



# FY 2019 Group Results Presentation

6 February 2020



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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 16 on Leasing contracts became effective beginning on 1 January 2019 and, therefore, the P&L and balance sheet results as at 31 December 2019 have been prepared in compliance with the new accounting standard. Banco BPM has chosen to carry out the first-time adoption (FTA) through the modified retrospective approach, which provides the option, established by IFRS 16, of recognizing the cumulative effect of the adoption of the standard at the date of first-time adoption and not restating the comparative information of the financial statements of first-time adoption of IFRS 16. As a result, the figures for 2019 will not be comparable with regard to the valuation of the rights of use, lease payable and related economic effects. For more information and the related impacts, please refer to the Methodological Notes included in the News Release regarding the Consolidated results of Banco BPM as at 30/06/2019 and to the disclosure provided in the Consolidated Interim Report as at 30 June 2019.
- 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". Q1 2018 P&L schemes have been reclassified accordingly.
- Starting from 30/06/2019, upfront fees related to the placement of Certificates have been reclassified from the Net Financial Result to Net Fees & Commissions. The previous quarters (2018 and Q1 2019) have been reclassified accordingly.
- Due to the change of the valuation criteria applied to the Group's properties and artworks, starting from 31/12/2019, a new item called «Profit & Loss on Fair Value measurement of tangible assets» has been introduced in the reclassified P&L scheme as at 31/12/2019. In this item, also the depreciations of properties previously accounted in the item "Amortisation & Depreciation" within the "Operating Costs" have been reclassified, restating accordingly all the previous quarters of 2019 for coherence. Furthermore, considering that the new accounting principle does not foresee for the amortisation of investment properties, the amortisation on such assets in the first three quarters of 2019 has been cancelled; as a consequence, the Item "Amortization and Depreciation" as well as the net result of the first three quarters of 2019 have been re-determined. The P&L of 2018 has not been restated accordingly and, therefore, the items "Amortisation & Depreciation" and "Operating Costs" are not fully comparable on an annual basis.
- It is also reminded that, on 16 April 2019, Banco BPM accepted the binding offer submitted by Illimity Bank S.p.A. and regarding the sale of a portfolio of Leasing Bad Loans. More in detail, the disposal concerns a portfolio for a nominal value of about €650 million at the cut-off date of 30th June 2018, mainly composed of receivables deriving from the active and passive legal relationships related to leasing contracts classified as bad loans, together with the related agreements, legal relationships, immovable or movable assets and the underlying contracts. The closure of the operation is subject to precedent conditions that are customary for transactions of this kind, including the notarial certification for the transferability of the assets, and shall be executed in various phases, with the conclusion expected by mid-2020. Starting from Q2 2019, the loans subject to this transaction (€607m GBV and €156m NBV as at 30/06/2019) have been reclassified as discontinued operations according to the IFRS5 standard. As at 31/12/2019, the residual amount of these loans stood at €313m GBV and at €94m NBV.
- On 28 June 2019, Banco BPM sold the Profamily captive business to Agos (the company subject to the disposal was renamed ProAgos S.p.A.). The non-captive business was demerged prior to this transaction through a spin-off operation in favour of a new company which keeps the name of ProFamily S.p.A. and which is 100% held by Banco BPM. The assets and liabilities (mainly composed of customer loans for a NBV of €1.4bn) related to this non-captive business in Q2 and Q3 were classified as discontinued operations according to IFRS5 standard and, then, in Q4 2019 they have been re-classified line-by-line under the relevant Balance Sheet items. In this presentation, in order to allow a proper comparison, the data of Customer Loans as at 30/09/2019 have been restated re-including Profamily non-captive volumes. It is also noted that, with reference to P&L, the contribution has always been represented line-by-line, under the relevant P&L items.
- Pursuant to art. 26, paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), the inclusion of year-end profits in Common Equity Tier 1 Capital (CET1) before the annual report is approved by Shareholders at the AGM is subject to the prior permission of the competent authority (the ECB), which to grant permission requires that profits are verified by an independent auditing firm; otherwise, profits can be included once the annual report has been approved by Shareholders at the AGM. As to the data and capital ratios illustrated in this presentation, in addition to the net income as at 30 June 2019, which was included following the permission granted on the back of the limited audit of the condensed consolidated half-yearly report as at 30 June 2019, also the 2H 2019 net income portion has been included, as reported in the Group's draft consolidated financial statements at 31 December 2019, which has been approved today by the Board of Directors, net of the amount that the Board of Directors has decided to allocate for dividend distribution and donations to be submitted to the Shareholders for approval at the AGM; this profit will be formally included in the capital as soon as the Shareholders at the AGM will approve the annual report.

# Agenda

<b>1. Key FY 2019 Performance Highlights</b>	<b>4</b>
2. Performance Details:	29
- Profitability	30
- Balance Sheet	37
- Funding and Liquidity	38
- Customer Loans and Focus on Credit Quality	43
- Capital Position	46

# FY 2019: SUCCESSFUL FINAL YEAR OF THE MERGER PLAN

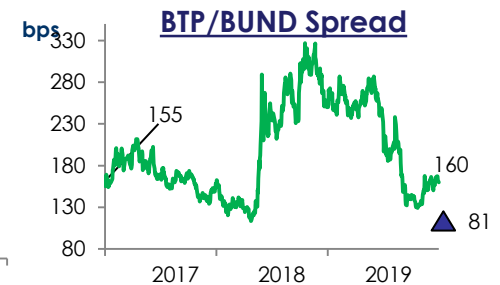
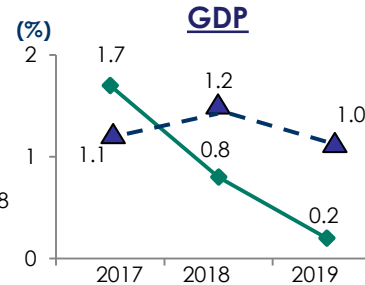
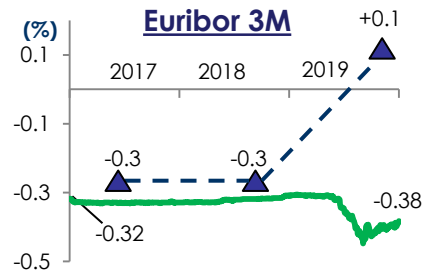
Turnaround completed and back to dividend

## ☐ SUCCESSFUL ACHIEVEMENTS.....

		Strategic Plan Starting Point <sup>1</sup>	2019 YE Target	Achieved as at YE 2019	
✓ <b>CAPITAL POSITION</b>	- CET 1 RATIO FL - TEXAS RATIO	12.3% 162%	12.9% 114%	12.8% 52%	Post dividend
✓ <b>DERISKING</b>	- GROSS NPE - GROSS NPE RATIO - NET NPE RATIO	€31.5BN <sup>2</sup> 24.8% <sup>2</sup> 15.7%	€23.2BN <sup>3</sup> 17.5% <sup>3</sup> 11.1%	€10.1BN 9.1% 5.2%	
✓ <b>RATIONALIZATION</b>	- BRANCHES (#) - HEADCOUNT (#)	2,417 25,073	2,082 22,560	1,727 21,941 <sup>4</sup>	
✓ <b>COST EFFICIENCY</b>	- TOTAL OPERATING COST - COST REDUCTION SINCE YE15	€3,086M <sup>5</sup>	€2,858M <sup>5</sup> -€228M	€2,604M -€482M	

## ☐ ...IN A CHALLENGING ENVIRONMENT (2017-2019)

▲ --- Yearly average embedded in the Strategic Plan



- ☐ PROFITABILITY ABOVE RECENT GUIDANCE
- ☐ BACK TO DIVIDEND: PROPOSED DPS OF €0.08 (DIVIDEND YIELD OF 4.1%<sup>6</sup>)
- ☐ NEW STRATEGIC PLAN: 3 MARCH 2020

Notes: 1. Strategic Plan starting point YE 2015 2. Nominal values. 3. Corresponding to Nominal targets (incl. write-offs) of €23.9bn and of 17.9%, respectively 4. The figure includes 251 exits related to non-recurring corporate transactions. 5. Proforma operating cost target, updated to take account of the perimeter change. The data indicated for 2015 as well as for the 2019 target and for the effective 2019 data are affected by different accounting effects. 6. Calculated over the share price closure of €1.96 as at 05/02/2020.

# SOLID 2019 PERFORMANCE: KEY HIGHLIGHTS (1/2)

Strong profitability and capital position

## PROFITABILITY AND CAPITAL GENERATION

- Paving the way for the new Strategic Plan
- All profitability definitions provide strong evidence of the ability to deliver excellent results

<u>FY 2019</u> <u>Net Income</u>	
€797m Stated	€649m Adj.
<u>FY 2019</u> <u>Comprehensive Profitability</u>	
€1,324m Stated	€926m Adj.

## CAPITAL POSITION AND BUFFERS

- At strongest-ever level: well positioned to face potential future headwinds

<u>CET 1</u>	<u>MDA Buffers<sup>1</sup></u>
14.6% Phased	+440bps Phased
12.8% FL	+229bps FL

Note: 1. Do not include the €400m AT1 instrument issued in January 2020, corresponding to 61bps.

# SOLID 2019 PERFORMANCE: KEY HIGHLIGHTS (2/2)

## Successful balance sheet strategy

### RISK PROFILE

- Gross NPE: -1.7bn y/y
- Net NPE: -1.2bn y/y
- Texas ratio<sup>1</sup>: 52.3% (74.9% YE 18)

Gross NPE  
ratio

9.1%

Net NPE  
ratio

5.2%

### RESERVES & UNREALISED GAINS

- Effective management of debt securities, maintaining a robust buffer of reserves and unrealised gains, which registered a further increase at the beginning of 2020<sup>2</sup>

RESERVES  
(FVOCI)

€71m

UNREALISED  
GAINS (AC)<sup>3</sup>

€520m

### CUSTOMER VOLUMES

- Solid 'core' commercial volumes
- Growing 'core' funding base: opportunity to boost wealth management business

Core Perf.  
Loans

+2.9%  
y/y

C/A &  
Deposits

+8.2%  
y/y

AUM

+4.7%  
y/y

### LIQUIDITY & FUNDING

- Strong position confirmed
- Unencumbered eligible securities at ~€20bn

LCR

>165%

NSFR

>100%

Notes: 1. Net NPE on Tangible Shareholders' Equity. 2. See Slide 17 for details. 3. Unrealised Gains on Debt Securities at AC are not included in the 'Comprehensive Profitability', nor in the Capital position.

# FY 2019 GROUP COMPREHENSIVE PROFITABILITY

PROFIT & LOSS (€ m)	FY 2019 Stated	FY 2019 Adjusted	P&L One-off elements <sup>1</sup>
TOTAL INCOME	4,293	4,288	5
OPERATING COSTS	-2,604	-2,600	-4
PROFIT FROM OPERATIONS	1,689	1,689	0
LLPs	-779	-779	0
OTHER PRE-TAX ELEMENTS	109	12	97
PRE-TAX PROFIT	1,020	922	97
NET INCOME	797	649	148

## FY 2019 results: from P&L Net Income to Comprehensive Profitability

€ m

797



P&L Net Income  
(Stated)

Includes Property and Artworks revaluation impact of -€131m pre-tax (-€95m post-tax)

527



Net Income directly to Equity (Stated)

COMPOSITION OF NET INCOME DIRECTLY TO EQUITY	Pre-tax	Post-tax
Property and Artworks revaluation <sup>2</sup>	+367	+250
Evolution of the Debt FVOCI reserves	+267	+179
Evolution of the Equity FVOCI reserves	+151	+120
- o/w: <i>Sorgenia</i>	+73	+49
Other	-33	-22
<b>TOTAL</b>	<b>+752</b>	<b>+527</b>

1,324



Comprehensive Profitability  
(Stated)

Excludes unrealized gains on AC portfolio (+€699m y/y pre-tax, +€468m y/y post-tax)

Notes: 1. For details on non-recurring elements, see slide 33. 2. Element not included in the Adjusted Comprehensive Profitability.



# 2019 QUARTERLY P&L RESULTS: STATED AND ADJUSTED

€ m	P&L STATED					P&L ADJUSTED <sup>1</sup>				
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Chg. q/q	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Chg. q/q
	Restated					Restated				
NII	505.2	514.8	500.0	477.9	-4.4%	505.2	514.8	500.0	473.2	-5.4%
FEES & COMMISSIONS	434.5	453.7	444.1	462.2	4.1%	434.5	453.7	444.1	462.2	4.1%
NET FINANCIAL RESULT	72.3	10.7	41.7	207.4	397.7%	72.3	10.7	41.7	207.4	397.7%
<b>TOTAL INCOME</b>	<b>1,063.4</b>	<b>1,020.1</b>	<b>1,021.7</b>	<b>1,187.7</b>	<b>16.2%</b>	<b>1,063.4</b>	<b>1,020.1</b>	<b>1,021.7</b>	<b>1,183.0</b>	<b>15.8%</b>
<b>OPERATING COSTS</b>	<b>-656.2</b>	<b>-648.9</b>	<b>-642.8</b>	<b>-656.1</b>	<b>2.1%</b>	<b>-656.2</b>	<b>-648.2</b>	<b>-640.9</b>	<b>-654.3</b>	<b>2.1%</b>
<b>PROFIT FROM OPERATIONS</b>	<b>407.2</b>	<b>371.3</b>	<b>378.9</b>	<b>531.6</b>	<b>40.3%</b>	<b>407.2</b>	<b>371.9</b>	<b>380.9</b>	<b>528.7</b>	<b>38.8%</b>
LLPs	-152.0	-197.7	-208.4	-220.5	5.8%	-152.0	-197.7	-208.4	-220.5	5.8%
FV VALUATION OF TANGIBLE ASSETS	-7.5	-19.3	-0.7	-131.0	n.m.	0.0	0.0	0.0	0.0	n.m.
PROVISIONS FOR RISKS & CHARGES	4.4	-10.1	-2.7	-62.6	n.m.	4.4	5.2	-1.7	-1.5	n.m.
P&L FROM DISPOSALS	0.2	336.6	0.0	-3.6	n.m.	0.0	0.0	0.0	0.0	n.m.
<b>PRE-TAX PROFIT</b>	<b>248.4</b>	<b>484.8</b>	<b>171.1</b>	<b>115.4</b>	<b>-32.6%</b>	<b>255.7</b>	<b>183.5</b>	<b>174.9</b>	<b>308.3</b>	<b>76.2%</b>
TAX	-52.6	-25.2	-43.2	-24.4	-43.6%	-54.4	-46.2	-44.1	-57.8	30.9%
SYSTEMIC CHARGES <sup>2</sup>	-41.6	-15.2	-31.5	-4.5	-85.7%	-41.6	0.0	-31.5	-4.5	-85.7%
<b>NET INCOME</b>	<b>155.4</b>	<b>447.6</b>	<b>98.2</b>	<b>95.8</b>	<b>-2.5%</b>	<b>160.3</b>	<b>140.5</b>	<b>101.1</b>	<b>246.6</b>	<b>143.8%</b>
	<b>€797m</b>					<b>€649m</b>				

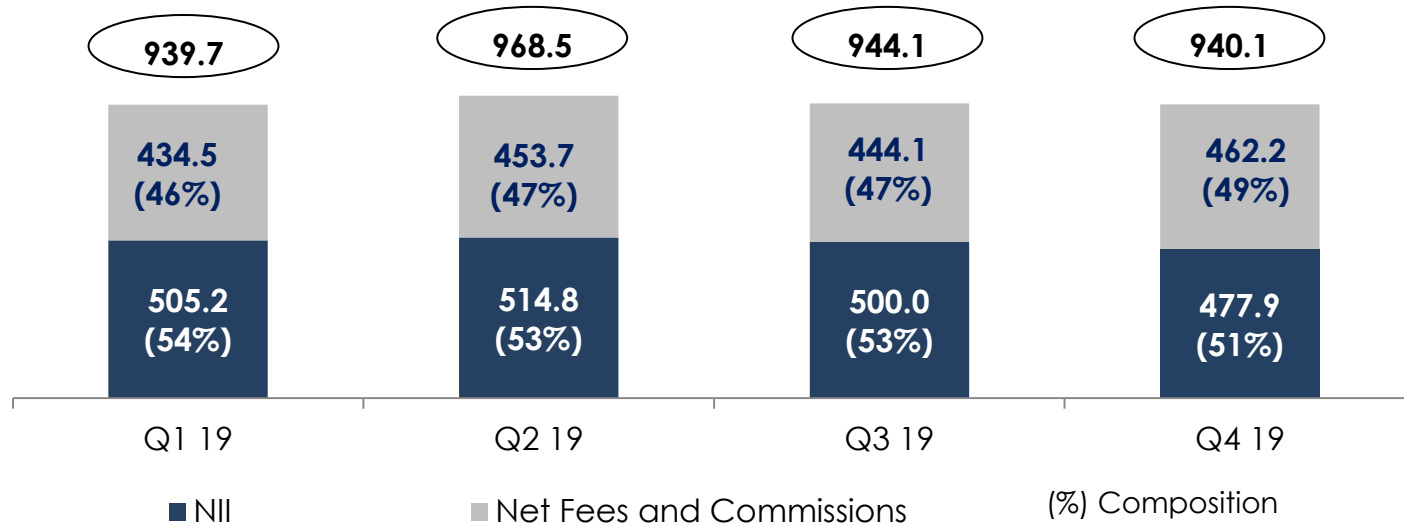
Restated: Q1, Q2 and Q3 2019 Operating Costs (specifically D&A item) are restated for the application in Q4 of the new valuation model on properties and artworks. Refer to methodological notes for details.

Notes: 1. For details on non-recurring elements excluded from the stated Net Income see slide 33. 2. Net of taxes.

# RESILIENT CORE REVENUES

## Core Revenues: quarterly contribution

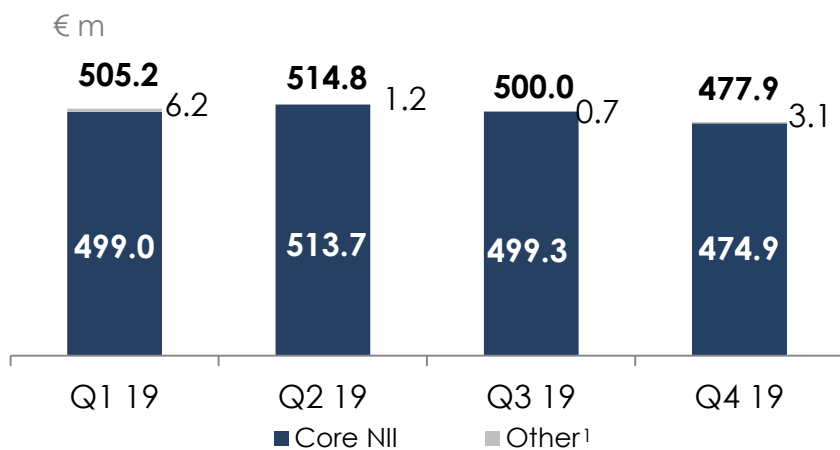
€ m



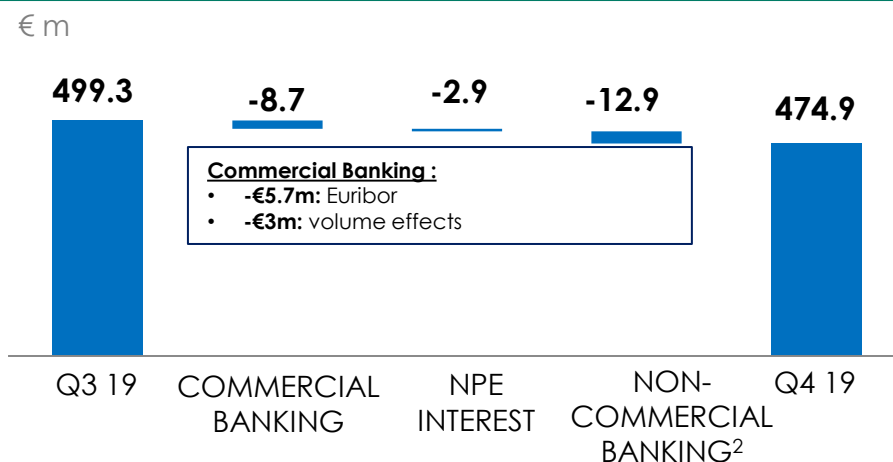
- Broadly stable quarterly core revenues (aggregate NII and Net Fees and Commissions) in 2019, with Net Fees and Commissions increasing the share to 49% in Q4

# NET INTEREST INCOME: HIGHLIGHTS

## Net Interest Income

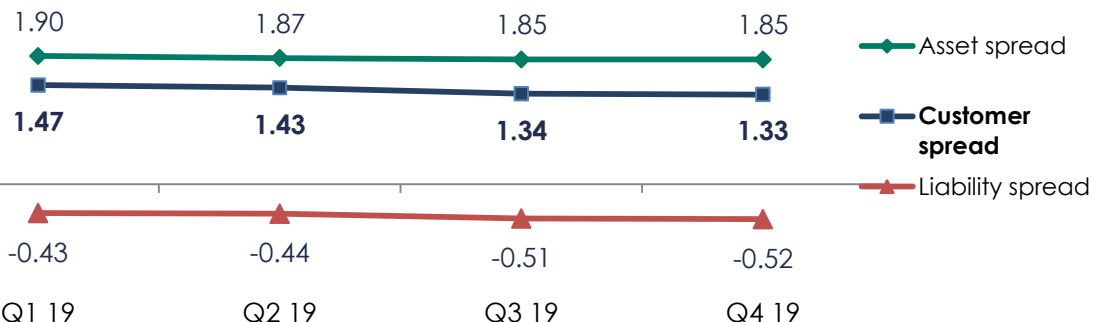


## Core NII: Evolution Breakdown



NPE Interest  
(Excl. PPA and IFRS9):

Quarter	Q1 19	Q2 19	Q3 19	Q4 19
NPE Interest	36.4	34.1	29.6	26.7



EURIBOR 3M  
QUARTERLY AVG.

Quarter	Q1 19	Q2 19	Q3 19	Q4 19
EURIBOR 3M Quarterly Avg.	-0.31	-0.32	-0.39	-0.41

Notes: 1. 'Other' includes PPA as well as impacts from IFRS9 and IFRS16; see slide 35 for details. 2. Non-commercial banking includes: financial activities, Hedging, interest on Bonds (Retail and Institutional) and other elements.

# VOLUME GROWTH AT A GLANCE

Strong commercial performance: growth in core customer volumes

€ bn	31/12/2018	30/09/2019	31/12/2019	% chg.Y/Y	% chg. Q4
<b>Net Performing Customer Loans</b>	<b>97.3</b>	<b>101.1</b>	<b>100.3</b>	<b>3.1%</b>	<b>-0.8%</b>
o/w: <b>Core Performing Customer Loans<sup>1</sup></b>	<b>88.6</b>	<b>92.0</b>	<b>91.1</b>	<b>2.9%</b>	<b>-1.0%</b>
- Medium/Long - Term Loans	58.6	62.0	62.5	6.8%	0.9%
- Current Accounts	11.2	11.2	10.5	-6.2%	-5.8%
- Other Loans	18.8	18.9	18.1	-3.8%	-4.1%
<b>Direct Funding<sup>2</sup></b>	<b>101.5</b>	<b>106.5</b>	<b>108.9</b>	<b>7.3%</b>	<b>2.3%</b>
<b>C/A &amp; Deposits (Sight + Time)</b>	<b>81.1</b>	<b>87.0</b>	<b>87.8</b>	<b>8.2%</b>	<b>0.8%</b>
<b>Bonds</b>	<b>14.9</b>	<b>14.4</b>	<b>15.8</b>	<b>6.7%</b>	<b>10.4%</b>
<b>Certificates</b>	<b>3.4</b>	<b>3.1</b>	<b>3.2</b>	<b>-3.9%</b>	<b>3.2%</b>
<b>Other</b>	<b>2.1</b>	<b>1.9</b>	<b>2.0</b>	<b>-5.6%</b>	<b>4.5%</b>
<b>Indirect Funding<sup>3</sup></b>	<b>87.0</b>	<b>89.2</b>	<b>89.7</b>	<b>3.2%</b>	<b>0.6%</b>
o/w: <b>AUM</b>	<b>55.7</b>	<b>57.6</b>	<b>58.3</b>	<b>4.7%</b>	<b>1.2%</b>
- Funds & Sicav	36.0	38.5	39.0	8.5%	1.5%
- Bancassurance	14.9	15.2	15.4	3.2%	1.4%
- Managed Accounts & Funds of Funds	4.8	4.0	3.9	-18.8%	-2.0%

Customer Loans as at 30/09/19 are restated including Profamily non-captive volumes. See Methodological Notes for details.

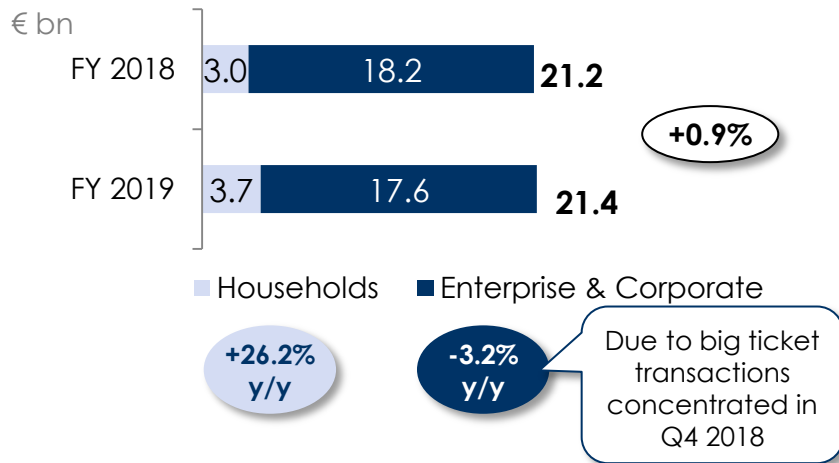
Notes: **1.** Exclude GACS senior notes, REPOs and Leasing. **2.** Restated excluding REPOs and including Capital-Protected Certificates. **3.** Restated excluding Capital-Protected Certificates from AUC.

# SOUND LENDING PERFORMANCE OF THE NETWORK

Solid volumes, with a recovery in pricing of Corporate and SME new lending y/y

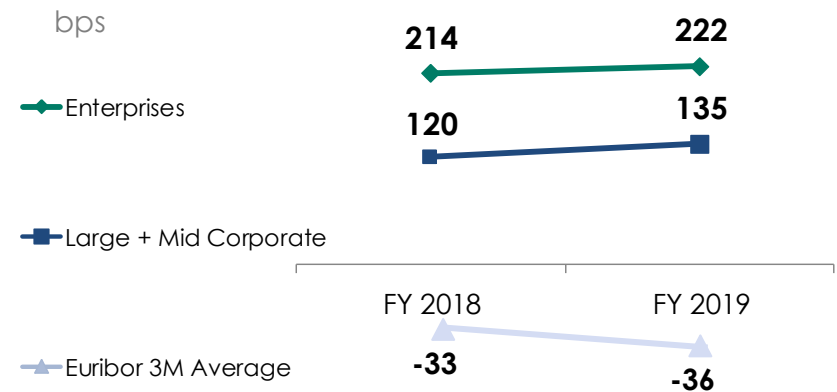
## €21.4bn New Loans in FY 2019

(Management data of the commercial network<sup>1</sup>)



## All-In Rates of the New M/L-Term Lending to Main Corporate Segments<sup>2</sup>

(Management data of the commercial network)

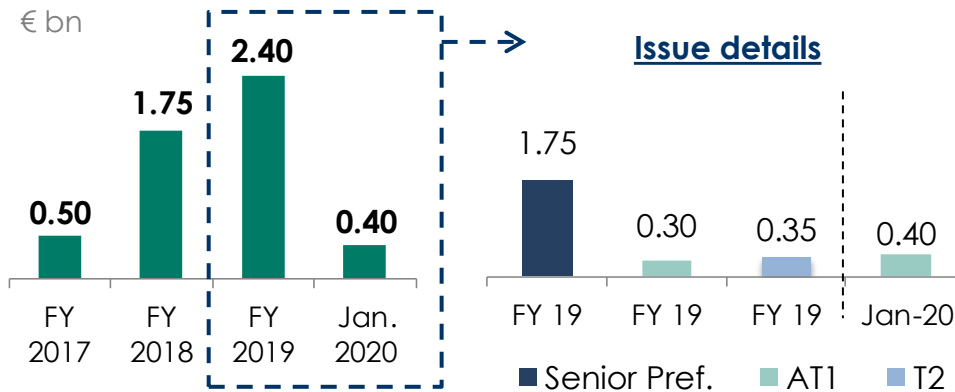


- Solid level of new M/L-Term lending (>€21bn) confirmed, coupled with increased pricing in the main corporate segments vs. FY 2018
- The contribution from the better pricing of the new lending is mitigated by the still higher rates of the maturing portfolio, with the exception of the Corporate segments, which already show increasing spreads in net lending

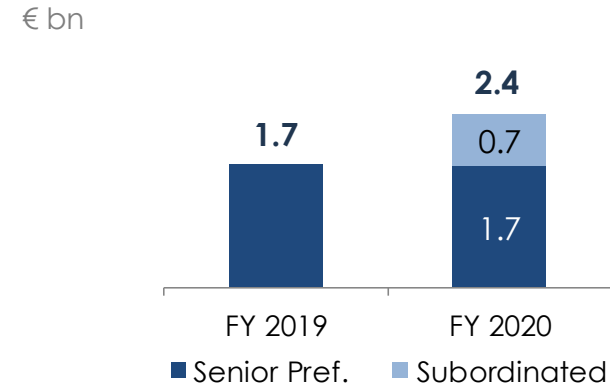
Notes: **1.** Include M/L-term Mortgages (Secured and Unsecured), Personal Loans, Pool, ST/MLT Structured Finance. Exclude Agos and Profamily volumes sold by the network, but not consolidated by the Group. **2.** All-in rates include commission income related to insurance policies, interest rate hedges and loan granting fees. Exclude volumes related to Structured Finance.

# SUCCESSFUL ACCESS TO A WIDE RANGE OF INSTRUMENTS IN THE WHOLESALE MARKET

€2.8bn public wholesale issues in the period  
FY 2019-Jan. 2020

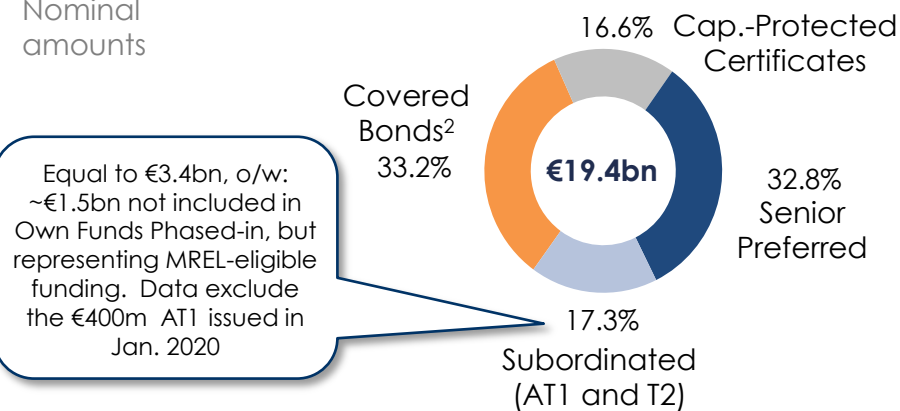


## Wholesale bond maturities<sup>1</sup>



## Bond funding composition as at 31/12/2019

Nominal amounts



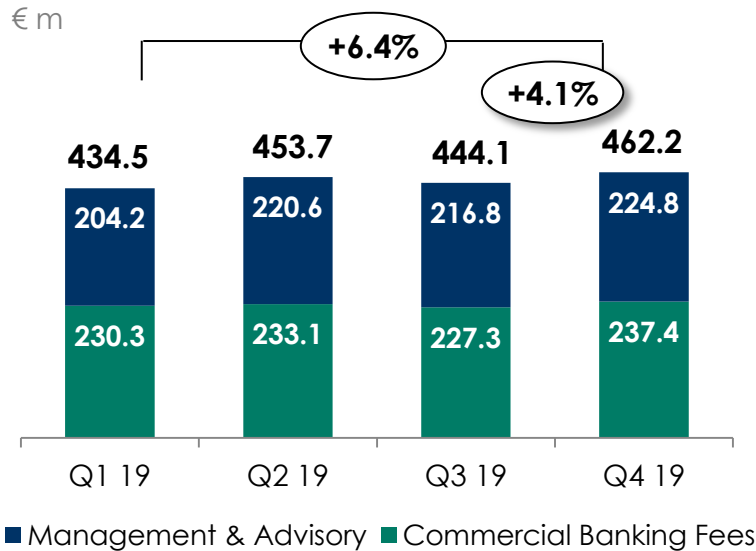
## Senior Preferred Wholesale Bonds: Spreads & Rates

SENIOR PREFERRED INSTRUMENTS	AVERAGE RATES	AVERAGE SPREADS
FY 2019 ISSUES	2.2%	2.3%
FY 2019 MATURITIES	3.8%	3.1%
FY 2020 MATURITIES	2.8%	2.3%

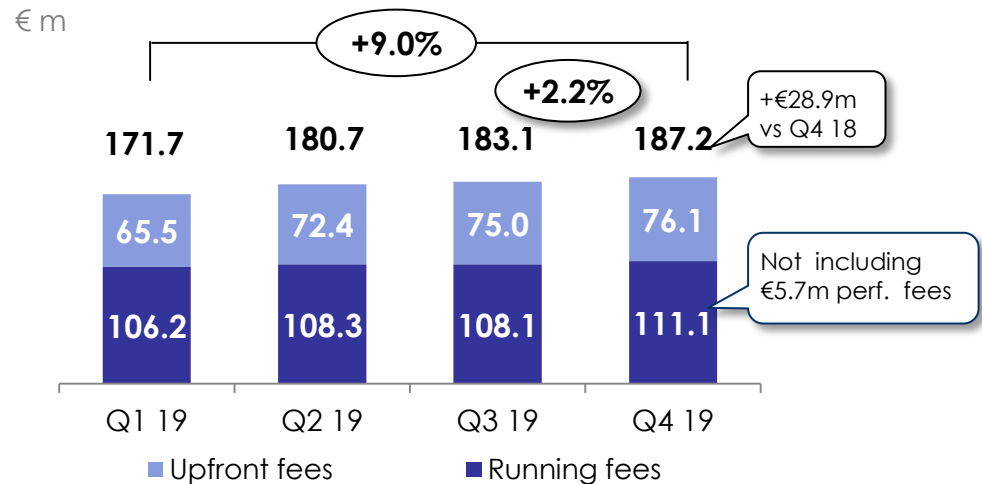
Notes: 1. Managerial data based on nominal amounts, including calls. 2. Include €0.95bn Repo with underlying retained Covered Bonds.

# NET FEES AND COMMISSIONS: GROWTH IN Q4

## Net Fees and Commissions



## Focus on Investment Product Fees<sup>1</sup>

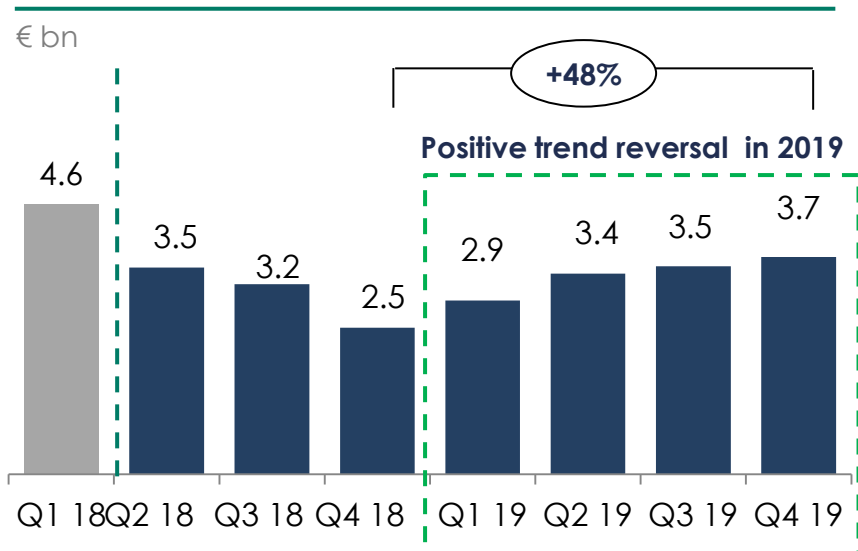


- Net fees and commission at €462.2m in Q4 2019, up 4.1% Q/Q, thanks both to the increase in advisory and management fees (+3.7% Q/Q), as well as to commercial fees (+4.4% Q/Q).
- After some pressure registered in 2018, due to the adoption of a new commercial approach coinciding with liquidity preference of customers, a balanced quarterly progression is seen in 2019, thanks to advisory and management fees (especially investment product placement, bancassurance and consumer finance fees)

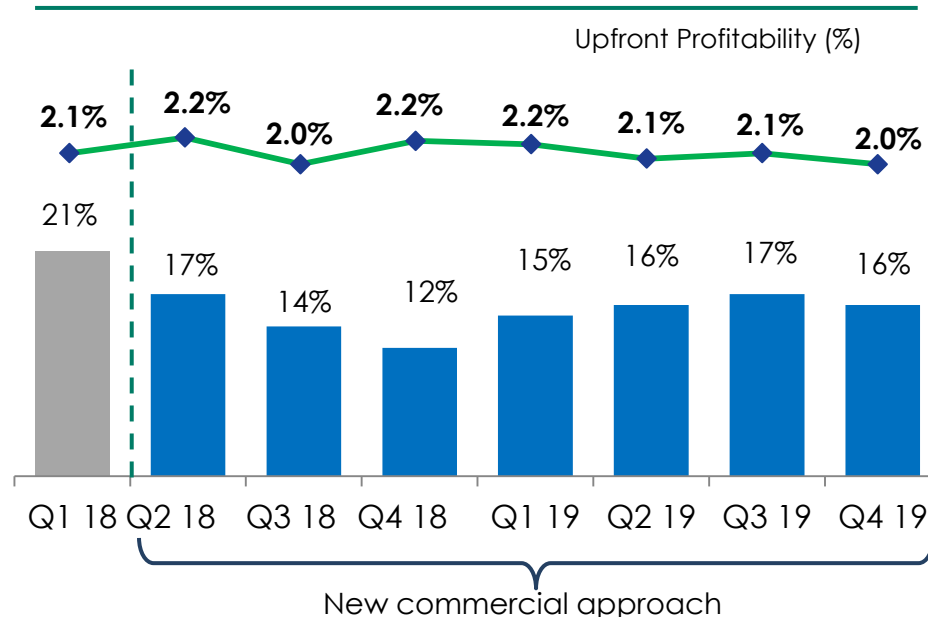
Notes: 1. Internal management data of the Commercial Network regarding the breakdown of running and upfront fees on investment products.

# GROWTH IN INVESTMENT PRODUCT PLACEMENTS

## Investment product placements volumes<sup>1</sup>



## Share of investment product Upfront fees on Total Net Fees & Commissions



- After the decline registered in quarterly investment product placements during 2018, a constant performance recovery is seen in all quarters of 2019, with Q4 coming in at €3.7bn (vs. €2.5bn in Q4 2018 and €3.5bn in Q3 2019)
- Following the adoption of a new customer-based commercial approach in 2018, the Group has rebalanced the composition of Management & Advisory fees, registering a resilient contribution from the upfront component of investment products

Notes: 1. Management data of the Commercial Network related only to the placements of investment products which generate upfront fees.

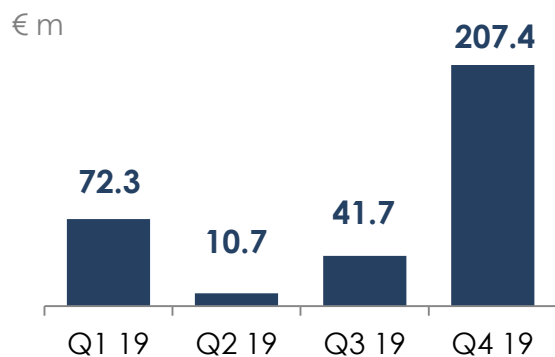


# NFR: EXCELLENT PERFORMANCE MAINTAINING A ROBUST LEVEL OF RESERVES & UNREALISED GAINS

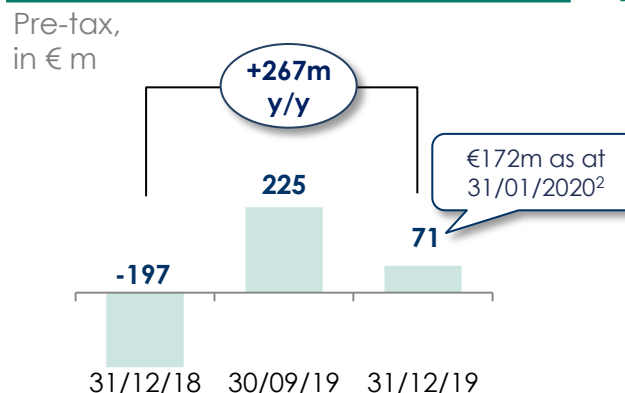
Not included in P&L results, but included in the Capital Position

Not included neither in the P&L results nor in the Capital Position<sup>1</sup>

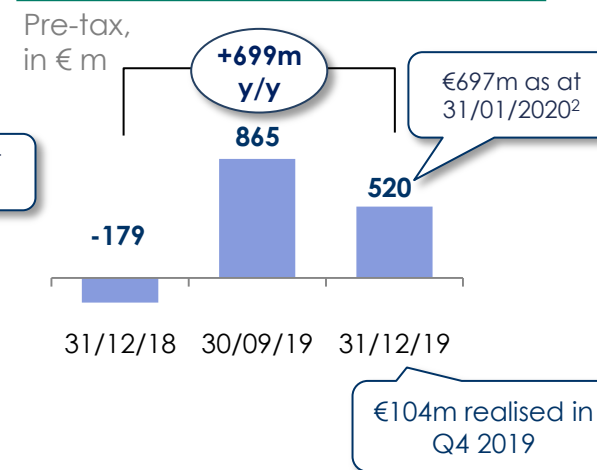
## Net Financial Result



## Reserves of Debt Securities at FVOCI



## Unrealised gains on Debt Securities at AC



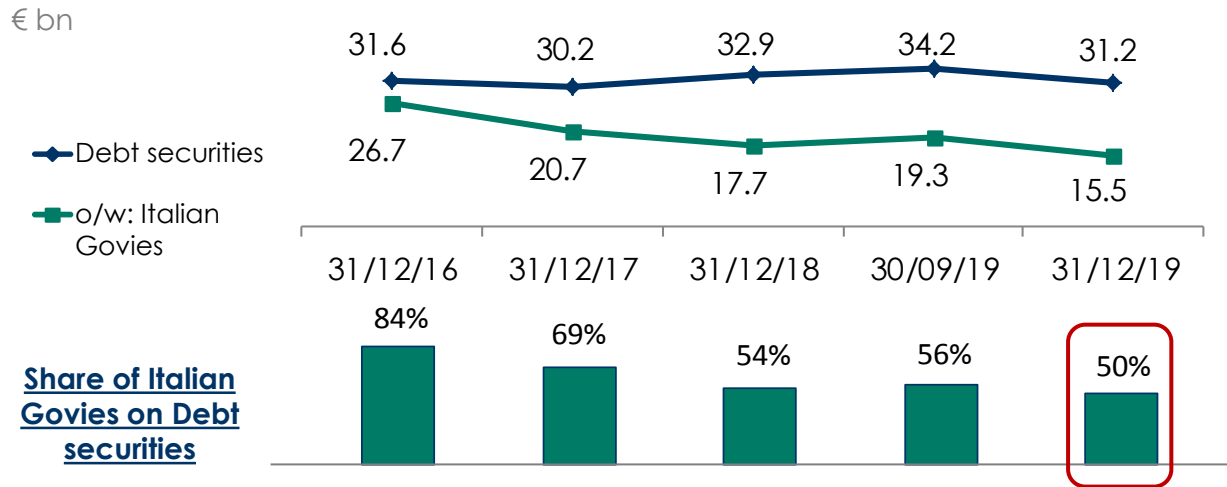
- Material increase in NFR in Q4 (to €207.4m), mainly as a result of gains from the disposal of debt securities (€125.1m), together with those from debt and equity instruments coming from the disposal of Sorgenia (€44.6m under NFR, with an additional €73.2m contributing directly to equity)

Notes: 1. Debt Securities accounted at Amortised Costs are subject to a specific policy which sets dedicated limits to the amount of disposals allowed throughout the year. 2. Internal management data.

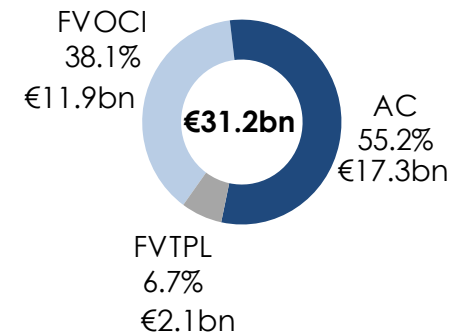
# WELL DIVERSIFIED DEBT SECURITIES PORTFOLIO

## Further rationalisation of Italian Govies portfolio in Q4 2019

### Evolution & Composition of Debt Securities

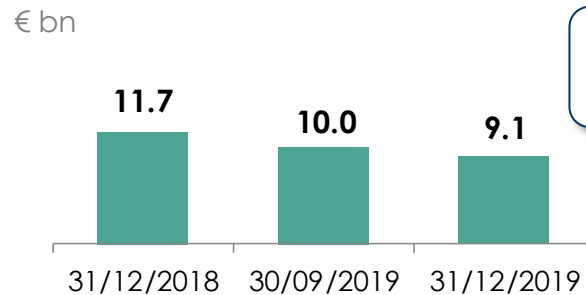


### Classification of Debt Securities at 31/12/2019

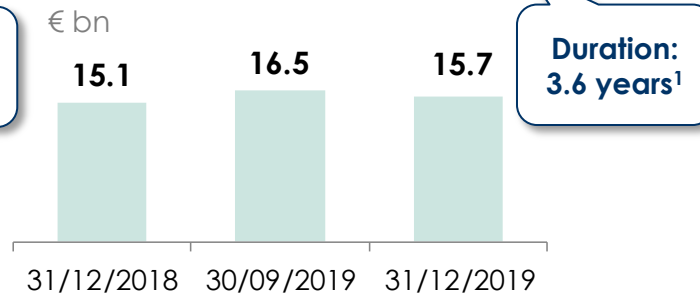


**FOCUS ON TOTAL GOVIES IN THE BANKING BOOK**

### Evolution of Govies at FVOCI



### Evolution of Govies at AC

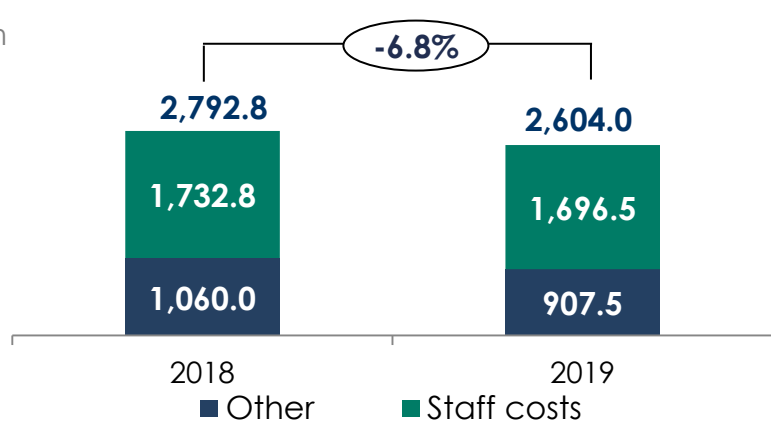


Notes: 1. Management data as at end-January 2020, including hedging strategies.

# STRONG REDUCTION IN OPERATING COSTS: Y/Y

## Total Operating Costs<sup>1</sup>

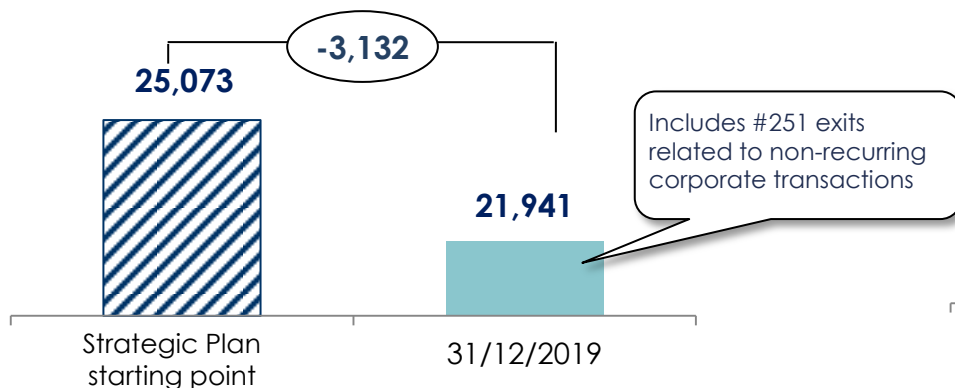
€ m



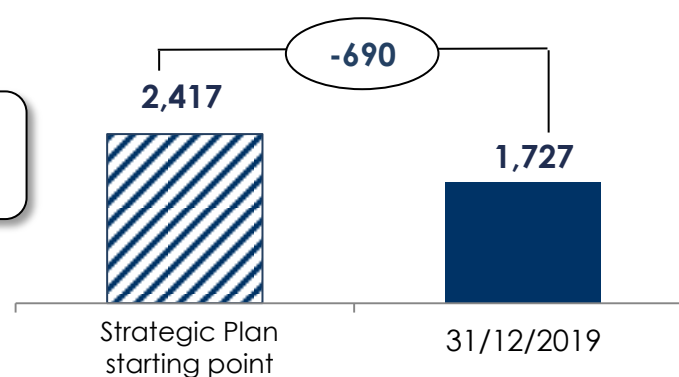
FY 2019 vs. starting point  
**-€482m**



### # Headcount evolution



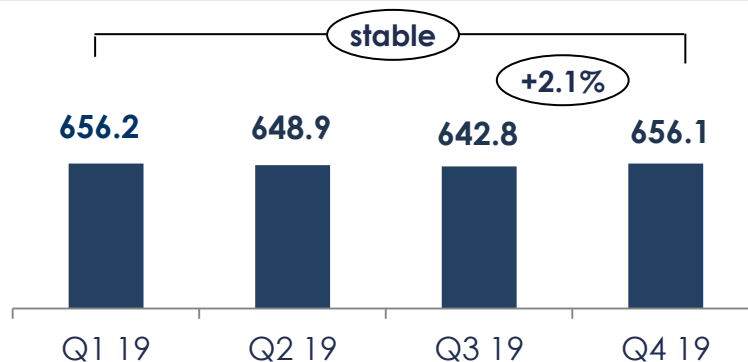
### # Retail network evolution



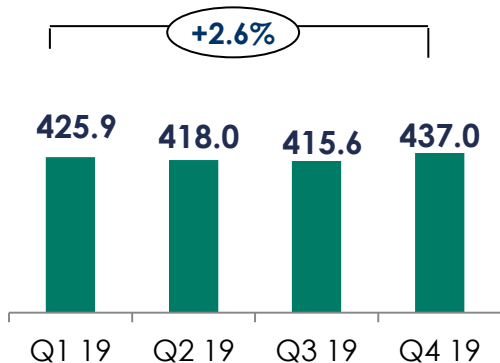
Notes: **1.** 2018 figures are not fully comparable, due to the restatement of Q1, Q2 and Q3 2019 Operating Costs (specifically related to the D&A item). Refer to methodological notes. **2.** Internal Management Data, adjusted for non-recurring items and systemic charges. Figures are pro-forma for the Strategic Plan starting point, with ex Aletti Gestielle coherently not included in Operating Costs.

# OPERATING COSTS: QUARTERLY EVOLUTION

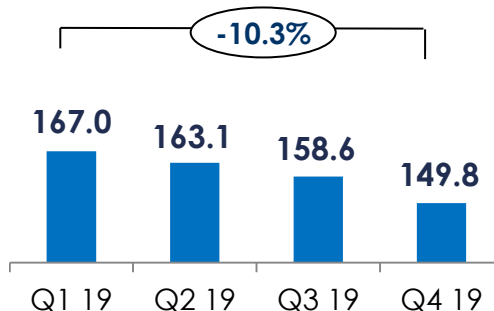
## Total Operating Costs<sup>1</sup>



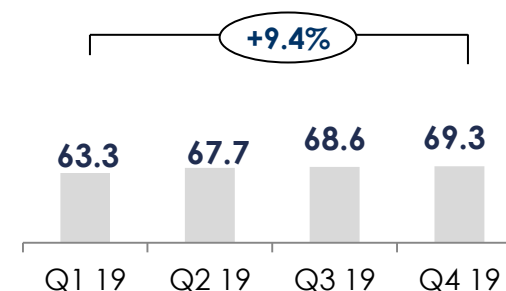
## o/w: Staff costs



## o/w: Other admin. costs



## o/w: D&A



Note: 1. Q1, Q2 and Q3 2019 Operating Costs (specifically related to the D&A item) are restated for the application in Q4 of the new valuation model on properties and artworks, now impacting the item Profit (Loss) on Fair Value measurement of tangible assets.

# ACCOUNTING MODEL CHANGE FOR PROPERTY AND ARTWORKS

## RATIONALE AND NATURE OF MODEL CHANGE

- Rationalisation and value enhancement of the Group's real estate portfolio (both instrumental and Investment property) and artworks
- From cost-based to fair-value accounting model

## IMPACT ON PROPERTY AND ARTWORK VALUATION

- Impact on total property and artworks as at 31/12/2019 (vs. BV at YE 2018):
- Total impact (pre-tax) **+€223.0m<sup>1</sup>**
  - o/w: Property +€181.8m
  - o/w: Artworks +€ 41.2m

## IMPACT ON P&L VS DIRECT IMPACT TO CAPITAL

- Total impact to P&L (pre-tax): **-€131.4m**
  - o/w: Property -€129.5m
  - o/w: Artworks -€1.9m
- Total impact direct to capital (pre-tax) **+€354.4m<sup>1</sup>**
  - o/w: Property +€311.4m
  - o/w: Artworks +€43.1m

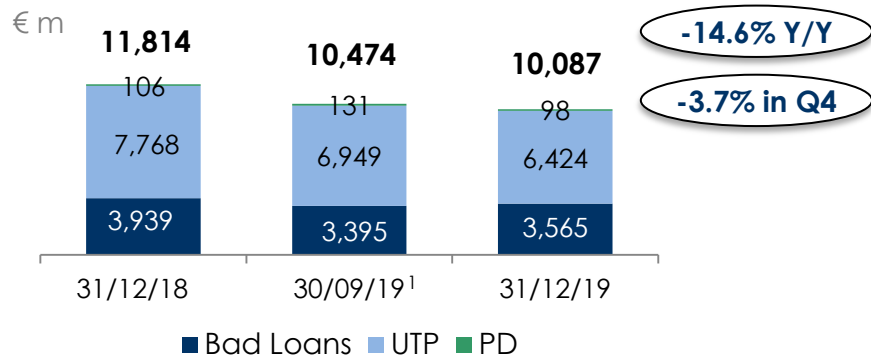
P&L includes essentially decreases vs. the value as of 31/12/18

Note: 1. Of which -€12.6m not recorded under the Comprehensive Profitability.

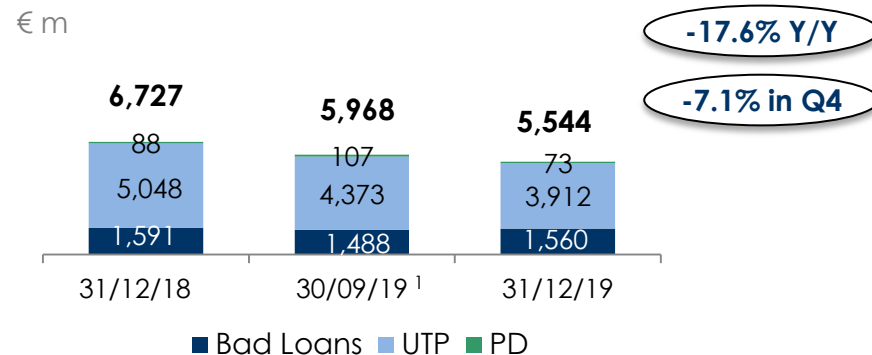
# STRONG IMPROVEMENT ACROSS ASSET QUALITY METRICS

Reduction in NPE stock and ratios, with strengthened coverage in all categories

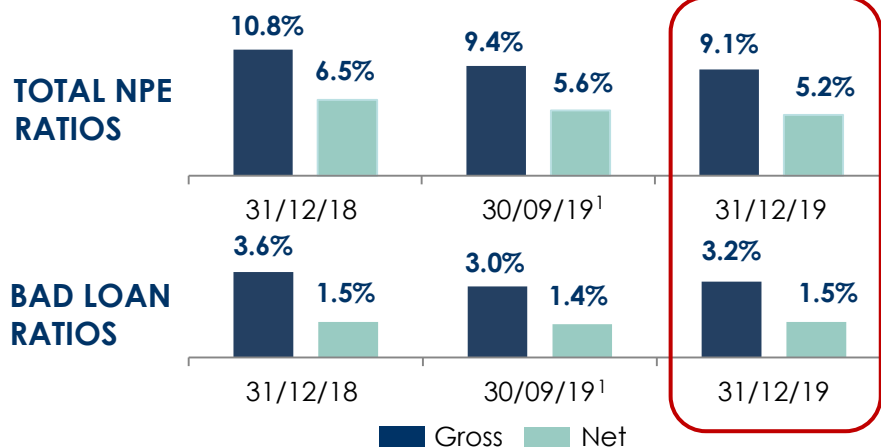
## NPE Stock (GBV)



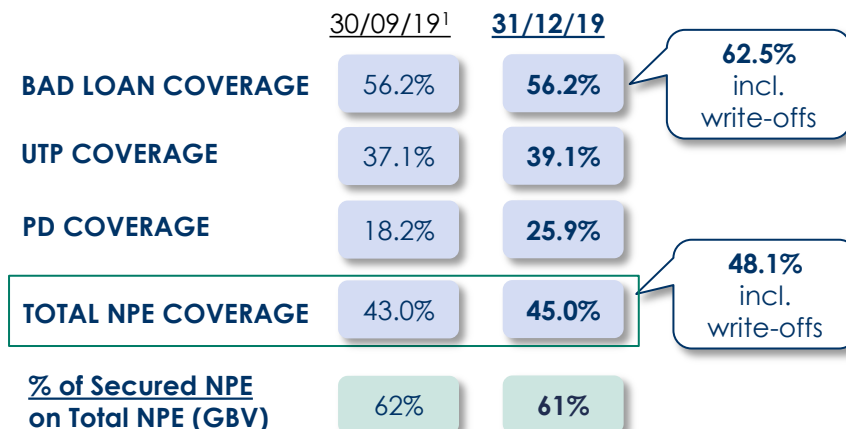
## NPE Stock (NBV)



## NPE Ratios



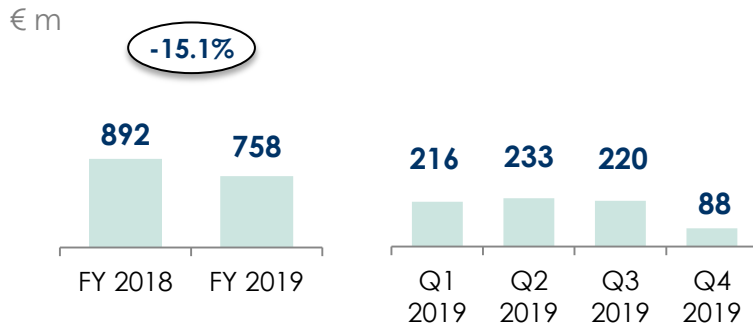
## Coverage & Collateralisation



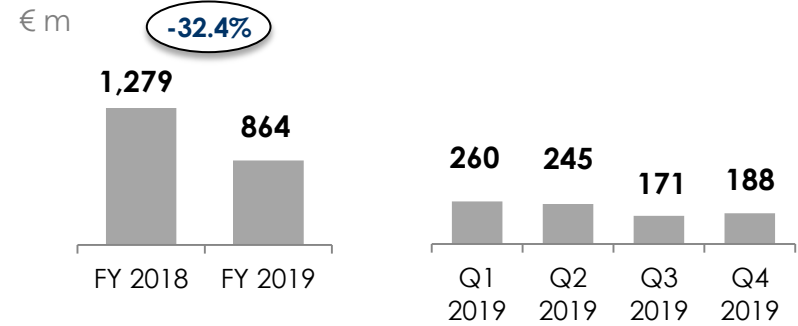
Note: 1. Customer Loans as at 30/09/19 are restated including Profamily non-captive volumes. Refer to the Methodological Notes for details.

# NPE FLOWS AND COST OF RISK: MATERIAL IMPROVEMENT Y/Y

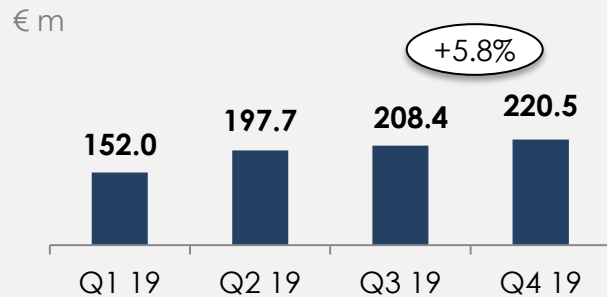
## Net Flows to NPEs



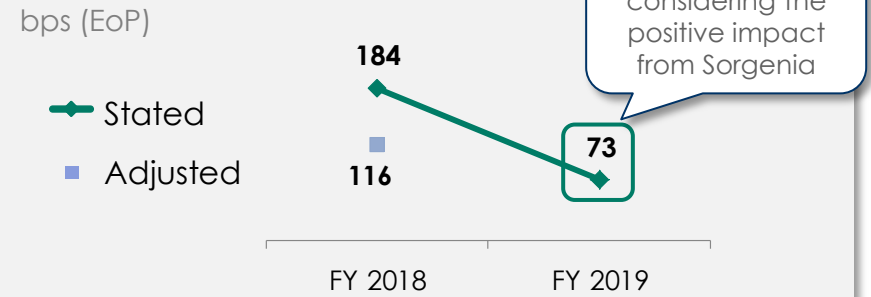
## Flows from UTP to Bad Loans



## LLPs



## Cost of Risk<sup>1</sup>

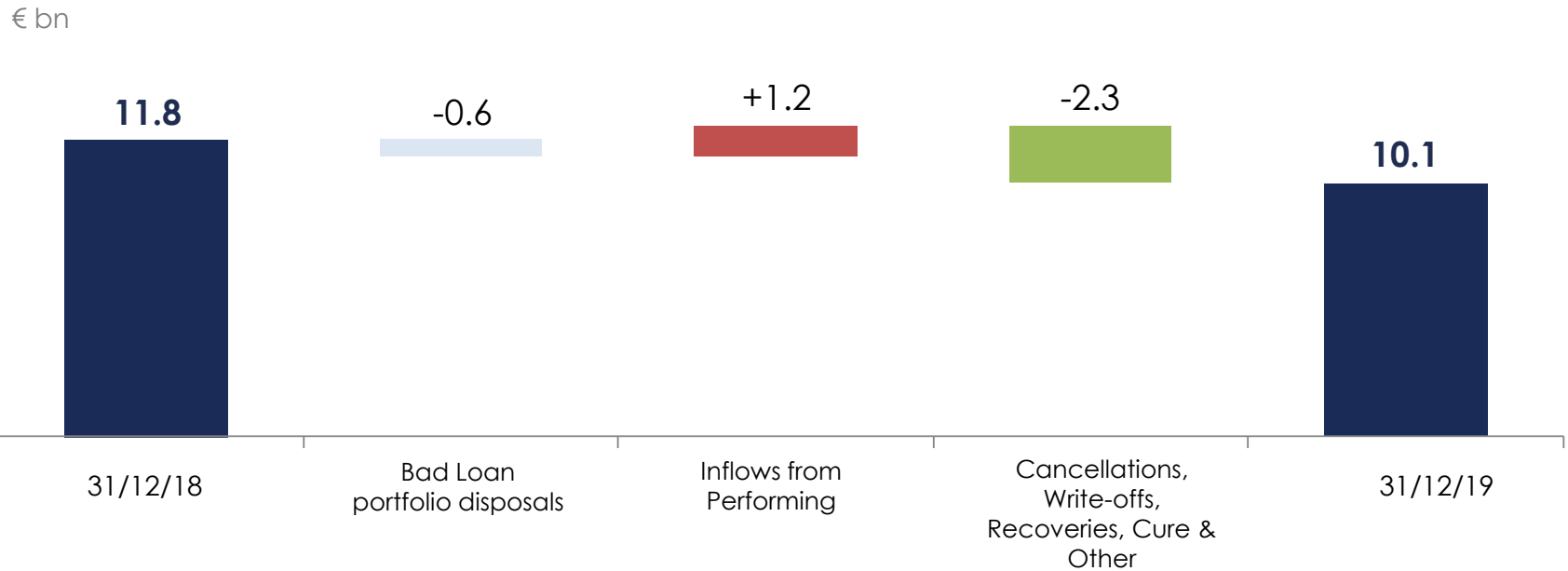


LLPs and CoR do not include the positive impact from Sorgenia: €44.6m registered in the P&L under NFR and €73.2m directly to Equity

Note: 1. CoR calculated including also loans classified at IFRS 5, for coherence with related LLPs.

# NPE: EFFECTIVE WORKOUT ACTIVITY

NPE, gross book value: -€1.7bn in 2019



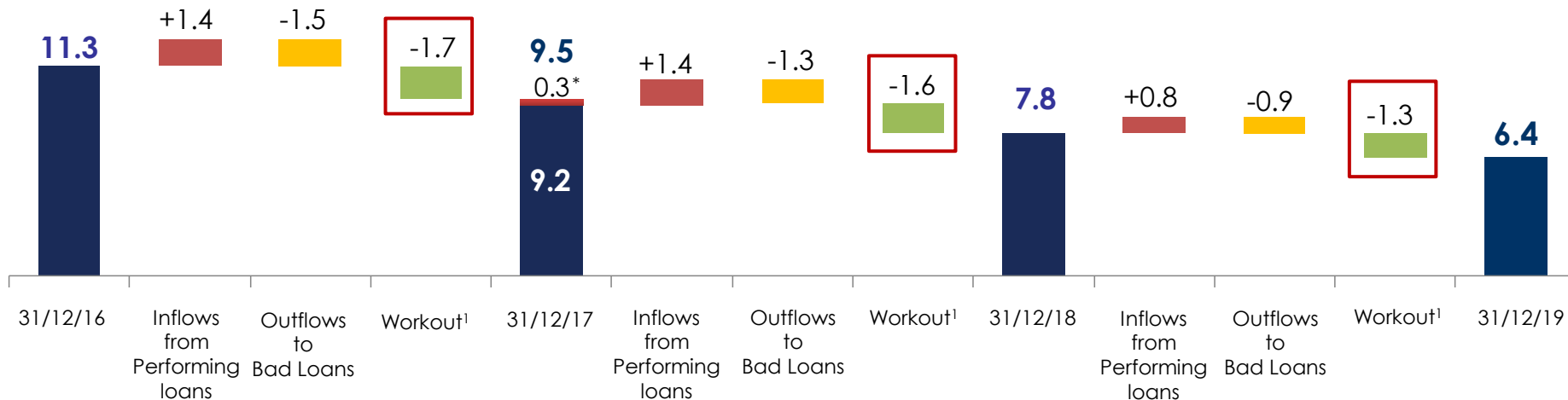
- Effective NPE management with internal workout more than compensating annual inflows



# UTP LOANS: CONSISTENT REDUCTION WITH EFFECTIVE WORKOUT AND SIGNIFICANTLY STRENGTHENED COVERAGE SINCE YE 2016

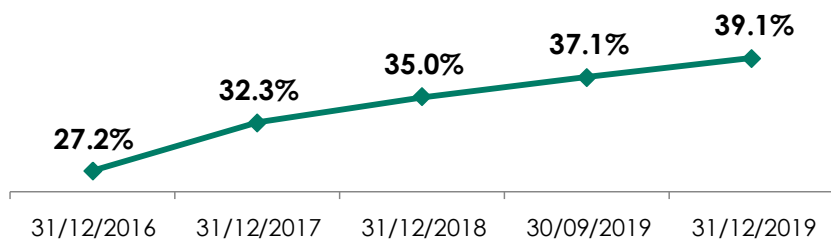
UTP, gross book value: -€4.9bn since YE 2016

€ bn



\* -0.3m of IFRS 9 reclassification impact

UTP Coverage: +11.9 p.p. since YE 2016



Note: 1. Cancellations, Recoveries, Cure and Other net movements.

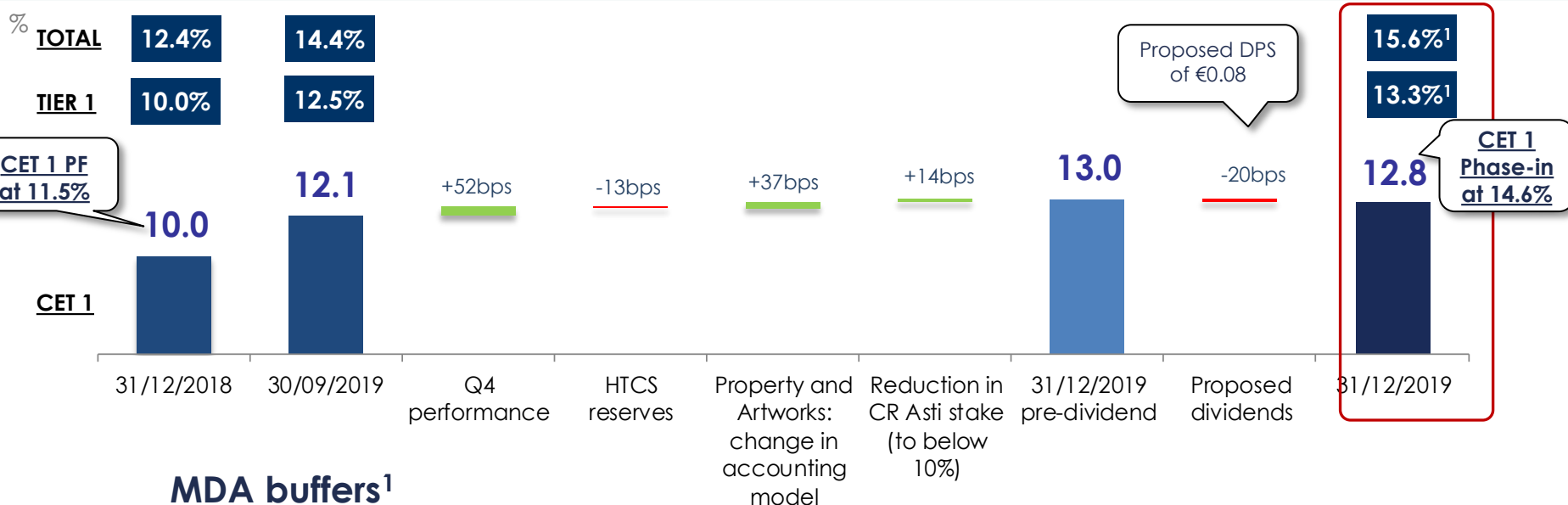
- **Strong reduction in gross UTP:** -€1.4bn in FY 2019 and -€4.9bn since year-end 2016
- **Significant and consistent strengthening of UTP coverage levels:** +4.1p.p. in FY 2019 and +11.9p.p since year-end 2016
- UTP quality: high share of secured positions (61% GBV and 71% NBV), with predominant exposure in northern Italy



# SIGNIFICANT STRENGTHENING IN ALL CAPITAL RATIOS

Well positioned to withstand potential future headwinds

## Fully Loaded Capital Ratios: evolution



### MDA buffers<sup>1</sup>



- Fully loaded CET 1 capital ratio up at 12.8% (Phased-in up at 14.6%), already after deduction of the dividend accrual: proposed DPS of € 0,08
- Optimized capital position, with wide MDA buffers, thanks to strong CET 1 level and a significant bucket strengthening in AT1

Notes: 1. The figures do not include the €400m AT1 instrument issued in January 2020, corresponding to 61bps.

Ratios as at 30/09/2019 include the contribution of the Q3 2019 net result, while those as at 31/12/2019 include the net result, post dividend, pertaining to H2 2019 (see methodological notes for details).

# FINAL REMARKS ON FY 2019 PERFORMANCE

- ❑ **SOLID PROFITABILITY, OPERATIONALLY DRIVEN BY:**
  - POSITIVE TREND IN INVESTMENT PRODUCT FEES
  - STRICT ONGOING COST CONTROL
  - REDUCTION IN THE COST OF RISK
  - RESILIENT GROWTH IN BUSINESS VOLUMES
  
- ❑ **CAPITAL POSITION AT STRONGEST-EVER LEVEL ALLOWING TO WITHSTAND POTENTIAL FUTURE REGULATORY HEADWINDS**
  
- ❑ **ONGOING IMPROVEMENT IN ASSET QUALITY METRICS, DRIVEN BY EFFECTIVE WORKOUT, LOWER INFLOWS AND HIGHER COVERAGE**
  
- ❑ **STRONG FUNDING AND LIQUIDITY POSITION**

**BACK TO DIVIDEND:  
PROPOSED DPS OF €0.08 (DIVIDEND YIELD OF 4.1%<sup>1</sup>)**

Note: 1. Calculated over the share price closure of €1.96 as at 05/02/2020).

# OUTLOOK FOR FY 2020

- ❑ **CORE REVENUES:**  
GROWTH IN NET FEE & COMMISSION INCOME EXPECTED TO OFFSET PRESSURE ON NET INTEREST INCOME
- ❑ **STRICT COST CONTROL:**  
ONGOING COST MANAGEMENT ACTIVITIES ALLOW TO COMPENSATE THE EFFECT FROM THE RENEWAL OF THE COLLECTIVE LABOUR CONTRACT AND TO MINIMISE THE IMPACT OF ADDITIONAL INVESTMENTS MAINLY IN IT
- ❑ **COST OF RISK:**  
FURTHER PROGRESS EXPECTED IN THE PATH OF REDUCTION, CONSISTENT ALSO WITH AN IMPROVEMENT IN THE CREDIT PORTFOLIO
- ❑ **CAPITAL POSITION:**  
BUILDING ON THE TRACK RECORD OF INTERNAL CAPITAL GENERATION TO SUPPORT A SUSTAINABLE SHAREHOLDER REMUNERATION, MANAGING POTENTIAL FUTURE REGULATORY HEADWINDS

**BANCO BPM'S NEW STRATEGIC PLAN AND TARGETS TO BE PROVIDED ON 3 MARCH 2020**

# Agenda

1. Key FY 2019 Performance Highlights	4
<b>2. Performance Details:</b>	<b>29</b>
- Profitability	30
- Balance Sheet	37
- Funding and Liquidity	38
- Customer Loans and Focus on Credit Quality	43
- Capital Position	46

# GROUP FY 2019 COMPREHENSIVE NET INCOME

Resilient capital generation also from the elements not directly impacting P&L

€ m	9M 2019	FY 2019	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>A. P&amp;L NET INCOME</b>	701.2	797.0	155.4	447.6	98.2	95.8
<i>o/w: ADJUSTED</i>	402.0	648.6	160.3	140.5	101.1	246.6
<b>B. OTHER NET INCOME DIRECTLY ACCOUNTED TO EQUITY<sup>1</sup></b>	283.2	526.7	110.5	13.5	159.2	243.5
<i>o/w Tangible assets at Fair Value<sup>2</sup></i>	0.0	249.7	0.0	0.0	0.0	249.7
<i>o/w Reserves of Debt Securities at FVOCI (net of tax)</i>	281.8	178.8	91.5	64.3	126.0	-103.0
<i>o/w Reserves of Equity Securities at FVOCI (net of tax)</i>	14.0	119.8	19.5	-31.9	26.3	105.8
<b>A.+B. COMPREHENSIVE NET INCOME OF THE GROUP</b>	984.5	1,323.7	265.9	461.1	257.4	339.3

Notes: **1.** Other Comprehensive Income components, excluded from the distributable amount available for dividends. **2.** Element not included in the Adjusted Comprehensive Profitability.

Q1, Q2, Q3 2019 and 9M 2019 figures have been restated for the application in Q4 of the accounting standard for the valuation of the Group's property and works of art. Refer to methodological notes.

# RECLASSIFIED P&L: ANNUAL COMPARISON

Reclassified income statement (in euro million)	FY 2018	FY 2019	Chg. Y/Y	Chg. Y/Y
	Stated	Stated		%
Net interest income	2,292.6	1,998.0	-294.6	-12.9%
Income (loss) from investments in associates carried at equity	159.5	131.3	-28.2	-17.7%
<b>Net interest, dividend and similar income</b>	<b>2,452.0</b>	<b>2,129.2</b>	<b>-322.8</b>	<b>-13.2%</b>
Net fee and commission income	1,860.9	1,794.4	-66.5	-3.6%
Other net operating income	389.8	37.2	-352.5	-90.4%
Net financial result	70.2	332.1	261.9	373.2%
<b>Other operating income</b>	<b>2,320.9</b>	<b>2,163.7</b>	<b>-157.1</b>	<b>-6.8%</b>
<b>Total income</b>	<b>4,772.9</b>	<b>4,293.0</b>	<b>-480.0</b>	<b>-10.1%</b>
Personnel expenses	-1,732.8	-1,696.5	36.3	-2.1%
Other administrative expenses	-816.5	-638.6	177.9	-21.8%
Amortization and depreciation	-243.5	-268.9	-25.5	10.5%
<b>Operating costs</b>	<b>-2,792.8</b>	<b>-2,604.0</b>	<b>188.7</b>	<b>-6.8%</b>
<b>Profit (loss) from operations</b>	<b>1,980.1</b>	<b>1,688.9</b>	<b>-291.2</b>	<b>-14.7%</b>
Net adjustments on loans to customers	-1,941.1	-778.5	1,162.6	-59.9%
Profit (loss) on FV measurement of tangible assets		-158.5	-158.5	
Net adjustments on other financial assets	3.3	5.8	2.5	75.0%
Net provisions for risks and charges	-345.3	-71.0	274.3	-79.4%
Profit (loss) on the disposal of equity and other investments	173.4	333.2	159.8	92.2%
<b>Income (loss) before tax from continuing operations</b>	<b>-129.7</b>	<b>1,019.7</b>	<b>1,149.4</b>	<b>n.m.</b>
Tax on income from continuing operations	162.8	-145.4	-308.3	n.m.
Systemic charges after tax	-100.2	-92.9	7.3	-7.3%
Income (loss) after tax from discontinued operations	0.9		-0.9	n.m.
Income (loss) attributable to minority interests	9.6	15.6	5.9	61.7%
<b>Net income (loss) for the period excluding Badwill &amp; Impairment of goodwill and client relationship</b>	<b>-59.4</b>	<b>797.0</b>	<b>856.4</b>	<b>n.m.</b>

The trends in NII and LLPs have to be read strictly together, due to the impact of the derisking activity: the reduced contribution of NPEs to NII is more than compensated by lower LLPs for NPEs

Starting from 30/06/2019, upfront fees related to the placement of Certificates have been reclassified from Net Financial Results to Net Fees & Commissions. The previous quarters (2018 and Q1 2019) have been reclassified coherently.

2018 figures not fully comparable due to the restatement of Q1, Q2 and Q3 2019 Operating Costs (specifically D&A item) for the application in Q4 of the new valuation model on properties and artworks. Refer to methodological notes.

# RECLASSIFIED P&L: QUARTERLY EVOLUTION

Reclassified income statement (in euro million)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
	Stated	Stated	Stated	Stated	Stated	Stated	Stated	Stated
Net interest income	595.1	585.0	557.8	554.7	505.2	514.8	500.0	477.9
Income (loss) from investments in associates carried at equity	42.6	33.4	32.8	50.7	36.8	32.6	28.0	33.9
<b>Net interest, dividend and similar income</b>	<b>637.7</b>	<b>618.4</b>	<b>590.6</b>	<b>605.4</b>	<b>541.9</b>	<b>547.5</b>	<b>528.0</b>	<b>511.8</b>
Net fee and commission income	477.9	457.3	451.4	474.4	434.5	453.7	444.1	462.2
Other net operating income	24.2	130.0	214.5	21.1	14.6	8.3	8.0	6.3
Net financial result	27.9	73.9	46.8	-78.4	72.3	10.7	41.7	207.4
<b>Other operating income</b>	<b>530.0</b>	<b>661.2</b>	<b>712.7</b>	<b>417.0</b>	<b>521.5</b>	<b>472.7</b>	<b>493.7</b>	<b>675.9</b>
<b>Total income</b>	<b>1,167.7</b>	<b>1,279.6</b>	<b>1,303.2</b>	<b>1,022.4</b>	<b>1,063.4</b>	<b>1,020.1</b>	<b>1,021.7</b>	<b>1,187.7</b>
Personnel expenses	-442.1	-437.1	-431.5	-422.2	-425.9	-418.0	-415.6	-437.1
Other administrative expenses	-211.5	-203.1	-196.2	-205.7	-167.0	-163.1	-158.6	-149.8
Amortization and depreciation	-47.9	-49.0	-49.5	-97.1	-63.3	-67.7	-68.6	-69.3
<b>Operating costs</b>	<b>-701.5</b>	<b>-689.2</b>	<b>-677.1</b>	<b>-725.0</b>	<b>-656.2</b>	<b>-648.9</b>	<b>-642.8</b>	<b>-656.1</b>
<b>Profit (loss) from operations</b>	<b>466.2</b>	<b>590.4</b>	<b>626.1</b>	<b>297.4</b>	<b>407.2</b>	<b>371.3</b>	<b>378.9</b>	<b>531.6</b>
Net adjustments on loans to customers	-326.2	-360.2	-267.4	-987.3	-152.0	-197.7	-208.4	-220.5
Profit (loss) on FV measurement of tangible assets					-7.5	-19.3	-0.7	-131.0
Net adjustments on other financial assets	2.2	-1.6	-1.3	4.0	-4.0	4.0	4.1	1.6
Net provisions for risks and charges	-25.0	-20.7	-71.9	-227.8	4.4	-10.1	-2.7	-62.6
Profit (loss) on the disposal of equity and other investments	179.7	-1.1	-10.3	5.1	0.2	336.6	0.0	-3.6
<b>Income (loss) before tax from continuing operations</b>	<b>296.9</b>	<b>206.8</b>	<b>275.2</b>	<b>-908.6</b>	<b>248.4</b>	<b>484.8</b>	<b>171.1</b>	<b>115.4</b>
Tax on income from continuing operations	-25.9	-61.3	-72.3	322.4	-52.6	-25.2	-43.2	-24.4
Systemic charges after tax	-49.0	-18.4	-32.1	-0.7	-41.6	-15.2	-31.5	-4.5
Income (loss) after tax from discontinued operations	0.0	0.0	0.9	0.0	0.0	0.0	0.0	
Income (loss) attributable to minority interests	1.4	2.2	0.3	5.8	1.2	3.2	1.8	9.2
<b>Net income (loss) for the period excluding Badwill &amp; Impairment of goodwill and client relationship</b>	<b>223.3</b>	<b>129.3</b>	<b>171.9</b>	<b>-581.0</b>	<b>155.4</b>	<b>447.6</b>	<b>98.2</b>	<b>95.8</b>

Starting from 30/06/2019, upfront fees related to the placement of Certificates have been reclassified from Net Financial Results to Net Fees & Commissions. The previous quarters (2018 and Q1 2019) have been reclassified coherently.

**Restated:** Q1, Q2 and Q3 2019 Operating Costs (specifically D&A item) are restated for the application in Q4 of the new valuation model on properties. Refer to methodological notes

2. Performance Details: Profitability 32



# FY 2019 ADJUSTED P&L: DETAILS ON NON-RECURRING ITEMS

Reclassified income statement (in euro million)	FY 2019 Stated	FY 2019 Adjusted	One- off	Non-recurring items and extraordinary systemic charges
Net interest income	1,998.0	1,993.3	4.7	Remuneration of sub. Bond Carige through FITD
Income (loss) from investments in associates carried at equity	131.3	131.3	0.0	
<b>Net interest, dividend and similar income</b>	<b>2,129.2</b>	<b>2,124.5</b>	<b>4.7</b>	
Net fee and commission income	1,794.4	1,794.4	0.0	
Other net operating income	37.2	37.2	0.0	
Net financial result	332.1	332.1	0.0	
<b>Other operating income</b>	<b>2,163.7</b>	<b>2,163.7</b>	<b>0.0</b>	
<b>Total income</b>	<b>4,293.0</b>	<b>4,288.3</b>	<b>4.7</b>	
Personnel expenses	-1,696.5	-1,696.5	0.0	
Other administrative expenses	-638.6	-638.6	0.0	
Amortization and depreciation	-268.9	-264.5	-4.4	Adjustments on intangible assets
<b>Operating costs</b>	<b>-2,604.0</b>	<b>-2,599.6</b>	<b>-4.4</b>	
<b>Profit (loss) from operations</b>	<b>1,688.9</b>	<b>1,688.7</b>	<b>0.2</b>	
Net adjustments on loans to customers	-778.5	-778.5	0.0	
Profit (loss) on FV measurement of tangible assets	-158.5	0.0	-158.5	Application of the new valuation model on properties and artworks
Net adjustments on other assets	5.8	5.8	0.0	
Net provisions for risks and charges	-71.0	6.5	-77.5	Adjustments on customer conditions, charges for litigation and provisions for customer care and other
Profit (loss) on the disposal of equity and other investments	333.2	0.0	333.2	Disposal of ProAgos, First Servicing (NPL platform) and other
<b>Income (loss) before tax from continuing operations</b>	<b>1,019.7</b>	<b>922.4</b>	<b>97.4</b>	
Tax on income from continuing operations	-145.4	-202.5	57.1	Extraordinary positive fiscal items
Systemic charges after tax	-92.9	-77.6	-15.2	Additional contribution to Italian resolution fund
Income (loss) after tax from discontinued operations			0.0	
Income (loss) attributable to minority interests	15.6	6.3	9.3	Other
<b>Net income (loss) for the period excluding Badwill &amp; Impairment of goodwill and client relationship</b>	<b>797.0</b>	<b>648.6</b>	<b>148.4</b>	

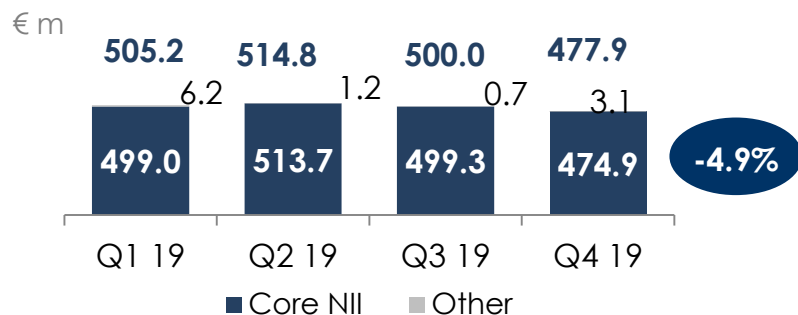
# FY 2019 RECLASSIFIED P&L – PPA AND IFRS 9 IMPACTS

Reclassified income statement (in euro million)			(A-B):	(A-C-E):	
	A	B	C	D	E
	2019 Stated	2019 CE ex PPA	2019 PPA (Totale)	2019 CE ex PPA e IFRS 9	2019 Ricl. IFRS 9
Net interest income	1,998.0	1,981.1	16.9	1,977.1	4.0
Income (loss) from investments in associates carried at equity	131.3	131.3		-	
<b>Net interest, dividend and similar income</b>	<b>2,129.2</b>	<b>2,112.3</b>	<b>16.9</b>	<b>1,977.1</b>	<b>4.0</b>
Net fee and commission income	1,794.4	1,794.4		-	
Other net operating income	37.2	76.0	-38.8	76.0	
Net financial result	332.1	332.1		-	
<b>Other operating income</b>	<b>2,163.7</b>	<b>2,202.5</b>	<b>-38.8</b>	<b>76.0</b>	<b>-</b>
<b>Total income</b>	<b>4,293.0</b>	<b>4,314.9</b>	<b>-21.9</b>	<b>2,053.1</b>	<b>4.0</b>
Personnel expenses	-1,696.5	-1,696.5		-	
Other administrative expenses	-638.6	-638.6		-	
Amortization and depreciation	-268.9	-268.9		-	
<b>Operating costs</b>	<b>-2,604.0</b>	<b>-2,604.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit (loss) from operations</b>	<b>1,688.9</b>	<b>1,710.8</b>	<b>-21.9</b>	<b>2,053.1</b>	<b>4.0</b>
Net adjustments on loans to customers	-778.5	-778.5		-774.6	-4.0
Profit (loss) on FV measurement of tangible assets	-158.5	-158.5			
Net adjustments on other assets	5.8	5.8			
Net provisions for risks and charges <sup>1</sup>	-71.0	-71.0			
Profit (loss) on the disposal of equity and other investments	333.2	333.2			
<b>Income (loss) before tax from continuing operations</b>	<b>1,019.7</b>	<b>1,041.6</b>	<b>-21.9</b>	<b>1,278.6</b>	<b>-</b>
Tax on income from continuing operations	-145.4	-152.7	7.2	-152.7	
Systemic charges after tax	-92.9	-92.9			
Income (loss) after tax from discontinued operations		-			
Income (loss) attributable to minority interests	15.6	15.6			
<b>Net income (loss) for the period</b>	<b>797.0</b>	<b>811.7</b>	<b>-14.7</b>	<b>1,125.9</b>	<b>-</b>

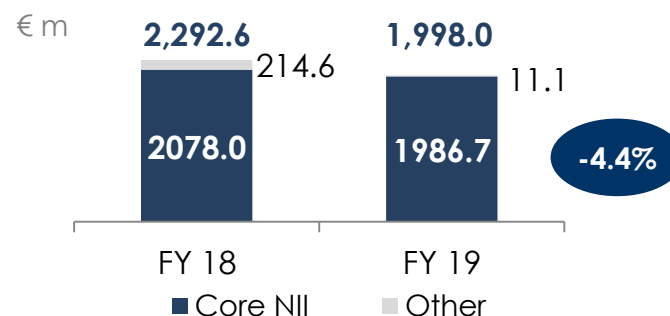
Operating Costs (specifically D&A item) in first three 2019 quarters have been restated for the application in Q4 of the new valuation model on tangible assets with consequent effects on PPA. Refer to methodological notes.

# FY 2019 RESULTS: NET INTEREST INCOME

## Q/Q comparison



## Y/Y comparison



### Details of Other (Non-Core Components)

€ m	Q3 19	Q4 19
<b>Reversal PPA</b>	<b>4,2</b>	<b>4,0</b>
o/w Bad loans (IFRS 9)	2,6	2,2
o/w Unlikely to pay	14,8	14,0
o/w Performing loans	-13,3	-12,2
<b>Other IFRS 9</b>	<b>-1,1</b>	<b>1,4</b>
Reversal time value on bad loans	4,8	5,0
Adjustment on UTP & PD interests	-5,9	-3,6
<b>IFRS 16</b>	<b>-2,4</b>	<b>-2,3</b>
<b>Total 'OTHER'</b>	<b>0,7</b>	<b>3,1</b>

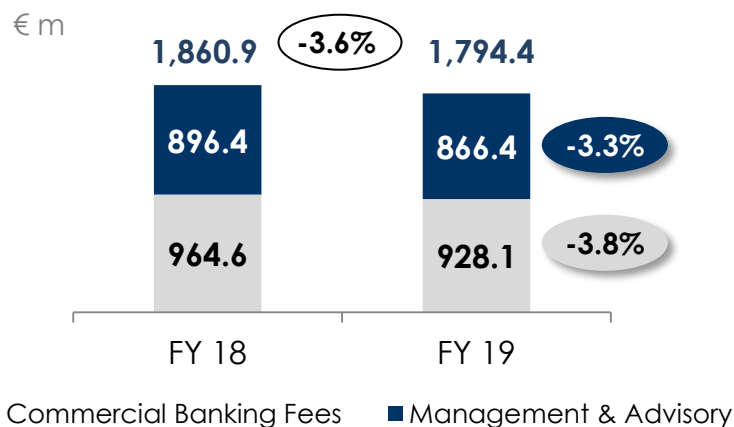
### Details of Other (Non-Core Components)

€ m	FY 18	FY 19
<b>Reversal PPA</b>	<b>143,3</b>	<b>16,9</b>
o/w Bad loans (IFRS 9)	119,6	12,5
o/w Unlikely to pay	106,1	61,6
o/w Performing loans	-82,4	-57,3
<b>Other IFRS 9</b>	<b>71,3</b>	<b>4,0</b>
Reversal time value on bad loans	107,7	26,7
Adjustment on UTP & PD interests	-36,4	-22,8
<b>IFRS 16</b>	<b>0,0</b>	<b>-9,7</b>
<b>Total 'OTHER'</b>	<b>214,6</b>	<b>11,1</b>

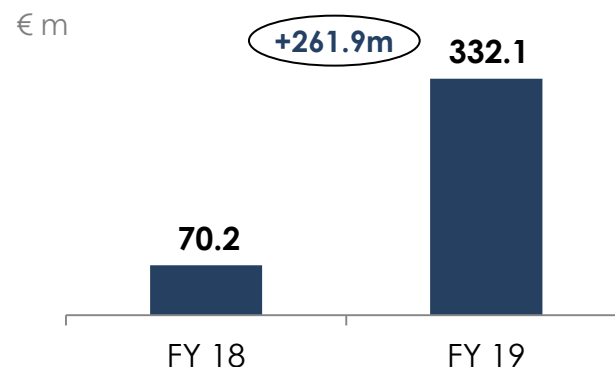
The yearly decrease of the Non-Core Components of NII is due to the strong derisking activity and has to be read strictly together with the material reduction in the cost of risk

# FY 2019 RESULTS: Y/Y COMPARISON

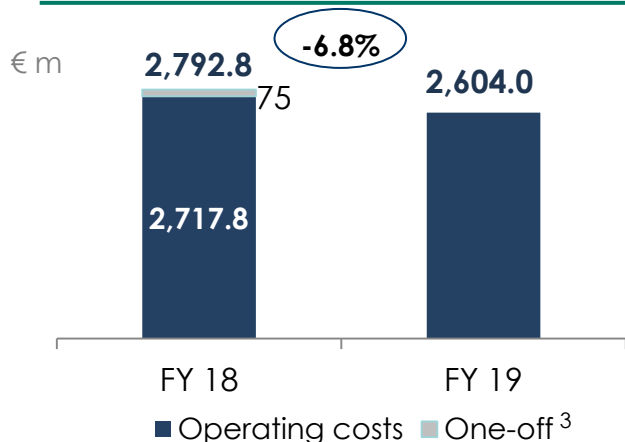
## Net Fees and Commissions<sup>1</sup>



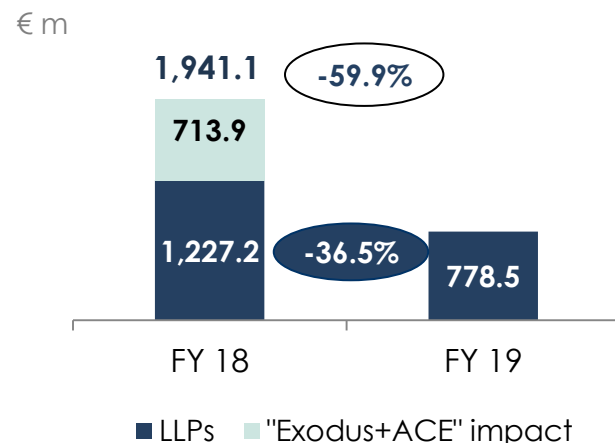
## Net Financial Result



## Operating Costs<sup>2</sup>



## Loan Loss Provisions



Notes:

1. Fees & Commissions include the restatement of the upfront components for the placements of Certificates (previously booked under NFR). 2. 2018 figures are not fully comparable, due to the restatement of Q1, Q2 and Q3 2019 Operating Costs (specifically D&A item). Refer to methodological notes. 3. Mainly referring to adjustments on tangible assets.

# RECLASSIFIED BALANCE SHEET AS AT 31/12/2019

Reclassified assets (€ m)	31/12/2018	31/12/2019	Chg.	
			Value	%
Cash and cash equivalents	922	913	-9	-1.0%
Loans and advances measured at AC	108,208	115,890	7,682	7.1%
- Loans and advances to banks	4,193	10,044	5,851	139.5%
- Loans and advances to customers (*)	104,015	105,845	1,831	1.8%
Other financial assets	36,853	37,069	216	0.6%
- Assets measured at FV through PL	5,869	7,285	1,416	24.1%
- Assets measured at FV through OCI	15,352	12,527	-2,825	-18.4%
- Assets measured at AC	15,632	17,257	1,625	10.4%
Equity investments	1,434	1,386	-48	-3.4%
Property and equipment	2,776	3,624	848	30.6%
Intangible assets	1,278	1,269	-9	-0.7%
Tax assets	5,012	4,620	-393	-7.8%
Non-current assets held for sale and discont. operations	1,593	131	-1,462	-91.8%
Other assets	2,389	2,136	-253	-10.6%
<b>Total</b>	<b>160,465</b>	<b>167,038</b>	<b>6,573</b>	<b>4.1%</b>
Reclassified liabilities (€ m)	31/12/2018	31/12/2019	Value	%
Due to banks	31,634	28,516	-3,118	-9.9%
Direct Funding	105,220	109,506	4,287	4.1%
- Deposits from customers	90,198	93,375	3,177	3.5%
- Debt securities and financial liabilities desig. at FV	15,022	16,131	1,109	7.4%
Debts for Leasing	-	733	n.m.	n.m.
Other financial liabilities designated at FV	7,229	10,919	3,691	51.1%
Liability provisions	1,705	1,487	-218	-12.8%
Tax liabilities	505	619	114	22.5%
Liabilities associated with assets held for sale	3	5	2	67.5%
Other liabilities	3,864	3,366	-498	-12.9%
Minority interests	46	26	-20	-42.8%
Shareholders' equity	10,259	11,861	1,602	15.6%
<b>Total</b>	<b>160,465</b>	<b>167,038</b>	<b>6,573</b>	<b>4.1%</b>

2019 figures are not fully comparable to 2018 figures as a result of IFRS16 first adoption and for the change in the accounting standard for the valuation of the Group's property and works of art.

# DIRECT FUNDING

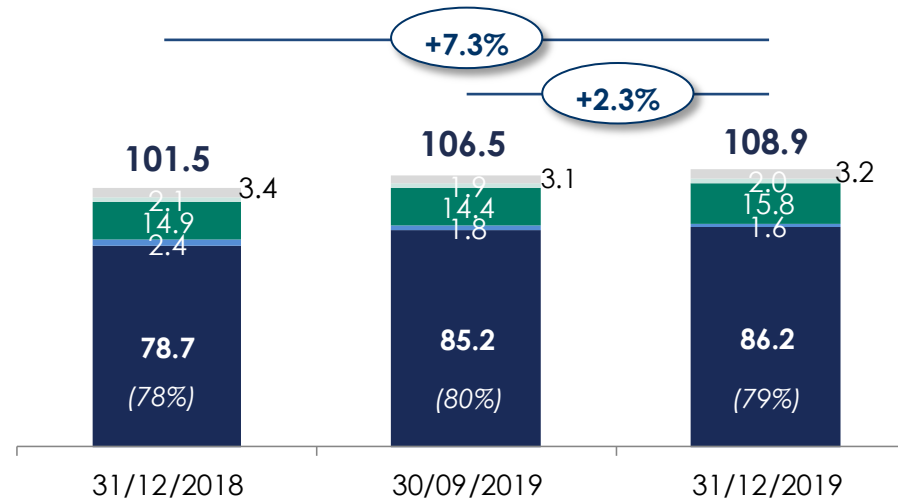
Solid position confirmed in core deposits, which account for 79% of the total

## Direct customer funding<sup>1</sup> (without Repos)

€ bn

- Capital-protected Certificates
- Other
- Bonds
- Time deposits
- C/A & Sight deposits

(%) Share of total



CHANGE	In % Y/Y	In % Q4
C/A & Sight deposits	9.5%	1.1%
Time deposits	-32.5%	-10.8%
Bonds	6.7%	10.4%
Other	-5.6%	4.5%
Capital-protected Certificates	-3.9%	3.2%
<b>Direct Funding (excl. Repos)</b>	<b>7.3%</b>	<b>2.3%</b>

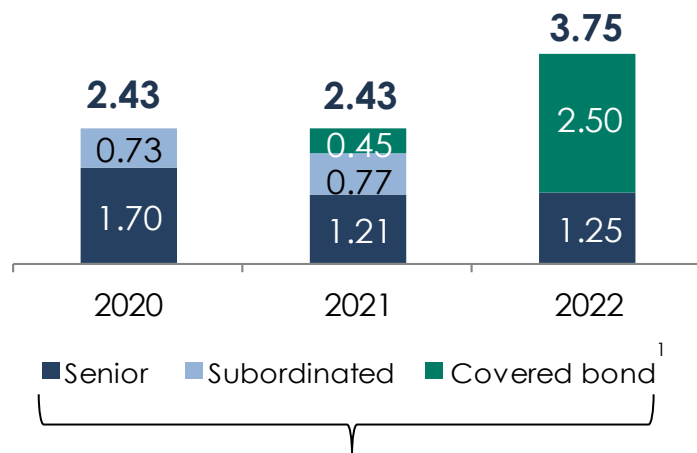
Note:

1. Direct funding restated according to a management logic: it includes capital-protected certificates, recognized under 'Held-for-trading liabilities', while it does not include Repos (€3.9bn at December 2019 vs. €7.1bn at December 2018), mainly transactions with Cassa di Compensazione e Garanzia.

# BOND MATURITIES: LIMITED AND MANAGEABLE AMOUNTS

## Institutional bond maturities

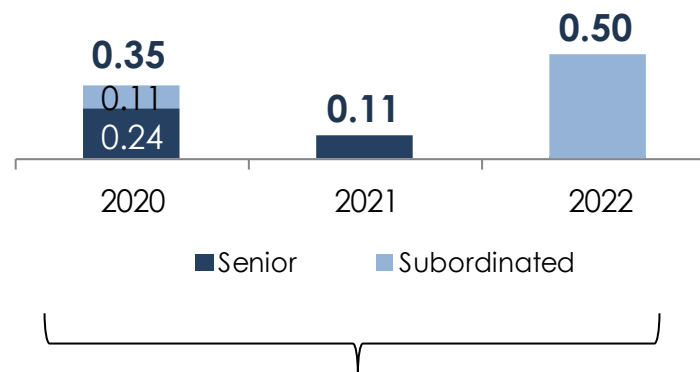
€ bn



Aggregate senior & subordinated  
in the period 2020-2022: €5.7bn

## Retail bond maturities

€ bn



Aggregate senior & subordinated  
in the period 2020-2022: €1.0bn

Managerial data based on nominal amounts, including calls.

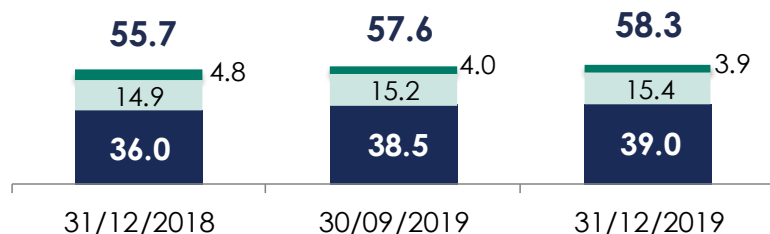
**Note:**

1. Include also the maturities of Repos with underlying retained Covered Bonds: €0.45bn in 2021 and €0.50bn in 2022

# INDIRECT CUSTOMER FUNDING AT €89.7BN

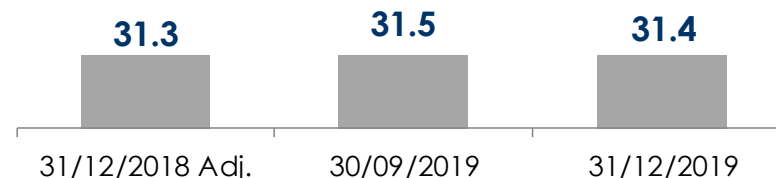
## Assets under Management

€ bn



## Assets under Custody<sup>1</sup>

€ bn



- Managed Accounts and Funds of Funds
- Bancassurance
- Funds & Sicav

- **Total Indirect Customer Funding at €89.7bn: +3.2% YTD and +0.6% q/q**
- Growth in the AuM component (at €58.3bn: +4.7% YTD and +1.2% q/q), registering:
  - A confirmed positive trend of Funds & Sicav (+8.5% YTD and +1.5% q/q)
  - The recovery is consolidating in Bancassurance (+3.2% YTD and +1.4% q/q)
- Assets under Custody are up YTD (+0.5%), while registering a slight decline in the quarter (-0.4%)
- The progressive increase in C/A & deposits (+€6.7bn since 31/12/18, of which +€0.7bn in Q4) offers opportunity to boost wealth management business

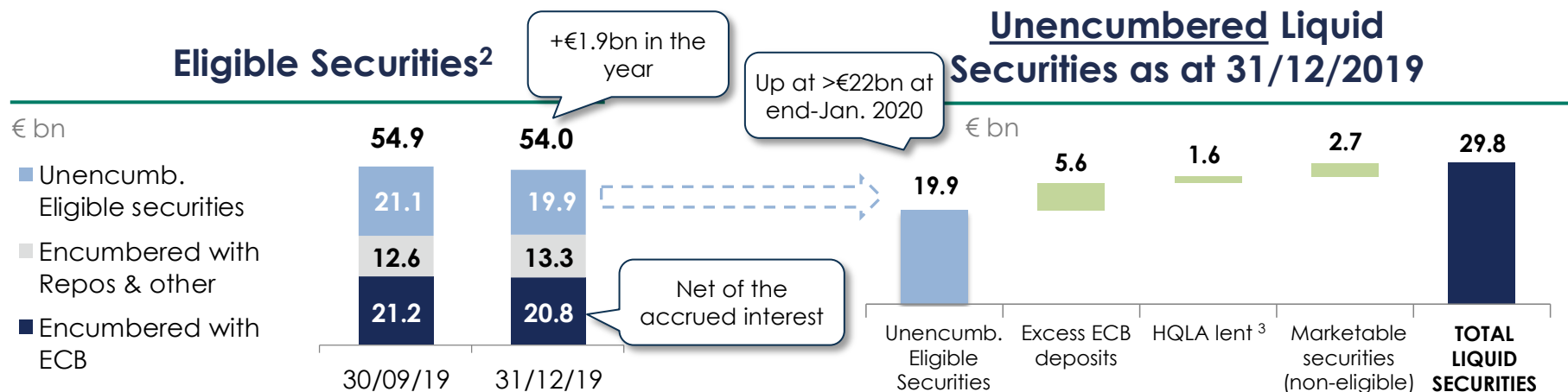
Management data of the commercial network. AUC historic data restated for managerial adjustments.

Note:

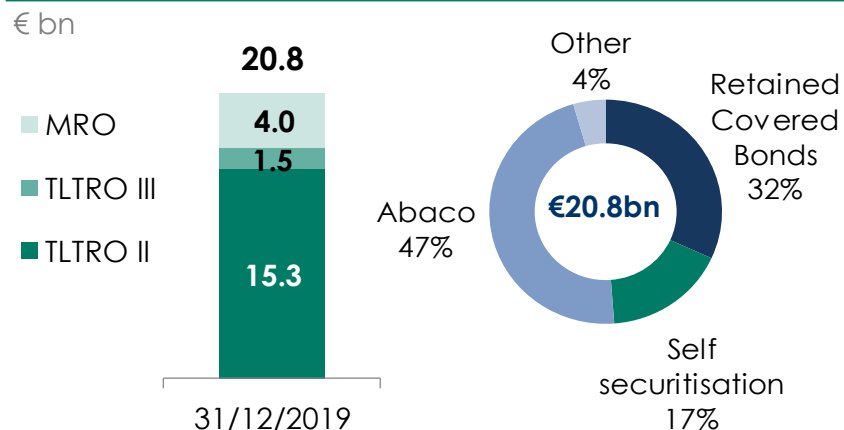
1. AuC data are net of capital-protected certificates, as they have been regrouped under Direct Funding (see slide 38).



# STRONG LIQUIDITY POSITION: LCR >165% & NSFR >100%<sup>1</sup>



## Breakdown of the exposure with the ECB as at 31/12/2019



- **€29.8bn of total unencumbered liquid securities** (net of haircuts) as at 31/12/2019
- Long-term bilateral refinancing operations at **€3.4bn** euro (net of haircuts), with an average maturity of 2.2 years
- In Q4 2019, €6bn of TLTRO II were reimbursed and €1.5bn of TLTRO III and €4bn of MRO drawn
- >€10bn of assets encumbered with ECB are rated A or higher: easy to refinance at good conditions
- €9.7bn of credit claims (ABACO) encumbered with ECB are eligible for securitisations

Internal management data, net of haircuts

**Notes:**

1. Monthly LCR of December 2019; NSFR for Q4 2019.
2. Includes assets received as collateral.
3. Refers to securities lending (uncollateralized high quality liquid assets).

# SECURITIES PORTFOLIO

€ bn

	31/12/18	30/09/19	31/12/19	Chg. y/y	Chg. in Q4
Debt securities	32.9	34.2	31.2	-5.0%	-8.8%
- o/w Total Govies	27.5	29.7	26.4	-4.0%	-10.9%
- o/w: Italian Govies	17.7	19.3	15.5	-12.0%	-19.8%
<b>IT Govies in % on Debt Securities</b>	<b>53.7%</b>	<b>56.5%</b>	<b>49.7%</b>	<b>-7.4%</b>	<b>-12.0%</b>
Equity securities, Open-end funds & Private equity	1.8	2.2	2.5	40.5%	15.8%
<b>TOTAL SECURITIES</b>	<b>34.7</b>	<b>36.4</b>	<b>33.8</b>	<b>-2.6%</b>	<b>-7.3%</b>

€ bn

	31/12/18	30/09/19	31/12/19	Chg. y/y	Chg. in Q4
<b>Govies at FVOCI</b>	<b>11.7</b>	<b>10.0</b>	<b>9.1</b>	<b>-22.4%</b>	<b>-9.3%</b>
- Italian	6.6	5.9	4.6	-29.4%	-21.3%
- Non Italian	5.1	4.1	4.4	-13.5%	7.9%
<b>Govies at AC</b>	<b>15.1</b>	<b>16.5</b>	<b>15.7</b>	<b>4.3%</b>	<b>-4.7%</b>
- Italian	10.3	10.9	10.0	-3.2%	-8.5%
- Non Italian	4.7	5.6	5.7	20.7%	2.7%
<b>Govies at FVTPL</b>	<b>0.8</b>	<b>3.1</b>	<b>1.6</b>	<b>115.9%</b>	<b>-48.3%</b>
- Italian	0.8	2.5	0.9	17.6%	-65.0%
- Non Italian	0.0	0.6	0.7	n.m.	20.4%

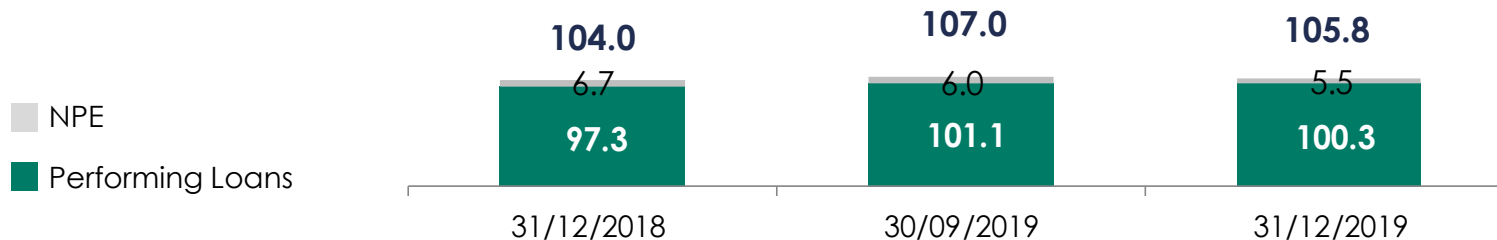
Govies in the Banking Book

# NET CUSTOMER LOANS

Satisfactory increase in Performing Loans, with new loans granted at €21.4bn in FY 2019<sup>1</sup>

## Net Customer Loans<sup>2</sup>

€ bn



PERFORMING LOANS	31/12/18	30/09/19	31/12/19	CHANGE	
				In % y/y	In % Q4
<b>Core customer loans</b>	<b>88.6</b>	<b>92.0</b>	<b>91.1</b>	<b>2.9%</b>	<b>-1.0%</b>
- Medium/Long-Term loans	58.6	62.0	62.5	6.8%	0.9%
- Current Accounts	11.2	11.2	10.5	-6.2%	-5.8%
- Other loans	16.9	17.0	16.1	-4.6%	-4.9%
- Cards & Personal Loans	1.9	1.9	2.0	3.4%	3.1%
<b>Leasing</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>-9.3%</b>	<b>-3.7%</b>
<b>Repos</b>	<b>6.2</b>	<b>5.5</b>	<b>5.7</b>	<b>-8.2%</b>	<b>4.7%</b>
<b>GACS Senior Notes</b>	<b>1.4</b>	<b>2.6</b>	<b>2.5</b>	<b>75.1%</b>	<b>-3.6%</b>
<b>Total Performing Loans</b>	<b>97.3</b>	<b>101.1</b>	<b>100.3</b>	<b>3.1%</b>	<b>-0.8%</b>

Customer Loans as at 30/09/19 are restated including Profamily non-captive volumes. See Methodological Notes for details.

Notes:

1. Management data. Include MLT Mortgages (Secured and Unsecured), Personal Loans, Pool, ST/MLT Structured Finance. Exclude Agos and Profamily volumes sold by the network, but not consolidated by the Group. 2. Loans and advances to customers at Amortized Cost, including also the GACS senior notes (Exodus since June 2018 and, moreover, ACE since March 2019). Year-end 2018 data already excluded €1.3bn Bad Loans (having being classified as discontinued operation), then disposed with the ACE project in Q1 2019.

# ASSET QUALITY DETAILS

GROSS EXPOSURES €/m and %	31/12/2018	30/09/2019	31/12/2019	Chg. y/y		Chg. in Q4	
		Incl. Profamily		Value	%	Value	%
Bad Loans	3,939	3,395	3,565	-375	-9.5%	170	5.0%
UTP	7,768	6,949	6,424	-1,345	-17.3%	-525	-7.6%
Past Due	106	131	98	-8	-7.2%	-32	-24.7%
<b>NPE</b>	<b>11,814</b>	<b>10,474</b>	<b>10,087</b>	<b>-1,727</b>	<b>-14.6%</b>	<b>-387</b>	<b>-3.7%</b>
<b>Performing Loans</b>	<b>97,659</b>	<b>101,438</b>	<b>100,631</b>	<b>2,972</b>	<b>3.0%</b>	<b>-807</b>	<b>-0.8%</b>
<b>TOTAL CUSTOMER LOANS</b>	<b>109,473</b>	<b>111,912</b>	<b>110,718</b>	<b>1,245</b>	<b>1.1%</b>	<b>-1,195</b>	<b>-1.1%</b>

NET EXPOSURES €/m and %	31/12/2018	30/09/2019	31/12/2019	Chg. y/y		Chg. in Q4	
		Incl. Profamily		Value	%	Value	%
Bad Loans	1,591	1,488	1,560	-32	-2.0%	72	4.8%
UTP	5,048	4,373	3,912	-1,136	-22.5%	-462	-10.6%
Past Due	88	107	73	-15	-16.6%	-34	-31.8%
<b>NPE</b>	<b>6,727</b>	<b>5,968</b>	<b>5,544</b>	<b>-1,183</b>	<b>-17.6%</b>	<b>-424</b>	<b>-7.1%</b>
<b>Performing Loans</b>	<b>97,288</b>	<b>101,072</b>	<b>100,301</b>	<b>3,013</b>	<b>3.1%</b>	<b>-771</b>	<b>-0.8%</b>
<b>TOTAL CUSTOMER LOANS</b>	<b>104,015</b>	<b>107,040</b>	<b>105,845</b>	<b>1,831</b>	<b>1.8%</b>	<b>-1,195</b>	<b>-1.1%</b>

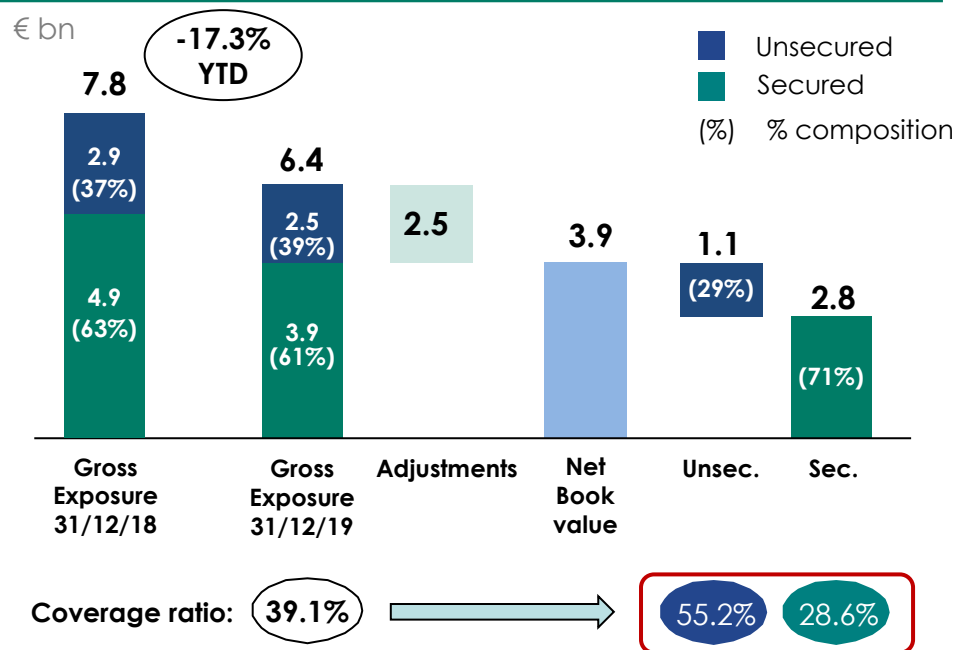
COVERAGE %	31/12/2018	30/09/2019	31/12/2019
		Incl. Profamily	
Bad Loans	59.6%	56.2%	56.2%
UTP	35.0%	37.1%	39.1%
Past Due	17.5%	18.2%	25.9%
<b>NPE</b>	<b>43.1%</b>	<b>43.0%</b>	<b>45.0%</b>
<b>Performing Loans</b>	<b>0.38%</b>	<b>0.36%</b>	<b>0.33%</b>
<b>TOTAL CUSTOMER LOANS</b>	<b>5.0%</b>	<b>4.4%</b>	<b>4.4%</b>

Data refer to Loans and advances to customers measured at Amortized Cost, including also the GACS Senior Notes.

Customer Loans as at 30/09/19 restated including Profamily non-captive volumes. Refer to Methodological Notes for details.

# UTP LOANS: HIGH SHARE OF RESTRUCTURED AND SECURED POSITIONS

## UTP analysis



## Breakdown of Net UTPs

€ bn

	31/12/18	31/12/2019	% Chg.
<b>Restructured</b>	<b>2.3</b>	<b>1.7</b>	<b>-27.2%</b>
- Secured	1.3	0.9	-29.0%
- Unsecured	1.1	0.8	-25.1%
<b>Other UTP</b>	<b>2.7</b>	<b>2.2</b>	<b>-18.8%</b>
- Secured	2.3	1.9	-15.6%
- Unsecured	0.5	0.3	-34.8%
<b>Total</b>	<b>5.0</b>	<b>3.9</b>	<b>-22.5%</b>

*o/w:*

- North	68.8%	72.6%
- Centre	22.8%	20.9%
- South, Islands & not resident	8.4%	6.5%

- Solid level of coverage for unsecured UTP: 55.2%
- Net Restructured loans (€1.7bn) account for 43% of total net UTP: they are essentially related to formalized underlying restructuring plans and procedures (mainly under Italian credit protection procedures)
- Net unsecured UTP other than Restructured loans are limited to €0.3bn
- ~94% of Net UTPs are located in the northern & central parts of Italy

# CAPITAL POSITION DETAILS

PHASED IN CAPITAL POSITION (€/m and %)	31/12/2018	30/09/2019	31/12/2019
CET 1 Capital	7,754	9,254	9,586
T1 Capital	7,888	9,686	10,017
Total Capital	9,442	10,966	11,542
<b>RWA</b>	<b>64,324</b>	<b>67,278</b>	<b>65,841</b>
<b>CET 1 Ratio</b>	<b>12.05%</b>	<b>13.75%</b>	<b>14.56%</b>
<b>AT1</b>	<b>0.21%</b>	<b>0.64%</b>	<b>0.66%</b>
<b>T1 Ratio</b>	<b>12.26%</b>	<b>14.40%</b>	<b>15.21%</b>
<b>Tier 2</b>	<b>2.42%</b>	<b>1.90%</b>	<b>2.32%</b>
<b>Total Capital Ratio</b>	<b>14.68%</b>	<b>16.30%</b>	<b>17.53%</b>

RWA COMPOSITION (€/bn)	31/12/2018	30/09/2019	31/12/2019
CREDIT & COUNTERPARTY RISK	56.3	59.3	57.9
of which: Standard	27.7	29.5	28.0
MARKET RISK	1.9	2.0	1.9
OPERATIONAL RISK	5.9	5.7	5.8
CVA	0.2	0.3	0.2
<b>TOTAL</b>	<b>64.3</b>	<b>67.3</b>	<b>65.8</b>

FULLY PHASED CAPITAL POSITION (€/m and %)	31/12/2018	30/09/2019	31/12/2019
CET 1 Capital	6,406	8,097	8,453
T1 Capital	6,410	8,399	8,754
Total Capital	7,964	9,679	10,280
<b>RWA</b>	<b>64,034</b>	<b>67,165</b>	<b>65,856</b>
<b>CET 1 Ratio</b>	<b>10.00%</b>	<b>12.06%</b>	<b>12.84%</b>
<b>AT1</b>	<b>0.01%</b>	<b>0.45%</b>	<b>0.46%</b>
<b>T1 Ratio</b>	<b>10.01%</b>	<b>12.51%</b>	<b>13.29%</b>
<b>Tier 2</b>	<b>2.43%</b>	<b>1.91%</b>	<b>2.32%</b>
<b>Total Capital Ratio</b>	<b>12.44%</b>	<b>14.41%</b>	<b>15.61%</b>

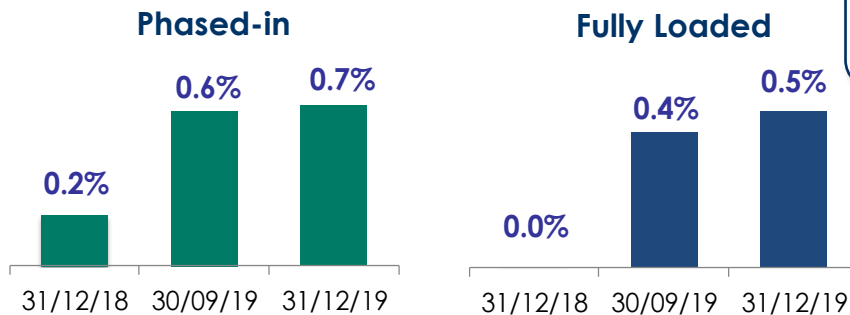
RWA COMPOSITION (€/bn)	31/12/2018	30/09/2019	31/12/2019
CREDIT & COUNTERPARTY RISK	56.0	59.2	58.0
of which: Standard	27.4	29.4	28.0
MARKET RISK	2.0	2.0	1.9
OPERATIONAL RISK	5.9	5.7	5.8
CVA	0.2	0.3	0.2
<b>TOTAL</b>	<b>64.0</b>	<b>67.2</b>	<b>65.9</b>

Ratios as at 30/09/2019 include the contribution of the Q3 2019 net result and those as at 31/12/2019 include the net result, post dividend, pertaining to H2 2019 (see methodological notes for details).

# STRENGTHENING CAPITAL EFFICIENCY AND BUFFERS

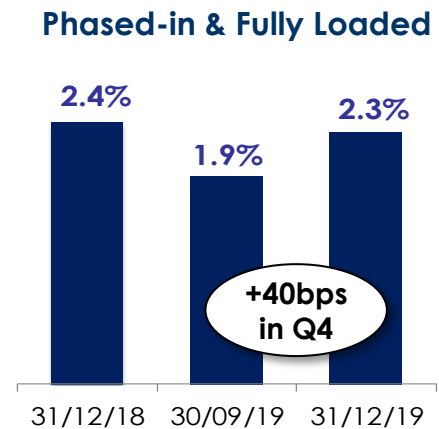
Wide capital buffers, both at Phased-in and Fully Loaded level

## ADDITIONAL TIER 1 CAPITAL RATIO



Does not consider the €400m AT1 issued in Jan. 2020 (corresponding to 61 bps)

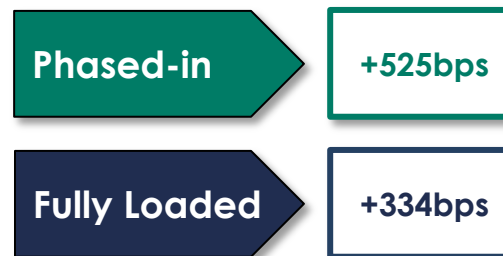
## TIER 2 CAPITAL RATIO



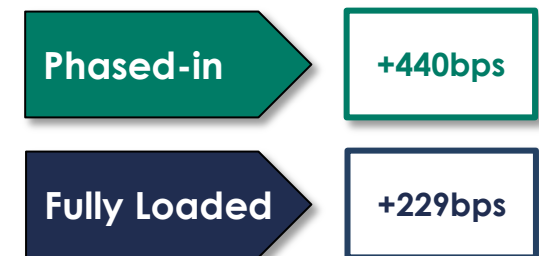
## SREP Requirements

%	Phased-in 2019 (2020)	Fully Loaded 2019 (2020)
CET 1 Ratio	9.315% (9.385%)	9.505% (9.505%)
Tier 1 Ratio	10.815% (10.885%)	11.005% (11.005%)
Total Capital Ratio	12.815% (12.885%)	13.005% (13.005%)

## SREP buffers on CET 1<sup>1</sup>



## MDA buffers<sup>2</sup>



Notes: 1. Calculated considering SREP requirements for 2019. 2. The figures do not include the €400m AT1 instrument issued in January 2020, corresponding to 61bps.

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