BANCO BPM

H1 2018 Group Results Presentation

3 August 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 H1 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.
- The final impact of the FTA in relation to IFRS 9 and IFRS 15 was defined as at 30 June 2018 with reference to 01 January 2018 data. A comparison with the preliminary data indicated in the presentation as at 31 March 2018 shows various insignificant differences. For details, please refer to the explanatory notes indicated in our press release dated 03 August 2018. Furthermore, it is noted that data as at 31/03/2018 have not been restated accordingly and remain unchanged vs. the historical reporting.
- To favor a more consistent comparison between the 2018 and 2017 P&L data, in this presentation, 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 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 and 30/06/2018 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 in appendix.
- It should be noted that starting from 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 3 August 2018 on the approval of the consolidated results as at 30 June 2018).
- It is noted that starting from 30/06/2018 ordinary and extraordinary systemic charges related to SRF and DGS have been reclassified from Other Operating Expenses to a dedicated item "Systemic charges after tax". Historical P&L schemes have been reclassified accordingly.
- 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

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BANCO BPM DELIVERS STRONG DERISKING (1/2)

BANCO BPM ADOPTED ONE OF THE MOST AMBITIOUS DERISKING PLANS[1]

- ✓ **GROSS NPL VOLUME REDUCTION (2017-2020): -€17bn (from €30bn to €13bn)**
- ✓ **BAD LOAN DISPOSAL PLAN: €13bn**

H1 2018 DERISKING HIGHLIGHTS

✓ **STRONG REDUCTION OF BAD LOAN RATIO THANKS TO DISPOSALS AND WORKOUT**	**NET BAD LOAN RATIO AT 3.4%** (vs. 4.2% original 2019 target)
✓ **UTP LOANS ALREADY BELOW 2019 ORIGINAL TARGET**	**NET UTP LOAN RATIO AT 5.4%** (vs. 6.7% original 2019 target)
✓ **PROJECT EXODUS DELIVERED ON TIME (BY 30/06/2018)**	**~€5bn BAD LOANS DECONSOLIDATED**
✓ **NEXT STEP FOR BAD LOAN DISPOSALS: SHORTLIST OF THREE BIDDING CONSORTIA**	**AT LEAST ~€3.5bn** (completion of the disposal plan)

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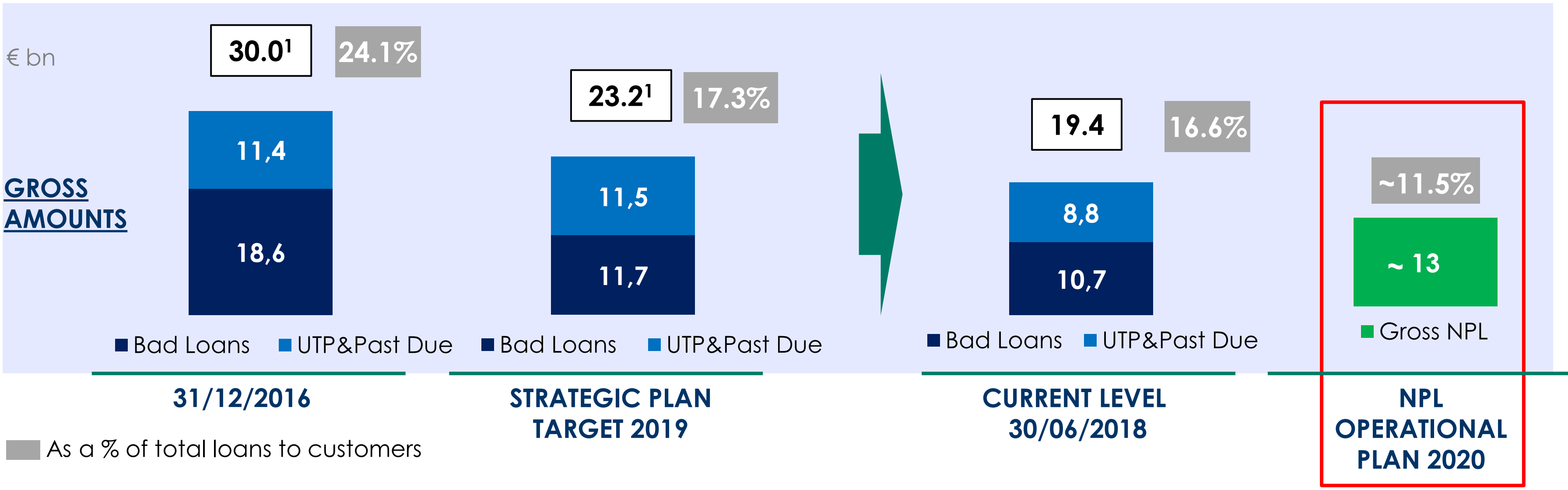
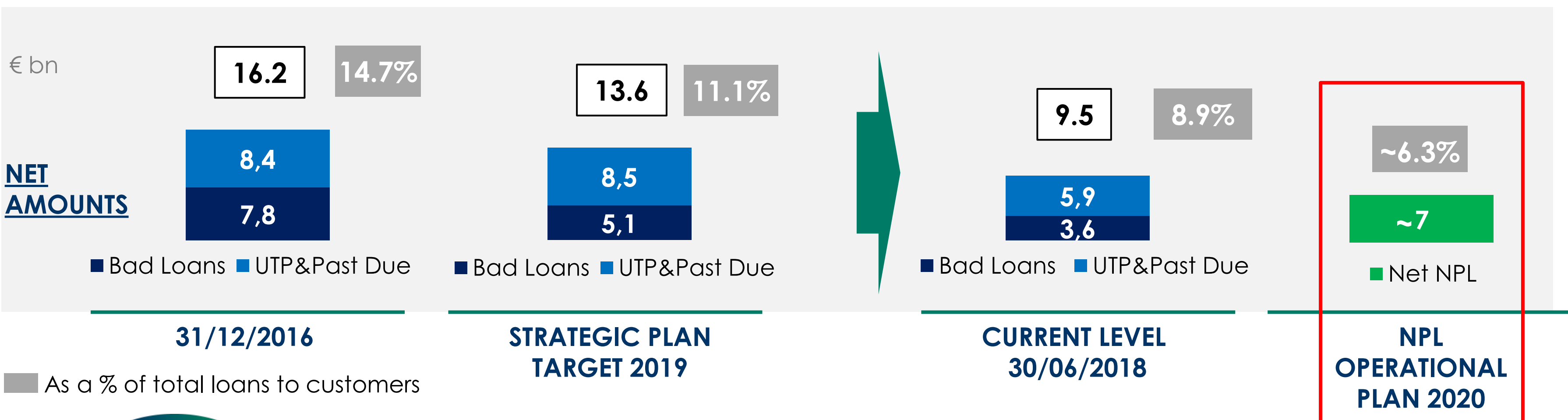
Note:
1. Based on new derisking plan revised in February 2018, with a total amount of Bad Loan disposals revised up from €8bn to €13bn, to be achieved by 2020.

BANCO BPM DELIVERS STRONG DERISKING (2/2)





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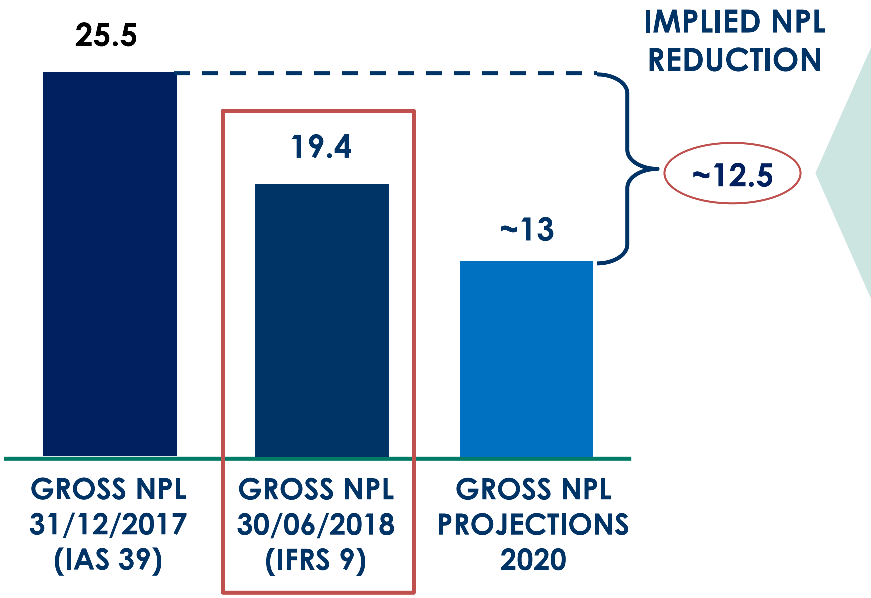
1. Data restated excluding from the Nominal amount only the write-offs which remained off-balance sheet at the beginning of 2017

FOCUS ON DERISKING IN H1 2018

HALF OF THE THREE-YEAR DERISKING PLAN ANNOUNCED LAST FEBRUARY COMPLETED IN SIX MONTHS

€ bn



	NPL REDUCTION BY 2020	ACHIEVED IN H1 2018	REMAINING BY 2020
DISPOSALS	~ 8.5bn[1]	~ 5bn	~ 3.5bn
WORKOUT	~ 4bn	~ 1bn	~ 3bn
	~12.5bn	~ 6bn	~ 6.5bn

Note:
1. €13bn since the announcement of the merger.

EXODUS TRANSACTION

- **Key milestone reached on time**
- **One of the largest transactions since the introduction of GACS**
- **Excellent pricing: 34.3% of GBV, notwithstanding the unexpected financial turmoil**

Improvement of NPL ratio…	… and lower RWA
Deconsolidation of €5.1bn of Bad Loans (nominal value at cut-off date[1])	Decrease of RWA for Defaulted Assets of about €1.2bn
Subscription of the €1.7bn Senior Notes (classified as Performing loans)	Senior Notes, weighted at ~60% before the issuance of the GACS, are set to fall to a 0% weighting after the GACS guarantee in Q3 2018
Only 5% of the €0.2bn of Mezzanine and Junior Notes maintained by Banco BPM	Very limited impact at RWA level

SENIOR NOTES AND GACS ISSUANCE

- The senior notes will yield a coupon of 6M Euribor + 0.6%, accounted in NII
- The requirements underlying the State guarantee have been fulfilled: ready to receive the guarantee on the senior notes pursuant to the Decree Law 18/2016 (GACS)

Note:
1. Exodus portfolio as of September 2017 was equal to €5.1bn in terms of Nominal and Gross value, corresponding to €4.9bn of Nominal Value and €4.8bn of Gross Value in June 2018, due to the ongoing workout activity carried out on the portfolio.

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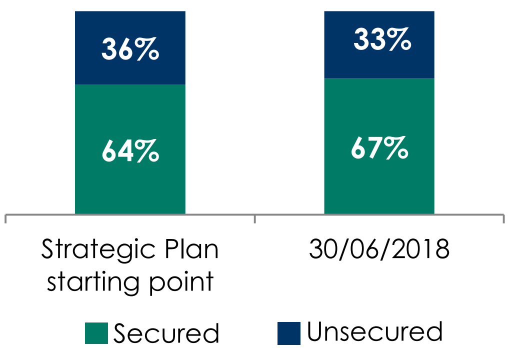
BAD LOANS & UTP LOANS: KEY QUALITY INDICATORS

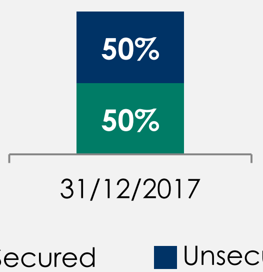
High collateralisation even after the relevant derisking activity…

In % on GBV

Bad Loans + UTP Loans

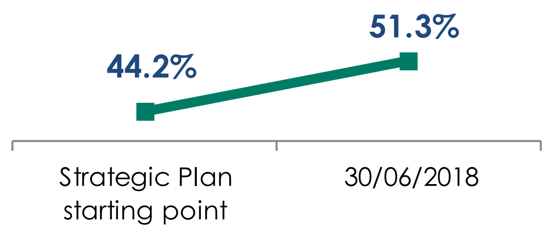


MEMO: Bad Loan collateralisation of the Italian banking system[1]

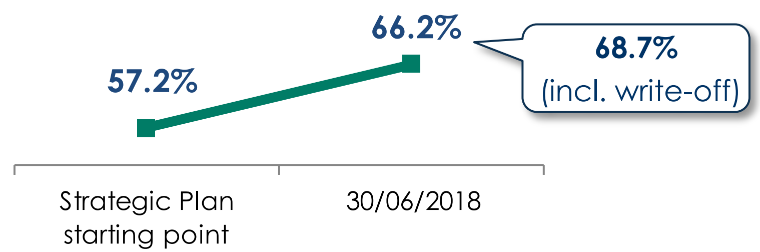


… with a strong increase in coverage levels

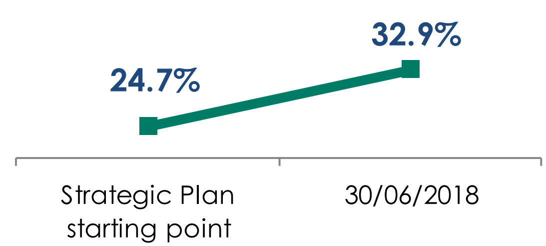
Bad Loan + UTP Loan Coverage



o/w: Bad Loan Coverage



o/w: UTP Loan Coverage



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Note:
Bad Loan collateralisation analysis and Bad Loan coverage as at Strategic Plan starting point are based on Nominal amount.

1. Report PWC "The Italian NPL market – What's next?", June 2018.

DERISKING: WHAT'S NEXT?

CONTEXT

- **Increasing interest** from several investors in a **deal potentially involving huge NPL volumes**
- **Strong track record** progressively consolidated in **disposals** as well as in **internal workout**
- Expectations for **GACS scheme** to be extended

ACTION TAKEN

Launch of "**project ACE**"

- **Confirm the current level of ambition**: disposal of €3.5bn to complete the €13bn program
- **Analyze potentially more "aggressive" scenarios**: explore the feasibility of any deal involving larger sizes

Prerequisites for final decision on the **deal size**:

- Detailed **Due Diligence**
- Submission of **binding offers**
- Thorough **comparison** of bidders' **overall value propositions**, including all financial and industrial elements

SCENARIOS – ONE YEAR AHEAD (H1 2019)

	Base scenario (Disposal program confirmed)	**Alternative scenario: Sensitivity**
Disposals	€3.5bn	€5.5/6.0bn
Workout	As per the plan (€1.3bn p. a.)	Confirm current pace (~€1.5/2.0bn p. a.)
Loan growth	+2.5% applied to June 2018 data	+2.5% applied to June 2018 data
Gross NPL Ratio	12,2%	9,9%

"PROJECT ACE" AT A GLANCE

1 **NPL Portfolio**

NPL Portfolio with a GBV of at least €3.5bn

1 a) Base scenario: €3.5bn to SPV
1 b) Alternative potential scenario: possible offers for a larger size

Potential platform set-up and sale depends on final size of NPL portfolio disposed of

2 **NPL recovery B.U.**

Business Unit dedicated to loan recovery activities

Definition of the Business Unit Perimeter ("the Platform") and subscription of a servicing agreement

STATUS

Unsolicited expressions of interest

- Received since early 2018 from several parties
- Used to define overall "deal concept" and perform initial assessment of potential options

Phase 1 / Qualified Offers

- Established data-room
- Invited a limited number of potential partners to provide non-binding, "qualified" offers
- Outcome: six qualified offers received

Short-listing

- Three consortia selected for the shortlist (DoBank, Fortress and Spaxs - Credito Fondiario and Elliot - Christofferson Robb & Company, Davidson Kempner and Prelios)

NEXT STEPS

Phase 2 / Binding Offers

- Parallel exploration of bilateral sale and/or GACS opportunity
- DD preparatory activities already launched; detailed interactions to take off in September, DD timetable ~2/3 months

INTEGRATION AND TRANSFORMATION PROJECTS WELL ON TRACK

ACHIEVEMENT OF 2019 STRATEGIC PLAN TARGETS

RISK PROFILE, COST OPTIMISATION AND CAPITAL POSITION SET TO IMPROVE FURTHER

	PROJECTS COMPLETED ✓	ONGOING PROJECTS IN H2 2018
PRODUCT COMPANY STREAMLINING	• AuM & Bancassurance Reorganisation • Transfer of Insurance Reserve Management	• Disposal Custodian Bank (Q3 2018)
BANKING MODEL RENEWAL	• New Commercial Model • Corp. & Investment Bank (Akros) • Private & WM (Aletti)	• Merger of BPM SpA into BBPM • Merger of SGS into BBPM
CAPITAL STRENGTHENING	• Optimisation of Group factories • Internal Model Validation	• Further potential optimisation of Group factories (e.g. consumer credit, leasing)
ASSET QUALITY IMPROVEMENT	• NPL Unit set-up • Bad Loan Disposals • NPL Workout	• Project ACE implementation
COST OPTIMISATION	• IT System Integration • Staff Reduction & HR Requalification • Branch Rationalisation	• Further Cost Optimisation • Additional Branch Closures • Full completion of actions enables €400m of cost synergies

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Agenda

H1 2018 "STATED" PERFORMANCE AT A GLANCE

STATED FIGURES

€ m	H1 2018 (IFRS9)	H1 2017 (IAS 39)
NET INTEREST INCOME	1,180	1,060
TOTAL INCOME	2,447	2,306
OPERATING COSTS	-1,391	-1,454
PROFIT FROM OPERATIONS	1,057	852
LOAN LOSS PROVISIONS	-686	-647
PROFIT BEFORE TAX	504	130
NET INCOME	353	94

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H1 2018 MAIN P&L ITEMS: COMPARISON EXCL. IFRS 9

€ m

+1.8% adjusted (mainly €32m TLTRO2 matured in 2016 and booked in H1 17)[1]

	A	B	C		
	H1 2018 STATED	H1 2018 pre-IFRS9	H1 2017 IAS 39	B/C % Change	Memo: delta PPA H1 2018 vs H1 2017
NET INTEREST INCOME	1,180	1,051	1,060	-0.8%	4.3
TOTAL INCOME	2,447	2,318	2,306	0.5%	6.4
OPERATING COSTS	-1,391	-1,391	-1,454	-4.4%	0.5
PROFIT FROM OPERATIONS	1,057	928	852	8.9%	6.9
LOAN LOSS PROVISIONS	-686	-558	-647	-13.8%	-15.3
PROFIT BEFORE TAX	504	504	130	n.s.	-7.4
NET INCOME	353	353	94	n.s.	-5.0

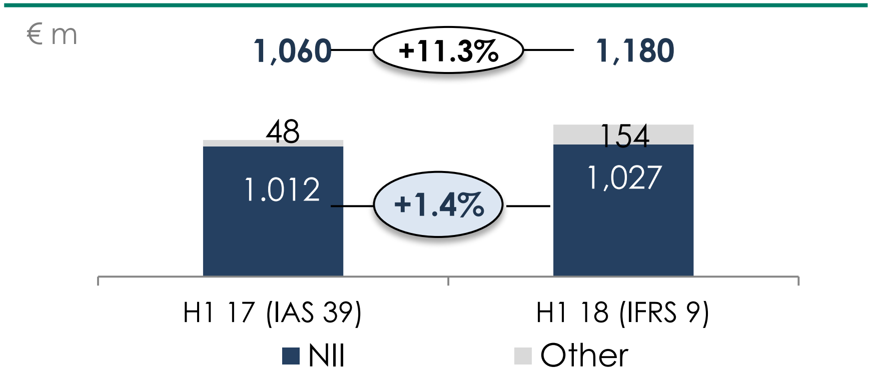
For full details about the IFRS9 impact and PPA, please refer to slides 51 and 52 in the Annex.

1. H1 2017 included €28m of one-off items (see slide 16 for further details)

NET INTEREST INCOME

Volume growth and cost of funding reduction supporting growth in Q2

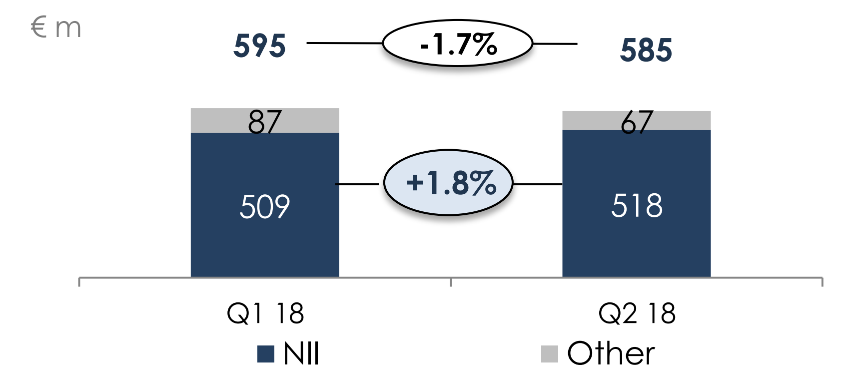
Y/Y comparison



€ m	H1 17	H1 18
OTHER	**48**	**154**
o/w: PPA	20	25
o/w: IFRS9 PPA	0	78
o/w: IFRS9	0	51
o/w: one-offs[1]	28	0

129

Q/Q comparison



€ m	Q1 18	Q2 18
OTHER	**87**	**67**
o/w: PPA	21	4
o/w: IFRS9 PPA	38	40
o/w: IFRS9	27	24

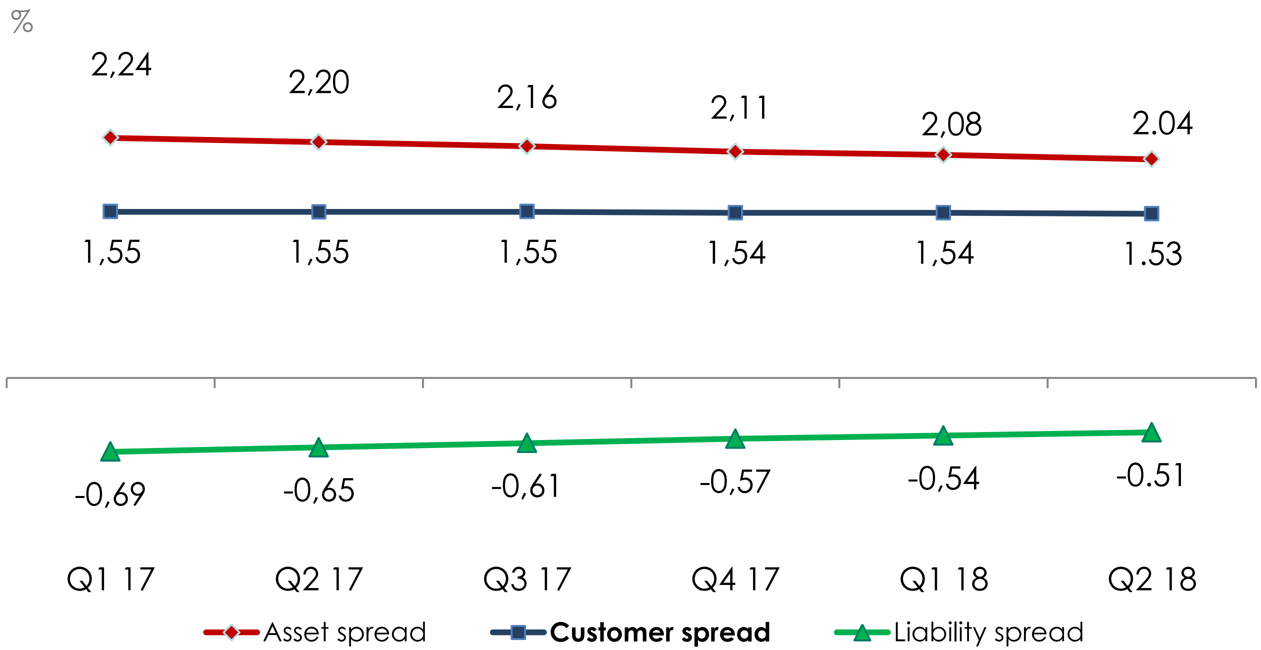
129

- Stated Net Interest Income up 11.3% y/y, benefiting from the reversal of time value on bad loans (reclassified from LLPs under IFRS 9), which will be subject to volatility linked to the upcoming NPL disposals
- Net interest income was up 1.4% y/y on a like-for-like basis (excluding one-offs, IFRS 9 effect and PPA), mainly driven by lower cost of funding
- In the quarterly comparison, Net Interest Income was down 1.7%, mainly due to a lower PPA effect. On an underlying basis (net of PPA e IFRS9 effects) NII was up 1.8% q/q

Notes:
1. Includes approx. €32m related to TLTRO2 accrued in 2016 and booked in Q1 17.

STABLE NET INTEREST SPREAD

Quarterly comparison



Q/Q	Y/Y
-4 bps	-16 bps
-1bp	**-2bps**
+3 bps	+14bps

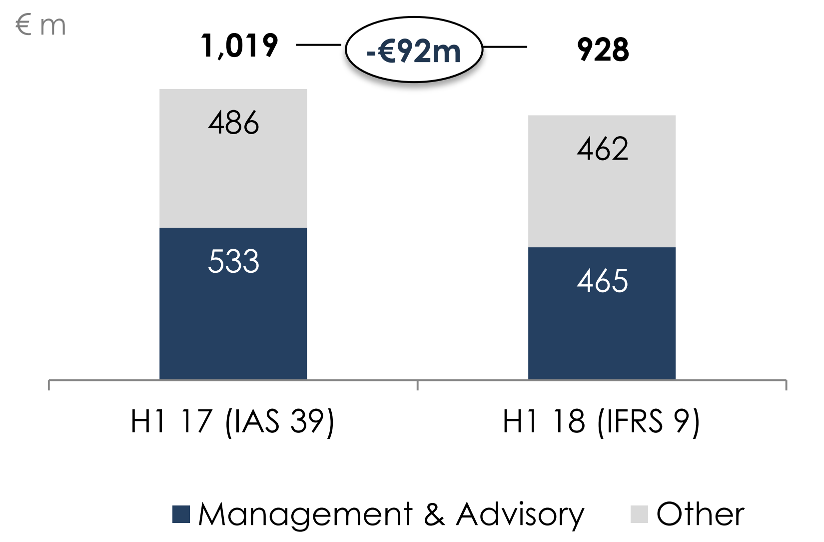
Euribor 3M	*-0.33*	*-0.33*	*-0.33*	*-0.33*	*-0.33*	*-0.32*

- Customer spread basically stable at 1.53%: decrease in the asset spread (-4bps q/q and -16bps y/y) almost compensated by the improvement in the liability spread (+3bps q/q and +14bps y/y)

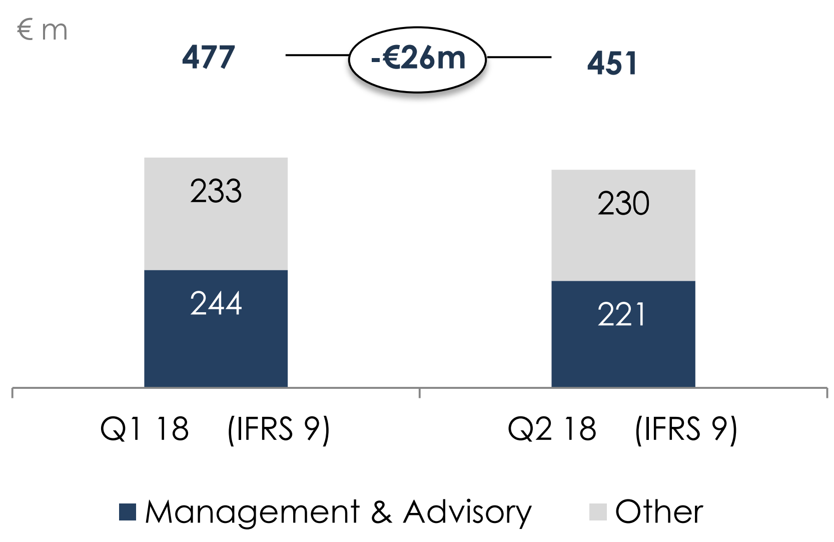
Notes: Quarterly spreads for 2017 have been adjusted to reflect the adoption of new customer portfolio perimeter and segments of the new commercial network

NET FEES AND COMMISSIONS

Y/Y comparison



Q/Q comparison



- The reduction y/y of asset management-related commissions is based on three factors:
  - H1 17 figures had been particularly strong due to the recovery after the merger-related slowdown of the commercial activities at the end of 2016, flanked also by a positive financial market trend which had sustained AUM fees
  - Market turmoil in Q2 2018, with a sharp drop in market prices and a temporary slowdown in product placements
  - Switch from product to portfolio advisory approach, resulting in a reduction of €71m in upfront fees, with running fees up by €35m, whereby the contribution of this latter component is expected to grow progressively
- The reduction y/y of other commissions is entirely attributable to the reorganisation of the network, in particular to the lending activities in the first months of the year. The performance registered in June/July is again showing a positive trend.

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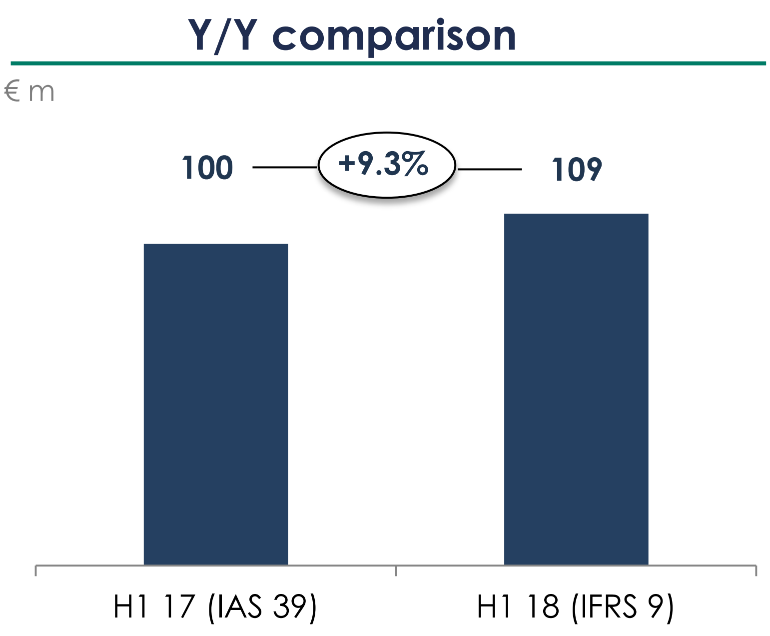
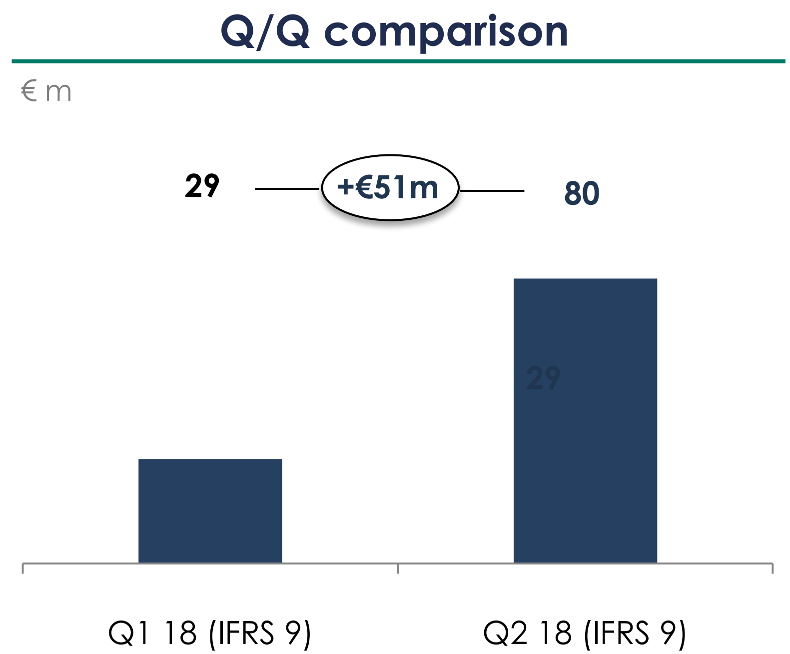
NET FINANCIAL RESULT

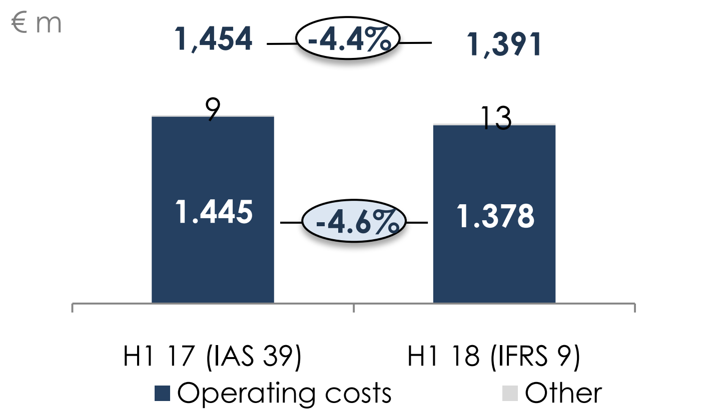




- Net Financial Result was €109m in H1 18 (+9.3% y/y), mainly thanks to higher gains from disposals of debt securities, also in light of the Group's strategy to reduce its Italian govies exposure
- Net Financial Result +€51m q/q thanks to both higher income from the disposal of fixed income assets and better trading results

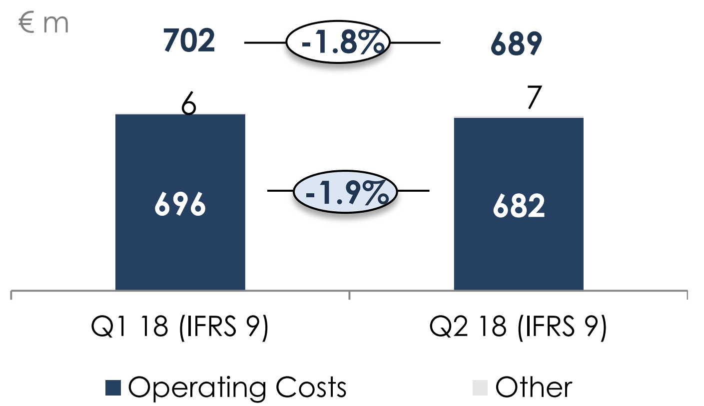
OPERATING COSTS

Y/Y comparison



€ m	H1 17	H1 18
OTHER	**9**	**13**
o/w: one-offs	3	7
o/w: PPA	6	6

Q/Q comparison



€ m	Q1 18	Q2 18
OTHER	**6**	**7**
o/w: one-offs	3	4
o/w: PPA	3	3

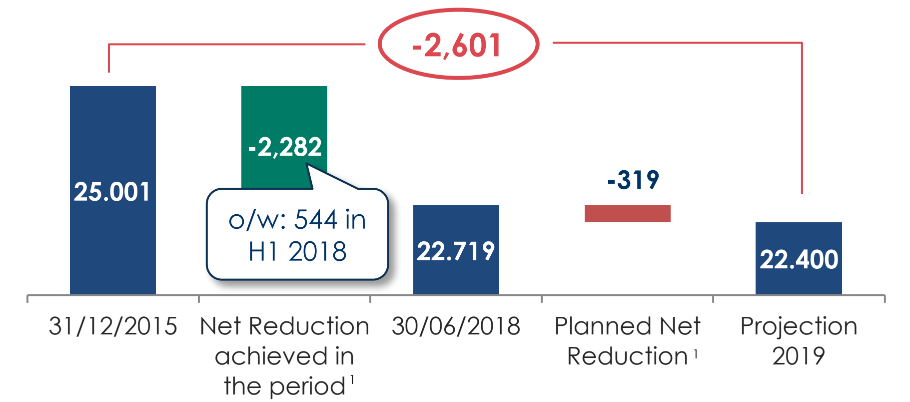
- In H1 18, operating costs were down 4.4% y/y (stated) and 4.6% y/y on an underlying basis (excl. one-off items and PPA), thanks to the strict cost control
- Operating costs came in at €689m in Q2 2018, the best quarterly result reached since the creation of Banco BPM, down 1.8% q/q. When excluding one-off items and PPA, operating costs were down 1.9% q/q

OUTPERFORMANCE OF THE ORIGINAL COST SYNERGIES

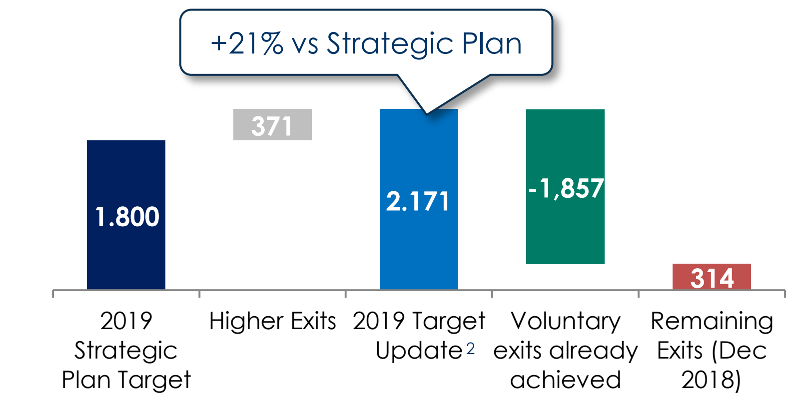
Better than original Strategic Plan quantitative targets and well ahead of schedule in terms of amount and timing: cost synergies at €400m

Adj. Op. costs: -4.6% y/y in H1 2018

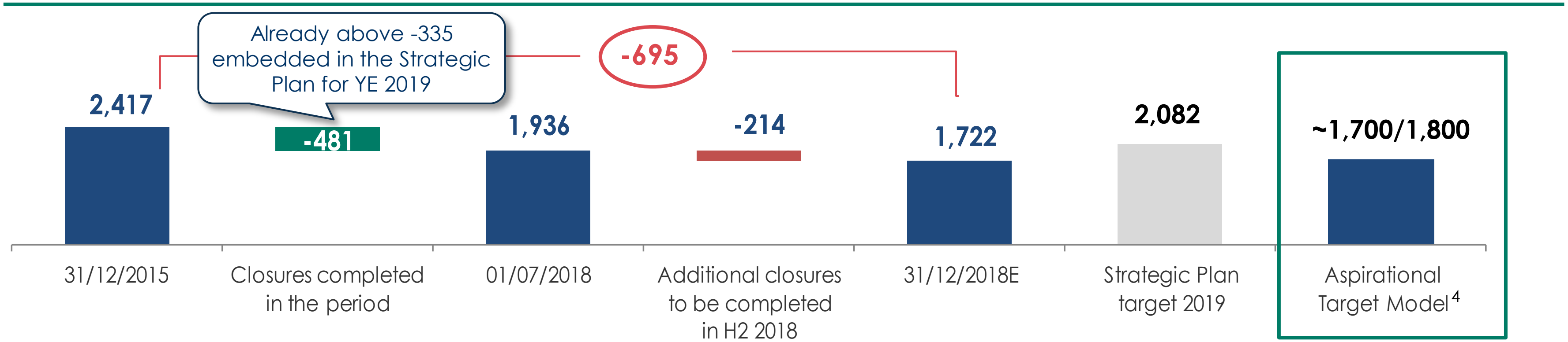
Headcount evolution



Solidarity Fund



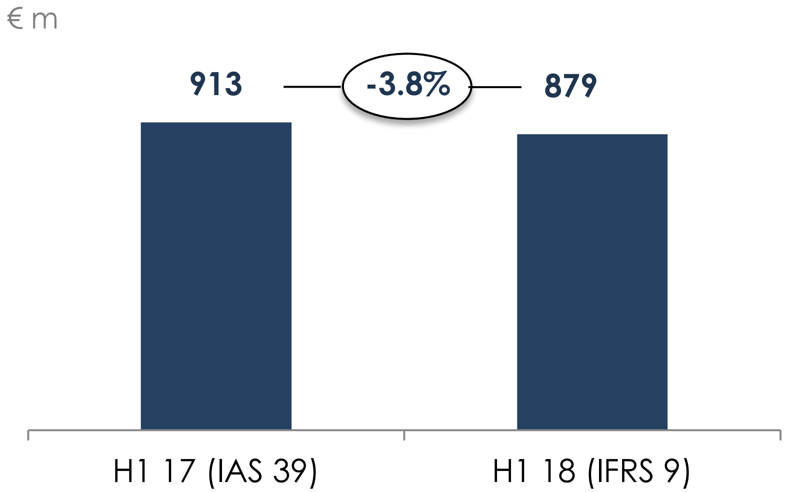
Optimisation of Retail Network[3]: 360 additional branch closures



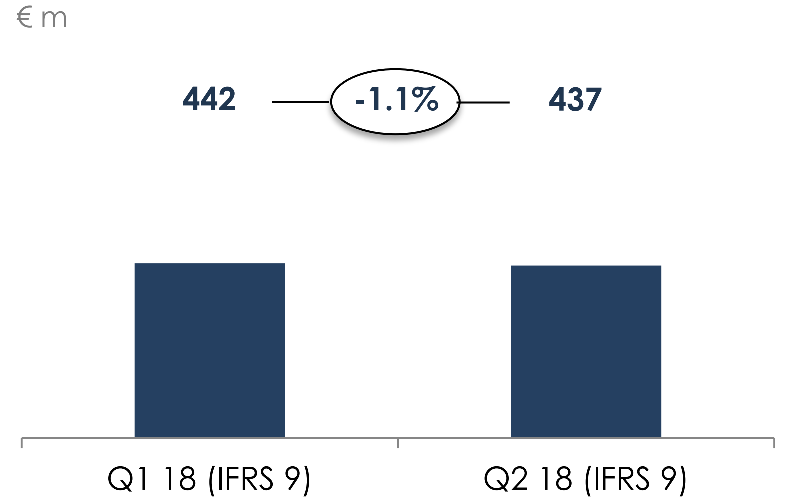
Notes:
1. Including natural turnover.
2. Including 71 higher Solidarity Fund exits coming from the new agreement signed in June 2017.
3. The network, consistently with the perimeter underlying the Strategic Plan, does not include: WeBank, Akros, Aletti (Italy and Switzerland) and other minor.
4. Indicated in the Strategic Plan as a level that was potentially going to be considered beyond 2019, but which had not been embedded in the Plan.

PERSONNEL EXPENSES

Y/Y comparison



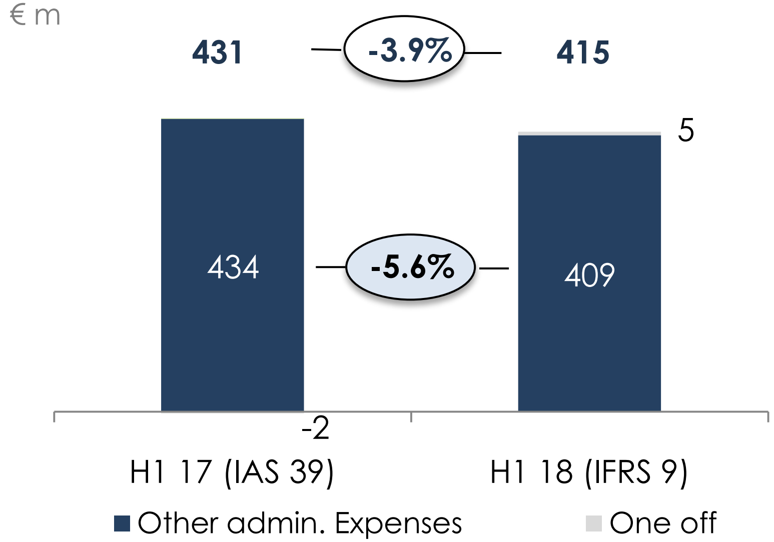
Q/Q comparison



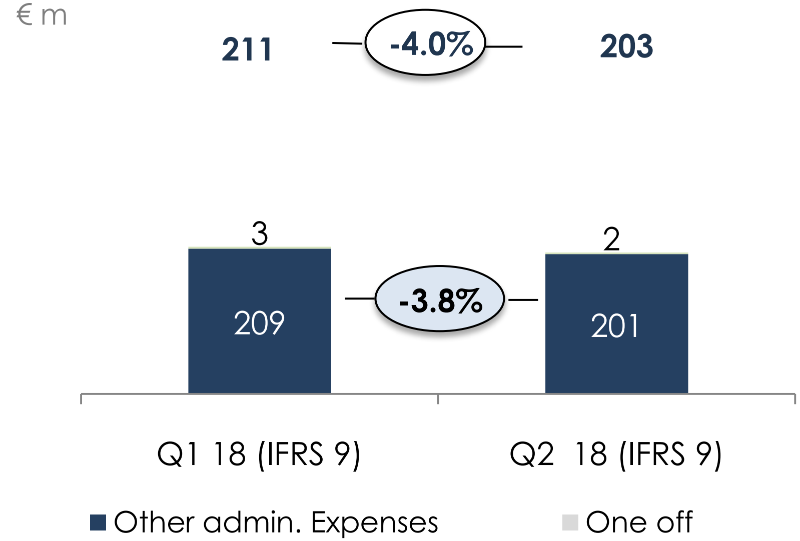
- Personnel expenses were down 3.8% y/y, mainly driven by the headcount reduction
- Personnel expenses were also down in the quarter, coming in at €437m (-1.1% q/q)
- Total headcount stood at 22,719 on 30 June 2018, down from 23,263 at year-end 2017 (-544, of which -375 on the basis of the Solidarity Fund done at the end of June 2018) and from 25,001 at the starting point of the Strategic Plan (-2,282)
- Additional 314 exits are planned in December 2018 as part of the already agreed Solidarity Scheme

OTHER ADMINISTRATIVE EXPENSES

Y/Y comparison



Q/Q comparison



- Other administrative expenses decreased 5.6% y/y on an underlying basis (excl. one-off items)
- Excluding one-offs (mainly restructuring costs), other administrative expenses were down 3.8% q/q

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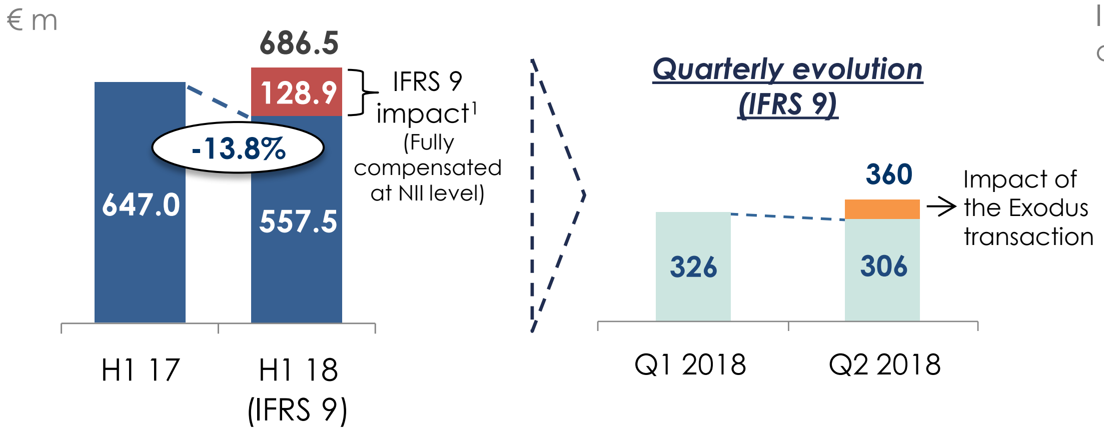
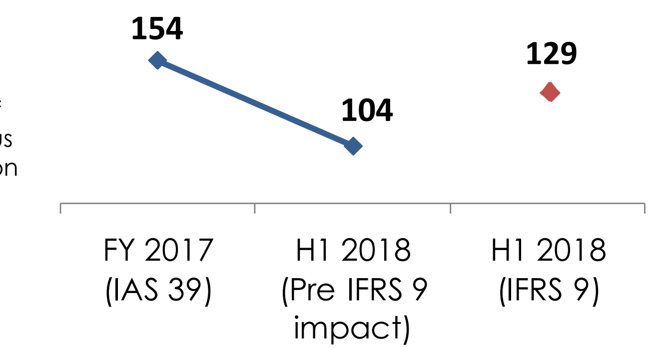
LOAN LOSS PROVISIONS

Loan Loss Provisions



Cost of credit



- H1 2018 LLPs of €686.5m include the impact of €128.9m coming from the application of the IFRS 9 accounting principle (€66m in Q1 and €63m in Q2)
- LLPs pre-IFRS 9 are down by 13.8% y/y , corresponding to an annualized cost of credit of 104bps. This level includes some seasonal effects concentrated in H1 2018 and the impact of Exodus
- In Q2 2018, LLPs (post IFRS 9) stood at €360m, up by 10.4% vs. Q1, including €54m of impact from the Exodus transaction, due to the unexpected turmoil registered in the financial markets, with a negative effect on the pricing of the Mezzanine & Junior notes

Notes:
1. The IFRS 9 impact is due to due to the reclassification to NII of +€78m of PPA reversal on Bad Loans and of +€51m of time value reversal of Bad Loans and Accrual interest on Net UTP.

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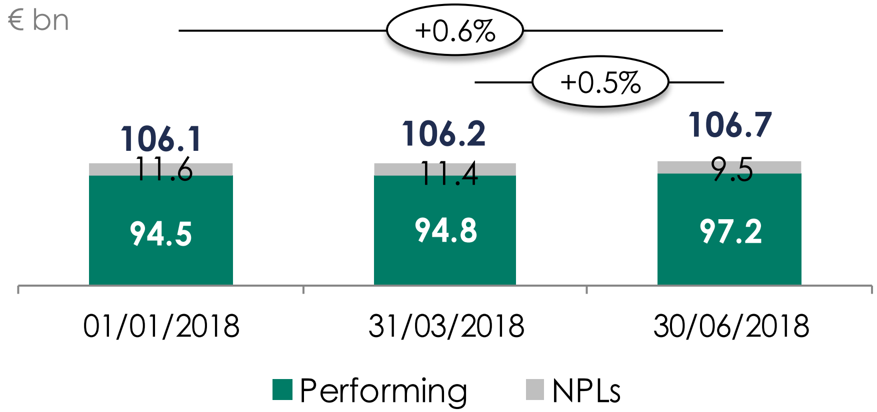
CUSTOMER LOANS

Net Customer Loans[1]



CHANGE	In % vs. 01/01/18	In % vs. 31/03/18
Performing loans	**2.9%**	**2.6%**
Performing loans excl. Exodus senior notes	1.1%	0.8%
NPLs	***-18.1%***	***-16.4%***
TOTAL	**0.6%**	**0.5%**

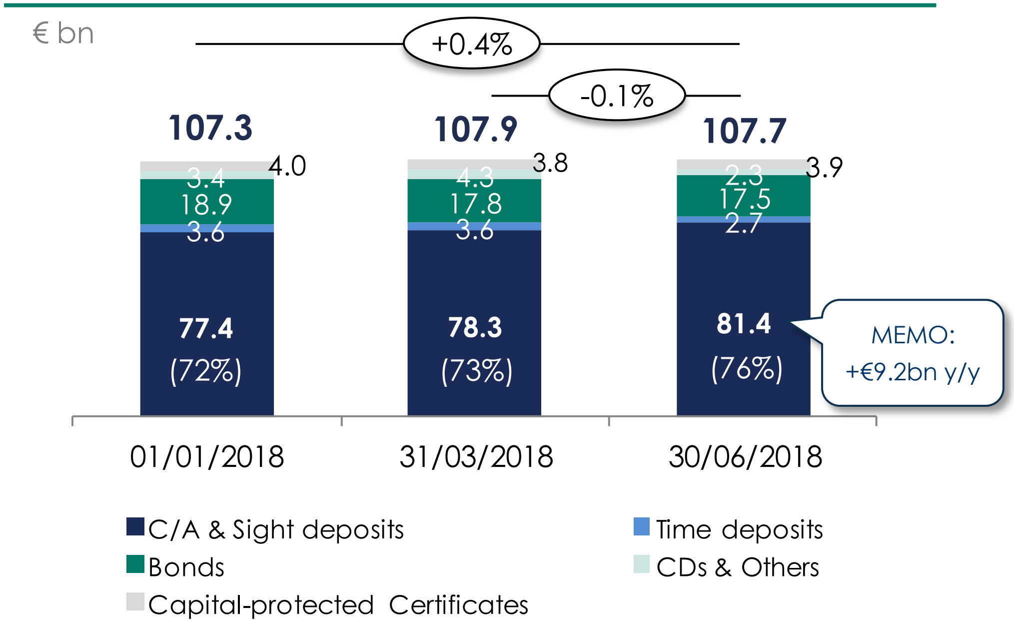
- Trend of total Net Customer Loans impacted by the solid derisking (disposal of Bad Loans and workout)
- Performing customer loans are up 2.9% vs. 01/01/2018 and 2.6% in Q2
- Even when excluding the subscription of €1.7bn on Exodus Senior Notes, performing loans are up by 1.1% YTD and 0.8% Q/Q, with a positive trend registered in "Core customer loans"[2], especially in Q2 (+1.2%), thanks to Mortgage loans (+1.0%) and Other loans (+3.9%). In particular, a positive trend has been registered in Corporate (+3.9%)[3]
- €9.0bn of new mortgage and personal loans granted in the period (€1.8bn to Households and €7.2bn to Corporate)[3]
- Further acceleration in volume growth continued at the beginning of Q3, especially in the corporate area.

Notes:
1. Customer loan data refer to Loans and advances to customers measured at Amortized Cost, including also the Exodus senior notes
2. Core customer loans include Mortgage Loans, Current Accounts, Cards & Personal Loans and Other technical forms.
3. Internal management data. 'Corporate' includes SMEs, Large Corporates, Institutional Customers and Third Sector.

DIRECT FUNDING

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

Direct funding[1] (*without Repos*)



CHANGE	In % vs. 01/01/18	In % vs. 31/03/18
C/A & Sight deposits	5.2%	4.0%
Time deposits	-25.2%	-25.7%
Bonds	-7.6%	-1.9%
CDs & Others	-33.7%	-47.2%
Cap.-protected Certificates	-2.6%	1.4%
Direct Funding (excl. Repos)	**0.4%**	**-0.1%**

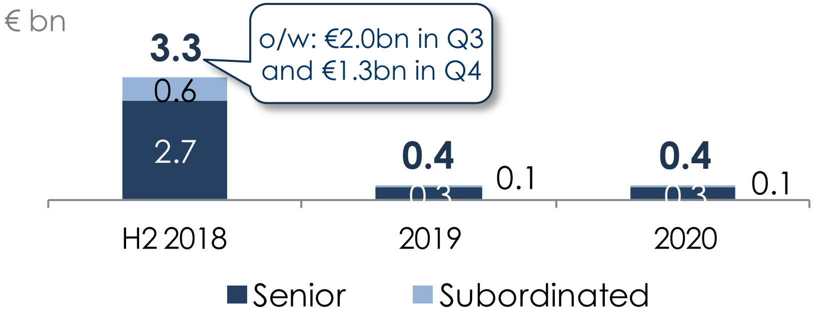
- Direct funding up by €0.4bn vs. 01/01/18 and substantially stable in Q2 (-€0.1bn)
- Positive dynamic of C/A and sight deposits (+5.2% vs. 01/01/18 and +4.0% in Q2), now representing 76% of Direct funding (up from 68% as at 30/06/17), also benefitting from retail bond maturities
- Decrease in more expensive components (bonds -7.6% vs. 01/01/18 and -1.9% in Q2), with no impact on total direct funding

Notes:
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 (€5.8bn at June 2018, basically transactions with Cassa di Compensazione e Garanzia).
Data include the volumes of the custodian banking activity, which is going to be sold in Q3 2018.

BOND MATURITIES

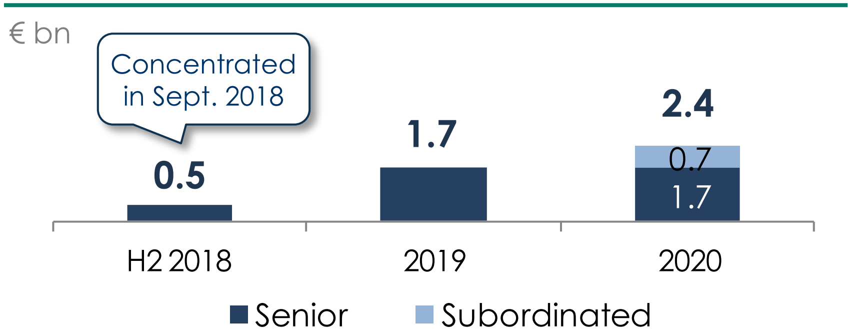
The Group will maintain a robust funding structure and a balanced ALM profile, while further optimizing the cost of funding and developing AUM

Retail bond maturities



- Retail maturities will continue to sustain the growth of Deposits and AUM, supporting both NII and Commissions

Institutional bond maturities



- Manageable amount of institutional bond maturities, considering both the issuance capacity of the Group and the strong liquidity position (~€19bn unencumbered assets)
- Successful new issuance activity on wholesale markets:
  - Covered Bond issues of €750m in January and €500m in July 2018
  - Senior Bond issue of €500m in April 2018

- Average spread of bonds maturing until 2020: ~2.6%

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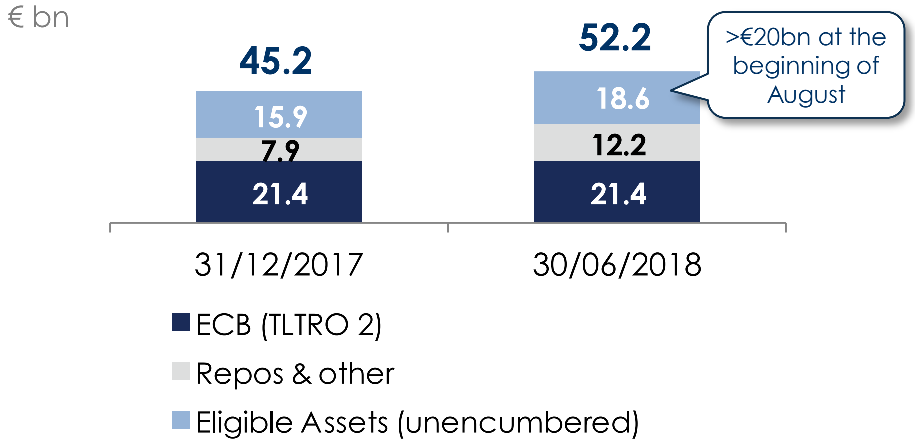
Note:
Managerial data based on nominal amounts, including calls.

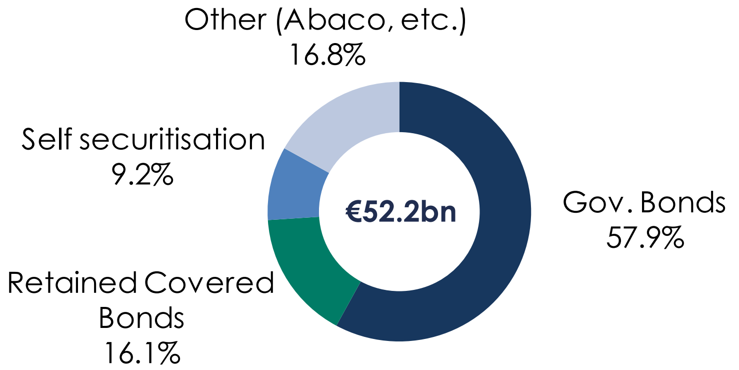
STRONG LIQUIDITY POSITION

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

Use of eligible assets and liquidity buffer

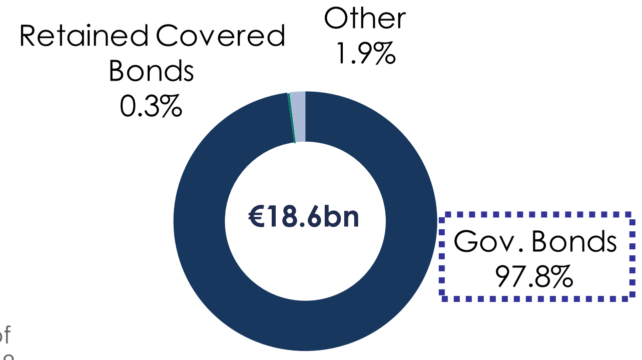


Breakdown of total eligible assets as at 30/06/2018



- Relevant amount of unencumbered assets, at €18.6bn at the end of June 2018 (+€2.7bn in H1), composed almost entirely of Government bonds and increased to >€20bn at the beginning of August
- **LCR >135%; NSFR >100%** [1]

Breakdown of unencumbered assets as at 30/06/2018



Notes:
Management accounting data, net of haircuts. Inclusive of assets received as collateral. Eligible assets as at 30/06/2018 are net of €1.3bn of Government securities lending on the market unsecured and callable within 35days
1. Monthly LCR as at June 2018; Monthly NSFR based on management data as at June 2018.

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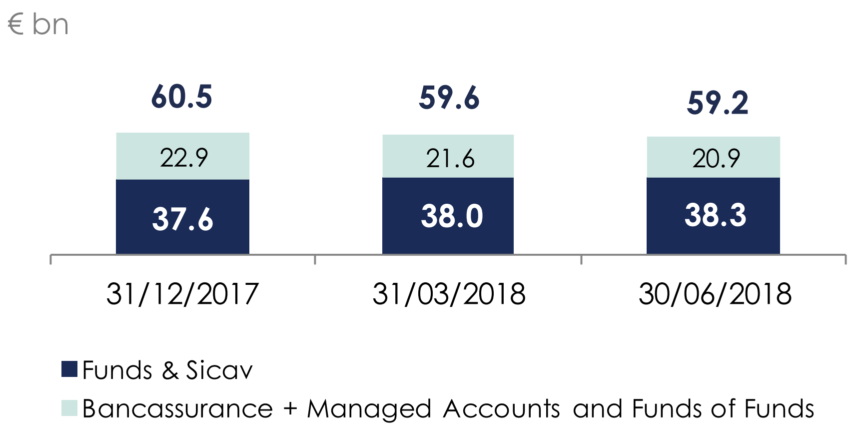
INDIRECT FUNDING

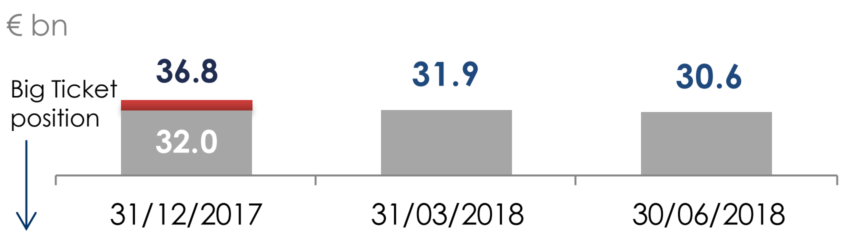
Strong performance of 'Funds and Sicav'
Big impact from market performance, especially on AuC

Assets under Management



- Good growth in 'Funds and Sicav' confirmed at €38.3bn (+5.8% y/y and +0.9% q/q), corresponding to 65% of total AuM (62% at YE 2017)
- Decrease registered in 'Bancassurance + Managed Accounts and Funds of Funds', being also temporarily impacted by the reorganisation of the bancassurance JV and by market pricing
- Excluding the market price effect registered in H1 2018, AuM decrease by €0.7bn YTD (-1.1%)

Assets under Custody[1]



Outflow in Q1 2018 of €4.8bn related to a "Big-Ticket" position of one institutional client

- In Q1 2018, AuC registered the outflow of one big institutional client (€4.8bn as at 31/12/2017), with negligible margin contribution.
- On a like-for-like basis[2] and excluding the market pricing effect registered in H1 2018, AuC grew by 0.2bn YTD (+0.6%)

Note:
1. AuC net of capital-protected certificates , as they have been regrouped under Direct Funding (see slide 27).
2. Excluding the effect of the extraordinary €4.8bn outflow.

TOTAL CORE FUNDING: GROWTH DESPITE MARKET TURMOIL

€ bn	01/01/2018	30/06/2018	Chg.
C/A & Sight Deposits	77.4	81.4	+4.0
AUM	60.5	59.2	-1.3
AUC [1]	32.0	30.6	-1.4
TOTAL CORE FUNDING	169.9	171.2	+1.3

+€3.5bn excluding the market price effect registered in H1 2018

Notes:
1. AUC excludes Capital-protected Certificates and, as from 01/01/2018, excludes also €4.8bn of volumes related to one big-Ticket position of an institutional client who left our Group in Q1 2018. See slide 30 for more details.

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SECURITIES PORTFOLIO

Prudent diversification, support NII and solid liquidity level

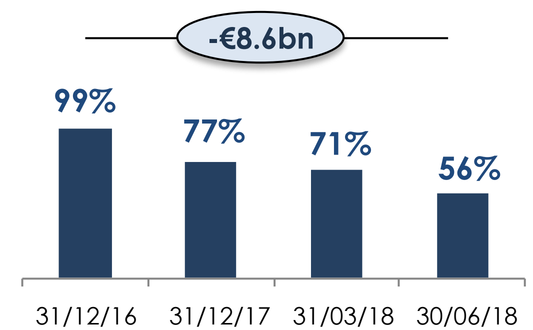
Nominal amount including short positions down to €17.7bn, o/w €1.2bn mainly short term trading positions – average maturity less than 12 months – in the portfolio of the investment bank

Analysis of the Securities Portfolio

€ bn	30/06/18	31/03/18	01/01/18	Chg. vs. 01/01/18 Value	Chg. vs. 01/01/18 %	Chg. vs. 31/03/18 Value	Chg. vs. 31/03/18 %
Debt securities	36,1	32,0	30,3	5,8	19,2%	4,1	12,8%
- o/w Total Govies	30,4	26,3	25,3	5,1	20,3%	4,2	15,9%
- o/w: Italian Govies	**18,9**	**19,0**	**20,8**	**-1,8**	**-8,8%**	**-0,1**	**-0,5%**
Equity securities and Open-end funds & Private equity	2,4	2,0	2,2	0,2	10,1%	0,3	16,0%
TOTAL	**38,5**	**34,0**	**32,4**	**6,0**	**18,6%**	**4,4**	**13,0%**

- Increased diversification of the government bond portfolio:
  - Italian Govies: -€1.8bn vs. 01/01/18 (-€7.7bn vs. YE 2016)
  - Non-Italian Govies at 38% of total: primarily France (14%), USA (9%), Germany (8%), followed by Spain (6%)
- Italian Govies: 49% of total securities portfolio (vs 64% as at end-2017); 44% in HTCS, 47% in HTC and 8% in FVTPL
- Italian Govies in HTCS: -€0.8bn in Q2, at 56% of total Govies in HTCS (vs. 71% in as at 31/03/2018 and 99% at YE 2016), with a modified duration of ~3.45 years[1]
- Gross HTCS reserve on debt securities at about -€200m, impacted mainly by the worsening of the spread of Italian Govies vs. about +€220m as at March 2018 and +€165m as at Dec. 2017.

Declining weight of Italian Govies on Total Govies in HTCS



Note:
1. Management accounting data, excluding Banca Akros perimeter. IFRS 9 compliant data.

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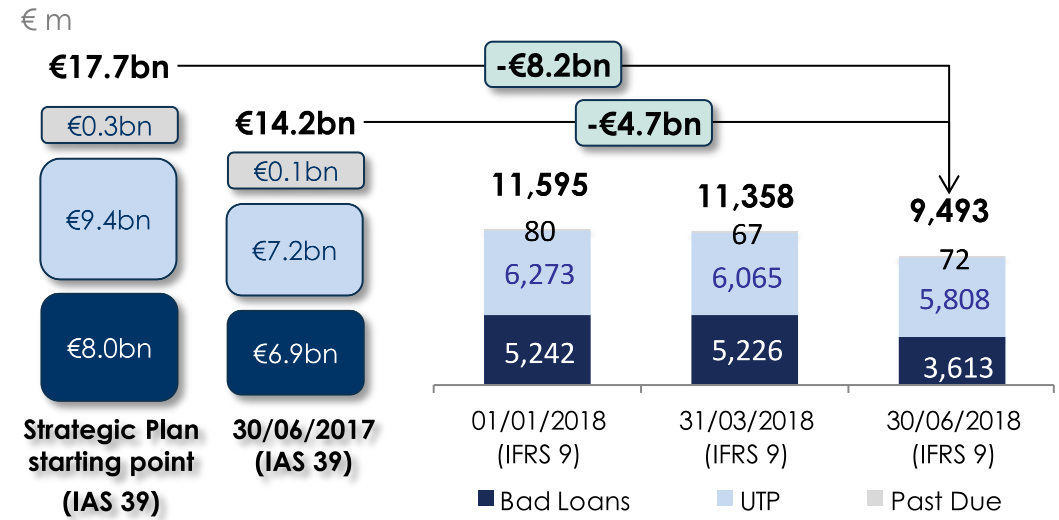
NPL STOCK REDUCTION PROGRESSING WELL

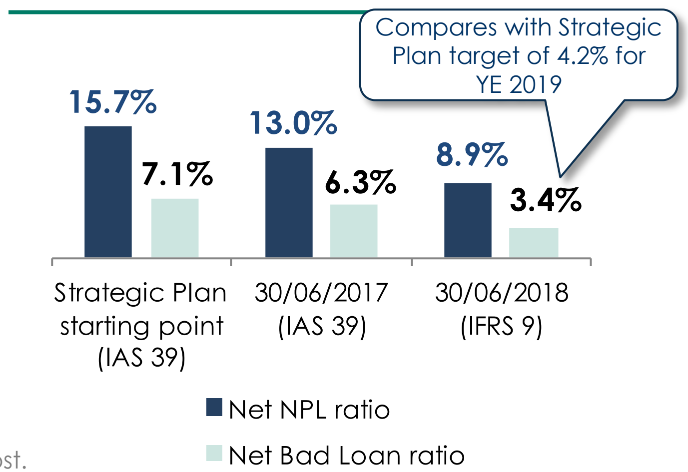
Net NPLs reduced by more than €8bn vs. the Strategic Plan starting point: almost halved since then, with net Bad Loans more than halved

Net NPLs [1]



CHANGE €/m and %	Chg. vs. 01/01/18		Chg. vs. 31/03/18	
	Value	%	Value	%
Bad Loans	-1,628	-31.1%	-1,612	-30.9%
UTP	-465	-7.4%	-257	-4.2%
Past Due	-9	-10.8%	5	7.4%
TOTAL NPLs	**-2,102**	**-18.1%**	**-1,865**	**-16.4%**

Evolution of Net NPL and Net Bad Loan ratios



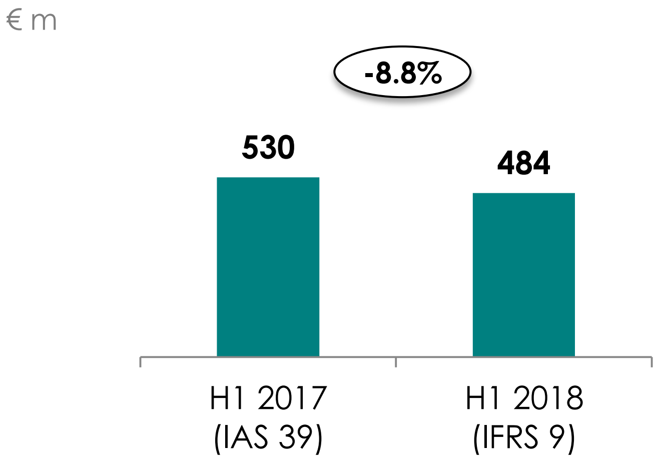
- Net NPL down by €2.1bn vs. 01/01/2018, thanks to the Exodus transaction, but also to UTPs reduction (-€0.5bn), confirming the good performance of NPL management and the normalization in asset quality trends
- Net NPL ratio at 8.9% and Net Bad Loan ratio at 3.4%, set to improve further after the completion of the revised derisking plan (remaining ~€3.5bn of €13bn)

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

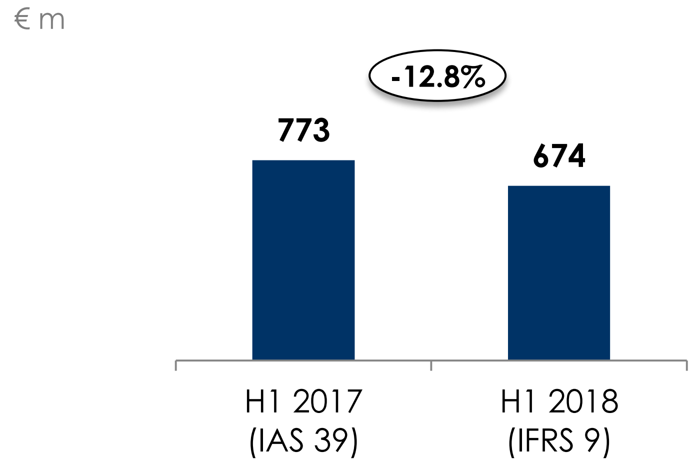
Notes:
1. It is noted that, as at 01/01/2018, €0.2bn Net UTP loans were reclassified from Customer Loans measured at Amortized Cost to Other Financial Assets. The IFRS 9 FTA impact on net NPLs (specifically on Bad Loans) for new Impairment models has translated into a reduction of €1.2bn as at 01/01/2018.

GOOD TREND IN NPL FLOWS CONFIRMED…

Net flows to NPLs



Inflows from UTP Loans to Bad Loans



- Good decrease in net flows to NPLs: -8.8% y/y
- Inflows from UTP Loans do Bad Loans down by 12.8% y/y, confirming the normalisation in asset quality trends

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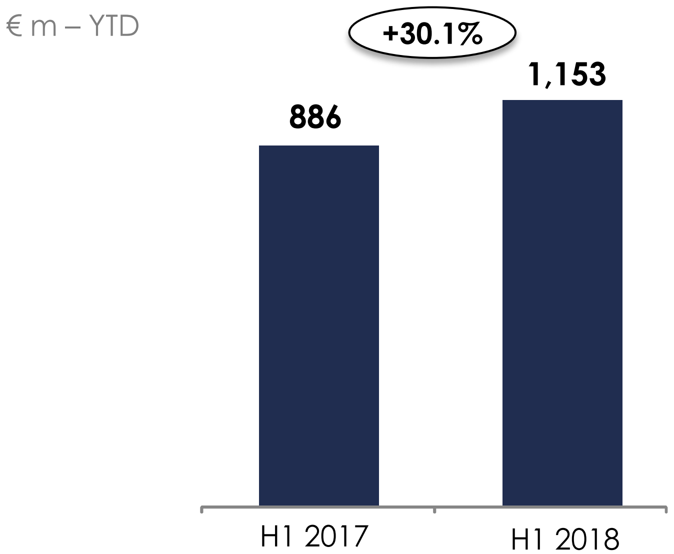
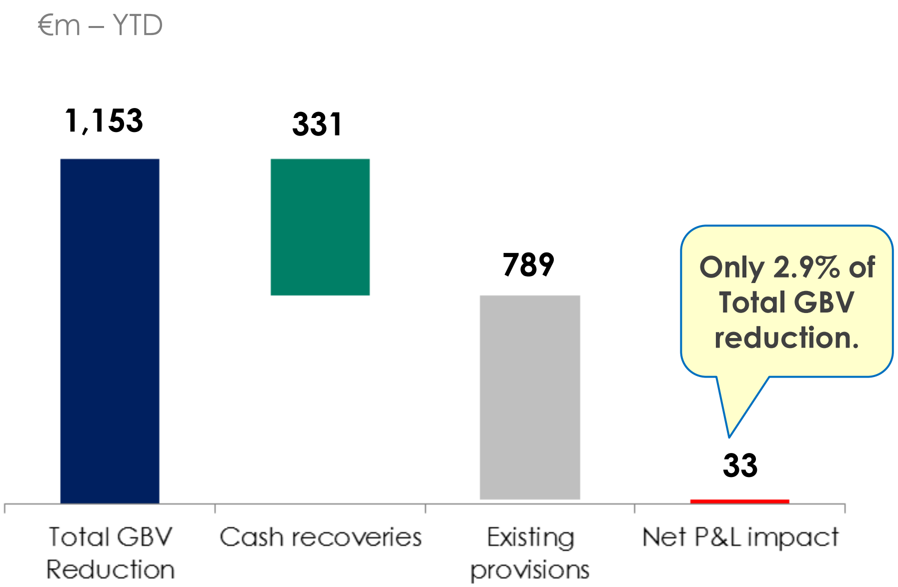
… AND EFFECTIVE WORKOUT ACTIVITY ON BAD LOANS

Delta GBV from Bad Loans Workout (Cancellations & Recoveries)



	H1 2017	H1 2018
Recovery Rate (annualised)	3.5%	4.2%
GBV reduction from internal workout on GBV	4.8%	7.3%

Cost of organic Bad Loans GBV reduction

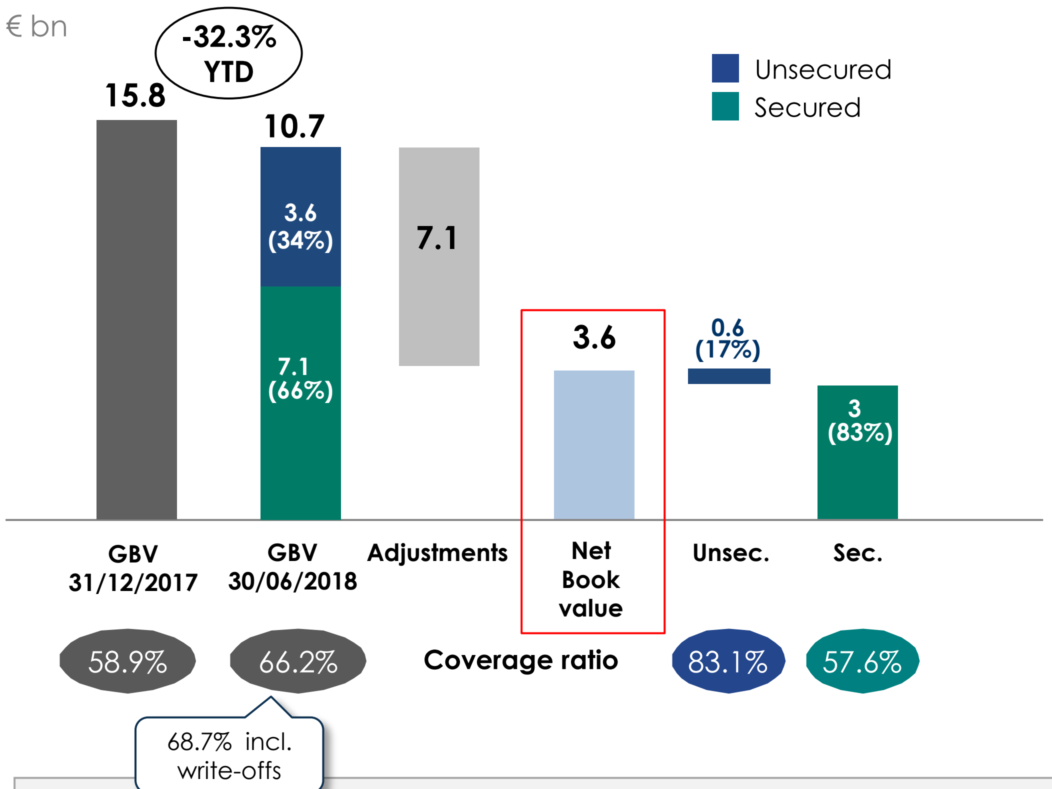


- In H12018, the recovery rate is materially higher than in H1 2017
- The workout activities had only a very limited impact on the cost of credit

Note: Internal management data. Includes gains on closed positions and recoveries on single name disposals.

FOCUS ON BAD LOANS: DETAILED ANALYSIS

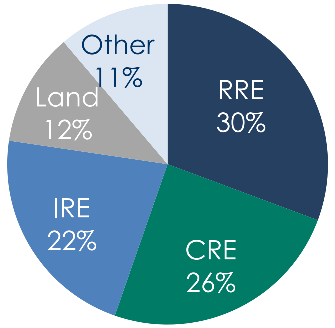
Bad Loans: evolution and composition



- Secured/Unsecured composition in terms of GBV (66%/34%) well above industry average (50%/50%)[1], with the share of secured Bad Loans stable in Q1 2018
- Accounting coverage to 83.1% for unsecured positions and to 57.6% for secured positions

Collateral composition

Fair Value of collateral: €8.9bn



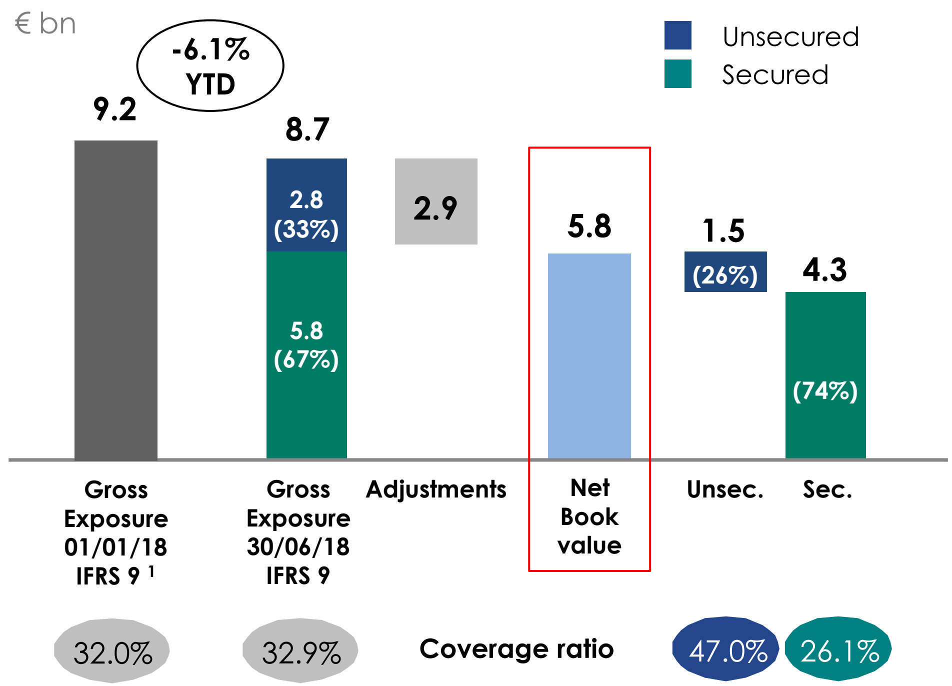
Coverage with collateral[2]

$\frac{\text{FV Collateral + Coverage}}{\text{GBV}}$	110%
$\frac{\text{FV Collateral}}{\text{Net Value}}$	125%

Notes:
1. Report PWC "The Italian NPL market – What's next?", June 2018.
2. Collateral FV capped at nominal value.

FOCUS ON UTP LOANS: DETAILED ANALYSIS

UTP analysis



Breakdown of Net UTP Loans

		30/06/2018	01/01/2018	% Chg.
Total net UTP		**5.8**	**6.3**	**-7.4%**
o/w:	**Restructured**	**2.6**	**2.6**	**-2.3%**
	- Secured	*1.6*	*1.6*	*-4.7%*
	- Unsecured	*1.0*	*1.0*	*1.7%*
o/w:	**Other UTP**	**3.2**	**3.6**	**-10.4%**
	- Secured	*2.7*	*3.1*	*-10.8%*
	- Unsecured	*0.5*	*0.5*	*-8.0%*

- Solid level of coverage for the unsecured UTP: 47.0%
- Net Restructured loans (€2.6bn) account for 44.3% 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

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CONSERVATIVE COVERAGE LEVELS MAINTAINED

Coverage strengthened mainly thanks to the IFRS 9 FTA

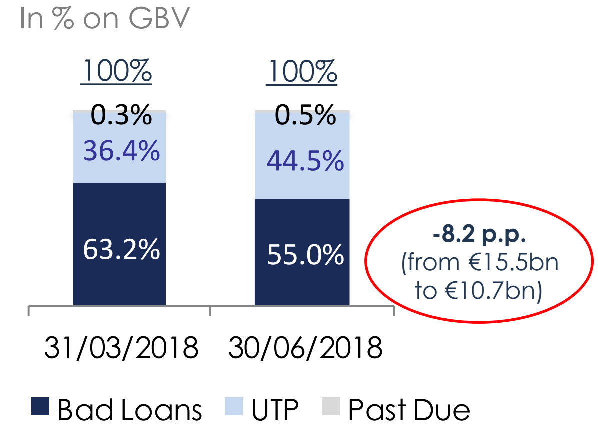
NPL coverage

Includes IFRS 9 FTA impact

68.7% incl. write-offs

	30/06/2018 (IFRS 9)	31/03/2018 (IFRS 9)	Var. vs. 31/12/17 (in p.b.)	Var. vs. 31/03/18 (in p.b.)	MEMO 31/12/2017 (IAS 39)
Bad Loans	66.2%	66.4%	+730bps	-20bps	58.9%
UTP Loans	32.9%	32.2%	+60bps	+70bps	32.3%
Past Due Loans	19.0%	15.3%	+330bps	+370bps	15.7%
NPLs	51.2%	53.8%	+240bps	-260bps	48.8%

NPL composition



	Coverage Secured	Coverage Unsecured
Bad Loans	58%	83%
UTP Loans	26%	47%

- NPL coverage at 51.2% (+240bps vs. YE 2017), mainly leveraging on the IFRS 9 FTA on Bad Loans, which reach a coverage of 66.2% (+730bps vs. YE 2017), paving the way for the acceleration of the derisking plan
- The decrease in NPL coverage in Q2 reflects the strong reduction achieved in the Bad Loan category (55.0% of total gross NPLs as at 30/06/2018, down from 63.2% as at 31/03/2018), with a further increase registered in the coverage of UTP (+70bps q/q) and Past Due loans (+370bps q/q)

Notes:
2018 Customer Loan data refer to Loans and advances to customers measured at Amortized Cost.
The IFRS 9 FTA impact on NPLs coverage (specifically on Bad Loans) for new Impairment models has translated into an increase of NPL Adjustments of €1.2bn as at 01/01/2018.

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CET1 RATIO: EVOLUTION DETAILS

Proforma CET 1 ratio at 13.5% phased-in and at 11.4% FL

	31/12/2017	31/03/2018	Transfer of the insurance reserves mgmt. + Q2 performance	Variation of gross HTCS reserves and other related impact[1]	30/06/2018 STATED	Capital Management Actions already signed and to be finalised in Q3 2018:	30/06/2018 PROFORMA
CET 1 FL	11.9%	11.5%	+18bps	-84bps	10.8%	+53bps	11.4%
	RWA: €75.8bn	**RWA: €65.7bn**			**RWA: €66.6bn**	▪ SALE OF CUSTODIAN BANK ▪ GACS ON SENIOR NOTES OF THE EXODUS TRANSACTION	**RWA: €65.6bn**
CET 1 phased-in	11.9%	13.5%			12.9%		13.5%
	01/01/2018	**STATED**			**STATED**		**PROFORMA**

- Satisfactory capital position, with Proforma CET 1 ratio FL at 11.4%, notwithstanding the full impact of the IFRS 9 FTA and the recent financial market turmoil (impacting the HTCS reserves), benefitting from a series of capital management actions
- Temporary negative impact from the change in value of the HTCS reserve, resulting from the sovereign spread crisis (-84bps in Q2)[1]
- Proforma CET 1 phased-in at 13.5% (Stated at 12.9%), benefitting from the 5-year phasing of the IFRS 9 impact

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Notes:
1. See slide 42 for details.

VARIATION IMPACT OF HTCS RESERVES

€ m	Q2 2018 (absolute values)	Q2 2018 (in bps)
Variation of HTCS reserves gross of tax	-489.8	-72 bps
of which (main elements):		
- Government bonds	*-370.5*	*-54 bps*
- Other bonds	*-63.6*	*- 9 bps*
- Anima equity investment	*-35.2*	*- 5 bps*
Tax effects deriving from the recognition of new DTA	147.4	+22 bps
Variation of HTCS reserves net of tax	**-324.4**	**-50 bps**
DTA to be deducted from CET1 as exceeding the threshold	-147.4	- 22 bps
Lowering of the threshold	-86.5	-12 bps
TOTAL IMPACT AT CET 1 FL	**-576.3**	**-84bps**

Theoretical impact not considering the CRR threshold (17.65% of CET1 capital FL), which limits the aggregate amount of DTA and investments in financial institutions

The aggregate amount of DTA and investments in financial institutions was above the indicated threshold already before the variation of HTCS reserves. As a consequence, new DTAs recognized in the balance sheet as a result of the variation in the HTCS reserves do not allow to reduce the negative impact on CET1 capital

Moreover, the negative variation of the HTCS reserves gives rise to a reduction in the threshold itself, given that the latter is calculated on the CET1 capital including the negative variation of the HTCS reserves

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CONCLUSIONS

Integration/rationalisation/simplification:

- Effective achievement delivered at a fast pace in all key areas (IT, business integration, new commercial model, streamlining)
- New goals set for the further strengthening of operational effectiveness (e.g. merger of BPM S.p.A. into the parent bank in Q3 2018; 214 additional branch closures in H2 2018 within a digital and omnichannel transformation approach)

Derisking:

- Net Bad Loan ratio at 3.4% as at 30/06/2018 (vs. original Strategic Plan target of 4.2% for YE 2019)
- Cumulative Bad Loan disposals of ~€9.5bn already achieved ahead of schedule: 73% of target (raised to €13bn)
- Additional remaining disposals of at least ~€3.5bn (with shortlist of three bidding consortia)

Sound balance sheet strategy:

- Diversification of the financial portfolio (share of Italian govies down to 56% of total govies classified in HTCS)
- Enhanced low-cost funding strategy (C/A & sight deposits up at 76% of total direct customer funds)
- Satisfactory capital position: CET 1 proforma ratios at 13.5% phased-in and at 11.4% FL (notwithstanding the significant negative impact from the variation of HTCS reserves in Q2 2018)

Strong delivery in cost efficiency:

- Adjusted Operating Costs: -4.6% y/y, leveraging on the achievement of higher cost synergies: new target of €400m expected to be achieved fully from 2019
- Headcount reduction of 2,282 already achieved since the starting point of the Strategic Plan (more than 9% of the total), with additional exits of 314 to be achieved in Dec. 2018, via the Solidarity Fund

Building a new profile in terms of competitive strength, with a sound profile in terms of balance sheet, risk and capital, with significant room to strengthen the Group's underlying core profitability.

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Annexes

RECLASSIFIED BALANCE SHEET AS AT 30/06/2018

Reclassified assets (€ m)	A 30/06/2018	B 31/03/2018	C 01/01/2018 restated	MEMO 31/12/2017 (IAS39)	Chg. A/C Value	Chg. A/C %	Chg. A/B Value	Chg. A/B %
Cash and cash equivalents	796	830	977	977	-180	-18.5%	-33	-4.0%
Loans and advances measured at AC	112,041	111,839	111,045	112,682	996	0.9%	202	0.2%
- Loans and advances to banks	*5,310*	*5,670*	*4,937*	*4,939*	*373*	*7.6%*	*-360*	*-6.4%*
- Loans and advances to customers (*)	*106,731*	*106,168*	*106,108*	*107,743*	*623*	*0.6%*	*563*	*0.5%*
Other financial assets	41,049	36,280	34,885	34,533	6,164	17.7%	4,768	13.1%
- Assets measured at FV through PL	*7,977*	*6,251*	*6,417*	*5,185*	*1,560*	*24.3%*	*1,726*	*27.6%*
- Assets measured at FV through OCI	*19,018*	*16,712*	*16,750*	*17,129*	*2,268*	*13.5%*	*2,306*	*13.8%*
- Assets measured at AC	*14,054*	*13,317*	*11,718*	*12,220*	*2,336*	*19.9%*	*736*	*5.5%*
Equity investments	1,355	1,369	1,257	1,349	98	7.8%	-14	-1.0%
Property and equipment	2,733	2,756	2,735	2,735	-2	-0.1%	-22	-0.8%
Intangible assets	1,295	1,304	1,297	1,297	-2	-0.2%	-9	-0.7%
Tax assets	4,904	4,852	4,897	4,520	6	0.1%	51	1.1%
Non-current assets held for sale and discont. operations	45	5	106	106	-61	-57.7%	40	859.0%
Other assets	2,811	3,018	3,007	3,007	-196	-6.5%	-208	-6.9%
Total	**167,029**	**162,253**	**160,206**	**161,207**	**6,823**	**4.3%**	**4,776**	**2.9%**

Reclassified liabilities (€ m)	A 30/06/2018	B 31/03/2018	C 01/01/2018 restated	MEMO 31/12/2017 (IAS39)	Chg. A/C Value	Chg. A/C %	Chg. A/B Value	Chg. A/B %
Due to banks	31,551	29,555	27,199	27,199	4,351	16.0%	1,995	6.8%
Direct Funding	109,718	107,056	107,525	107,510	2,193	2.0%	2,662	2.5%
- Deposits from customers (**)	91,872	88,683	87,848	87,848	4,024	4.6%	3,189	3.6%
- Debt securities and financial liabilities desig. at FV	17,846	18,373	19,677	19,662	-1,831	-9.3%	-527	-2.9%
Other financial liabilities designated at FV	8,964	8,414	8,704	8,708	260	3.0%	550	6.5%
Liability provisions	1,532	1,563	1,617	1,580	-85	-5.3%	-31	-2.0%
Tax liabilities	606	663	692	669	-85	-12.4%	-57	-8.6%
Liabilities associated with assets held for sale	0	0	0	0	0	-100.0%	0	-100.0%
Other liabilities	3,771	3,872	3,576	3,576	195	5.5%	-101	-2.6%
Minority interests	53	55	58	63	-5	-8.8%	-2	-4.3%
Shareholders' equity	10,834	11,074	10,835	11,900	-1	0.0%	-240	-2.2%
Total	**167,029**	**162,253**	**160,206**	**161,207**	**6,823**	**4.3%**	**4,776**	**2.9%**

Note:
* "Customer loans" include Exodus Senior Notes.
** "Deposits from customers" include also Custodian Bank, which is going to be disposed.

RECLASSIFIED BALANCE SHEET AS AT 01/01/2018 (IFRS 9) VS. 31/12/2017 (IAS 39)

Reconciliation statement between balances at 31.12.2017 and balances at 01.01.2018 restated in compliance with IFRS 9 and IFRS 15

		FTA IFRS 9					
(€/000)	**31/12/2017**	**Classification (a)**	**Measurement impacts (b)**	**ECL impacts (c)**	**FTA IFRS 9 impacts**	**FTA IFRS 15 impact**	**01/01/2018 Restated**
Cash and cash equivalents	976,686				-		976,686
Financial assets at amortised cost	112,681,902	-314,696	-	-1,322,458	-1,637,154		111,044,748
- Due from banks	4,939,223			-2,716	-2,716		4,936,507
- Customer loans	107,742,679	-314,696		-1,319,742	-1,634,438		106,108,241
Financial assets and hedging derivatives	34,533,172	314,696	50,405	-13,475	351,626		34,884,798
- Financial assets designated at FV through P&L	5,184,586	1,251,406	-18,909		1,232,497		6,417,083
- Financial assets designated at FV through other comprehensive income	17,128,622	-430,150	51,600		-378,550		16,750,072
- Financial assets at amortised cost	12,219,964	-506,560	17,714	-13,475	-502,321		11,717,643
Equity investments	1,349,191		-92,348		-92,348		1,256,843
Property and equipment	2,735,182				-		2,735,182
Intangible assets	1,297,160				-		1,297,160
Tax assets	4,520,189		923	370,675	371,598	5,610	4,897,397
Non-current assets held for sale and discontinued operations	106,121				-		106,121
Other assets	3,007,162				-		3,007,162
Total ASSETS	**161,206,765**	**-**	**-41,020**	**-965,258**	**-1,006,278**	**5,610**	**160,206,097**
Due to banks	27,199,304				-		27,199,304
Direct funding	107,509,849		15,254		15,254		107,525,103
- Due to customers	87,848,146				-		87,848,146
- Debt securities issued and financial liabilities designated at fair value	19,661,703		15,254		15,254		19,676,957
Other financial liabilities designated at fair value	8,707,966		-3,618		-3,618		8,704,348
Liability provisions	1,580,461			16,451	16,451	20,400	1,617,312
Tax liabilities	669,494		21,037	1,192	22,229		691,723
Liabilities associated with assets held for sale	35				-		35
Other liabilities	3,576,116				-		3,576,116
Total LIABILITIES	**149,243,225**	**-**	**32,673**	**17,643**	**50,316**	**20,400**	**149,313,941**
Minority interests	63,310			-5,743	-5,743		57,567
Shareholders' equity	11,900,230	-	-73,693	-977,158	-1,050,851	-14,790	10,834,589
CONSOLIDATED SHAREHOLDERS' EQUITY	**11,963,540**	**-**	**-73,693**	**-982,901**	**-1,056,594**	**-14,790**	**10,892,156**

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

IFRS 9 FTA FINAL IMPACT: OPPORTUNITY TO ACCELERATE DERISKING ON BAD LOANS & STRENGTHEN FUTURE PROFITABILITY

IFRS 9 First Time Application (FTA) impact: -€1,406m pre-tax (€1,057m 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: -€107m**
- **application of new classification and measurement rules: +€39m**
- **application of IFRS 9 by associates: -€92m**

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 -182 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)
- Pave the way for a normalisation of the cost of risk, with positive implications for the bottom line result

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QUARTERLY ANALYSIS OF STATED RECLASSIFIED P&L

Including PPA line-by-line

Due to the application of the IFRS9 principle, 2018 figures are only partially comparable with 2017

Reclassified income statement (in euro million)	Q2 2018 (IFRS 9)	Q1 2018 (IFRS 9)	Q4 2017 (IAS 39)	Q3 2017 (IAS 39)	Q2 2017 (IAS 39)	Q1 2017 (IAS 39)
Net interest income	585.0	595.1	528.8	524.9	511.1	548.6
Income (loss) from investments in associates carried at equity	33.4	42.6	45.2	38.9	40.4	41.6
Net interest, dividend and similar income	**618.4**	**637.7**	**573.9**	**563.9**	**551.5**	**590.2**
Net fee and commission income	451.0	476.5	472.1	458.9	503.6	515.8
Other net operating income	130.0	24.2	24.7	29.4	14.4	30.3
Net financial result	80.2	29.3	41.9	13.0	63.3	36.9
Other operating income	**661.2**	**530.0**	**538.7**	**501.3**	**581.3**	**582.9**
Total income	**1279.6**	**1167.7**	**1112.7**	**1065.1**	**1132.8**	**1173.1**
Personnel expenses	-437.1	-442.1	-420.8	-450.6	-456.7	-456.7
Other administrative expenses	-203.1	-211.5	-204.7	-236.3	-233.1	-198.3
Amortization and depreciation	-49.0	-47.9	-95.5	-62.2	-56.4	-52.9
Operating costs	**-689.2**	**-701.5**	**-721.0**	**-749.1**	**-746.2**	**-707.9**
Profit (loss) from operations	**590.4**	**466.2**	**391.7**	**316.1**	**386.6**	**465.2**
Net adjustments on loans to customers	-360.2	-326.2	-673.1	-340.8	-354.5	-292.5
Net adjustments on other assets	-1.6	2.2	-12.7	-48.3	-70.8	-8.4
Net provisions for risks and charges	-20.7	-25.0	-9.2	4.6	-9.6	0.5
Profit (loss) on the disposal of equity and other investments	-1.1	179.7	12.1	0.3	-3.8	17.1
Income (loss) before tax from continuing operations	**206.8**	**296.9**	**-291.3**	**-68.1**	**-52.1**	**182.0**
Tax on income from continuing operations	-61.3	-25.9	101.8	34.8	1.1	-44.9
Systemic charges after tax	-18.4	-49.0	-6.2	-26.1	0.0	-45.0
Income (loss) after tax from discontinued operations	0.0	0.0	700.0	16.5	25.8	20.0
Income (loss) attributable to minority interests	2.2	1.4	0.9	1.4	4.3	3.1
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	**129.3**	**223.3**	**505.1**	**-41.5**	**-21.0**	**115.2**

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Excluding PPA line-by-line

QUARTERLY ANALYSIS OF STATED RECLASSIFIED P&L

Due to the application of the IFRS9 principle, 2018 figures are only partially comparable with 2017

Reclassified income statement (in euro million)	Q2 2018 (IFRS 9)	Q1 2018 (IFRS 9)	Q4 2017 (IAS 39)	Q3 2017 (IAS 39)	Q2 2017 (IAS 39)	Q1 2017 (IAS 39)
Net interest income	541.7	536.0	527.7	514.9	505.2	534.5
Income (loss) from investments in associates carried at equity	33.4	42.6	45.2	38.9	40.4	41.6
Net interest, dividend and similar income	**575.1**	**578.6**	**572.8**	**553.8**	**545.6**	**576.1**
Net fee and commission income	451.0	476.5	472.1	458.9	503.6	515.8
Other net operating income	140.5	34.6	36.4	41.0	25.6	42.2
Net financial result	80.2	29.3	41.9	13.0	63.3	36.9
Other operating income	**671.7**	**540.4**	**550.4**	**512.9**	**592.5**	**594.8**
Total income	**1246.8**	**1119.0**	**1123.2**	**1066.8**	**1138.1**	**1170.9**
Personnel expenses	-437.1	-442.1	-420.8	-450.6	-456.7	-456.7
Other administrative expenses	-203.1	-279.5	-204.7	-236.3	-233.1	-198.3
Amortization and depreciation	-46.1	-45.1	-91.7	-59.0	-53.3	-49.7
Operating costs	**-686.3**	**-766.6**	**-717.2**	**-745.9**	**-743.1**	**-704.7**
Profit (loss) from operations	**560.5**	**352.4**	**406.0**	**320.8**	**395.0**	**466.2**
Net adjustments on loans to customers	-360.2	-326.4	-735.8	-382.0	-403.8	-336.6
Net adjustments on other assets	-1.6	2.2	-12.7	-48.3	-70.8	-8.4
Net provisions for risks and charges	-20.7	-25.0	-9.2	4.6	-9.6	0.5
Profit (loss) on the disposal of equity and other investments	-1.1	179.7	12.2	0.2	-2.8	17.1
Income (loss) before tax from continuing operations	**176.9**	**183.0**	**-339.6**	**-104.7**	**-92.1**	**138.9**
Tax on income from continuing operations	-51.4	8.3	117.9	47.0	14.4	-30.6
Systemic charges after tax	-18.4		-6.2	-26.1	0.0	-45.0
Income (loss) after tax from discontinued operations	0.0	0.0	700.0	16.5	25.8	20.0
Income (loss) attributable to minority interests	2.2	1.4	0.9	1.4	4.3	3.1
Net income (loss) for the period excluding PPA, Badwill & Impairment of goodwill and client relationship	**109.3**	**192.6**	**472.9**	**-65.8**	**-47.7**	**86.4**
Purchase Price Allocation (PPA) after tax	19.9	30.6	32.2	24.3	26.7	28.8
Net income excluding Badwill & Impairment of goodwill and client relationship	**129.2**	**223.2**	**505.1**	**-41.5**	**-21.0**	**115.2**

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H1 2018 RECLASSIFIED P&L – IFRS 9 AND PPA IMPACTS

Reclassified income statement (in euro million)	A H1 2018 Stated	B o/w IFRS 9 *PPA Bad loans*	C *Reclassification net impact*	(B+C)	A-(B+C) H1 2018 pre-IFRS 9	D o/w *PPA*	A-(B+C+D) H1 2018 pre-FRS9 and without PPA line by line
Net interest income	1,180.1	*78.1*	50.9	128.9	1,051.2	*24.3*	1,026.8
Income (loss) from investments in associates carried at equity	76.0				76.0	*0.0*	76.0
Net interest, dividend and similar income	**1,256.1**	**78.1**	**50.9**	**128.9**	**1,127.2**	**24.3**	**1,102.8**
Net fee and commission income	927.5				927.5	*0.0*	927.5
Other net operating income	154.2	0.0			154.2	*-21.0*	175.1
Net financial result	109.5				109.5	*0.0*	109.5
Other operating income	**1,191.2**	**0.0**	**0.0**	**0.0**	**1,191.2**	**-21.0**	**1,212.1**
Total income	**2,447.3**	**78.1**	**50.9**	**128.9**	**2,318.4**	**3.4**	**2,315.0**
Personnel expenses	-879.1				-879.1	*0.0*	-879.1
Other administrative expenses	-414.6				-414.6	*0.0*	-414.6
Amortization and depreciation	-96.9	*0.0*			-96.9	*-5.8*	-91.2
Operating costs	**-1,390.7**	**0.0**	**0.0**	**0.0**	**-1,390.7**	**-5.8**	**-1,384.9**
Profit (loss) from operations	**1,056.6**	**78.1**	**50.9**	**128.9**	**927.7**	**-2.4**	**930.1**
Net adjustments on loans to customers	-686.5	*-78.1*	-50.9	-128.9	-557.5	*78.1*	-635.6
Net adjustments on other assets	0.6				0.6	*0.0*	0.6
Net provisions for risks and charges	-45.7				-45.7	*0.0*	-45.7
Profit (loss) on the disposal of equity and other investments	178.6				178.6	*0.0*	178.6
Income (loss) before tax from continuing operations	**503.7**	**0.0**	**0.0**	**0.0**	**503.7**	**75.7**	**428.0**
Tax on income from continuing operations	-87.3	*0.0*			-87.3	*-25.2*	-62.1
Systemic charges after tax	-67.4				-67.4	*0.0*	-67.4
Income (loss) after tax from discontinued operations	0.0				0.0	*0.0*	0.0
Income (loss) attributable to minority interests	3.6				3.6	*0.0*	3.6
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	**352.6**	**0.0**	**0.0**	**0.0**	**352.6**	**50.5**	**302.1**

352.6 post PPA

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ANNEXES

Q2 2018 RECLASSIFIED P&L – IFRS 9 AND PPA IMPACTS

Reclassified income statement (in euro million)	A Q2 2018 Stated	B o/w IFRS 9 *PPA Bad loans*	C *Reclassification net impact*	(B+C)	A-(B+C) Q2 2018 Pre-IFRS9	D o/w *PPA*	A-(B+C+D) Q2 2018 pre-IFRS9 and without PPA line by line
Net interest income	585.0	*39.8*	23.4	63.2	521.8	3.6	518.3
Income (loss) from investments in associates carried at equity	33.4				33.4	*0.0*	33.4
Net interest, dividend and similar income	**618.4**	**39.8**	**23.4**	**63.2**	**555.2**	**3.6**	**551.7**
Net fee and commission income	451.0				451.0	*0.0*	451.0
Other net operating income	130.0				130.0	*-10.5*	140.5
Net financial result	80.2				80.2	*0.0*	80.2
Other operating income	**661.2**	**0.0**	**0.0**	**0.0**	**661.2**	**-10.5**	**671.7**
Total income	**1279.6**	**39.8**	**23.4**	**63.2**	**1216.4**	**-6.9**	**1223.4**
Personnel expenses	-437.1				-437.1	*0.0*	-437.1
Other administrative expenses	-203.1				-203.1	*0.0*	-203.1
Amortization and depreciation	-49.0				-49.0	*-2.9*	-46.1
Operating costs	**-689.2**	**0.0**	**0.0**	**0.0**	**-689.2**	**-2.9**	**-686.3**
Profit (loss) from operations	**590.4**	**39.8**	**23.4**	**63.2**	**527.3**	**-9.8**	**537.1**
Net adjustments on loans to customers	-360.2	*-39.8*	-23.4	-63.2	-297.0	39.6	-336.7
Net adjustments on other assets	-1.6				-1.6	*0.0*	-1.6
Net provisions for risks and charges	-20.7				-20.7	*0.0*	-20.7
Profit (loss) on the disposal of equity and other investments	-1.1				-1.1	*0.0*	-1.1
Income (loss) before tax from continuing operations	**206.8**	**0.0**	**0.0**	**0.0**	**206.8**	**29.8**	**177.0**
Tax on income from continuing operations	-61.3				-61.3	*-9.9*	-51.4
Systemic charges after tax	-18.4				-18.4	*0.0*	-18.4
Income (loss) after tax from discontinued operations	0.0				0.0	*0.0*	0.0
Income (loss) attributable to minority interests	2.2				2.2	*0.0*	2.2
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	**129.3**	**0.0**	**0.0**	**0.0**	**129.3**	**19.8**	**109.4**

129.3 post PPA

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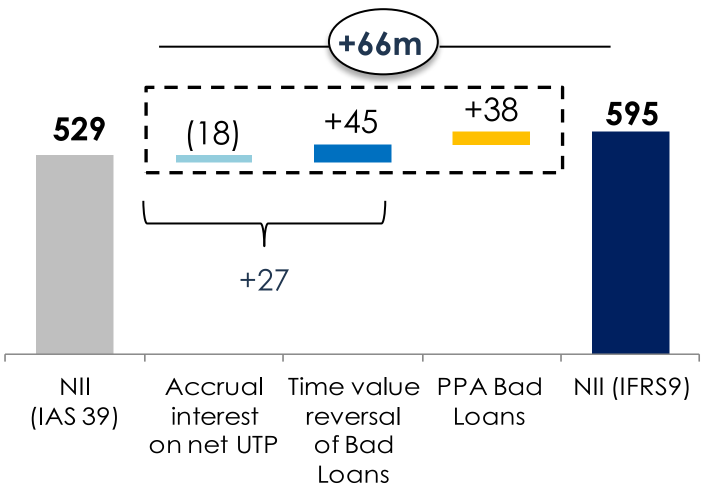
ANNEXES

IFRS9 RECLASSIFICATION OF ITEMS IN H1 2018

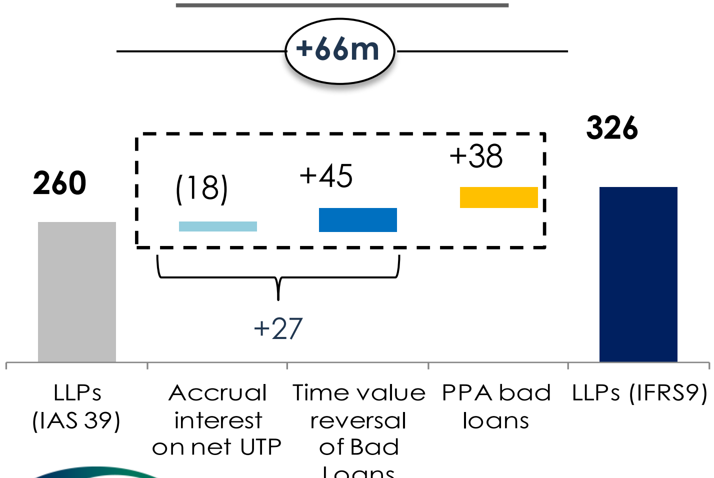
Q1 18

€ m

Impact on NII



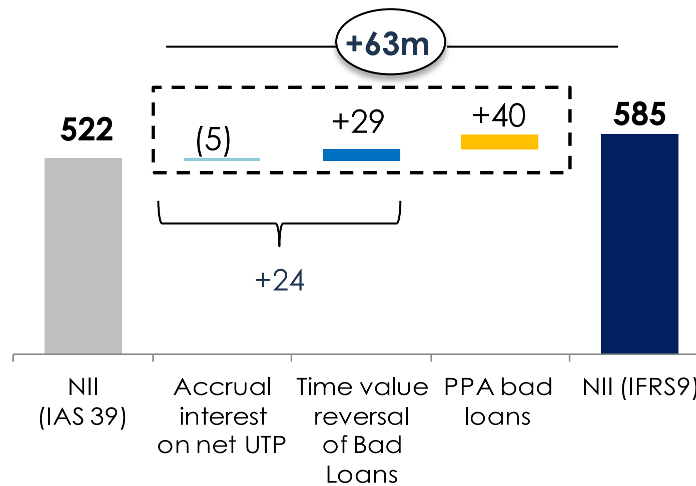
Impact on LLPs



Q2 18

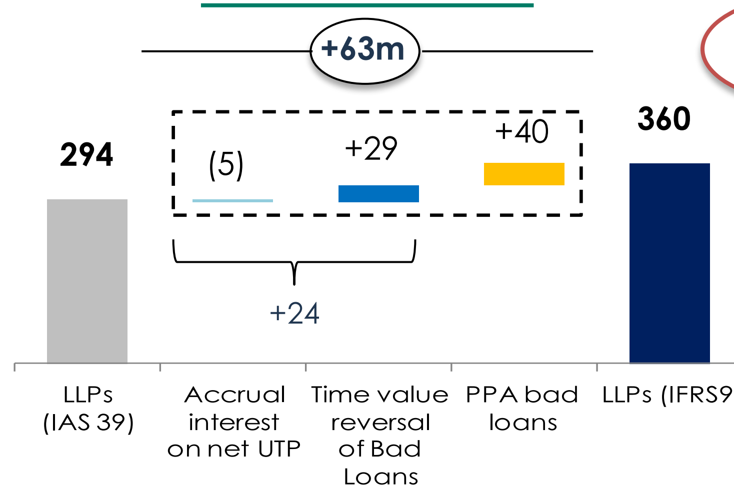
€ m

Impact on NII



+129m in H1 2018

Impact on LLPs



+129m in H1 2018

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H1 2018 RECLASSIFIED P&L - NON RECURRING ITEMS

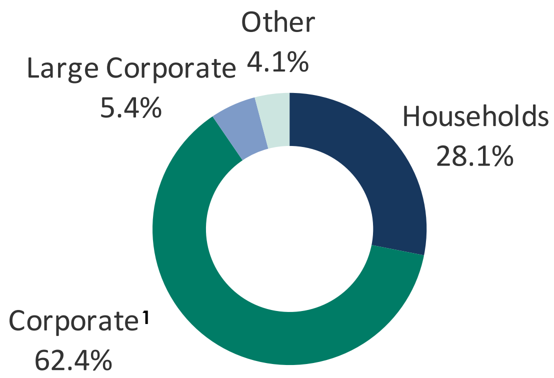
Adjusted figures indicated in this slide simply exclude one-off items from stated figures, while they include the IFRS9 and PPA effects line-by-line

Reclassified income statement (in euro million)	H1 2018 Stated	H1 2018 Adjusted	*One- off*	Non-recurring items and extraordinary systemic charges
Net interest income	1,180.1	1,180.1	*0.0*	
Income (loss) from investments in associates carried at equity	76.0	76.0	*0.0*	
Net interest, dividend and similar income	**1,256.1**	**1,256.1**	***0.0***	
Net fee and commission income	927.5	927.5	*0.0*	
Other net operating income	154.2	40.6	*113.6*	*Transfer of insurance reserves to Anima (in Q2 2018)*
Net financial result	109.5	109.5	*0.0*	
Other operating income	**1,191.2**	**1,077.6**	***113.6***	
Total income	**2,447.3**	**2,333.7**	***113.6***	
Personnel expenses	-879.1	-879.1	*0.0*	
Other administrative expenses	-414.6	-409.4	*-5.1*	*Integration costs (in Q1 and Q2 2018)*
Amortization and depreciation	-96.9	-95.3	*-1.7*	*Adjustments on Software writedowns (in Q2 2018)*
Operating costs	**-1,390.7**	**-1,383.8**	***-6.8***	
Profit (loss) from operations	**1,056.6**	**949.8**	***106.8***	
Net adjustments on loans to customers	-686.5	-686.5	*0.0*	
Net adjustments on other assets	0.6	0.6	*0.0*	
Net provisions for risks and charges	-45.7	-45.7	*0.0*	
Profit (loss) on the disposal of equity and other investments	178.6	0.0	*178.6*	*Disposal of stake in Avipop and Popolare Vita (in Q1 2018) and BPM Custodian Bank(in Q2 2018)*
Income (loss) before tax from continuing operations	**503.7**	**218.3**	***285.3***	
Tax on income from continuing operations	-87.3	-58.4	*-28.9*	*Impact linked to fiscal effects on non-recurring items*
Systemic charges after tax	-67.4	-49.0	*-18.4*	*Contribution to Italian resolution fund*
Income (loss) after tax from discontinued operations	0.0	0.0	*0.0*	
Income (loss) attributable to minority interests	3.6	3.4	*0.2*	
Net income (loss) for the period excluding Badwill & Impairment of goodwill and client relationship	**352.6**	**114.3**	**238.3**	

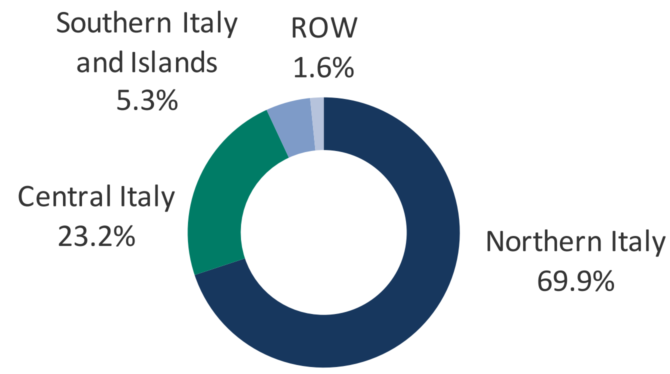
CUSTOMER LOAN ANALYSIS

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

Breakdown of net loans by customer segment at 30/06/2018



Breakdown of net loans by geographical area at 30/06/2018



- 28.1% of customer loans in relation to the Household segment.
- Corporates[1], excluding Large Corporates, account for 62.4% of the loan book and the average loan ticket is small, coming in at about €260K.
- Roughly 70% of the portfolio is concentrated in the wealthiest areas of the Country.

Note:
This analysis of Total Net Customer Loans excludes the Exodus Senior Notes.
1. Non-financial companies (mid-corporate and small business) and financial companies. Includes also €7.1bn of Repos, mainly with Cassa di Compensazione e Garanzia.

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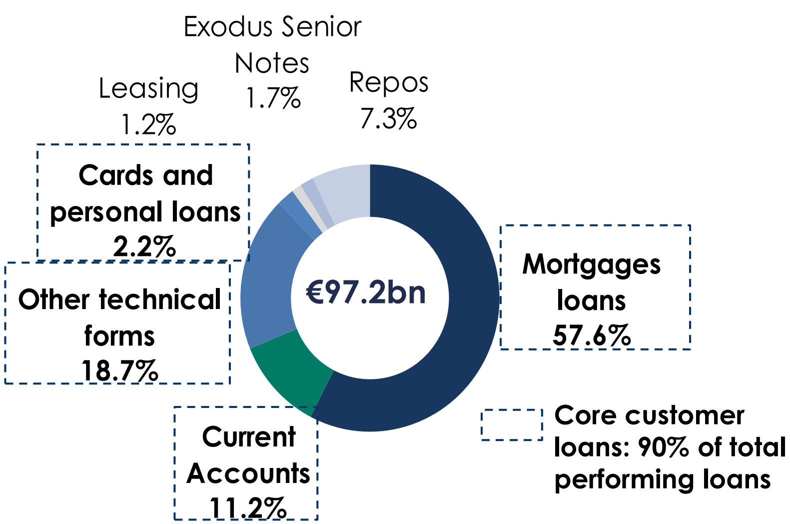
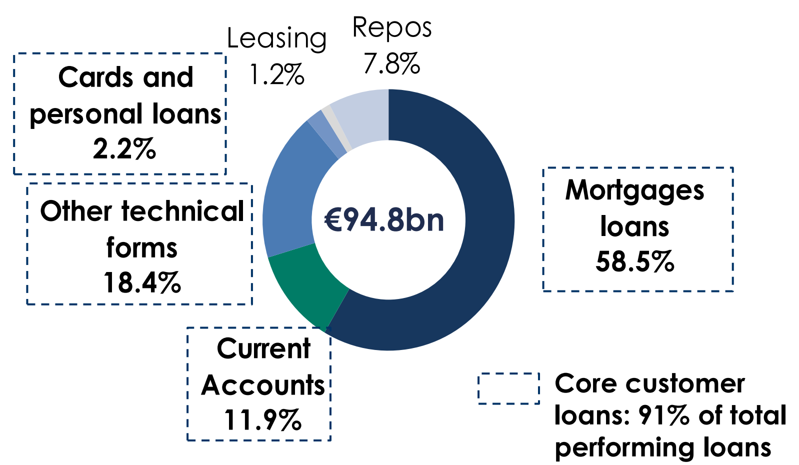
FOCUS ON PERFORMING CUSTOMER LOANS

Net Performing Loan breakdown by Product as at 30/06/2018



Net Performing Loan breakdown by Product as at 31/03/2018



- Core performing customer loans at €87.3mld, +1.2% in Q2 2018.

BANCO BPM

ANNEXES
CREDIT QUALITY DETAILS

€ m

	30/06/2018 (IFRS 9)			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	10,691	7,077	66.2%	3,613
Unlikely to pay	8,659	2,851	32.9%	5,808
Past Due	89	17	19.0%	72
Non-performing Loans	**19,438**	**9,945**	**51.2%**	**9,493**
Performing Loans	**97,635**	**397**	**0.4%**	**97,238**
Total Customer Loans	**117,073**	**10,343**	**8.8%**	**106,731**

	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) restated			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	15,794	10,552	66.8%	5,242
Unlikely to pay	9,223	2,950	32.0%	6,273
Past Due	95	15	15.7%	80
Non-performing Loans	**25,112**	**13,517**	**53.8%**	**11,595**
Performing Loans	**94,889**	**376**	**0.4%**	**94,513**
Total Customer Loans	**120,002**	**13,893**	**11.6%**	**106,108**

	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.
Starting from 30/06/2018, Performing loans include also the Exodus Senior Notes.
2017 data restated for the exclusion of Customer Debt Securities.

CAPITAL POSITION IN DETAIL (STATED)

PHASED IN CAPITAL POSITION (€/m and %)	30/06/2018	31/03/2018
CET 1 Capital	8,701	8,917
T1 Capital	8,835	9,245
Total Capital	10,611	11,141
RWA	***67,312***	***66,136***
CET 1 Ratio	**12.93%**	**13.48%**
T1 Ratio	***13.13%***	***13.98%***
Total Capital Ratio	***15.76%***	***16.85%***

RWA BREAKDOWN (€/bn)	30/06/2018	31/03/2018
CREDIT & COUNTERPARTY RISK	58.7	58.4
of which: Standard	*28.0*	*29.0*
MARKET RISK	2.6	1.9
OPERATIONAL RISK	5.8	5.6
CVA	*0.2*	*0.2*
TOTAL	**67.3**	**66.1**

FULLY PHASED CAPITAL POSITION (€/m and %)	30/06/2018	31/03/2018
CET 1 Capital	7,213	7,542
T1 Capital	7,217	7,546
Total Capital	8,966	9,393
RWA	***66,576***	***65,662***
CET 1 Ratio	**10.83%**	**11.49%**
T1 Ratio	***10.84%***	***11.49%***
Total Capital Ratio	***13.47%***	***14.31%***

RWA BREAKDOWN (€/bn)	30/06/2018	31/03/2018
CREDIT & COUNTERPARTY RISK	58.0	58.0
of which: Standard	*28.0*	*29.0*
MARKET RISK	2.6	1.9
OPERATIONAL RISK	5.8	5.6
CVA	*0.2*	*0.2*
TOTAL	**66.6**	**65.7**

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