO BPM'S DERISKING PLAN

Sale of ~€5bn of Bad Loans: GACS with accounting effects expected as of 30/06/2018

Scope of the Transaction

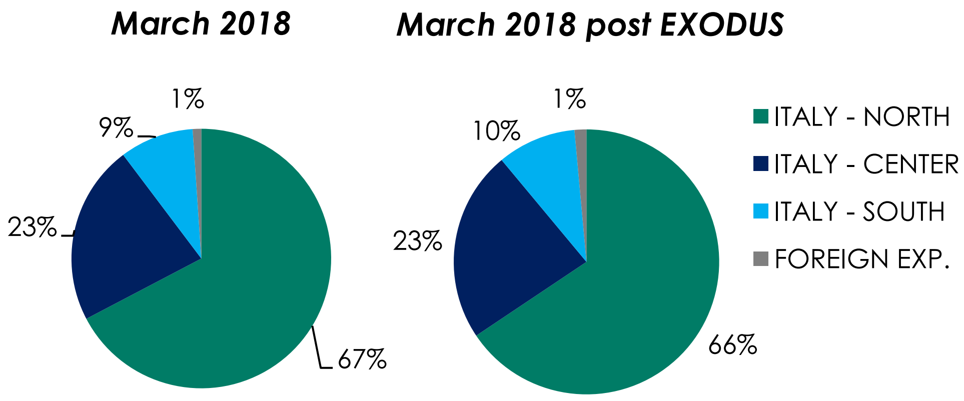
- **Sale of ~€5bn of Bad Loans**: bringing the total amount of Bad Loans disposed since 2016 to ~€9.5bn (>70% of the total disposal plan of €13bn). Only ~€3.5bn left to be sold by 2020.
- **Portfolio composition**: 74% Secured and 26% Unsecured
- **Technical aspects**: placement of Junior and Mezzanine Tranche entailing derecognition
- **Positive impact on RWA**: decrease of ~€1.3bn of RWA under the new model

Project update

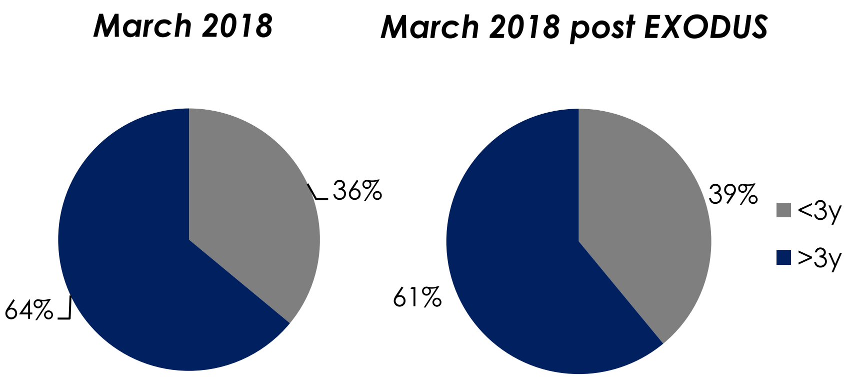
- Data shared with the Rating Agencies: rating of the tranches expected by May
- Contacts with investors for the placement of Junior and Mezzanine tranches already started
- Transaction with expected accounting effects to be registered in the H1 2018 Financial Results

BAD LOAN PORTFOLIO: COMPARISON PRE vs. POST EXODUS

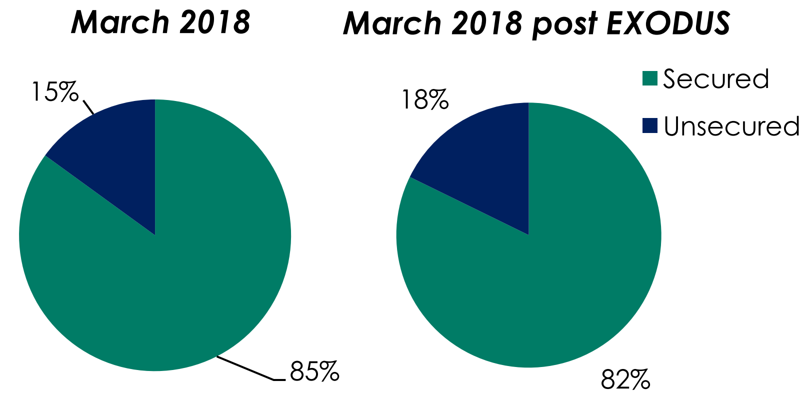
Net Bad Loans by Geographical Area



Net Bad Loans by Vintage



Net Bad Loans by Collateralisation



- The Exodus Transaction broadly reflects the main characteristics of the existing Bad Loan portfolio: therefore, the Bad Loan composition, proforma post transaction, remains substantially unchanged

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**

CORE FOCUS: CUSTOMERS

TERRITORIAL PROXIMITY

HIGH SERVICE QUALITY

FAST DECISION-MAKING

RETAIL

FROM 5 TO **8** DIVISIONS

(denominated **Territorial Divisions**)

45 RETAIL AREAS

2,246 BRANCHES

CORPORATE

5 MARKETS

for the Corporate segment

18 CORPORATE CENTRES

to strengthen the **territorial proximity**

1 LARGE CORPORATE STRUCTURE

NEW COMMERCIAL NETWORK MODEL, COUPLED WITH THE DIGITAL OMNICHANNEL TRANSFORMATION, PAVING THE WAY FOR A FURTHER OPTIMISATION OF THE GROUP'S DISTRIBUTION FRANCHISE:

THE NEW MODEL INVOLVED OVER 10,500 EMPLOYEES

OVER 3,000 EMPLOYEES HAVE BEEN RECONVERTED TO NEW PROFESSIONAL ROLES

Mainly: over 700 new managerial roles, 1,100 commercial roles , ~500 control functions at branch level

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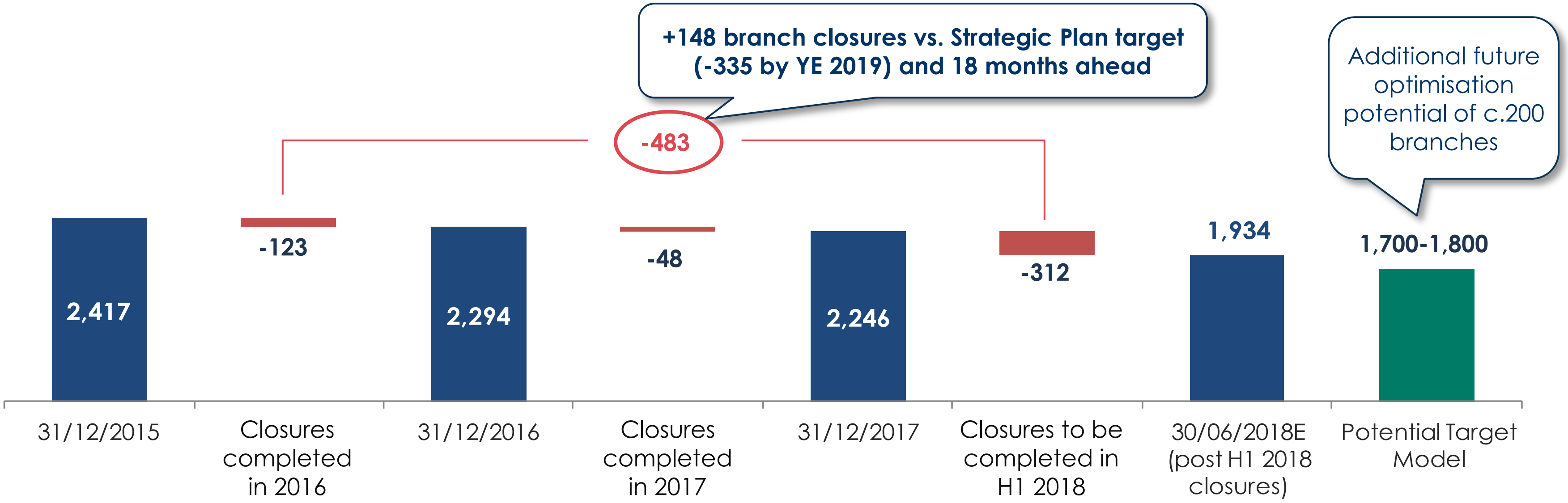
CLOSURE OF FURTHER 312 RETAIL BRANCHES BY JUNE 2018: +44% VS. 2019 STRATEGIC PLAN TARGET

Historic and expected branch evolution



WELL AHEAD ON STRATEGIC PLAN TARGET AND ALREADY CLOSE TO THE POTENTIAL TARGET MODEL

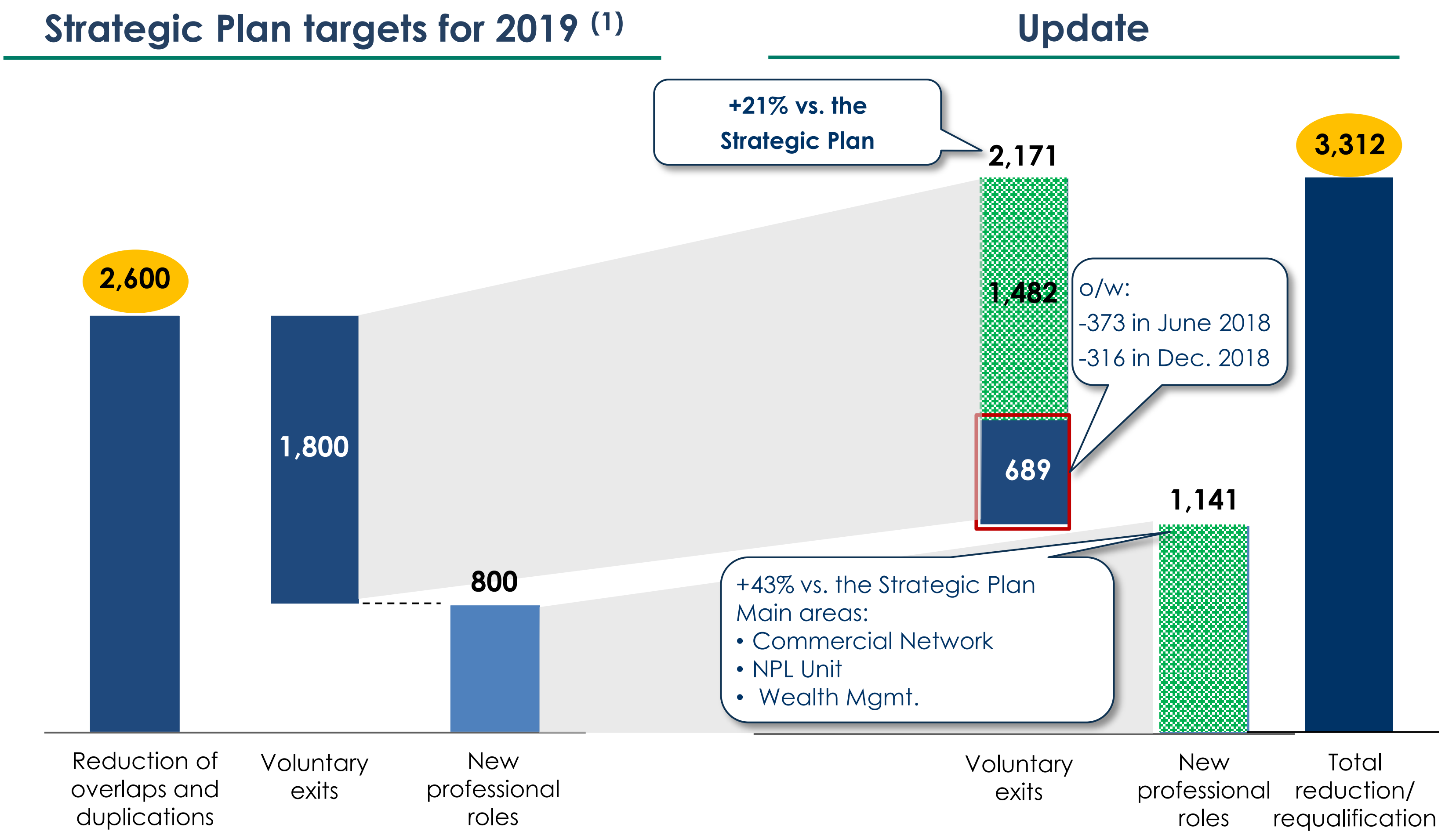
- IT MIGRATION COMPLETED IN JULY 2017
- HR EXIT TIMELINE IN ADVANCE VS. THE STRATEGIC PLAN
- DEVELOPMENT OF OMNICHANNEL WELL ON TRACK
- MERGER OF BPM SPA EXPECTED IN Q3 2018

Notes:

1. The network is consistent with the perimeter of rationalisation underlying the Strategic Plan 2016-19. It does not include: WeBank, Banca Akros, Banca Aletti (Italy and Switzerland) and other minor.

BETTER-THAN-EXPECTED HR MANAGEMENT THANKS ALSO TO STRONGER BRANCH RATIONALISATION

2019 Targets achieved 18 months ahead of the Strategic Plan



Notes

(1) Target for 2019 approved as part of the Strategic Plan 2016-2019.

▨ of which: already achieved as at 31 March 2018

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See slide 40 for details

INTEGRATION AND TRANSFORMATION PROJECTS WELL ON TRACK

Strategic Plan Macro Areas

- A Fully Integrated Multichannel Bank Serving Individuals & SMEs
- The Preferred Corporate & Investment Bank for Mid Caps'
- A Dedicated Top Tier Private Bank
- Lean Operating Model & Human Capital Enhancement
- Sound Risk Management & Solid Capital Position
- Improved Credit Quality & Cost of Risk

Projects and Managerial actions

- New Retail & Corporate Distribution Model
  CLOSED IN Q1 2018
- Corp. & Inv. Bank
  CLOSED IN Q1 2018
- Private & Wealth Management
  CLOSED IN Q1 2018
- HR Enhancement: training & re-qualification
  AHEAD OF 2019 TARGET
- Internal Models
  CLOSED IN Q1 2018
- NPL Unit
- NPL Performance, & disposals in 2017
- Exodus Transaction (GACS)
  EFFECTS EXPECTED IN H1 2018
- Further disposals & 2020 projections
- AuM & Bancassurance reorganisation. Custodian Bank disposal and Transfer of Insurance Reserves Mgnt
  CLOSED IN Q4 17 / Q1 2018 EXPECTED IN Q3 2018 EXPECTED IN Q2 2018
- Merger of BPM SpA into Banco BPM
  CLOSING BY SEPTEMBER 2018
- Merger of SGS and BP Property into Banco BPM
  APPROVED ON 09/05/2018, WITH EFFECTS EXPECTED FROM 01/01/2019
- Digital & Omnichannel Transformation
  ONGOING PROJECT

Transversal Projects

- IT System Integration
  INTEGRATION OF EX BPM IT SYSTEM COMPLETED IN JULY 2017
- Cost optimisation
  ONGOING PROJECT

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🟩 Projects completed / to be completed in 2018

▭ Project expected to be completed mostly in 2019

Agenda

Q1 2018 P&L PERFORMANCE AT A GLANCE

OPERATING PERFORMANCE BUILDING UP, NOTWITHSTANDING THE SIGNIFICANT EFFORTS DEVOTED TO THE COMMERCIAL NETWORK REORGANISATION

STATED Q1 2018 FIGURES (€ m)

	IFRS9	PRE-IFRS9	DELTA
NET INTEREST INCOME	595	529	66
CORE REVENUES[1]	1,072	1,006	66
OPERATING COSTS	(769)	(769)	-
PROFIT FROM OPERATIONS	398	332	66
LOAN LOSS PROVISIONS	(326)	(260)	66
NET INCOME	223	223	-

IFRS9 IMPACT OF €66M IS DUE TO THE COMBINED EFFECT OF:

- Positive impact on NII: positive from the reversal of time value on Bad Loans and negative from the accrual of interest on UTP
- Negative impact on Loan Loss Provisions: a full counterreflection of the positive impact on NII

Notes: 1. NII + Net Fees and Commissions.

Q1 2018 BUSINESS PERFORMANCE PRE-IFRS 9

ADJUSTED FIGURES[1] PRE-IFRS9 (€ m)

	Q1 2018	Q1 2017	Y/Y
▪ NET INTEREST INCOME	529	517	+2.4%
▪ CORE REVENUES[2]	1,006	1,033	-2.6%
▪ OPERATING COSTS	(699)	(723)	-3.4%
▪ PROFIT FROM OPERATIONS	403	418	-3.6%
▪ LOAN LOSS PROVISIONS	(260)	(292)	-10.9%

Notes:

1. Adjusted numbers are before IFRS 9. They exclude **non-recurring items**: **NII** Q1 2017 (€32m TLTRO2 of H2 2016); **operating costs** Q1 2017 (-€27m DTA fee 2015 and €12m integration costs) Q1 2018 (€3m integration costs) as well as **ordinary systemic charges**: Q1 2017 (€62m) Q1 2018 (€68m).
2. NII + Net Fees and Commissions.

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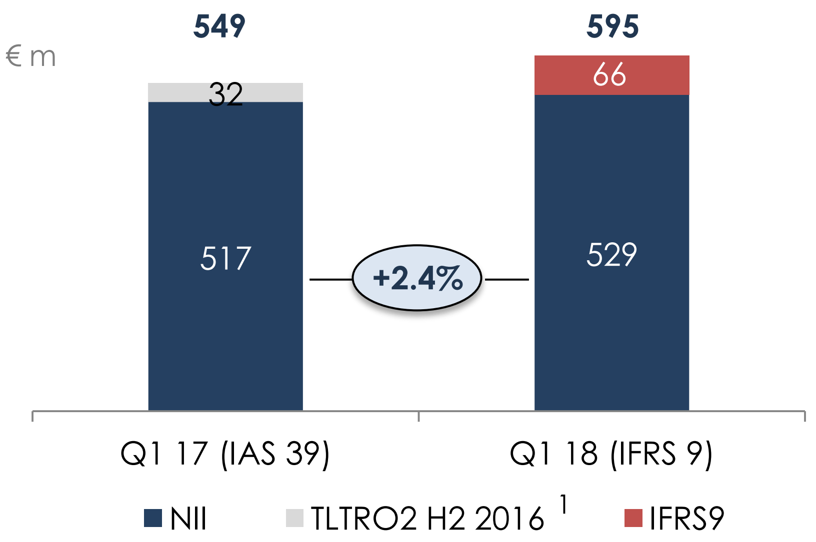
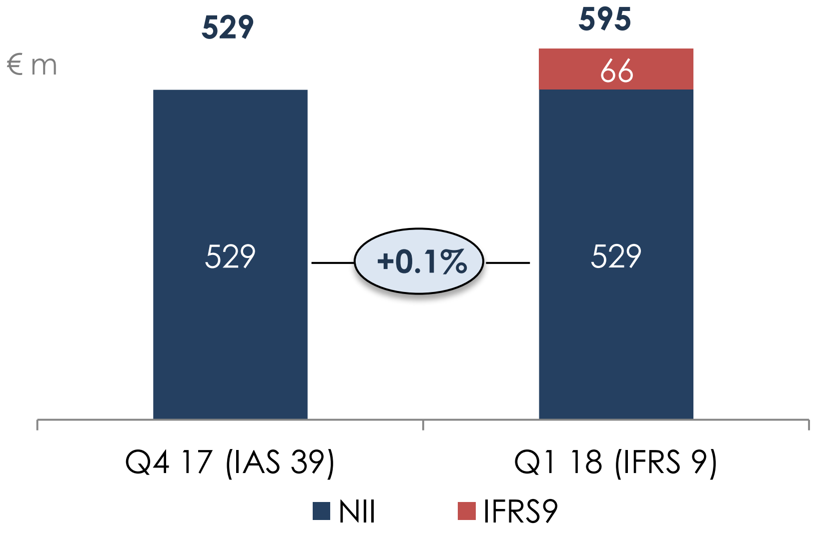
NET INTEREST INCOME

Yearly comparison



Quarterly comparison



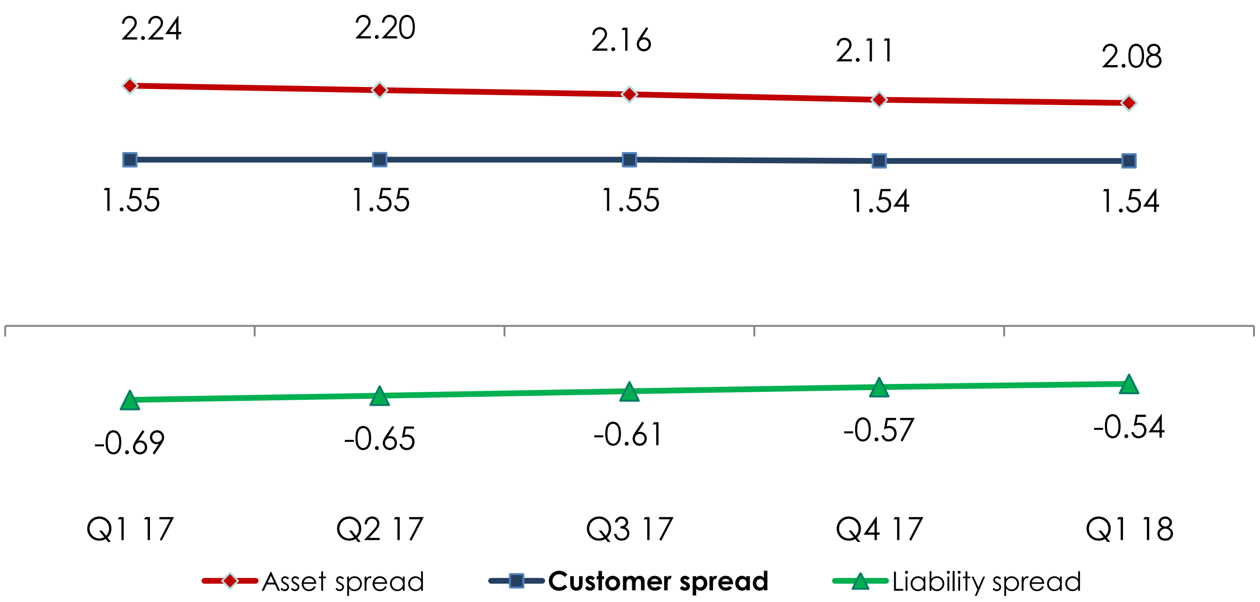
- Stated Net Interest Income up 8.5% y/y, benefitting from the reversal of time value on bad loans, which will be subject to volatility linked to the upcoming NPL disposals
- Net Interest Income was up 2.4% when adjusting the Q1 2017 for TLTRO2[1] and Q1 2018 for the IFRS9 effect, mainly thanks to the decrease in the cost of funding
- In the quarterly comparison, Net interest income, net of IFRS9 effect, was up 0.1% q/q, in spite of two fewer days in Q1 18 vs Q4 17: adjusted for the number of days, NII would register an increase of about 2%

Notes:

1. Includes approx. €32m TLTRO2 accrued in 2016 and booked in Q1 17

NET INTEREST SPREAD

Quarterly comparison



Q/Q	Y/Y
-3 bps	-16 bps
flat	**-1 bps**
+3 bps	+15 bps

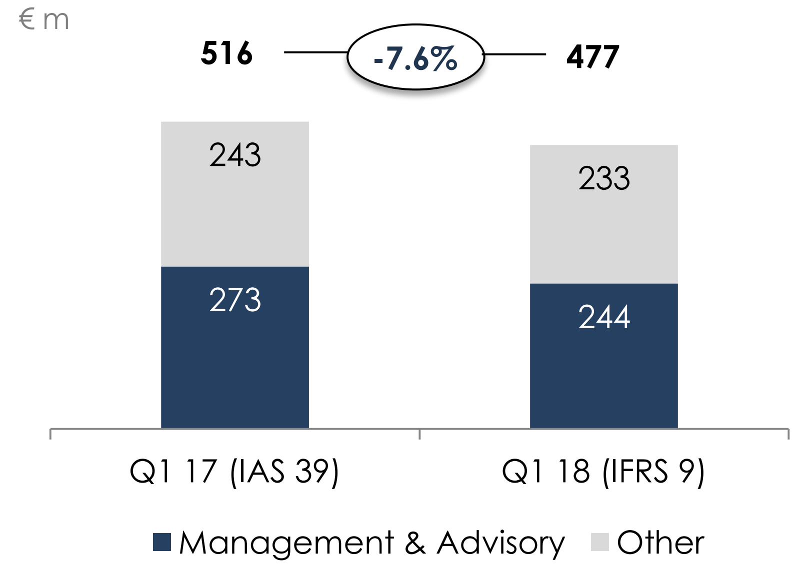
Euribor 3M	*-0.33*	*-0.33*	*-0.33*	*-0.33*	*-0.33*

- Customer spread (1.54%) stable q/q, thanks to the improvement in the liability spread
- The liability spread improved by 15bps y/y and by 3bps q/q

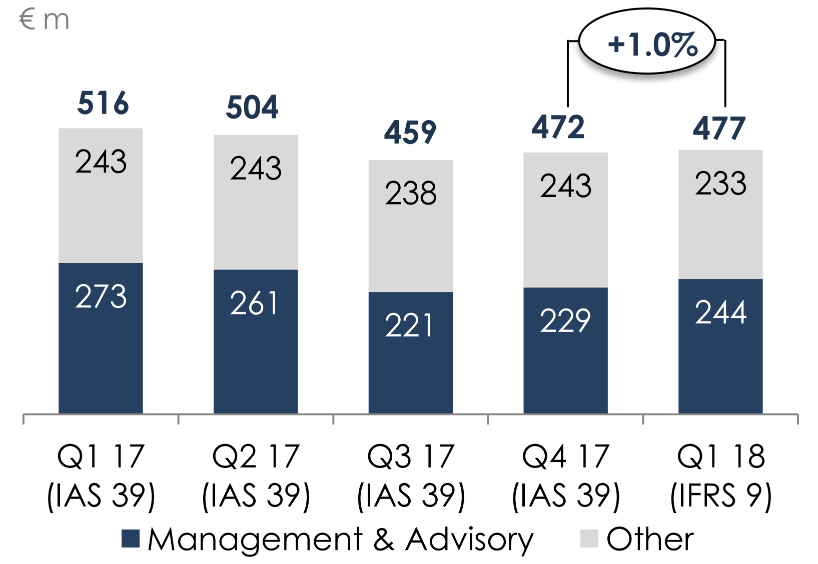
Notes: Quarterly spreads for 2017 have been adjusted to reflect the adoption of new customer portfolio perimeter and segments of the new commercial network

NET FEES AND COMMISSIONS

Yearly comparison



Quarterly comparison



- In Q1 2018, net fees and commissions were down -7.6% y/y. Q1 17 figures had been particularly strong due to the recovery after the merger-related slowdown of the commercial activities at the end of 2016
- Higher level of recurring fees in Q1 2018 (ca. +€20m[1]), in line with the Group’s new portfolio advisory model adopted at the beginning of 2018
- Net fees and commissions +1.0% q/q, thanks to Management & Advisory fees, notwithstanding the re-organisation of the franchise and the adoption of the new portfolio advisory model

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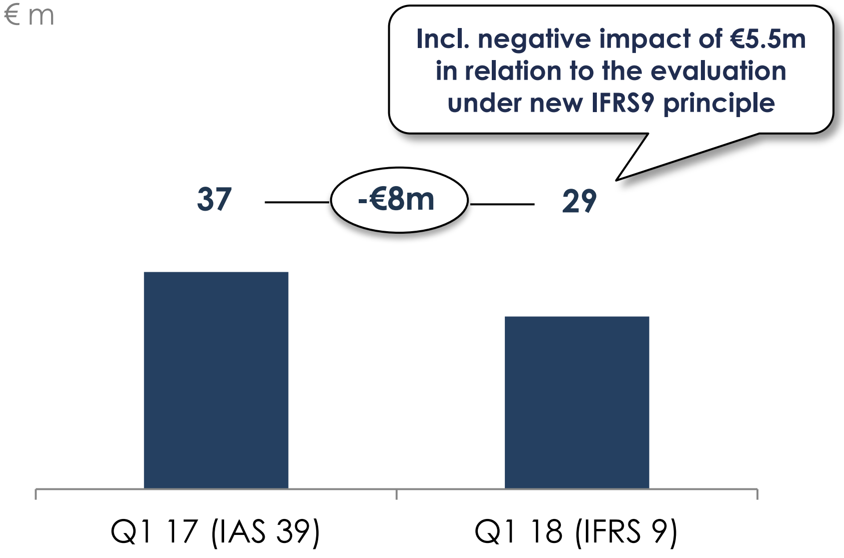
Note:

[1] Internal management data.

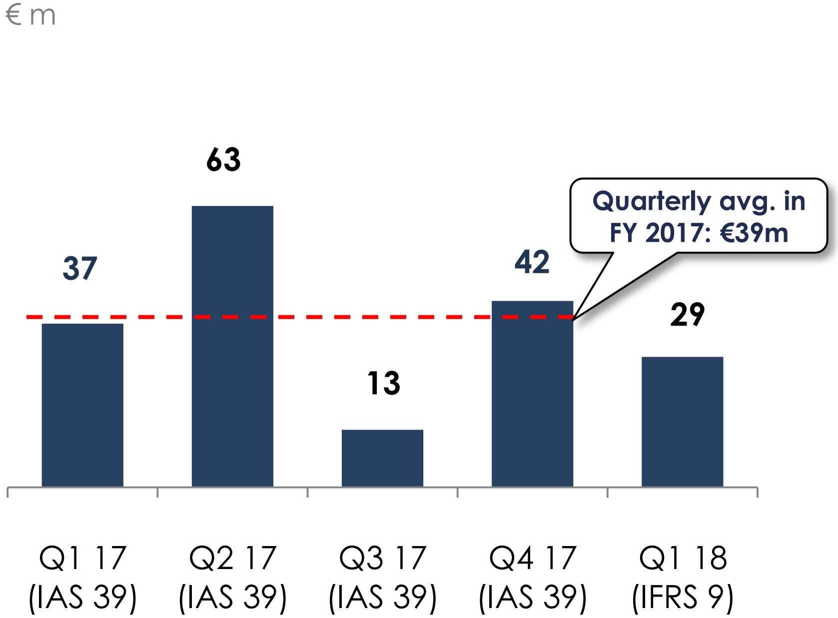
NET FINANCIAL RESULT

Yearly comparison



Incl. negative impact of €5.5m in relation to the evaluation under new IFRS9 principle

Quarterly comparison



Quarterly avg. in FY 2017: €39m

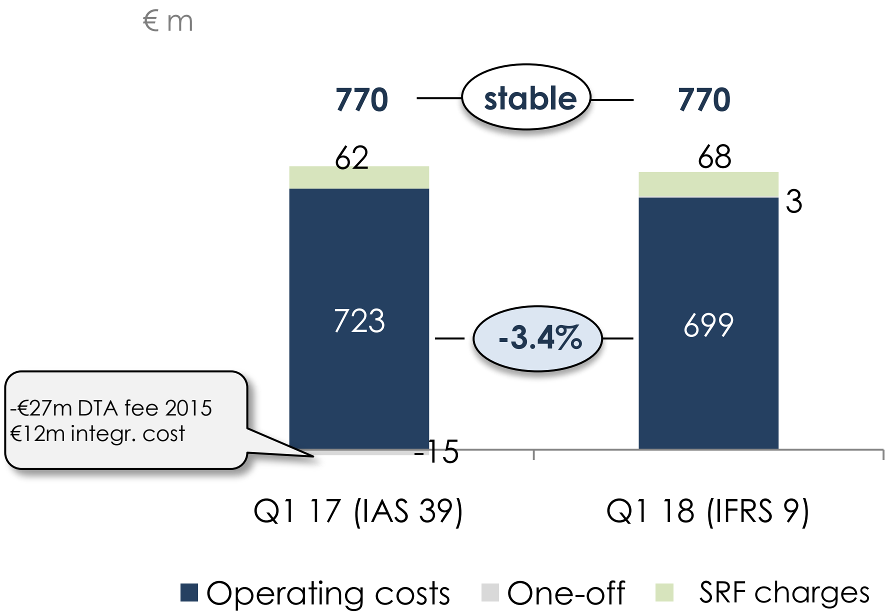
- The reduction in the Net Financial Result was mainly affected by the Group's portfolio hedging strategy (valued at mark-to-market), which is largely offset by the growth in unrealised reserves in debt securities classified as HTCS: about €227m as at 31/03/2018 vs. €173m[1] as at year-end 2017
- The hedging strategy, coupled with the realisation of consistent gains in April 2018, allow the Group to expect a positive outlook for Q2 2018

Notes:

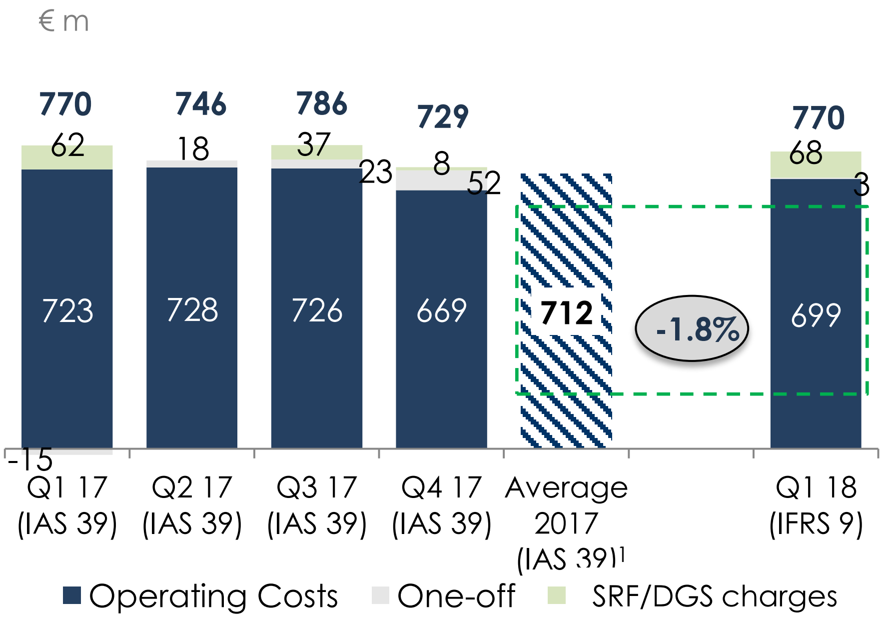
1. The figure at year-end 2017 indicates the AFS reserve on the basis of IAS 39 as underlying accounting principle

OPERATING COSTS

Yearly comparison



Quarterly comparison

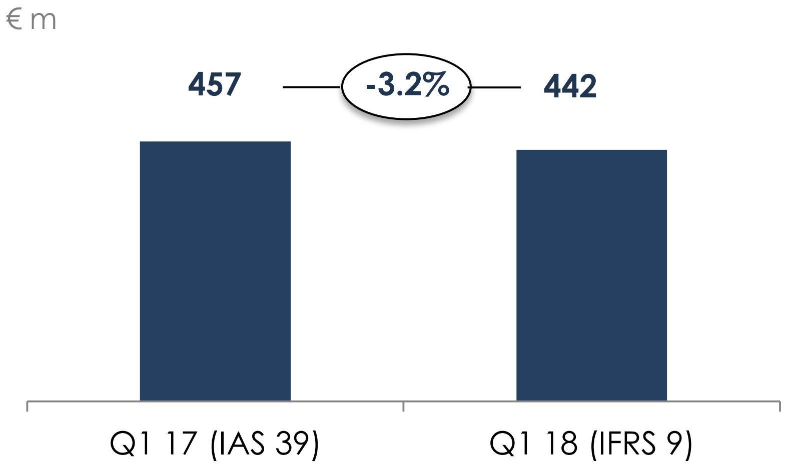


- Operating costs were stable y/y and down 3.4% on an underlying basis (excl. one-off items and ordinary systemic charges), thanks to the strict cost control
- In the quarterly comparison, operating costs were up due to the seasonal effects typically registered at year-end. More significantly, a decrease of 1.8% was registered in comparison with the quarterly average of FY 2017 (€712m, net of one-off and ordinary systemic charges)

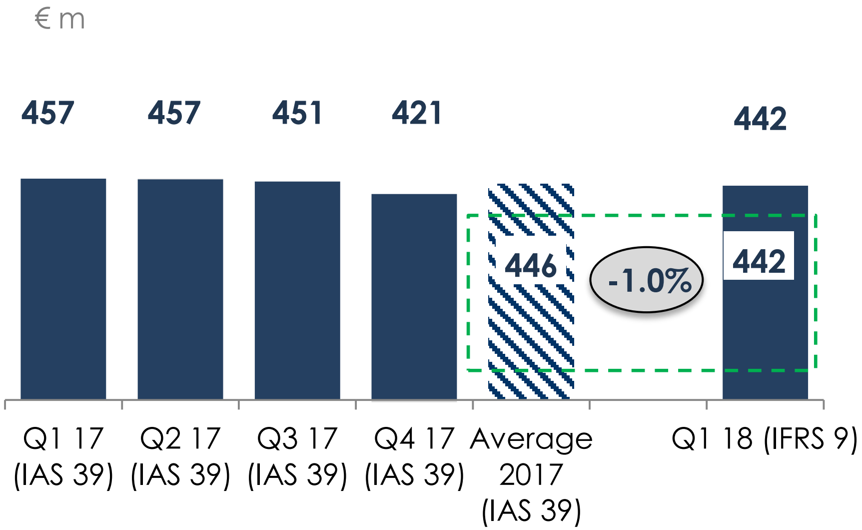
Notes:
Quarters include approx. €3m of PPA
1. Quarterly average of underlying operating costs (excluding One-off and Systemic charges).

PERSONNEL EXPENSES

Yearly comparison



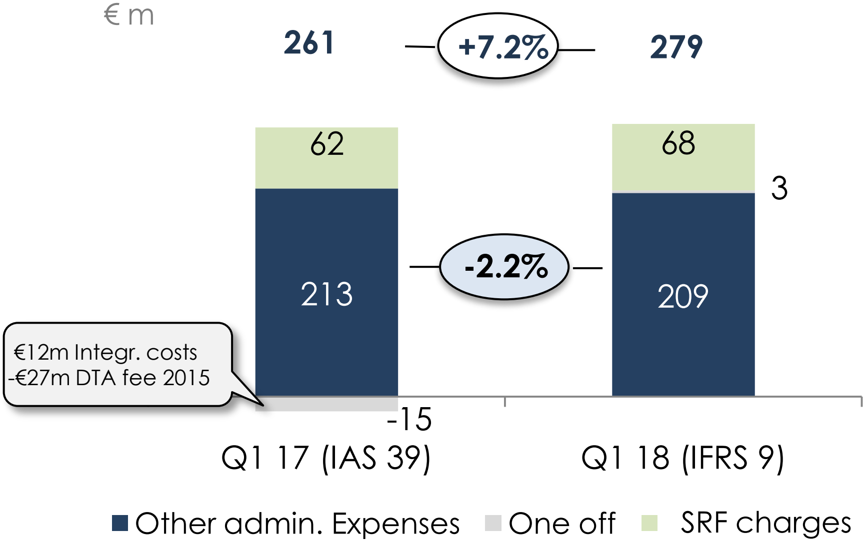
Quarterly comparison



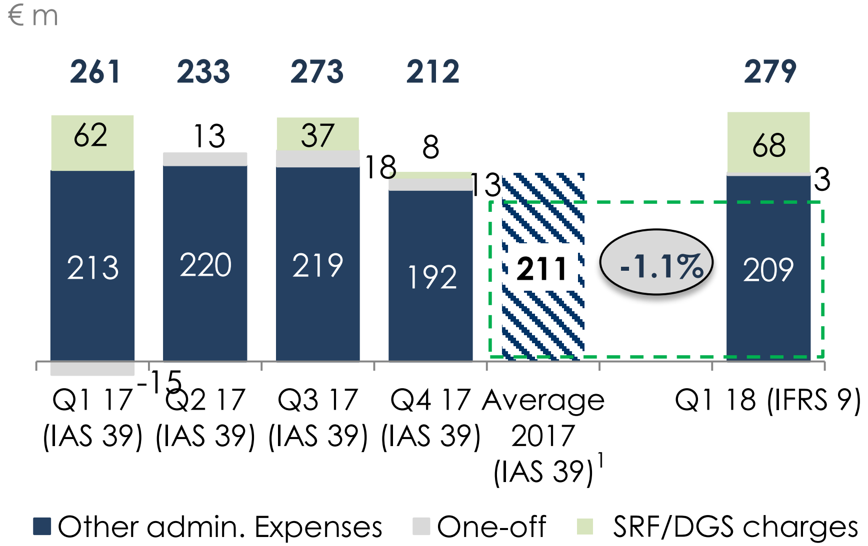
- Personnel expenses were down 3.2% y/y, mainly driven by the headcount reduction
- Personnel expenses were up q/q mainly due to some one-off year end effects. Comparing Q1 2018 with the quarterly average of FY 2017 (€446m), a decrease of 1.0% is registered
- Total headcount stood at 23,178 on 31 March 2018, down from 23,263 at year-end 2017 (- 85)
- After 1,182 exits on the basis of the Solidarity Fund in FY 2017 (of which 216 in H1 and 966 in H2), an additional 689 of this type of exits is planned in H2 2018: 373 in June 2018 and 316 in December 2018

OTHER ADMINISTRATIVE EXPENSES

Yearly comparison



Quarterly comparison



Ordinary systemic charges (€ m)	**Q1 17**	**Q1 18**
SRF	**62**	**68**
DTA (fee for tax benefit)	7	6
Total contribution to funds	69	74

- Other administrative expenses decreased 2.2% y/y on an underlying basis (excl. one-off items and ordinary systemic charges)
- Comparing Q1 2018 with the quarterly average of FY 2017 (€221m), a decrease of 1.1% is registered on the same basis

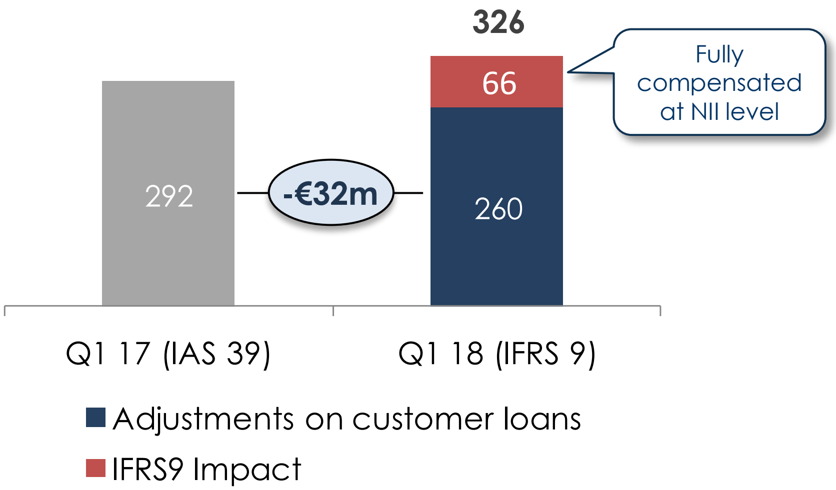
Notes:

1. Quarterly average of underlying operating costs (excluding One-off and Systemic charges).

ADJUSTMENTS ON CUSTOMER LOANS

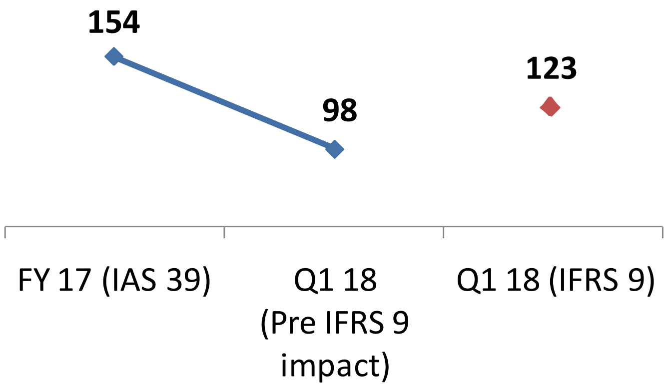
Yearly comparison

€ m



Cost of credit

In bps, annualised, calculated on EOP net customer loans



- Q1 18 LLPs include the impact coming from the application of the IFRS 9 accounting principle: €66m higher LLPs, fully compensated at NII level
- Net of this impact, the Cost of credit stands at 98bps, confirming the willingness to maintain solid NPL coverage levels
- The cost of risk is in line with the Group’s forecast, in spite of seasonal effects being more concentrated in H1 2018

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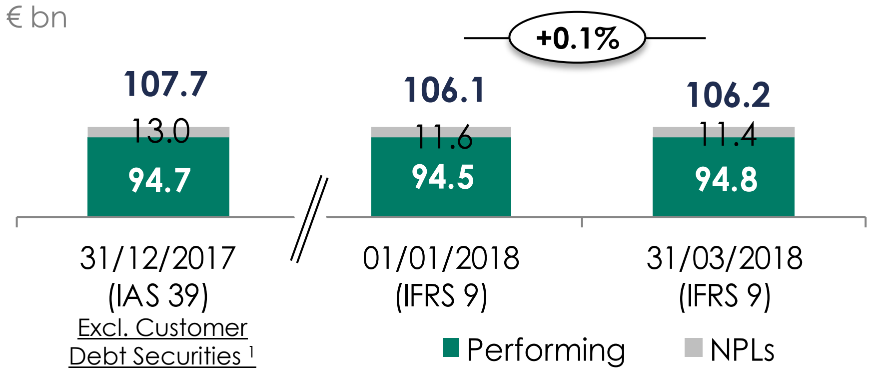
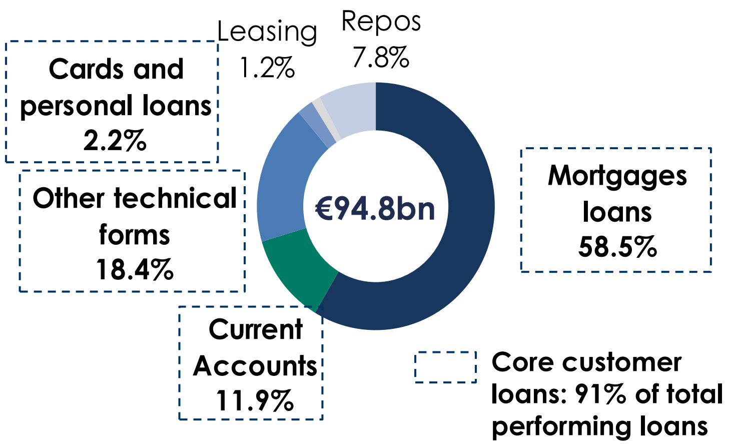
CUSTOMER LOANS

Net Customer Loans



CHANGE	vs. 01/01/18
Performing loans	***0.3%***
o/w: Leasing (in run off)	-2.5%
NPLs	***-1.8%***
TOTAL	**0.1%**

Net Performing Loan breakdown by Product



- Performing customer loans slightly up in the quarter (+0.3%), notwithstanding the impact of the network reorganization. The leasing portfolio continues its run-off (-2.5%).
- €3.7bn of new mortgage and personal loans granted in the period (€0.8bn to Households and €2.9bn to Corporate)[2]
- IFRS 9 FTA impact on net customer loans for new Impairment model of -€1.3bn (of which -€1.2bn related to Bad Loans) as at 01/01/2018

Notes:

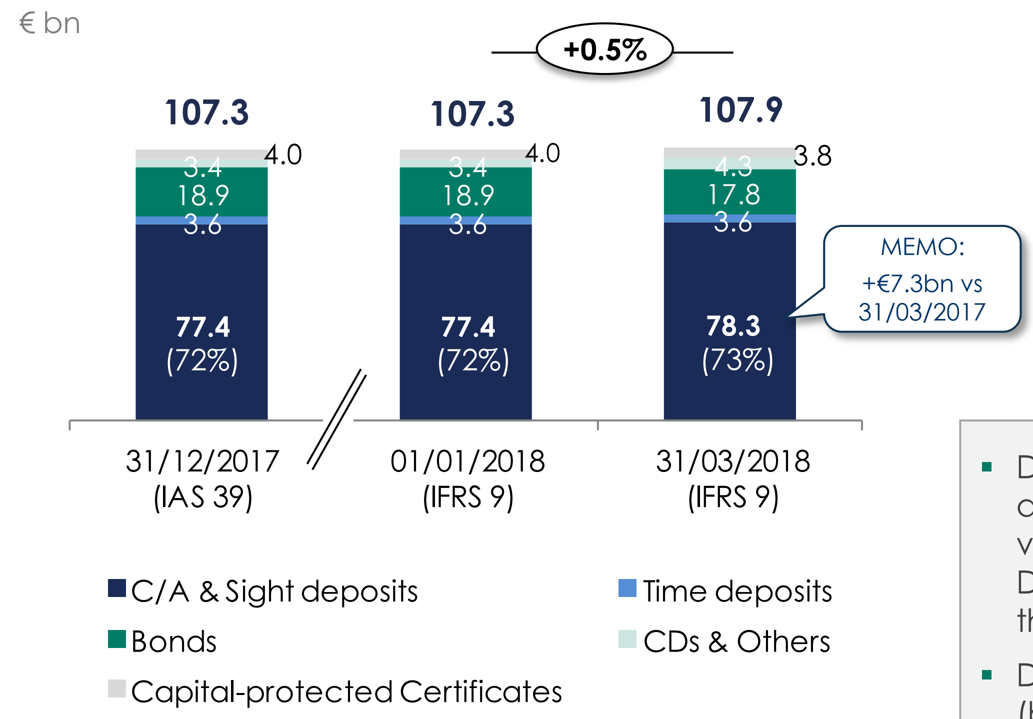
2018 Customer Loan data refer to Loans and advances to customers measured at Amortized Cost. It is noted that, as at 01/01/2018, €0.3bn loans were reclassified from Customer Loans measured at Amortized Cost to Other Financial Assets (see slide 42 for details).

1. 2017 IAS 39 data are restated for the exclusion of Customer Debt Securities (€0.4bn).
2. Internal management data. Corporate include SMEs, Large Corporates, Institutionals and Third Sector.

DIRECT FUNDING

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

Direct funding[1] (*without* Repos)



MEMO:
+€7.3bn vs 31/03/2017

CHANGE	vs. 01/01/18
C/A & Sight deposits	+1.2%
Time deposits	+0.6%
Bonds	-5.8%
CDs & Others	+25.6%
Cap.-protected Certificates	-4.0%
Direct Funding (excl. Repos)	**+0.5%**

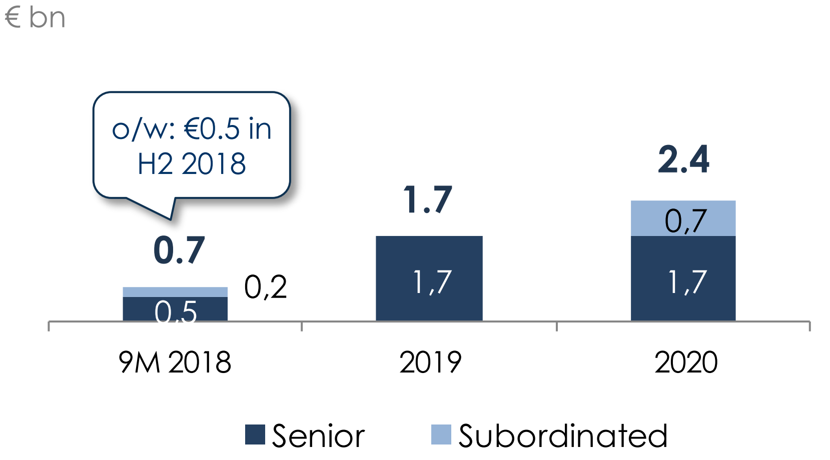
- Direct funding sustained by a positive dynamic of C/A and sight deposits (+1.2% vs. 01/01/18), now representing 73% of Direct funding (up from 66% as at 31/03/17, thanks to an increase of €7.3bn y/y)
- Decrease in more expensive components (bonds -5.8% vs. 01/01/18), thanks to the partial replacement of maturities with less expensive instruments (€750m Covered Bond issued in Jan. 2018), while strengthening the liquidity buffer of the bank compared to year-end 2017

Notes:
Data as at 31/03/2018 include the volumes of the custodian banking activity.
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 (€3.0bn at March 2018, basically transactions with Cassa di Compensazione e Garanzia).

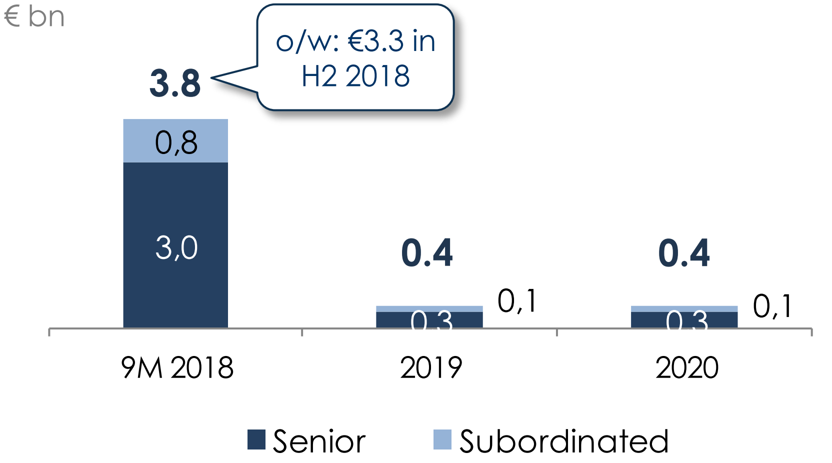
BOND MATURITIES

Positive for funding cost reduction

Institutional bond maturities



Retail bond maturities



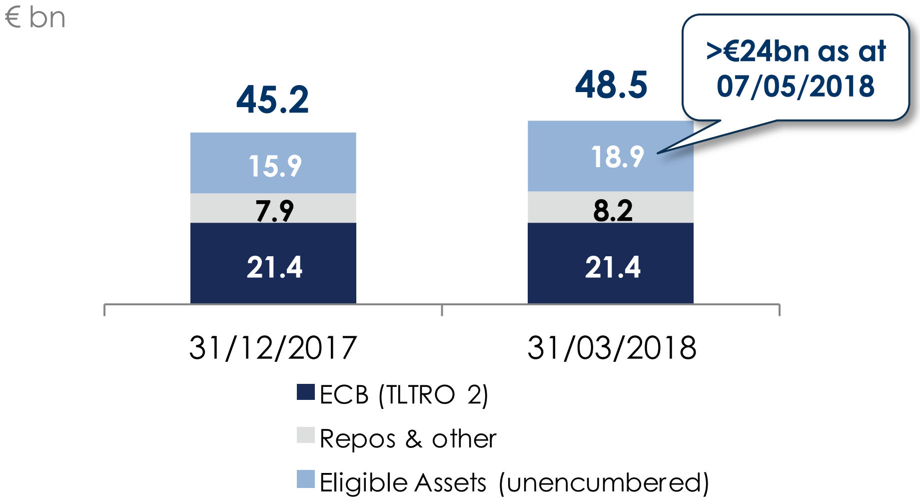
- In Q1 2018, a total of about €2.1bn of bonds matured, with a positive effect on the cost of funding
- Average spread of bonds maturing in 9M 2018 and 2019: ~2.9%
- Maturities in the period 2018-2019 are set to be only partially replaced by new bond issues, with relatively cheaper funding costs (mainly covered bonds)
- Thanks to the strong liquidity position (~€19bn unencumbered assets, largely exceeding the upcoming maturities), the Group can further optimize the cost of funding and developing AUM, while maintaining a robust funding structure and a balanced ALM profile

Note: Nominal amounts, managerial data, including calls.

STRONG LIQUIDITY POSITION

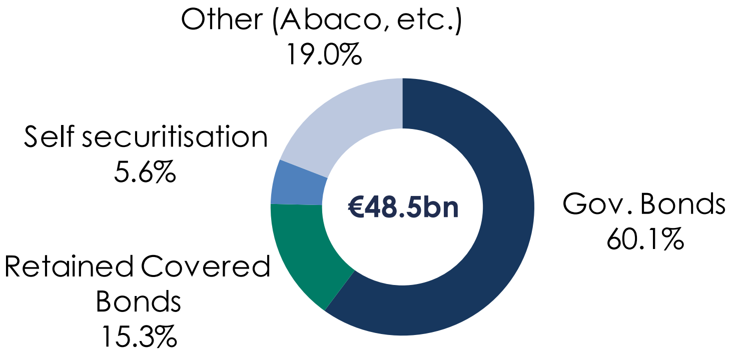
Relevant amount of unencumbered assets, almost entirely composed of Government bonds

Use of eligible assets and liquidity buffer

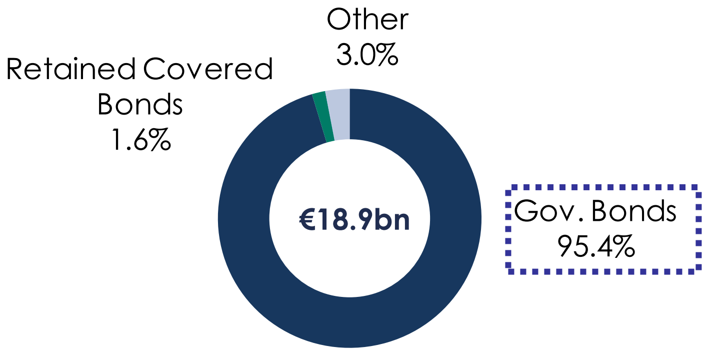


>€24bn as at 07/05/2018

Breakdown of total eligible assets as at 31/03/2018



Breakdown of unencumbered assets as at 31/03/2018



- Relevant amount of unencumbered assets, at ~€19bn at the end of March 2018, composed almost entirely of Government bonds
- TLTRO 2 position stable at €21.4bn: maximum take-up reached at the March 2017 auction
- LCR >135%; NSFR >100% [1]

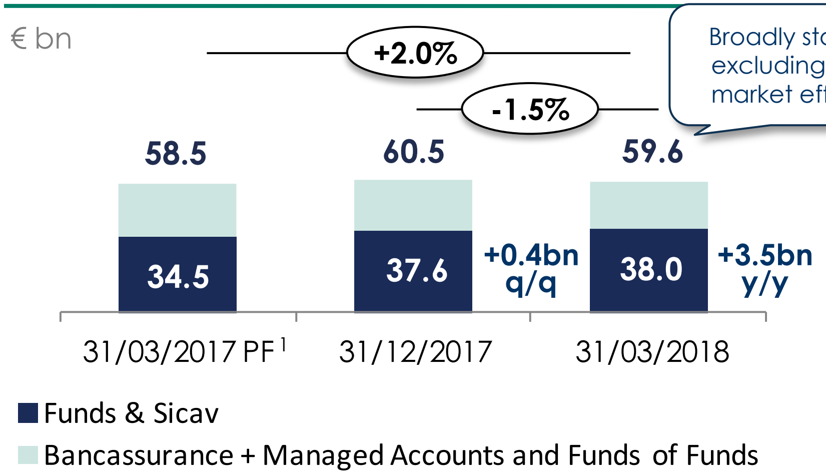
Notes:
Management accounting data, net of haircuts. Inclusive of assets received as collateral.

1. NSFR as at February 2018, latest available data.

INDIRECT FUNDING

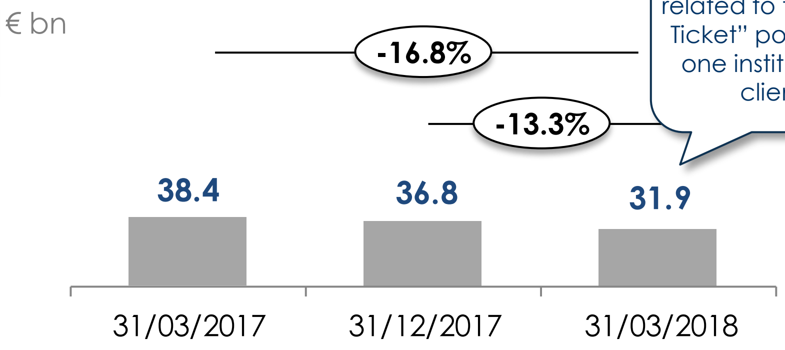
Strong performance of 'Funds and Sicav'

Assets under Management



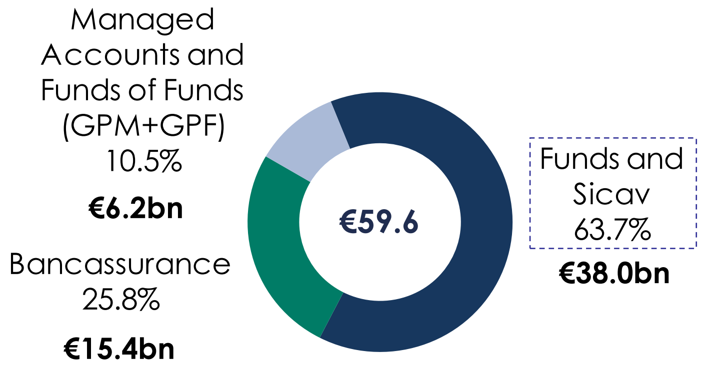
Broadly stable excluding the market effect

Assets under Custody[2]



Outflow of €4.8bn related to the "Big-Ticket" position of one institutional client

AuM breakdown at 31/03/2018



- AuM at 59.6bn (+€1.1bn y/y and -0.9bn q/q), sustained by a good growth in 'Funds and Sicav': at €38bn (+10.2% y/y and +1.0% q/q)
- In the quarter, AuM registered a decrease in Managed Accounts & Funds of Funds and in Bancassurcance volumes, which were temporarily impacted by the reorganisation of bancassurance JVs
- AuC registered the outflow of €4.8bn assets of one big institutional client with negligible margin contribution. Excluding these volumes also from the previous periods, the trend in AuC is -6.3% y/y and -0.1% q/q
- Total Indirect funding at €91.6bn as at 31/03/2018

Note:

1. The Proforma data at 31/03/2017 exclude the AUM of the non-captive network of Aletti Gestielle (amounting to €1.8bn), which was deconsolidated after the sale of the company in December 2017.
2. Assets under Custody is reported net of capital-protected certificates , as they have been regrouped under Direct Funding (see slide 27).

SECURITIES PORTFOLIO

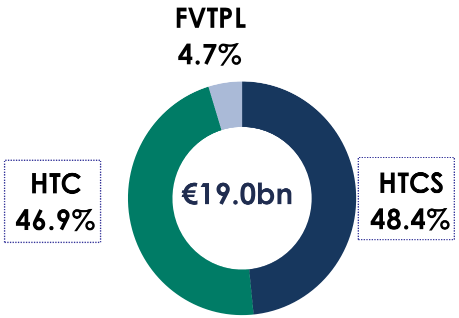
Prudent diversification, support NII and solid liquidity level

Analysis of the Securities Portfolio

€ bn

	31/03/2018 (IFRS 9)	01/01/2018 (IFRS 9)	Chg. vs. 01/01/18	
			Value	%
Debt securities	32.0	30.3	1.7	5.7%
- o/w Total Govies	26.3	25.3	1.0	3.8%
- o/w: Italian Govies	**19.0**	**20.8**	**-1.8**	**-8.3%**
Equity securities and Open-end funds & private equity	2.0	2.2	-0.1	-5.1%
TOTAL	**34.0**	**32.4**	**1.6**	**5.0%**

Classification of Italian Government bonds at 31/03/2018



- Increased diversification of the government bond portfolio:
  - Italian govies: -€1.8bn vs. 01/01/2018
  - 28% of non-Italian govies (vs. 18% in Jan. 18), primarily France (12%) Spain and USA (6% each), followed by Germany (3%)
- Italian govies: 48% in HTCS, 47% in HTC and 5% in FVTPL
- Modified duration of Italian govies in HTCS: ~1.85 years[1]
- Gross HTCS reserve on debt securities at €227m and unrealised gains on HTC debt securities at €206m as at 31/03/2018[1]

Note:
1. Management accounting data, excluding Banca Akros perimeter.

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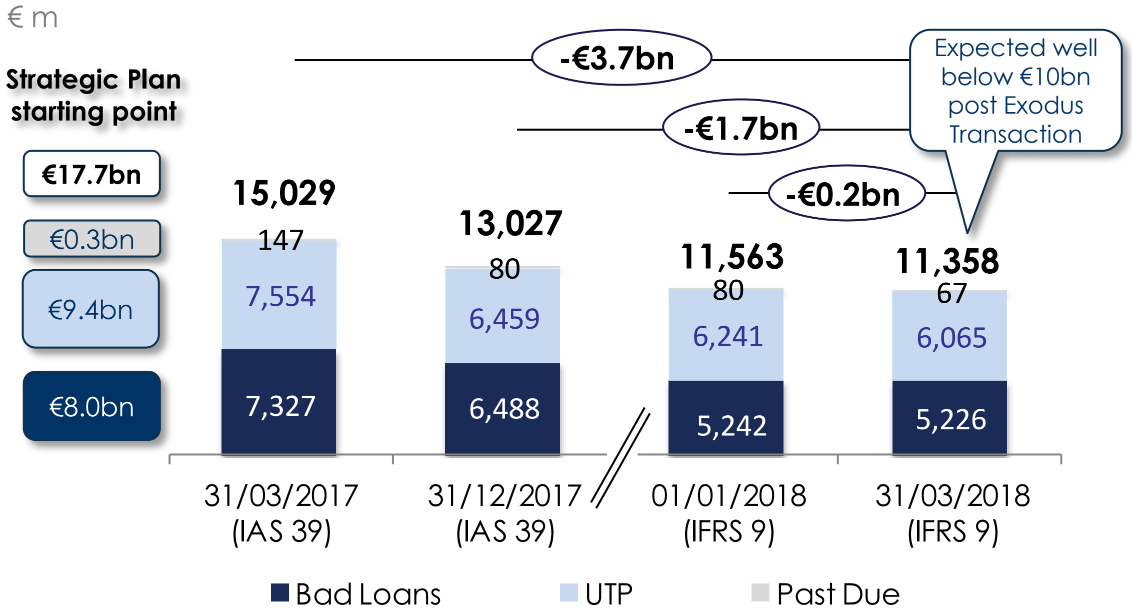
NPL STOCK REDUCTION PROGRESSING...

Net NPLs



CHANGE €/m and %	**Chg. Vs. 01/01/18**		**Chg. Vs. 31/03/17 (IAS 39)**	
	Value	**%**	**Value**	**%**
Bad Loans	-16	-0.3%	-2,101	-28.7%
UTP	-176	-2.8%	-1,489	-19.7%
Past Due	-14	-16.9%	-81	-54.7%
TOTAL NPLs	**-206**	**-1.8%**	**-3,671**	**-24.4%**

- NPL stock down by €0.2bn vs. 01/01/2018, mainly thanks to UTPs reduction (-2.8%), confirming the good performance of NPL management and the normalization in asset quality trends
- NPLs down by €3.7bn y/y, of which Bad Loans -€2.1bn and UTP -€1.5bn
- The IFRS 9 FTA impact on net NPLs (specifically on Bad Loans) for new Impairment models has translated into a reduction of €1.2bn as at 01/01/2018

Notes:
2018 Customer Loan data refer to Loans and advances to customers measured at Amortized Cost. It is noted that, as at 01/01/2018, €0.2bn UTP loans were reclassified from Customer Loans measured at Amortized Cost to Other Financial Assets.

… WITH CONSERVATIVE COVERAGE LEVELS

Coverage strengthened thanks to the IFRS 9 FTA

NPL coverage[1]

55.4%

68.2%

	31/03/2018 (IFRS 9)	Var. vs 31/12/2017 (in p.b.)	MEMO	
			31/12/2017 (IAS 39)	31/03/2017 (IAS 39)
NPLs	**53.8%**	**+500**	**48.8%**	**48.2%**
Bad Loans	66.4%	+750	58.9%	59.0%
UTP Loans	32.2%	-10	32.3%	31.3%
Past Due Loans	15.3%	-40	15.7%	15.0%

	Unsecured	**Secured**
Bad Loans	83.7%	58.3%

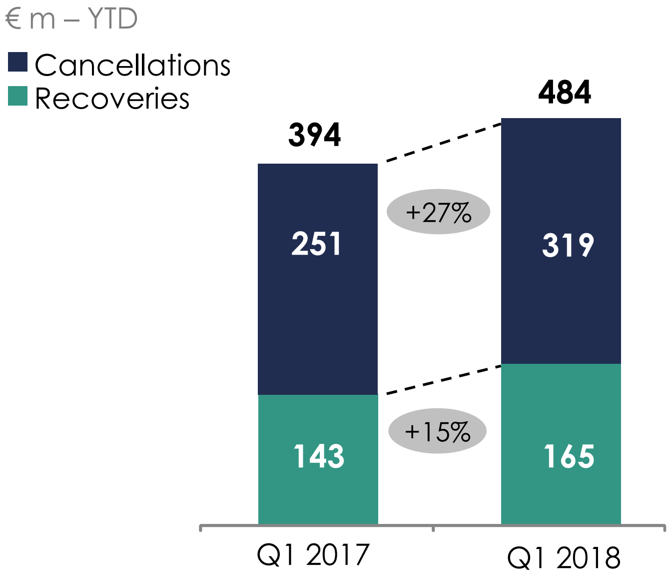
⬚ Nominal Coverage

- In Q1 2018, NPL coverage at 53.8% (+500bps vs. YE 2017), leveraging on the IFRS 9 FTA on Bad Loans, which reach a coverage of 66.4% (+750bps vs. YE 2017), paving the way for the acceleration of the derisking plan

Notes:
2018 Customer Loan data refer to Loans and advances to customers measured at Amortized Cost.

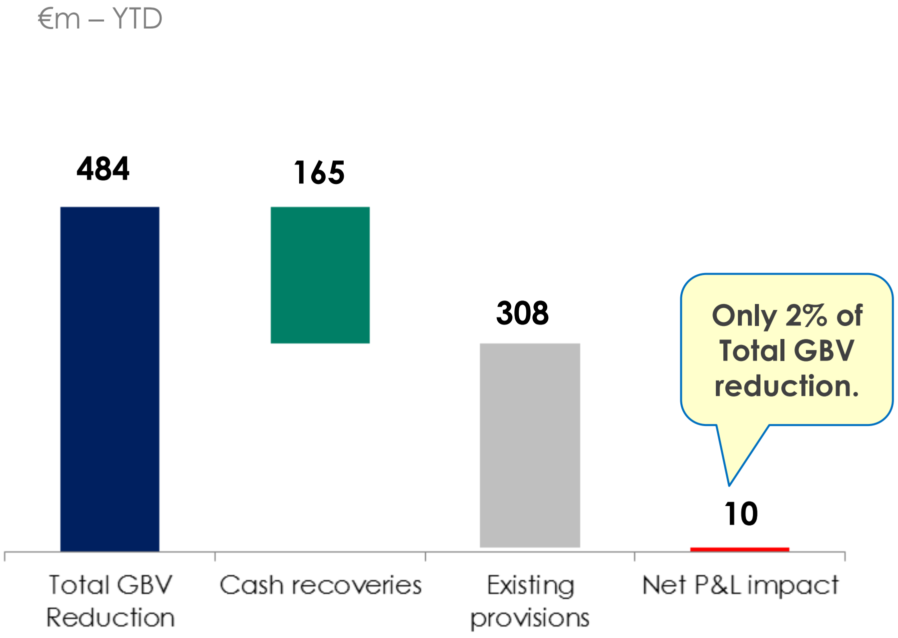
WORKOUT ACTIVITIES: 2018 PERFORMANCE VS. 2017

Delta GBV from Cancellations & Recoveries



	Q1 2017	Q1 2018
Recovery Rate (not annualised)	0.7%	1.0%
GBV red. from int. workout on GBV	2.0%	2.9%

Cost of organic Bad Loans GBV reduction



Only 2% of Total GBV reduction.

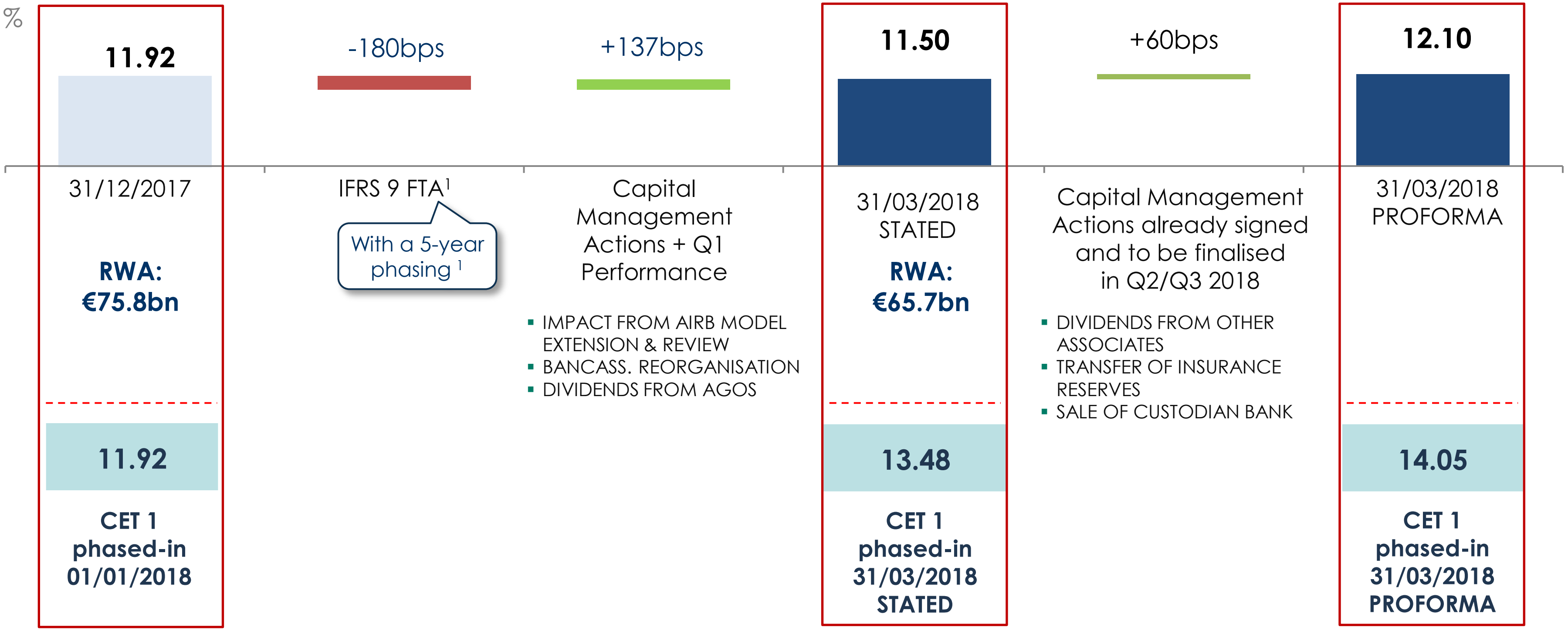
- In Q12018, recoveries and cancellations are materially higher than the corresponding figures in 2017
- The workout activities had only a very limited impact on the cost of credit

Note: Internal management data.

Agenda

CET1 RATIO: EVOLUTION DETAILS

Dynamic analysis of CET 1 ratio: +18bps vs. YE 2017 (at fully loaded proforma level)



- IMPACT FROM AIRB MODEL EXTENSION & REVIEW
- BANCASS. REORGANISATION
- DIVIDENDS FROM AGOS

- DIVIDENDS FROM OTHER ASSOCIATES
- TRANSFER OF INSURANCE RESERVES
- SALE OF CUSTODIAN BANK

- Strong capital position, with fully loaded CET 1 proforma ratio at 12.10% (+18bps vs. 31/12/2017), benefitting from significant capital management actions, more than compensating the full impact of -180bps from the IFRS 9 FTA[1]. Stated fully loaded CET 1 ratio at 11.50% as at 31/03/2018, thanks to the finalisation of the bulk of capital management actions already in Q1 2018

- CET 1 phased-in at 13.48%, benefitting from the 5-year phasing of the IFRS 9 impact

Notes:
CET1 ratio includes Q1 2018 net income.
1. See the following slide for details.

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

IFRS 9 First Time Application (FTA) impact: -€1,382m pre-tax (€1,038m post-tax), mainly due to the application of the new impairment model as detailed below:

- application of new impairment model to non-performing exposures:	**-€1,246 m**
- application of new impairment model to performing exposures:	**-€ 91m**
- application of new classification and measurement rules:	**+€ 42m**
- application of IFRS 9 by associates:	**-€ 87m**

The new FTA impairment model to non-performing exposures has been applied exclusively on bad loans cluster coherent with the accounting rules

The resulting impact on the fully phased CET1 ratio as of 1 January 2018 is -180 bps

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

IFRS 9 FTA provided 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

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Annexes

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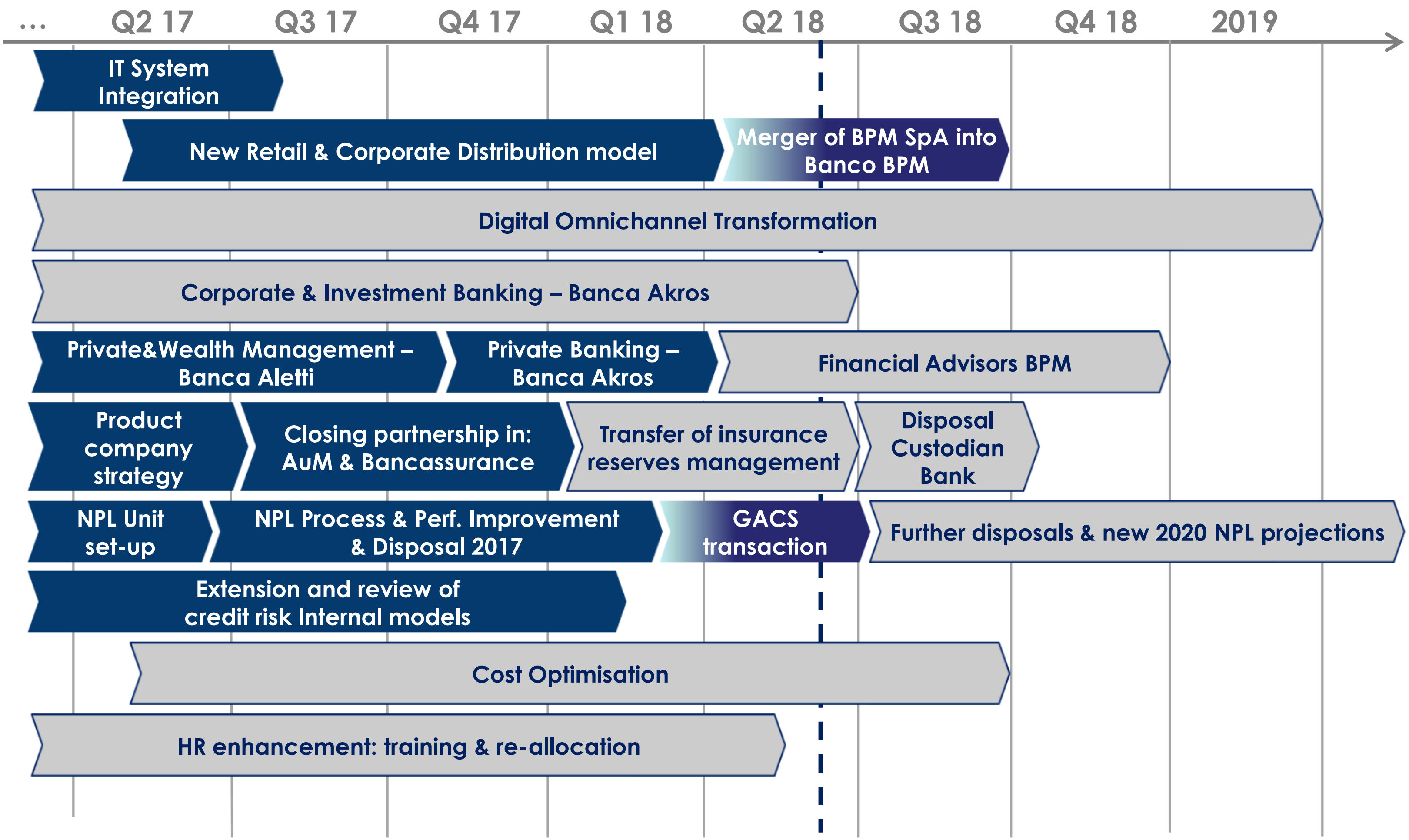
STRATEGIC PLAN ROADMAP: DELIVERY PROCESS AT A GLANCE



▭ Action completed
▨ Action under way

RECLASSIFIED BALANCE SHEET* OF BANCO BPM GROUP AS AT 31/03/2018

Reclassified assets (€ m)	A	B	C	Chg. A/B	
	31/03/2018	01/01/2018	31/12/17	Value	%
Cash and cash equivalents	830	977	977	-147	-15.0%
Loans and advances measured at AC	111,839	111,012	112,682	827	0.7%
- Loans and advances to banks	*5,670*	*4,937*	*4,939*	*733*	14.8%
- Loans and advances to customers	*106,168*	*106,074*	*107,743*	*94*	0.1%
Other financial assets	36,280	34,920	34,533	1,360	3.9%
- Assets measured at FV through PL	*6,251*	*6,453*	*5,185*	*-201*	-3.1%
- Assets measured at FV through OCI	*16,712*	*16,750*	*17,129*	*-38*	-0.2%
- Assets measured at AC	*13,317*	*11,718*	*12,220*	*1,599*	13.7%
Equity investments	1,369	1,262	1,349	107	8.5%
Property and equipment	2,756	2,735	2,735	20	0.7%
Intangible assets	1,304	1,297	1,297	7	0.5%
Tax assets	4,852	4,887	4,520	-34	-0.7%
Non-current assets held for sale and discont. operations	5	106	106	-101	-95.6%
Other assets	3,018	3,007	3,007	11	0.4%
Total	**162,253**	**160,203**	**161,207**	**2,050**	**1.3%**

Reclassified liabilities (€ m)	A	B	B	Chg. A/B	
	31/03/2018	01/01/2018	31/03/2017	Value	%
Due to banks	29,555	27,199	27,199	2,356	8.7%
Direct Funding	107,056	107,525	107,510	-469	-0.4%
- Deposits from customers	88,683	87,848	87,848	835	1.0%
- Debt securities and financial liabilities desig. at FV	18,373	19,677	19,662	-1,304	-6.6%
Other financial liabilities designated at FV	8,414	8,704	8,708	-290	-3.3%
Liability provisions	1,563	1,580	1,580	-18	-1.1%
Tax liabilities	663	692	669	-28	-4.1%
Liabilities associated with assets held for sale	0	0	0	0	51.4%
Other liabilities	3,872	3,576	3,576	296	8.3%
Minority interests	55	58	63	-3	-4.7%
Shareholders' equity	11,074	10,868	11,900	206	1.9%
Total	**162,253**	**160,203**	**161,207**	**2,050**	**1.3%**

«Deposits from customers» include also Custodian Bank, which is going to be disposed.

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RECLASSIFIED BALANCE SHEET OF BANCO BPM GROUP AS AT 01/01/2018 (IFRS 9) VS 31/12/2017 (IAS 39)

€ m	31/12/2017		Classification (a)	Measurement impacts (b)	ECL impacts (c)	01/01/2018	IFRS 9 impacts (b+c)
Cash and cash equivalents	977		-	-	-	977	-
Financial assets at amortised cost	112,682		-347	-	-1,324	111,012	-1,324
- Due from banks	4,939	(1)	-	-	-2	4,937	-2
- Customer loans	107,743	(2)	-347	-	-1,322	106,074	-1,322
Financial assets and hedging derivatives	34,533		347	54	-13	34,920	40
- Financial assets designated at FV through P&L	5,185		1,283	-15	-	6,453	-15
- Financial assets designated at FV through OCI	17,129	(3)	-430	52	-	16,750	52
- Financial assets at amortised cost	12,220	(4)	-507	18	-13	11,718	4
Equity investments (*)	1,349		-	-87	-	1,262	-87
Property and equipment	2,735		-	-	-	2,735	-
Intangible assets	1,297		-	-	-	1,297	-
Tax assets	4,520		-	-	366	4,887	366
Non-current assets held for sale and discontinued operations	106		-	-	-	106	-
Other assets	3,007		-	-	-	3,007	-
Total ASSETS	**161,207**		**-**	**-33**	**-971**	**160,203**	**-1,004**
Due to banks	27,199		-	-	-	27,199	-
Direct funding	107,510		-	15	-	107,525	15
- Due to customers	87,848		-	-	-	87,848	-
- Debt securities issued and financial liabilities designated at FV	19,662		-	15	-	19,677	15
Other financial liabilities designated at fair value	8,708		-	-4	-	8,704	-4
Liability provisions	1,580		-	-	-0	1,580	-0
Tax liabilities	669		-	21	1	692	22
Liabilities associated with assets held for sale	0		-	-	-	0	-
Other liabilities	3,576		-	-	-	3,576	-
Total LIABILITIES	**149,243**		**-**	**33**	**1**	**149,277**	**34**
Minority interests	63		-	-	-6	58	-6
Shareholders' equity	11,900		-	-66	-966	10,868	-1,032
CONSOLIDATED SHAREHOLDERS 'EQUITY	**11,964**		**-**	**-66**	**-972**	**10,926**	**-1,038**

a) Reclassification of the IAS 39 balances according the new items of the financial assets and liabilities.

b) IFRS 9 FTA impacts from the new measurement criteria of the financial assets and liabilities (excluding ECL).

c) IFRS 9 FTA impacts from the new Expected Credit Loss (ECL) model

(*) Estimated impact on Equity investments following the new calculation of the net equity of the investments according to the IFRS 9 rules

1. Corresponding to the retired balance sheet item “due from banks” (5,164,715 thousand), net of assets represented by debt securities (225,492 thousand)
2. Corresponding to the retired balance sheet item “loans to customers” (108,176,382 thousand), net of assets represented by debt securities (433,703 thousand)
3. The ex IAS 39 portfolio of “Financial assets available for sale” has been fully assigned to the line-item “Assets measured at FV through OCI”
4. The balance of the ex IAS 39 portfolio of “Financial assets held to maturity” (11,560,769 thousand) and loans to customers and banks represented by debt securities, as described in the above notes 1) and 2) (totaling 659,195 thousand), has been assigned to the line-item “Financial activities measured at amortized cost”

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Q1 2018 RECLASSIFIED P&L (PRE/POST IFRS9): QUARTERLY EVOLUTION

Reclassified income statement (in euro million)	Q1 2018	Reclassification IFRS9	Q1 2018 without reclassific.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Net interest income	595.1	*65.8*	*529.4*	*548.6*	*511.1*	*524.9*	*528.8*
Income (loss) from investments in associates carried at equity	42.6		42.6	41.6	40.4	*38.9*	*45.2*
Net interest, dividend and similar income	**637.7**	**65.8**	**571.9**	**590.2**	**551.5**	**563.9**	**573.9**
Net fee and commission income	476.5		476.5	515.8	503.6	*458.9*	*472.1*
Other net operating income	24.2		24.2	30.3	14.4	*29.4*	*24.7*
Net financial result	29.3		29.3	36.9	63.3	*13.0*	*41.9*
Other operating income	**530.0**	**0.0**	**530.0**	**582.9**	**581.3**	**501.3**	**538.7**
Total income	**1,167.7**	**65.8**	**1,101.9**	**1,173.1**	**1,132.8**	**1,065.1**	**1,112.7**
Personnel expenses	-442.1		-442.1	-456.7	-456.7	*-450.6*	*-420.8*
Other administrative expenses	-279.5		-279.5	-260.7	-233.1	*-273.2*	*-212.3*
Amortization and depreciation	-47.9		-47.9	-52.9	-56.4	*-62.2*	*-95.5*
Operating costs	**-769.5**	**0.0**	**-769.5**	**-770.3**	**-746.2**	**-786.0**	**-728.6**
Profit (loss) from operations	**398.2**	**65.8**	**332.4**	**402.8**	**386.6**	**279.2**	**384.1**
Net adjustments on loans to customers	-326.2	*-65.8*	-260.5	-292.5	-354.5	*-340.8*	*-673.1*
Net adjustments on other financial assets	2.2		2.2	-8.4	-70.8	*-48.3*	*-12.7*
Net provisions for risks and charges	-25.0		-25.0	0.5	-9.6	*4.6*	*-9.2*
Profit (loss) on the disposal of equity and other investments	179.7		179.7	17.1	-3.8	*0.3*	*12.1*
Income (loss) before tax from continuing operations	**228.9**	**0.0**	**228.9**	**119.6**	**-52.1**	**-105.0**	**-298.9**
Tax on income from continuing operations	-7.0		-7.0	-27.5	1.1	*45.6*	*103.2*
Income (loss) after tax from discontinued operations	0.0		0.0	20.0	25.8	*16.5*	*700.0*
Income (loss) attributable to minority interests	1.4		1.4	3.1	4.3	*1.4*	*0.9*
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	**223.3**	**0.0**	**223.3**	**115.2**	**-21.0**	**-41.5**	**505.1**

BANCO BPM

ANNEXES

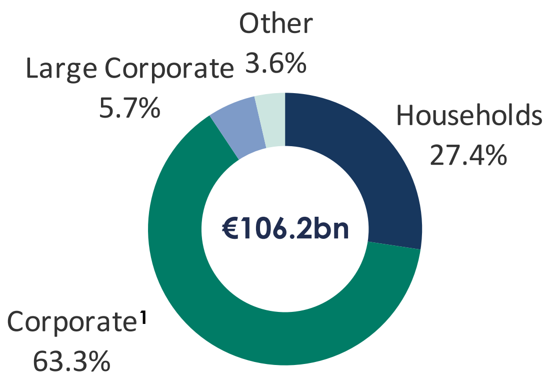
Q1 2018 RECLASSIFIED P&L: ANNUAL COMPARISON

Reclassified income statement (in euro million)	Q1 2018	Q1 2017	Chg. Y/Y	Chg. Y/Y
	Stated	Stated		%
Net interest income	595.1	548.6	46.5	8.5%
Income (loss) from investments in associates carried at equity	42.6	41.6	1.0	2.4%
Net interest, dividend and similar income	**637.7**	**590.2**	**47.5**	**8.0%**
Net fee and commission income	476.5	515.8	-39.3	-7.6%
Other net operating income	24.2	30.3	-6.2	-20.3%
Net financial result	29.3	36.9	-7.5	-20.5%
Other operating income	**530.0**	**582.9**	**-53.0**	**-9.1%**
Total income	**1,167.7**	**1,173.1**	**-5.5**	**-0.5%**
Personnel expenses	-442.1	-456.7	14.6	-3.2%
Other administrative expenses	-279.5	-260.7	-18.8	7.2%
Amortization and depreciation	-47.9	-52.9	5.0	-9.4%
Operating costs	**-769.5**	**-770.3**	**0.8**	**-0.1%**
Profit (loss) from operations	**398.2**	**402.8**	**-4.7**	**-1.2%**
Net adjustments on loans to customers	-326.2	-292.5	-33.7	11.5%
Net adjustments on other financial assets	2.2	-8.4	10.6	n.s.
Net provisions for risks and charges	-25.0	0.5	-25.5	n.s.
Profit (loss) on the disposal of equity and other investments	179.7	17.1	162.6	n.s.
Income (loss) before tax from continuing operations	**228.9**	**119.6**	**109.3**	**91.4%**
Tax on income from continuing operations	-7.0	-27.5	20.5	-74.6%
Income (loss) after tax from discontinued operations	0.0	20.0	-20.0	n.s.
Income (loss) attributable to minority interests	1.4	3.1	-1.7	-54.4%
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	**223.3**	**115.2**	**108.1**	**93.8%**
Badwill		3,076.1	-3,076.1	n.s.
Net income (loss) for the period	**223.3**	**3,191.3**	**-2,968.0**	**-93.0%**

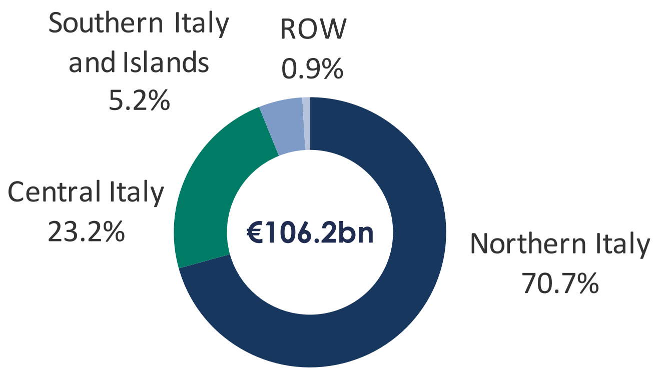
CUSTOMER LOAN ANALYSIS

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

Breakdown of net loans by customer segment at 31/03/2018



Breakdown of net loans by geographical area at 31/03/2018



- Roughly 27% of customer loans in relation to the Household segment.
- Corporates[1], excluding Large Corporates, account for roughly 63% 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 €7.4bn of Repos, mainly with Cassa di Compensazione e Garanzia.

ANNEXES

CREDIT QUALITY DETAILS

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	31/03/2018 (IFRS 9)			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	15,538	10,312	66.4%	5,226
Unlikely to pay	8,950	2,885	32.2%	6,065
Past Due	79	12	15.3%	67
Non-performing Loans	**24,567**	**13,209**	**53.8%**	**11,358**
Performing Loans	**95,199**	**388**	**0.4%**	**94,810**
Total Customer Loans	**119,766**	**13,597**	**11.4%**	**106,168**

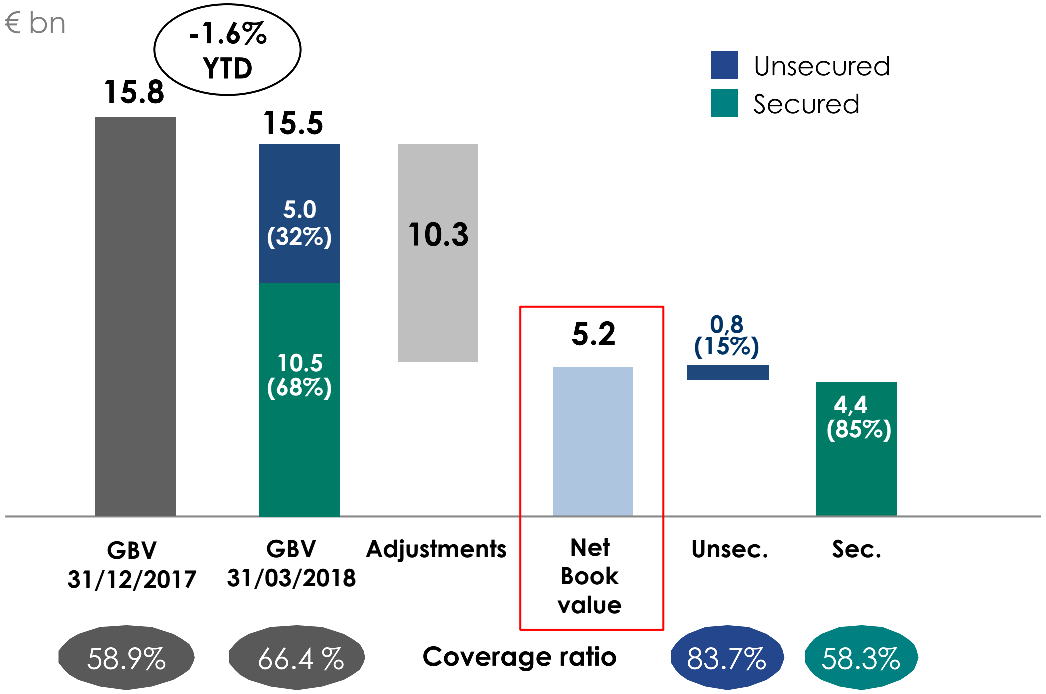
	01/01/2018 (IFRS 9)			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	15,794	10,552	66.8%	5,242
Unlikely to pay	9,215	2,974	32.3%	6,241
Past Due	95	15	15.7%	80
Non-performing Loans	**25,104**	**13,540**	**53.9%**	**11,563**
Performing Loans	**94,889**	**378**	**0.4%**	**94,511**
Total Customer Loans	**119,993**	**13,918**	**11.6%**	**106,074**

	31/12/2017 (IAS 39) - EXCLUDING CUSTOMER DEBT SECURITIES			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	15,794	9,306	58.9%	6,488
Unlikely to pay	9,546	3,087	32.3%	6,459
Past Due	95	15	15.7%	80
Non-performing Loans	**25,435**	**12,408**	**48.8%**	**13,027**
Performing Loans	**95,018**	**303**	**0.3%**	**94,716**
Total Customer Loans	**120,453**	**12,710**	**10.6%**	**107,743**

Notes:
2018 data refer to Loans and advances to customers measured at Amortized Cost.
2017 data restated for the exclusion of Customer Debt Securities.

ANNEXES
BAD LOANS: PROGRESS ANALYSIS

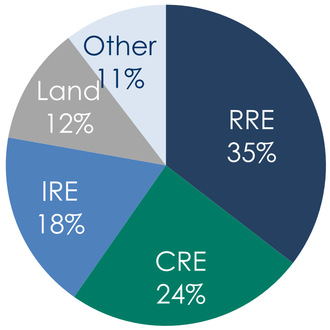
Bad Loans: evolution and composition



- Secured/Unsecured composition in terms of GBV (68%/32%) well above industry average (49%/51%)[1], with the share of secured Bad Loans stable in Q1 2018
- Accounting coverage to 83.7% for unsecured positions and to 58.3% for secured positions

Collateral composition

Fair Value of collateral: €14.3bn



Coverage with collateral[2]

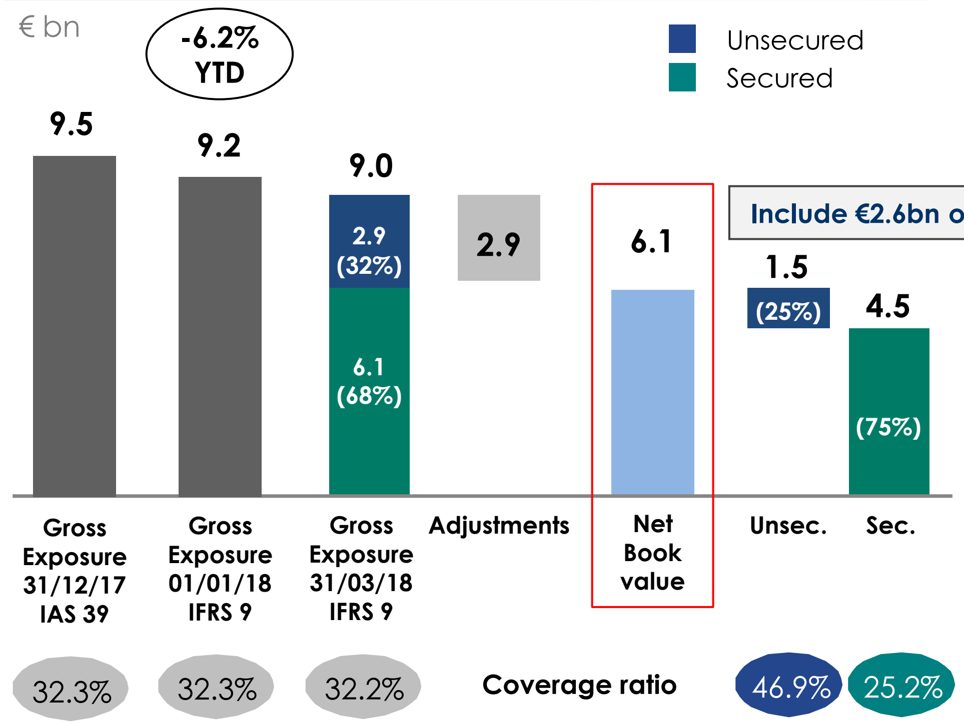
FV Collateral + Coverage / **GBV**	**123%**
FV Collateral / **Net Value**	**155%**

Notes:

1. Report PWC "The Italian NPL market – Ready for Breakthrough", Dec- 2017.
2. Collateral FV capped at nominal value.

UNLIKELY-TO-PAY LOANS: PROGRESS ANALYSIS

UTP analysis



Breakdown of Net UTP Loans

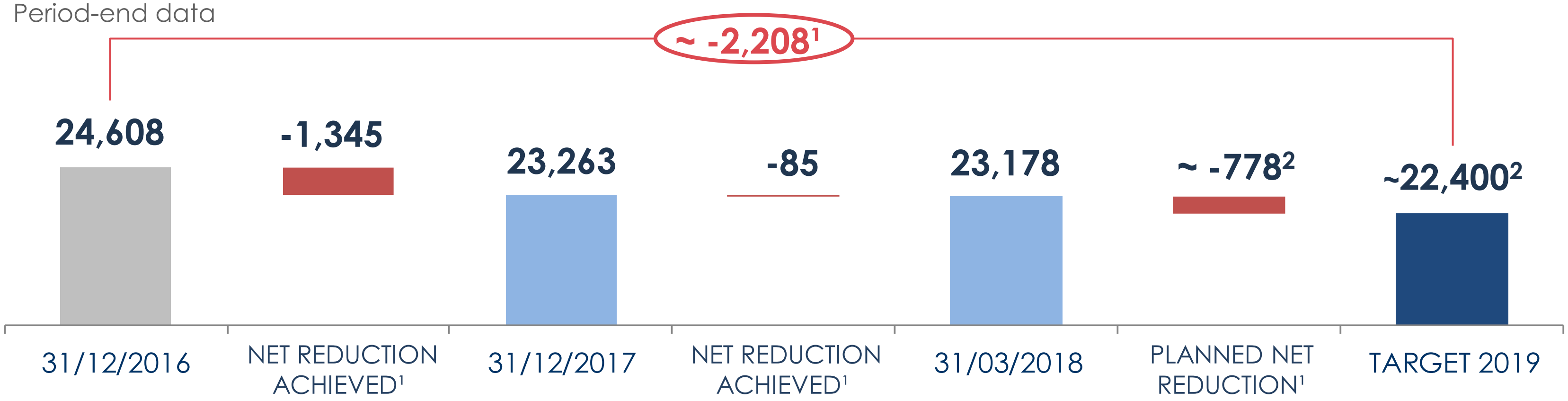
Total net UTP		**6.1**
of which:	**Restructured**	**2.6**
	- Secured	*1.6*
	- Unsecured	*1.0*
of which:	**Other UTP**	**3.5**
	- Secured	*3.0*
	- Unsecured	*0.5*

- Solid level of coverage for the unsecured UTP, at 46.9%
- Net Restructured loans (€2.6bn) account for 43.1% of total net UTP: they are essentially related to formalized underlying restructuring plans and procedures (mainly under Italian credit protection rules procedures)
- Net unsecured UTP other than Restructured loans are limited to €0.5bn

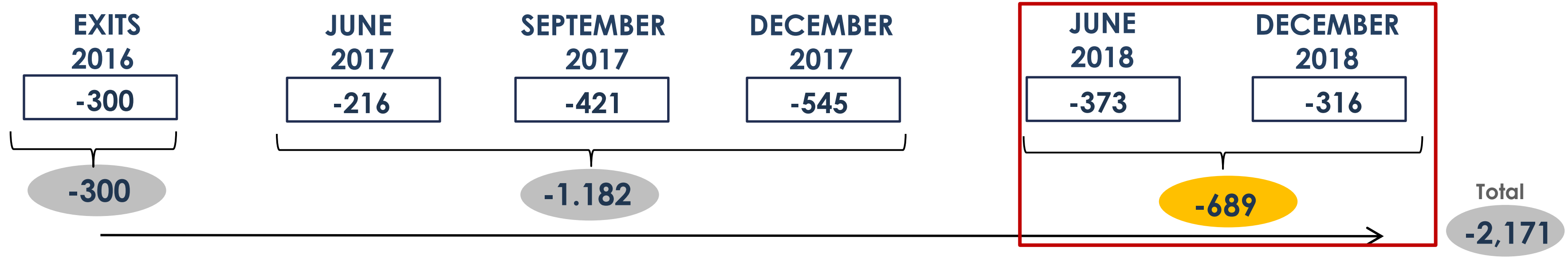
HEADCOUNT EVOLUTION

Headcount evolution

Period-end data



Solidarity Fund: Exit phasing in 2017-2018



EXITS 2016
-300

JUNE 2017
-216

SEPTEMBER 2017
-421

DECEMBER 2017
-545

JUNE 2018
-373

DECEMBER 2018
-316

-300
-1.182
-689

Total
-2,171

Starting from 31/12/2015 (25,001 units), the headcount reduction expected by 2019 is ~2,600, equal to -10% of the workforce

Notes:

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

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