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Oggetto	:	RESULTS AS AT SEPTEMBER 2018

Testo del comunicato

Vedi allegato.

NEWS RELEASE

RESULTS AS AT SEPTEMBER 2018[1]

NET INCOME OF € 525 M (€ 53 M AT 30 SEPT. 2017)

TOTAL INCOME OF € 3,751 M (€ 3,371 M AT 30 SEPT. 2017)

OPERATING COSTS OF € 2,068 M (€ 2,203 M AT 30 SEPT. 2017, -6.1%)

DECLINING COST OF CREDIT COMPARED TO THE PRIOR YEAR, WITH A SIGNIFICANT CONTRACTION IN Q3 (-25.8%)

CUSTOMER LOANS AT € 106.8 BN:
PERFORMING +3.1% VS. DEC. 2017
NPL -30.0% VS. DEC. 2017

CORE DIRECT FUNDING[2] AT € 78.1 BN (+5.0% YEAR TO DATE)

SOLID CAPITAL POSITION
"IFRS 9 PHASE-IN"CET 1 RATIO ON THE RISE AT 13.2% (FULLY-LOADED AT 11.2%) DESPITE THE NEGATIVE IMPACT FROM GOVERNMENT BONDS

THE GROUP'S VALUE CREATION CAPABILITY AND RESILIENCE HAVE BEEN CONFIRMED ALSO BY THE OUTCOME OF THE EU STRESS-TEST

THE IMPORTANT DE-RISKING ACTION IS MAKING STRIDES:

- **IN THE FIRST NINE MONTHS OF THE YEAR THE GROUP HAS REDUCED THE GROSS NPL STOCK BY € 6.9 BN, WITH AN OVERALL STOCK REDUCTION OF € 11.5 BN SINCE THE MERGER EFFECTIVE DATE**
- **NET NPLs DOWN BY € 3.9 BN COMPARED TO YEAR-END, WITH AN NPL TO TOTAL LOAN RATIO DOWN FROM 12.1% (YEAR-END 2017) TO 8.5%**

[1] Beginning on 1 January 2018, the new accounting standard IFRS 9 on the classification and measurement, impairment and hedge accounting of financial instruments has come into effect, replacing the accounting standard IAS 39. As specifically permitted by IFRS 9 (par. 7.2.15), Banco BPM elected not to restate the prior year's balances based on the new measurement criteria introduced by IFRS 9. Hence, certain data referred to 30 September 2018 are not comparable with the prior year's data, since they have been calculated based on different measurement criteria.
[2] Core funding refers to checking accounts and demand deposits.

- **NET BAD LOANS AT € 3.5 BN (- € 3.0 BN COMPARED TO YEAR-END 2017) WITH A BAD LOAN TO TOTAL LOAN RATIO DOWN TO 3.3% (6.0% AT YEAR-END 2017), ALREADY BELOW THE LEVEL EXPECTED AT THE END OF THE STRATEGIC PLAN**
- **INCREASED BAD LOAN COVERAGE FROM 58.9% AT YEAR-END 2017 TO 65.0%**

EXCELLENT LIQUIDITY POSITION, WITH UNENCUMBERED ELIGIBLE ASSETS OF € 17.4 BN[3]

Key balance sheet items

- Loans to customers at € 106.8 billion, of which performing +3.1% compared to 31 December 2017, with core customer loans (mortgage loans, checking accounts and personal loans) reporting a positive trend. Non-performing loans went down by -30.0% over 31 December 2017, mainly driven by the Exodus deal and the IFRS 9 write-downs, as well as the significant work-out activity;
- Direct customer funds at € 102.6 billion[4] (€ 103.6 billion at the end of December 2017 calculated on a like-for-like basis to account for the transfer of deposits tied to the depositary bank business); over the period core funding (checking accounts and demand deposits) reported a good performance with a + 5.0% increase over year-end and an additional reduction of the more expensive funding sources (- € 2.5 billion for bonds).

Key P&L items

- Net interest income at € 1,737.9 million; net of IFRS 9 reclassifications it came to € 1,577.0 million compared to € 1,557.1 million in the first nine months of 2017 (net of the non-recurring effect of interest income on 2016 TLTRO-II funding);
- Operating costs (net of banking industry charges) at € 2,067.8 million compared to € 2,203.2 million at 30 September 2017 (-6,1%);
- Gross profit from operations at € 1,682.7 compared to € 1,167.9 million at 30 September 2017; net of IFRS9 reclassifications od of the capital gains tied to non-recurring items, the gross profit from operations at 30 September 2018 stood at € 1,220.1 million compared to € 1,176.6 million at 30 September 2017 (+3.7%);
- Customer loan loss provisions amounted to € 953.9 million, and net of IFRS9 reclassifications they came to € 793,0 million compared to € 987,8 million in the first nine months of 2017; the loan loss provision level reflects a disciplined valuation approach to retain high coverage levels with the aim of taking advantage of any additional opportunities to speed up the de-risking process;

[3] Updated as at 5 November 2018.
[4] Including certificates with unconditional capital protection (€ 3.6 billion at 30 September 2018) and excluding repurchase agreements.

- Net income of € 524.5 million, compared to a net income of € 52.7 million in the same period of 2017[5].

Capital position:

- "IFRS 9 *phase-in*" CET 1 ratio: 13.2%;
- "IFRS 9 fully-loaded" CET 1 ratio: 11.2%

Credit quality

- Net NPL stock of € 9.1 billion, down by € 3.9 billion compared to year-end 2017 (-30.0%).

  Coverage:
  - Non-performing loans: 50.6% vs. 48.8% in 2017;
  - Bad loans: 65.0% vs. 58.9% in 2017.

Liquidity profile

- Unencumbered eligible assets at € 14.1 billion at 30 September 2018 (8.6% of total assets) which went up to € 17.4 billion at 5 November, of which 93% are Italian Government bonds, that guarantee an ample flexibility when managing funding sources. As an add-on, there is the availability of a total of € 5.4 billion of other highly liquid, although not eligible, assets.
- LCR at 133% and NSFR >100%[6].

Verona, 7 November 2018 – In today's meeting, the Board of Directors of Gruppo Banco BPM, chaired by Mr. Carlo Fratta Pasini, has approved the quarterly financial and operating situation as at 30 September 2018 of Gruppo Banco BPM.

The de-risking process that was initiated right from the date of effectiveness of the merger (1 January 2017) allowed the Group to significantly reduce the gross amount of non-performing loans (- € 11.5 billion). This result was achieved also thanks to a more effective recovery action and to a stronger NPE monitoring and management system. Indeed, the improvement of the NPL management activity triggered an ascending de-risking trend, that was further supported by the effects from the various disposals that have been closed over the period until last June, with the securitization of a bad loan pool of roughly € 5 billion, called "Project Exodus"[7]. Thanks also to this deal, the net bad loan stock went down to € 3.5 billion, with a bad loan to total customer loan ratio of 3.3%, compared to 6% at 31 December 2017.
The Group is interested in vetting any possible opportunity to accelerate the de-risking plan. To this respect, it launched the project "ACE", identifying certain potential counterparties (represented by the three bidding consortia of DoBank, Fortress and Spaxs, of Credito Fondiario and Elliot and of

[5] Net of badwill of € 3,076.1 billion credited to income.
[6] NSFR at September 2018, latest available internal management data.
[7] The deal is backed by a State guarantee on the senior notes, issued by the Ministry of Economy and Finance on 5 September 2018.

Christofferson Robb & Company Davidson Kempner and Prelios), who are completing their due diligence on the NPL pools. The Bank will assess the bids submitted by the above counterparties, with the aim of carrying out a significant disposal of an amount of loans exceeding € 3.5 billion and up to a maximum level of € 8.6 billion; concurrently, the possibility of including the servicing platform will also be evaluated.

In the first nine months, also the reorganization of the Group activities stood the pace. Already in H1 an important milestone was reached with the reorganization of the Bancassurance business line, put in motion last year, with the sale to Cattolica Assicurazioni of part of the stakes held in the two insurance companies Popolare Vita (now Vera Vita) and Avipop Assicurazioni (now Vera Assicurazioni) and the start of a 15-year strategic partnership between Banco BPM and Cattolica.

In Q3, the reorganization of the Group's Private, Corporate and Investment Banking business lines was completed, in keeping with the Strategic Plan, which was initiated in H1 with the demerger of the Private Banking business line of Banca Akros in favor of Banca Aletti and the transfer from Banca Aletti to Anima SGR of the sub-advisory mandates on insurance assets carried out on behalf of the insurance joint-ventures tied to the bancassurance network of former Banco Popolare. As of 1 October 2018, with the completion of the demerger of the Corporate & Investment Banking business line of Banca Aletti in favor of Banca Akros, Private Banking activities are centralized in Banca Aletti and Corporate & Investment Banking activities are centralized in Banca Akros.

Moreover, the sale of the depositary bank and fund administration business line to BNP Paribas Securities Services was closed in September; the deal was worth € 200 million and generated a net positive P&L effect of € 145 million in Q3.

The merger into the Parent company Banco BPM of the subsidiaries BPM S.p.A., Società Gestione Servizi BP S.C.p.A. and BP Property Management S.C.a r.l. – which have received the required authorizations from the European Central Bank - fall within the scope of the reorganization of the Group structure and operations. The merger of BPM S.p.A. is scheduled to take place by the end of this year, while the mergers of the two consortia shall come into effect in 2019.

With regard to the reorganization of Group operations, under the new Branch Network model that came on stream on 1 January 2018, the network organization has continued with the closure as of 1 July of 310 branches, chosen based on the lower performance and/or the territorial overlap. By the end of the year 200 more branches are scheduled to be closed.

While being fully committed on the front of the above described projects, the Group generated a good commercial and operating performance, with a gross profit from operations of € 1,682.7 million and a net income of € 524.5 million.

Operating performance

Net interest income came out at € 1,737.9 million. This figure is not fully comparable with that of the prior year, as, following the adoption of IFRS 9, net interest income is affected by the positive reclassification of reversals further to the write-backs from discounting bad loans to present value (including the Purchase Price Allocation effect), which were previously reported under write-downs on loan impairments) and by the negative reclassification from the calculation of interest on impaired exposures based on the value net of write-downs and not on the contractual value. Net of these reclassifications, which came to + € 160.8 million, net interest income stood at € 1,577.0 million compared to the adjusted[8] 9M 2017 net interest income of € 1,557-1 million (+1.3%). The Q3 contribution was € 557.8 million, which, net of PPA and of IFRS9 effects, grew by 1.4% over Q2 2018.

The **gain on investments in associates carried under the equity method** came to € 108.8 million, down from € 120.9 million in the same period last year, driven by the lower contribution from the insurance companies, also as a result of the reduced shareholding. The Q3 contribution was € 32.8 million, in line with the € 33.4 million reported in Q2. The main contribution to this line-item in the nine-month period of 2018, amounting to € 86.8 million, came from consumer credit through the shareholding in Agos Ducato.

Net fees and commissions added up to € 1,378.9 million, down by 6.7% compared with 9M 2017, when net fees and commissions stood at € 1,478.3 million, yet slightly up QoQ (+0.1%) driven by the diversification across the different business areas which made it possible to offset the decline in fees from brokerage services.

This dip was mainly driven by brokerage, management and advisory services, which in absolute terms declined by € 78.3 million compared to 30 September 2017, primarily due to lower upfront fees which were weighed down by the negative market trend characterizing the second and third quarters of the year.

Other net operating income totaled € 368.7 million, and it includes the € 313.6 million capital gains generated by the sale to BNP Paribas Securities Services of the depositary bank and fund administration business line for € 200.0 million, and the sale to Anima SGR for € 113.6 million of the sub-advisory mandates of insurance assets carried out on behalf of the insurance joint-ventures tied to the bancassurance network of former Banco Popolare. Net of this components, the aggregate adds up to € 55.1 million (€ 74.1 million at 30 September 2017).

Net financial income totaled € 156.3 million compared to € 113.1 million in the same period last year. It is a particularly positive result, also in light of the Group's strategy aiming at reducing our exposure to Italian govies. Here again, the comparison with last year's data is not fully straightforward following the introduction of IFRS 9.

As a result, **total income** added up to € 3,750.5 million. Accounting for the above-mentioned non-recurring items tied to the capital gains generated by the disposal of the depositary bank business and of the sub-advisory mandates on insurance assets, as well as for the effects from the afore-said reclassifications following the introduction of IFRS 9, total income came out at € 3,276.0 million, down by 2.3% compared to 30 September 2017.

Personnel expenses, totaling € 1.310,6 million, report a 3.9% reduction from € 1.364,1 million in the same period last year, with a Q3 contribution of € 431.5 million, down by 1.3% from € 437.1 million in Q2. Personnel costs have been trending down as a result of the headcount reduction (- 623 resources compared to 31 December 2017). The total headcount was 22,640 employees at 30 September 2018, compared to 23,263 at the end of 2017 (25,001 at 31 December 2015).

Other administrative expenses[9] amounted to € 610.8 million, down by 8.5% compared to the same period last year. Excluding non-recurring items, at 30 September 2018 other administrative expenses amounted to € 600.3 million, down by 7.9% compared to September 2017 (€ 652.2 million), thanks to the rigorous cost control and to the synergy created by the merger. Q3 2018 administrative expenses have been declining even on a QoQ basis (€ 196.2 million, equal to – 3.4% over Q2).

Net write-downs of tangible and intangible assets for the period stood at € 146.4 million, down by 14.6% from € 171.4 million at 30 September 2017, driven by the rationalization of the Group information system**.**

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[8] At 30 September 2017, TLTRO-II funding related to FY 2016 had earned an interest of € 31.7 million.

[9] The aggregate does not include the "banking industry charges", represented by the contributions to the resolution funds and to the interbank deposit guarantee fund, reported in a separate line-item of the reclassified income statement, net of tax effect..

Total **operating costs,** amounting to € 2,067.8 million, went down by 6.1% over 9M 2017; Q3 reported a 1.8% decline over Q2.

Net write-downs on impairment of customer loans stood at € 953.9 million. Even this aggregate has been affected by the adoption of IFRS 9 both as a result of the new credit valuation method introduced by the new principle and because of the reclassifications impacting net interest income. Taking into account these reclassifications, this figure at 30 September 2018 came to € 793.0 million compared to € 987.8 million in the same period of 2017. The cost of credit, measured as the net loan loss provision, net of IFRS 9 reclassifications to net loan ratio, came to 99 bps, down compared to last year's figure of 154 bps[10] ; the loan loss provision level reflects a disciplined valuation approach to maintain high coverage levels aimed at taking advantage of any additional opportunities to speed up the de-risking process.

In Q3 2018, LLPs stood at € 267.4 million, down from € 360.2 million reported in Q2 (which included the impact of the Exodus disposal).

Net write-downs of securities and other financial assets of € 0.7 million were charged to income in the first nine months (at 30 September 2017 net write-downs stood at 127.5 million, and included the impairment of the stake held in the Atlante Fund and other exposures with the Veneto banks, as well as the charges tied to the Voluntary Scheme interventions of the Interbank Deposit Guarantee Fund - Fondo Interbancario di Tutela dei Depositi).

Net provisions for risks and charges amount to € 117.5 million, bringing the funds in line with the tighter regulations on terms applied to customers with respect to underwriting and fund availability fees, as well as to increase the coverage of possible charges from disputes and complaints.

In the first nine months of 2018, € 168.2 million of **gains on disposal of equity and other investments** were reported, almost entirely tied to the impact of the Bancassurance business, with the sale to Cattolica Assicurazioni of two stakes in the insurance companies Popolare Vita (now Vera Vita) and Avipop Assicurazioni (now Vera Assicurazioni).

As a result of all the above dynamics, the **income from continuing operations before tax and before banking industry charges** came to € 778.9 million compared to € 61.7 million in 9M 2017.

Income tax on continuing operations at 30 September 2018 came out at € 159.6 million (€ 9.0 million at 30 September 2017).

€ 99.5 million of **banking industry charges after tax** were charged to income in 9M 2018 (€ 71.1 million in the same period last year), which include the ordinary contributions to the Single Resolution Fund SRF amounting to € 68.1 million gross (€ 62.4 million gross at 30 September 2017), and to the Interbank Deposit Guarantee Fund of € 44.3 million (€ 36.9 million at 30 September 2017), plus the additional extraordinary contributions to the Single Resolution Fund amounting to € 25.5 million gross, which had not been incurred the prior year.

Considering the net income attributable to non-controlling interest (+ € 3.8 million), the first nine months of 2018 closed with a **net income for the period** of € 524.5 million, compared to a net income ex badwill of € 94.2 million in the same period last year (the badwill, totaling € 3,076.1 million, came out once the PPA process was completed, and it drove the net income for 9M 2017 to € 3,128.9 million).

Key balance sheet items

At 30 September 2018, **direct funding[11]** on a like-for-like basis reported a positive dynamic of the checking accounts and demand deposits component (+ € 3.7 billion, +5.0% over year-end 2017; + €

[10] The figure is not fully comparable as IFRS 9 introduced a new loan impairment model.

[11] Includes checking and savings accounts and demand and term deposits, issued bonds, certificates of deposit and other securities, facilities and other debts, capital protected certificates. Repos are not included.

0.9 billion, +1.2% over 30 June 2018). As a whole, the aggregate amounted to € 102.6 billion, down by 4.4% compared to € 107.3 billion at 31 December 2017, mainly driven by the disposal of the depositary banking business at the end of September. On a like-for-like basis, direct funding declined by -€ 1.0 billion, equal to -1.0%, affected by the decreasing trend of the other more expensive funding sources.

Indirect funding, net of capital protected certificates, amounted to € 88.0 billion.
Assets under administration came to € 29.0 billion. With regard to this aggregate, we should point out the outflow of € 4.8 billion of administered assets, characterized by very low margins, held by an institutional client, as well as a decline as of Q2, which was mainly driven by the negative market performance which weighed on the value of the assets under administration.
Net of the above effects, administered assets were on the rise compared to the end of December 2017 (+ € 0.4 billion or +1.1%).
Assets under management amounted to € 59.0 billion, up from € 58.4 billion at 30 June 2018 (+1.0%), yet down by 1.4% compared to € 59.9 billion at 31 December 2017. Excluding the effect caused by the decline in financial assets market valuations, the aggregate would report a slight increase (+0.3%) also compared to the beginning of the year. The decline mainly affected insurance and portfolio management, also due to the temporary effect caused by the reorganization of this business line, which in Q3 reported a slight increase. Funds and Sicav instead reported a positive performance, totaling € 38.7 billion, up by 2.9% in Q3 and by 4.7% year to date.

Financial assets totaled € 38.8 billion, up by 12.2% compared to € 34.5 billion at 31 December 2017. This aggregate comprises € 34.0 billion of debt securities, € 2.3 billion of equity securities and UCITS units and € 2.2 billion of derivatives measured at fair value. Following the introduction of IFRS9, financial assets include also loans and advances mandatorily measured at fair value (amounting to € 0.3 billion).
The overall increase compared to the end of 2017 was driven by the increase in debt securities classified under the "Hold to Collect" (+ € 2.7 billion) and "Trading" (+ € 1.4 billion) portfolios. Government bonds totaled € 28.4 billion[12] (+ € 3.1 billion compared to 31 December 2017); to this respect, diversification is still under way, and the Italian government bond exposure declined to 64.3% out of total government bonds compared to 82.1% at December 2017, with a significant decline in govies classified as HTCS (- € 3.4 billion). The widening of the Italian govies spread caused the reduction in total gross reserves on debt securities held in the Hold to Collect & Sell portfolio, from + € 165 million reported at 31 December 2017 to about - € 330 at 30 September 2018.

Al 30 September 2018, **net customer loans[13]** came to € 106.8 billion, down by € 0.9 billion compared to 31 December 2017, driven by the NPL disposals through the Exodus project and by IFRS 9 write-downs affecting mainly non-performing loans. The performing loan stock has increased by € 1.3 billion (+1.4%) compared to 31 December 2017 and by € 0.5 billion (+0.5%) compared to 30 June last; taking into account also the effect from senior notes subscribed as part of the Exodus loan disposal, performing loans were running at € 97.7 billion, up by 3.1% compared to 31 December 2017.

Net non-performing exposures (bad loans, unlikely-to-pay and past dues) at 30 September 2018 totaled € 9.1 billion, down both compared to 30 June last (-3.9%) and to 31 December 2017 (- € 3.9 billion, -30.0%). This decline has been driven by the disposal under the Exodus project, by the

[12] For more details on the Group's sovereign debt exposure, please refer to the explanatory notes (note 7).
[13] The aggregate does not include customer loans that, following the adoption of IFRS 9, must mandatorily be measured at fair value. These loans, amounting to € 297 million, are included in financial assets measured at fair value

adoption of IFRS 9, which led to additional bad loan write-downs, and by constant and significant work-out activities.
The analysis of the single loan classes shows the following dynamic:

- Net bad loans of € 3.5 billion, down by 45.7% compared to 31 December 2017, and by 2.4% compared to 30 June;
- Net unlikely-to-pay loans of € 5.5 billion, down by 14.8% compared to 31 December 2017, and by 5.2% compared to 30 June 2018;
- Net past due loans of € 93 million, slightly up compared to 31 December 2017 (+ € 13 million) and to 30 June last (+ € 21 million).

The aggregate NPL coverage ratio stood at 50.6%, up from 48.8% at 31 December 2017; including write-offs the coverage ratio further increases to 53.9%.

More specifically, at 30 September 2018 the coverage ratios were:

- Bad loans 65.0% (58.9% at 31 December 2017 and 66,2% at 30 June 2018); including write-offs the coverage ratio further increases to 69.0%;
- Unlikely-to-pay 33.6% (32.3% at 31 December 2017 and 32.9% at 30 June 2018);
- Past due 17.7% (15.7% at 31 December 2017 and 19.0% at 30 June 2018).

The coverage ratio of performing loans came out at 0.39%, up compared to 0.32% at 31 December 2017, yet slightly down compared to 30 June last (0.41%). Net of repo transactions, which are practically risk-free, the performing loans coverage ratio goes up to 0.44% (0.34% at 31 December 2017 and 0,44% at the end of June 2018). The coverage ratio increase was mainly driven by the adoption of the new impairment model under IFRS 9.

Group capital ratios[14]

The capital management actions completed in Q3 made it possible to offset the negative impact on the Common Equity Tier 1 capital, driven by the decline reported also in Q3 in equity reserves tied to the HTCS portfolio. The Group's Own Funds, including the interim net income accrued at the same date, totaled € 10,446 million.
The Common Equity Tier 1 ratio (phase-in CET 1 ratio) went up to 13.2% compared to 12.9% at 30 June 2018. This ratio benefits from the election to fully apply the transitional provision introduced by the new article 473 bis of EU Regulation no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Excluding the impacts from the exercise of the above option, the fully-loaded CET 1 ratio came to 11.2%, up too compared to 10,8% at 30 June 2018.
The Tier 1 ratio came out at 13.4% compared to 13.1% at 30 June 2018, while the Total Capital ratio was 16.0% compared to 15.8% at 30 June 2018.

[14] Based on art. 26 paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), the inclusion of interim net income in the Common Equity Tier 1 Capital (CET1) is subject to the prior authorization of the competent authority (ECB), for which it is required that they are audited by the auditing company.
Banco BPM has already been authorized to include the interim net income accrued at the end of H1. The application to include the interim Q3 net income will be submitted in conjunction with the Q4 net income. The data and capital ratios illustrated in this news release include the interim accruing net income at 30 September 2018 as derived from the consolidated financial and operating situation that has been approved today by the Board of Directors.

OPERATIONAL OUTLOOK

The world macroeconomic scenario is showing signs of slowdown, weighed down by the mounting trade wars, with the issue of protectionist measures, and by interest rate hikes, which brought to light financial tensions and vulnerabilities.
Against this scenario, the 2018 growth outlook for our Country has been recently revised downwards to 1.0%, due to a more muted contribution of household consumption and export, and to the uncertainty as to when and how the economic measures announced by the Government are going to be implemented.
The projected moderate retail and corporate credit expansion, especially to the manufacturing sector, has fallen short of expectations, while the expected credit quality improvement has been confirmed, also thanks to the progressive de-risking process involving the whole sector.
Having already completed a significant number of projects set out in the 2016-2019 Strategic Plan, among which in particular the full implementation of the organizational unit in charge of managing non-performing loans, the IT integration, the definition of the asset management and bancassurance partnership frameworks, the reorganization of the commercial network and the centralization of private and of corporate & investment banking activities respectively in Banca Aletti and in Banca Akros, in the last quarter of the year the Group will focus on the digital transformation project, on the rationalization of the consumer credit activities and on completing the optimization of its territorial footprint.
Moreover, by leveraging the positive outcome of the NPL disposals closed up to now, it will follow through with its de-risking activities, fully in line with its announced ambitious goals.
Ordinary operations will continue to concentrate on recovering profitability, that is going to benefit from the synergies generated by the merger.
In spite of the unrelenting competitive pressure on margins, revenues will benefit from the positive trend reported by loan volumes, from a still contained average cost of funding through the commercial network, and from a positive contribution of associates, while fees and commissions should stabilize in spite of the uncertain scenario and the consequent market volatility.
The curbing of operating costs through efficiency gains, the implementation of specific cost optimization actions and the rationalization of the organizational functions will remain a key focus of attention.
NPL coverage ratios will remain high, and stock levels will keep on being reduced through internal workout activities and, as mentioned above, through the implementation of the actions set out in the de-risking plan.

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

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The financial results at 30 September 2018 of Gruppo Banco BPM will be presented to the financial community during a conference call to be held today 7 November 2018 at 18.30 (C.E.T.). The documentation supporting the conference call is available on the website of the authorized central storage mechanism (www.emarketstorage.com), as well as on the Bank's website (www.bancobpm.it), where all the instructions to connect to the event are also available.

Explanatory notes

This News Release represents the document through which Banco BPM decided to disclose supplementary periodic information in addition to the half-year and annual reports ("quarterly reports") to the public and to the market, on a voluntary basis, in compliance with the disclosure policy communicated to the market in the press release "2018 Corporate Calendar" released on 23 January 2018, pursuant to art. 82-ter of the Issuers Regulation effective on 2 January 2017. For the sake of completeness, please note that the quarterly reports include also the result presentation handout prepared as a support for the conference call with the financial community to be held after this News Release has been released.
This quarterly report includes a comment on the quarterly operating performance that focuses on the dynamic of the key P&L, balance sheet and financial items, and is based on the reclassified balance-sheet and income statements.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the above-mentioned accounting statements as at 30 September 2018 and those referring to the prior FY, as well as the dynamic of the quarterly results commented in this news release.

1. Accounting policies and reference accounting standards

Accounting policies

The balance sheet and income statement layouts contained in this news release have been reclassified along management criteria in order to provide an indication on the Group's overall performance based on easily and rapidly calculable operating and financial data.
The layouts have been prepared based on the financial statements layouts indicated in the Bank of Italy's Circular no. 262/2005, that were updated on 22 December 2017, so as to implement the accounting standards IFRS9 and IFRS 15.

The new financial instruments accounting categories under IFRS 9 called for some changes to the reclassified statements compared to those presented up until 31 December 2017, as illustrated below.

More precisely, the prior aggregates called "Financial assets and hedging derivatives", "Due from banks" and "Loans to customers" have been replaced by the following new aggregates:

- "**Loans and advances measured at amortized cost (AC)**", which include the following line-items:
  - **"Loans and advances to banks"**: due from banks represented by loans and advances and presented in the Bank of Italy's template under the assets line-item "40. Financial assets measured at amortized cost a) Loans and advances to banks). Therefore, exposures represented by debt securities are excluded and are presented under the aggregate "Other financial assets";
  - **"Loans and advances to customers"**: due from clients represented by loans and advances and presented in the Bank of Italy's template under the assets line-item "40. Financial assets measured at amortized cost b) Loans and advances to customers. Hence, the loans represented by securities presented under the line-item "Other financial assets" are excluded, with the exception of the exposure represented by senior securities subscribed under the securitization of bad loans originated by the Group (Exodus disposal) amounting to € 1,655 million;

- "**Other financial assets**", which comprise the following line-items:
  - **"Financial assets measured at Fair Value through Profit or Loss"** include the financial instruments presented in the portfolios of "Financial assets measured at Fair value through profit or loss" and of "Hedging derivatives", posted under assets line-items 20 and 50 of the Bank of Italy's template;
  - **"Financial assets measured at Fair Value through other comprehensive income (OCI)"** corresponds to the assets line-item 30 of the Bank of Italy's template;
  - **"Financial assets measured at amortized cost (AC)"** are exposures to banks and customers represented by debt securities (included under the assets line-item 40 of the Bank of Italy's template) with the exception of the above-mentioned senior securities from the Exodus disposal.

No material changes are to be reported about the reclassified liabilities line-items; the previous aggregate "Due to customers, debt securities in issue and financial liabilities designated at fair value" has been renamed as "Direct funding", with breakdown between the line-item "Deposits from customers" (liabilities line-item 10 b) of the Bank of Italy's template) and "Debt securities in issue and financial liabilities designated at fair value" (liabilities line-items 10 c and 30) of the Bank of Italy's template).

For the remaining line-items of the reclassified balance sheet, the aggregation criteria illustrated in the 2017 consolidated financial statements have remained unchanged.

As to the reclassified income statement, the adoption of IFRS 9 required the redefinition of aggregates relating to the net financial result and to impairment losses, based on the new financial instrument categories and the associated measurement criteria. Below a bridge is provided between the new line-items and the income statement prepared in accordance with the Bank of Italy's Circular no. 262:

- the line-item "Net financial result" includes the results generated by the measurement or disposal of all the financial instruments, except for loan loss provisions which are presented separately. In particular, this line-item includes dividends on shares classified in the portfolio of financial assets measured at fair value through profit or loss and through other comprehensive income (line-item 70), the net trading and hedging results (line-items 80 and 90), gains and losses from disposal or repurchase (line-item 100), except for the result from the disposal of financial assets measured at amortized cost represented by loans and advances, net results arising on other financial assets and liabilities measured at fair value through profit or loss (line-item 110);
- the line-item "Net write-downs of loans and advances to customers" includes the line-item 130 a) Net credit risk write-downs/write-backs of a) financial assets measured at amortized costs, exclusively for the component represented by

loans and advances to customers and the related operating results generated by their disposal (included in the line-item 100 a) "Gains (losses) on disposal or repurchase of financial assets measured at amortized cost");

- the line-item "Net write-downs of securities and other financial assets" represents expected losses on securities and loans and advances to banks classified in the portfolios of "Financial assets measured at amortized cost" (corresponding to line-item 130 b) Net credit risk write-downs/write-backs of b) financial assets measured at fair value through other comprehensive income, as well as the residual component of the above-mentioned line-item130 a));
- the line-item "Net allowance to provisions for risks and charges" corresponds to the line-item 200 of the income statement face set out in the Bank of Italy's Circular no. 262 made up of the sub-items a) guarantees and commitments issued, b) other net provisions.

For the remaining line-items of the reclassified income statement, the aggregation criteria illustrated in the 2017 consolidated financial statements have remained unchanged, except for what illustrated in Note no. 3.

With regard to the accounting statements used in this news release, in order to provide as far as possible a comparison on a like-for-like basis in management terms, it should be pointed out that:

- costs and revenues of the prior year related to the subsidiary Aletti Gestielle SGR, disposed of in December 2017, have been restated in the separate line-item "Gains (losses) on Discontinued operations", in line with the retrospective representation required by IFRS 5 for discontinued operations already implemented in the 2017 annual report;
- the assets balances of deposits of the prior year instead include the components of the business line under disposal tied to the depositary bank, which was sold in Q3 2018.

Accounting standards

The accounting standards adopted to prepare the accounting situation at 30 September 2018, as pertains the classification, recognition, measurement and derecognition of assets and liabilities, as well as the recognition of costs and revenues, comply with the IAS/IFRS issued by the International Accounting Standard Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission and effective on 30 September 2018, pursuant to EC Regulation no. 1606 of 19 July 2002. To this respect, please note that on 1 January 2018 the new accounting standards IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" have come into effect.
It should be pointed out that the adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. The assumptions used to calculate estimates take into account all available information upon preparing the quarterly report as at 30 September 2018.
Considering the uncertainty characterizing the reference environment, it cannot be ruled out that the estimates and assumptions, albeit reasonable, may fail to be confirmed in the future scenarios in which the Group may be operating. Therefore, future actual results may differ from the estimates generated to prepare the financial and operating situation as at 30 September 2018, calling for adjustments that cannot be predicted or estimated today against the carrying amount of assets and liabilities recognized in the balance sheet.
The data illustrated in this document has not been prepared based on IAS 34 on interim financial reporting and is not subject to any auditing activity. For a description of Gruppo BPM's accounting policies and of the main uncertainties associated with the use of estimates to prepare the accounting situation as at 30 September 2018, please refer to the Half-yearly financial report as at 30 June 2018.

2. PPA (Purchase Price Allocation) effects for the business combination with former Gruppo Banca Popolare di Milano and the former Groups Banca Popolare Italiana and Banca Italease

In compliance with IFRS3, the income statement of Gruppo Banco BPM includes the P&L effects from the allocation of the prices paid for the combination with Gruppo Banca Popolare di Milano finalized in financial year 2017 and for the acquisition of the Groups Banca Popolare Italiana and Banca Italease finalized in FY 2007 and 2009, respectively.

The overall effect on the consolidated net income of the first nine months of 2018, as a result of the reversal of the value adjustment of acquired net assets, came to plus € 55.2 million ((primarily referred to the former Gruppo Banca Popolare di Milano).

3. Charges generated by the contribution to resolution mechanisms

Starting with the Half-yearly Financial Report as at 30 June 2018, the line-item "After-tax banking industry charges" has been added to the Reclassified Income Statement. This line-item will include ordinary and extraordinary charges due by banks under the single and national resolution funds (SRF and NRF) and of the Deposit Guarantee Scheme (DGS).
As at 30 September 2018, the line-item included:

- the ordinary contribution amount (communicated by the Bank of Italy in April) to be paid to the Single Resolution Fund for FY 2018, totaling € 68.1 million (€ 62.4 million being the ordinary contribution for FY 2017). The contribution has been fully charged to income in Q1 under the line-item "other administrative expenses". The contribution has been fully charged to income in Q1 under the line-item "other administrative expenses". Please note that in 2018, as in the prior year, the Group did not exercise the option of paying up to 15% of the total contributions due with irrevocable payment commitments (IPC);
- estimated ordinary contribution amount charged to income in Q3 related to the Interbank Deposit Guarantee Fund (Fondo Interbancario Tutela Depositi) of € 44.3 million (estimated contribution of € 36.9 million at 30 September 2017, which in Q4 2017 was increased by € 7.6 million after the notification of the contribution due sent by the FITD, which took into account charge recoveries related to FY 2015 and 2016);

- the additional contribution of € 25.5 million paid to the National Resolution Fund charged to income in Q2 2018 (in 2017 no additional contributions had been called in).

Net of tax effect, the charges totaled € 99.5 million (€ 71.1 million at 30 September 2017).

4. Changes in consolidation scope

In the first nine months of the year no significant changes in the consolidation scope of fully owned subsidiaries were reported. As to associates, following the reorganization of the Bancassurance business line, completed in Q1 2018 with the agreements signed with Cattolica Assicurazioni, the Group reduced its shareholdings in the two insurance companies by 15%. At 30 September 2018 in fact, the Group held a 35% stake in Vera Vita S.p.A (previously called Popolare Vita, in which the Group held a 50% share) and in Vera Assicurazioni S.p.A (previously called Avipop Assicurazioni, in which the Group held a 50% stake).

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

In compliance with Consob Communication no. DEM/6064293 of 28 July 2006, the effects of the main non-recurring items are illustrated in the operating report at 30 September 2018, as summarized below:

- the line-item "other net operating income" includes the € 113.6 million gain generated by the sale to Anima SGR of the sub-advisory mandates on insurance assets carried out on behalf of the insurance joint-ventures tied to the bancassurance network of former Banco Popolare, and the € 200.0 million capital gain generated by the sale of the depositary bank and fund administration business line to BNP Paribas Securities Services;
- the line-item "other administrative expenses" includes € 10.4 million of integration charges;
- the line-item "Impairment of tangible and intangible assets" includes a property impairment totaling € 1.5 million;
- the line-item "Gains on disposal of equity and other investments" is equal to € 168.3 million. The main component (equal to € 174.7 million) is represented by the result from the reorganization of the Bancassurance business with the sale to Cattolica of the two stakes in the insurance companies Popolare Vita (now Vera Vita) and Avipop Assicurazioni (now Vera Assicurazioni);
- the line-item "income tax on continuing operations" includes the tax effect of the non-recurring items itemized above, totaling € 82.8 million;
- the line-item "after-tax banking industry charges" includes € 18.4 million of additional contributions paid to the National Resolution Fund (amounting to € 25.5 million net of the related tax effect of € 7.1 million).

Overall, after accounting for non-controlling interest effects (€ 0.2 million) and for the result from the sold business lines (€ + 0.9 million), non-recurring items accrued in the first nine months of FY 2018 made a positive contribution of € 369.9 million.

In the same period last year, the income statement included the following non-recurring items:

- the line-item "net interest income" included interest income from the TLTRO II loan pertaining to FY 2016 amounting to € 31.7 million, and the interest expense of € 4.1 million, tied to the conclusion of a past tax dispute;
- the line-item "gain or loss on investments in associates carried at equity" included the one-off € -10,5 million loss posted by SelmaBipiemme Leasing in Q2 2017;
- the line-item "personnel expenses" included the € - 1.3 million charges tied to the Redundancy Fund;
- the line-item "other administrative expenses" included the contingent asset of € 27.2 million, gross of tax effect, related to the reversal of the 2015 fee paid to obtain the guarantee to turn certain DTAs into tax credits. This amount had been charged to income in FY 2016 and had been declared no longer due based on the regulatory provisions introduced with law no. 15 of 17 February 2017; the line-item also included integration charges of € - 38.2 million and the amount of the stamp duty on the intragroup sale of a business line of € 4.5 million;
- the line-item "Impairment of tangible and intangible assets" included the impairment of € - 9.0 million primarily tied to property investments to adjust their carrying value in line with the lower appraisal value;
- the line-item "net write-downs of other assets" included primarily the impairment of the € - 61.0 million and € - 15.3 million investments in the Atlante Fund and in the subordinated notes issued by Banca Popolare di Vicenza; it also included € - 45.5 million charges tied to the participation in the Voluntary Scheme of the Interbank Deposit Guarantee Fund;
- the line-item "Gains on disposal of equity and other investments" included non-recurring net proceeds of € 13.6 million;
- the line-item "Gains on discontinued operations" included the contribution of the subsidiary Aletti Gestielle, sold in December 2017.

Overall, net of the related tax effect (amounting to € 25.6 million) and taking into account also minority interest effects (amounting to € 0.5 million), non-recurring items accrued in the first nine months of 2017 made a negative contribution of € - 28.4 million.

6. Capital requirements regulation

On 1 January 2014, the new harmonized prudential rules for banks and investment firms contained in the Capital Requirements Regulation (EU) no. 575/2013 ("CRR") and in the Capital Requirements Directive 2013/36/EU (CRD IV") of 26 June 2013 have come into effect, transposing the banking supervisory standards defined by the Basel Committee (Basel 3 framework) in the European Union. The Regulation and its technical rules are directly applicable in national legislations and represent the so called "Single Rulebook".

The minimum capital requirements for 2018 are:

- minimum Common Equity Tier 1 ratio ("CET1 ratio"): 4.5% + 2.5% of Capital Conservation Buffer ("CCB");

- minimum Tier 1 ratio: 6.0% + 2.5% of CCB;
- minimum total capital ratio: 8% + 2.5% of CCB.

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

With communication of 21 September 2018, the Bank of Italy confirmed the Countercyclical Capital Buffer ratio at zero per cent.

With communication of 30 November 2017, the Bank of Italy identified the banking group Banco BPM as an 'Other Systemically Important Institution' (O-SII). The 2018 O-SII reserve is equal to zero, while Banco BPM is required to gradually build up a reserve equal to 0.25% with linear increments beginning on 1 January 2019 up until 1 January 2022.

On 27 December 2017, the European Central Bank (ECB) notified Banco BPM its final decision on the minimum capital ratios that Banco BPM is required to comply with on an ongoing basis.
The decision is based on the supervisory review and evaluation (SREP) conducted in accordance with art. 4(1)(f) of EU Regulation no. 1024/2013.
Hence, in compliance with art. 16(2)(a) of the same Regulation no. 1024/2013, which gives the ECB the power to require that supervised bank hold an amount of own funds greater than the minimum capital requirements provided for under the current regulations, a 2.50% requirement was added to the above requirements.
Taking into account the SREB CCB requirements, at consolidated level Gruppo Banco BPM must comply with the following capital ratios:

- *CET1 ratio*: 8.875%;
- *Tier 1 ratio*: 10.375%;
- *Total Capital ratio*: 12.375%.

By the required deadline (1 February 2018), Banco BPM informed the European Central Bank that it elected to fully apply the transitional provision under the new article 473 bis of EU Regulation no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Under the transitional provision, it is possible to include a transitional positive component to the Tier 1 capital by a percentage of the increase in expected loan loss provisions further to the adoption of IFRS 9. The percentage decreases over time over a 5-year period, as described below:

- period between 1 January and 31 December 2018: 95% of the increase in expected loan loss provision further to the adoption of IFRS 9. The negative impact expected to be caused on own funds by the adoption of the new impairment model is thus reduced to 5% of the impact recognized at stated net equity level on 1 January 2018;
- period between 1 January 2019 and 31 December 2019: 85% of the increase in expected loan loss provisions;
- period between 1 January 2020 and 31 December 2020: 70% of the increase in expected loan loss provisions;
- period between 1 January 2021 and 31 December 2021: 50% of the increase in expected loan loss provisions;
- period between 1 January 2022 and 31 December 2022: 25% of the increase in expected loan loss provisions.

Beginning on 1 January 2023 the impact from the first-time adoption of IFRS 9 will be fully recognized in the calculation of own funds.

In addition to the possibility of phasing in the impact from the first-time adoption of the accounting standard on 1 January 2018, the transitional provision gives the possibility to phase in any impacts that the implementation of the new impairment model may cause also in the following few years after the first-time adoption of the new accounting standard, albeit limited to impacts from the measurement of performing financial assets. At 30 September 2018, the latter option (called "dynamic approach") has not been adopted.

The estimates of the Group's capital ratios, all other things being equal, had it not elected to exercise the above option, are defined in brief "IFRS9 fully-phased". The capital ratios called "IFRS9 phase-in" instead are calculated based on the estimated capital ratios.

7. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure at 30 September 2018, represented by debt securities, broken down by single Country and by category of the classification accounting portfolio:

30 September 2018 *(million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	10,105	6,526	1,587	18,218
USA	2,094	1,027	-	3,121
France	1,066	2,403	177	3,646
Germany	373	1,289	-	1,662
Spain	397	654	370	1,421
Other Countries	284	-	-	284
Total	**14,319**	**11,899**	**2,134**	**28,352**

At 30 September 2018, the Group's sovereign debt exposure totaled € 28.4 billion (€ 25.2 billion at 31 December 2017), of which 50.5% classified in the portfolio of financial assets measured at amortized cost, 42.0% under financial assets measured at

fair value through other comprehensive income, and 7.5% in the portfolio of financial assets measured at fair value through profit or loss as they were held for trading.
Out of this exposure, about 89% refers to securities issued by members of the European Union; more specifically about 64% by Italy.
With regard to financial assets measured at fair value through other comprehensive income, at 30 September 2018 the reserves generated by the fair value measurement totaled - € 0.31 billion, gross of tax effect, and refer almost exclusively to Italian Government bonds.
As to financial assets measured at amortized cost, the book value came out at € 14.3 billion, of which € 10.1 represented by Italian government bonds. For information purposes only, note that the fair value of the government bonds classified in this accounting category, measured based on the market prices at 30 September 2018, (level 1 in the fair value classification) totaled € 13.8 billion (€ 9.6 billion being the fair value of the Italian government bonds alone).
Finally, note that in 9M 2018, Gruppo Banco BPM did not change its business model, hence no financial assets reclassification has been reported across the different accounting categories.

8. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 30 September 2018, or, when not available, to the most recently approved financial reports. Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 30 September 2018, or, if not available, on the most recent financial reports prepared by the associates.

Attachments

- Reclassified consolidated balance sheet
- Reclassified consolidated income statement
- Reclassified consolidated income statement – 2018 and 2017 quarterly evolution
- Reclassified consolidated income statement excluding PPA – 2018 and 2017 quarterly evolution

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	30/09/2018	01/01/2018 Restated	31/12/2017	Chg. vs. 01/01/2018	Chg. vs. 31/12/2017	% Chg. vs. 01/01/2018	% Chg. vs. 31/12/2017
Cash and cash equivalents	806,786	976,686	976,686	-169,900	-169,900	-17.4%	-17.4%
Financial assets at amortised cost	111,453,097	111,044,748	112,681,902	408,349	-1,228,805	0.4%	-1.1%
- Due from banks	4,638,515	4,936,507	4,939,223	-297,992	-300,708	-6.0%	-6.1%
- Customer loans (*)	106,814,582	106,108,241	107,742,679	706,341	-928,097	0.7%	-0.9%
Other financial assets	38,759,281	34,884,798	34,533,172	3,874,483	4,226,109	11.1%	12.2%
- Financial assets designated at FV through P&L	8,011,475	6,417,083	5,184,586	1,594,392	2,826,889	24.8%	54.5%
- Financial assets designated at FV through OCI	15,859,906	16,750,072	17,128,622	-890,166	-1,268,716	-5.3%	-7.4%
- Financial assets at amortised cost	14,887,900	11,717,643	12,219,964	3,170,257	2,667,936	27.1%	21.8%
Equity investments	1,379,057	1,256,843	1,349,191	122,214	29,866	9.7%	2.2%
Property and equipment	2,847,623	2,735,182	2,735,182	112,441	112,441	4.1%	4.1%
Intangible assets	1,284,797	1,297,160	1,297,160	-12,363	-12,363	-1.0%	-1.0%
Tax assets	4,849,728	4,897,397	4,520,189	-47,669	329,539	-1.0%	7.3%
Non-current assets held for sale and discontinued operations	44,798	106,121	106,121	-61,323	-61,323	-57.8%	-57.8%
Other assets	2,459,139	3,007,162	3,007,162	-548,023	-548,023	-18.2%	-18.2%
Total Assets	**163,884,306**	**160,206,097**	**161,206,765**	**3,678,209**	**2,677,541**	**2.3%**	**1.7%**
Due to banks	30,979,381	27,199,304	27,199,304	3,780,077	3,780,077	13.9%	13.9%
Direct funding	107,998,512	107,525,103	107,509,849	473,409	488,663	0.4%	0.5%
- Due to customers	91,339,533	87,848,146	87,848,146	3,491,387	3,491,387	4.0%	4.0%
- Debt securities issued and financial liabilities designated at fair value	16,658,979	19,676,957	19,661,703	-3,017,978	-3,002,724	-15.3%	-15.3%
Other financial liabilities designated at fair value	8,484,442	8,704,348	8,707,966	-219,906	-223,524	-2.5%	-2.6%
Liability provisions	1,553,204	1,617,312	1,580,461	-64,108	-27,257	-4.0%	-1.7%
Tax liabilities	564,107	691,723	669,494	-127,616	-105,387	-18.4%	-15.7%
Liabilities associated with assets held for sale	-	35	35	-35	-35	-100.0%	-100.0%
Other liabilities	3,362,719	3,576,116	3,576,116	-213,397	-213,397	-6.0%	-6.0%
Total Liabilities	**152,942,365**	**149,313,941**	**149,243,225**	**3,628,424**	**3,699,140**	**2.4%**	**2.5%**
Minority interests	52,210	57,567	63,310	-5,357	-11,100	-9.3%	-17.5%
Shareholders' equity	10,889,731	10,834,589	11,900,230	55,142	-1,010,499	0.5%	-8.5%
CONSOLIDATED SHAREHOLDERS' EQUITY	**10,941,941**	**10,892,156**	**11,963,540**	**49,785**	**-1,021,599**	**0.5%**	**-8.5%**
Total Liabilities and Shareholders' Equity	**163,884,306**	**160,206,097**	**161,206,765**	**3,678,209**	**2,677,541**	**2.3%**	**1.7%**

(*) Include the Senior notes for those the Italian government has issued the State guarantee on the securitization of bad loans, pursuant to the Decree Law 18/2016 ("GACS")

BANCO BPM GROUP

Reclassified consolidated income statement

(in euro thousand)	IFRS 9 30/09/2018	IAS 39 30/09/2017	Changes	Changes %
Net interest income	1,737,868	1,584,679	153,189	9.7%
Income (loss) from investments in associates carried at equity	108,789	120,870	-12,081	-10.0%
Net interest, dividend and similar income	**1,846,657**	**1,705,549**	**141,108**	**8.3%**
Net fee and commission income	1,378,885	1,478,314	-99,429	-6.7%
Other net operating income	368,710	74,079	294,631	397.7%
Net financial result	156,258	113,134	43,124	38.1%
Other operating income	**1,903,853**	**1,665,527**	**238,326**	**14.3%**
Total income	**3,750,510**	**3,371,076**	**379,434**	**11.3%**
Personnel expenses	-1,310,628	-1,364,058	53,430	-3.9%
Other administrative expenses	-610,773	-667,651	56,878	-8.5%
Amortization and depreciation	-146,402	-171,449	25,047	-14.6%
Operating costs	**-2,067,803**	**-2,203,158**	**135,355**	**-6.1%**
Profit (loss) from operations	**1,682,707**	**1,167,918**	**514,789**	**44.1%**
Net adjustments on loans to customers	-953,856	-987,836	33,980	-3.4%
Net adjustments on other assets	-677	-127,499	126,822	-99.5%
Net provisions for risks and charges	-117,536	-4,522	-113,014	N.S.
Profit (loss) on the disposal of equity and other iestments	168,249	13,634	154,615	N.S.
Income (loss) before tax from continuing operations	**778,887**	**61,695**	**717,192**	**N.S.**
Tax on income from continuing operations	-159,595	-8,970	-150,625	N.S.
Systemic charges after tax	-99,550	-71,077	-28,473	40.1%
Income (loss) after tax from discontinued operations	936	62,291	-61,355	-98.5%
Income (loss) attributable to minority interests	3,846	8,791	-4,945	-56.3%
Net income (loss) for the period excluding Badwill	**524,524**	**52,730**	**471,794**	**894.7%**
Badwill	**-**	**3,076,137**	**-3,076,137**	
NET INCOME (LOSS) FOR THE PERIOD	**524,524**	**3,128,867**	**-2,604,343**	**-83.2%**

BANCO BPM GROUP

Reclassified consolidated income statement	IFRS 9	IFRS 9	IFRS 9	IAS 39	IAS 39	IAS 39	IAS 39
(in euro thousand)	III Q 2018	II Q 2018	I Q 2018	IV Q 2017	III Q 2017	II Q 2017	I Q 2017
Net interest income	557,759	584,998	595,111	528,768	524,923	511,149	548,607
Income (loss) from investments in associates carried at equity	32,791	33,413	42,585	45,166	38,931	40,354	41,585
Net interest, dividend and similar income	**590,550**	**618,411**	**637,696**	**573,934**	**563,854**	**551,503**	**590,192**
Net fee and commission income	451,372	450,993	476,520	472,096	458,935	503,605	515,774
Other net operating income	214,531	130,029	24,150	24,738	29,401	14,362	30,316
Net financial result	46,768	80,182	29,308	41,915	12,957	63,320	36,857
Other operating income	**712,671**	**661,204**	**529,978**	**538,749**	**501,293**	**581,287**	**582,947**
Total income	**1,303,221**	**1,279,615**	**1,167,674**	**1,112,683**	**1,065,147**	**1,132,790**	**1,173,139**
Personnel expenses	-431,479	-437,060	-442,089	-420,796	-450,628	-456,711	-456,719
Other administrative expenses	-196,184	-203,102	-211,487	-204,704	-236,303	-233,055	-198,293
Amortization and depreciation	-49,456	-49,020	-47,926	-95,466	-62,160	-56,406	-52,883
Operating costs	**-677,119**	**-689,182**	**-701,502**	**-720,966**	**-749,091**	**-746,172**	**-707,895**
Profit (loss) from operations	**626,102**	**590,433**	**466,172**	**391,717**	**316,056**	**386,618**	**465,244**
Net adjustments on loans to customers	-267,405	-360,212	-326,239	-673,127	-340,816	-354,530	-292,490
Net adjustments on other assets	-1,312	-1,593	2,228	-12,718	-48,322	-70,820	-8,357
Net provisions for risks and charges	-71,865	-20,707	-24,964	-9,235	4,615	-9,641	504
Profit (loss) on the disposal of equity and other ivestments	-10,301	-1,104	179,654	12,064	333	-3,765	17,066
Income (loss) before tax from continuing operations	**275,219**	**206,817**	**296,851**	**-291,299**	**-68,134**	**-52,138**	**181,967**
Tax on income from continuing operations	-72,338	-61,320	-25,937	101,759	34,806	1,122	-44,898
Systemic charges after tax	-32,122	-18,391	-49,037	-6,187	-26,069	-	-45,008
Income (loss) after tax from discontinued operations	932	18	-14	699,971	16,498	25,790	20,003
Income (loss) attributable to minority interests	256	2,160	1,430	867	1,397	4,256	3,138
Net income (loss) for the period excluding Badwill and Impairment on goodwill and client relationship	**171,947**	**129,284**	**223,293**	**505,111**	**-41,502**	**-20,970**	**115,202**
Impairment on goodwill and client relationship after tax	**-**	**-**	**-**	**-1,017,616**	**-**	**-**	**-**
Badwill	**-**	**-**	**-**	**-**	**-**	**-**	**3,076,137**
NET INCOME (LOSS) FOR THE PERIOD	**171,947**	**129,284**	**223,293**	**-512,505**	**-41,502**	**-20,970**	**3,191,339**

BANCO BPM GROUP

Reclassified consolidated income statement without PPA line-by-line

(in euro thousand)	IFRS 9 III Q 2018	IFRS 9 II Q 2018	IFRS 9 I Q 2018	IAS 39 IV Q 2017	IAS 39 III Q 2017	IAS 39 II Q 2017	IAS 39 I Q 2017
Net interest income	537,227	541,685	536,030	527,653	514,903	505,200	534,508
Income (loss) from investments in associates carried at equity	32,791	33,413	42,585	45,166	38,931	40,354	41,585
Net interest, dividend and similar income	**570,018**	**575,098**	**578,615**	**572,819**	**553,834**	**545,554**	**576,093**
Net fee and commission income	451,372	450,993	476,520	472,096	458,935	503,605	515,774
Other net operating income	225,104	140,539	34,604	36,368	41,028	25,575	42,195
Net financial result	46,768	80,182	29,308	41,915	12,957	63,320	36,857
Other operating income	**723,244**	**671,714**	**540,432**	**550,379**	**512,920**	**592,500**	**594,826**
Total income	**1,293,262**	**1,246,812**	**1,119,047**	**1,123,198**	**1,066,754**	**1,138,054**	**1,170,919**
Personnel expenses	-431,479	-437,060	-442,089	-420,796	-450,628	-456,711	-456,719
Other administrative expenses	-196,184	-203,102	-211,487	-204,704	-236,303	-233,055	-198,293
Amortization and depreciation	-46,543	-46,126	-45,056	-91,683	-58,980	-53,329	-49,672
Operating costs	**-674,206**	**-686,288**	**-698,632**	**-717,183**	**-745,911**	**-743,095**	**-704,684**
Profit (loss) from operations	**619,056**	**560,524**	**420,415**	**406,015**	**320,843**	**394,959**	**466,235**
Net adjustments on loans to customers	-267,405	-360,212	-326,239	-735,829	-381,998	-403,815	-336,556
Net adjustments on other assets	-1,312	-1,593	2,228	-12,718	-48,322	-70,820	-8,357
Net provisions for risks and charges	-71,865	-20,707	-24,964	-9,235	4,615	-9,641	504
Profit (loss) on the disposal of equity and other ivestments	-10,301	-1,104	179,654	12,156	205	-2,784	17,066
Income (loss) before tax from continuing operations	**268,173**	**176,908**	**251,094**	**-339,611**	**-104,657**	**-92,101**	**138,892**
Tax on income from continuing operations	-69,946	-51,347	-10,742	117,860	47,040	14,399	-30,605
Systemic charges after tax	-32,122	-18,391	-49,037	-6,187	-26,069	-	-45,008
Income (loss) after tax from discontinued operations	932	18	-14	699,971	16,498	25,790	20,003
Income (loss) attributable to minority interests	256	2,160	1,430	867	1,397	4,256	3,138
Net income (loss) for the period excluding PPA, Badwill and Impairment on goodwill and client relationship	**167,293**	**109,348**	**192,731**	**472,900**	**-65,791**	**-47,656**	**86,420**
Purchase Price Allocation (PPA) after tax	**4,654**	**19,936**	**30,562**	**32,211**	**24,289**	**26,686**	**28,782**
Impairment on goodwill and client relationship after tax	**-**	**-**	**-**	**-1,017,616**	**-**	**-**	**-**
Badwill	**-**	**-**	**-**	**-**	**-**	**-**	**3,076,137**
NET INCOME (LOSS) FOR THE PERIOD	**171,947**	**129,284**	**223,293**	**-512,505**	**-41,502**	**-20,970**	**3,191,339**

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