

Banco BPM

Strategic Plan 2020-2023

UNLOCKING OUR
Potential

BUILDING A COMMON
Future

INVESTING IN OUR
People

Milan, 3 March 2020


BANCO BPM

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Introduction and methodological premise

The context...

Sudden outbreak of COVID-19 resulting in uncertainty over 2020 macroeconomic outlook

Implications for the ordinary "day-to-day" Banco BPM activities

- **Immediate** set-up of a "**Crisis Committee**", governing over emergencies to **secure ordinary operations** and **continued support** to our clients' needs
- **Maximum commitment** to minimize impact on **colleagues** and **their families**, ensure **full support to our customers** and play a **responsible role** for the overall economic system

and

Implications for the 2020-2023 Strategic Plan

- 2020-2023 Strategic Plan rooted on a **pre-emergency consensus macroeconomic scenario**
- Development of a **V-shaped scenario**, with GDP shock limited to 2020. Even under this scenario, the Strategic Plan is **resilient** across the **main actions and targets**

Agenda

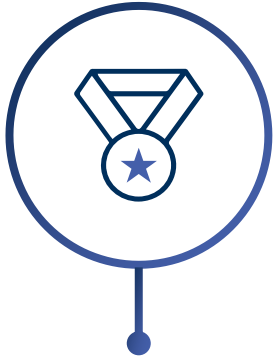
1. The foundation of Banco BPM 2020-23 Strategic Plan: built on a strong track record and based on real delivery

2. An ambitious and credible Plan, addressing all stakeholders' expectations

3. Financial forecasts

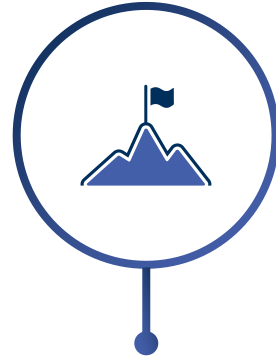
4. Conclusions

Banco BPM: turnaround completed, ready to unlock our full potential



**Third bank in Italy,
with 4m clients
served**

- Long-standing **strategic vocation** as **commercial bank**, with **low risk profile** and **solid capital position**
- Presence "at scale" in the **richest areas** of the **country**



**Credible team,
with robust delivery
track record**

- Successfully **completed**, well **ahead of schedule**, a **complex integration "of equals"** – the **only merger** in the Eurozone since the advent of **SSM**
- **Strong delivery machine**, able to far exceed cost, de-risking and capital targets, **without requesting** additional funds to shareholders



**Solid financials, built on
well-recognized areas
of operational excellence**

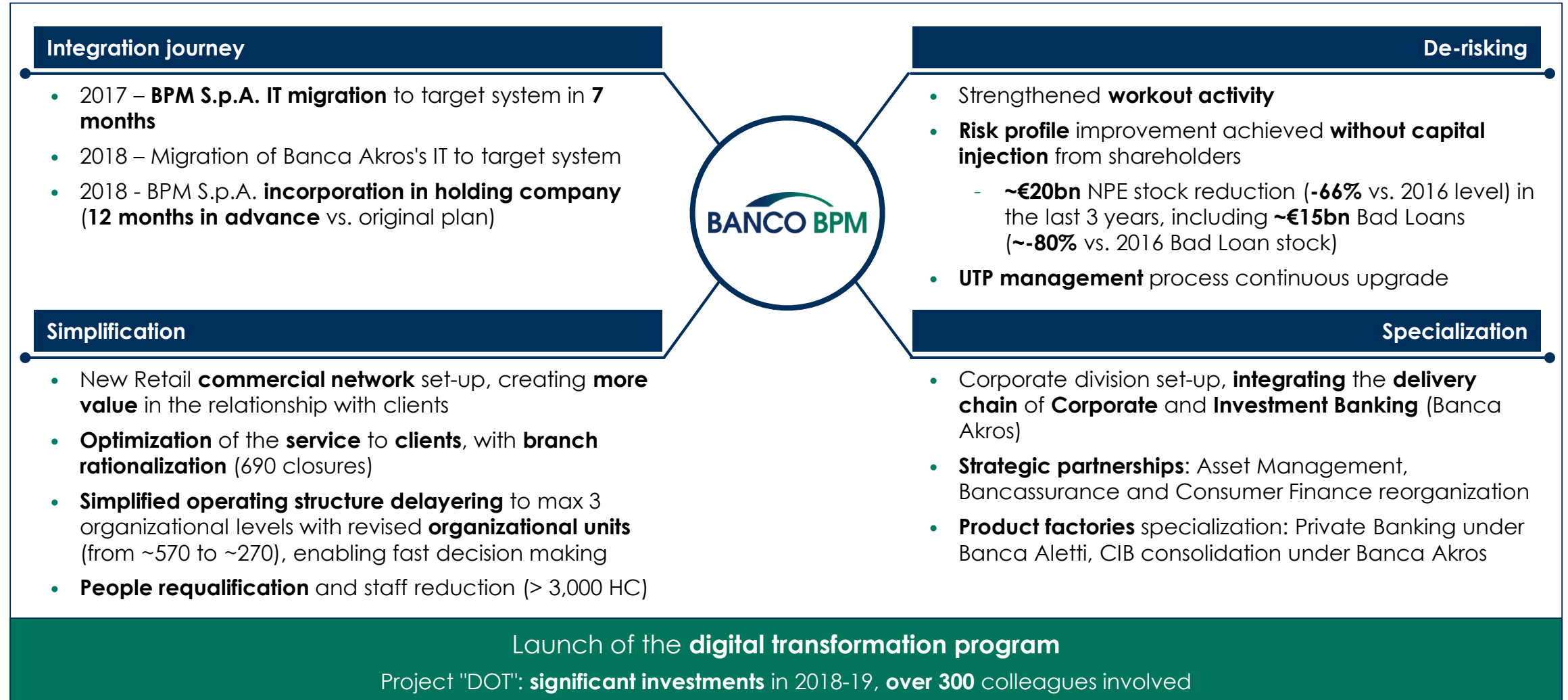
- **High capitalization** and **profitability**, providing stable foundations for 2020-23 Strategic Plan
- Unique combination of **distinctive specialized banks** and **best-in-class business partners**



**Deeply involved
in the core
communities**

- **Inclusive** organization with a culture of **people caring** and **engagement**, able to **attract external talents**
- High **commitment** to **social action**, aimed at making a **tangible impact** on the wider community

Successful completion of a complex integration

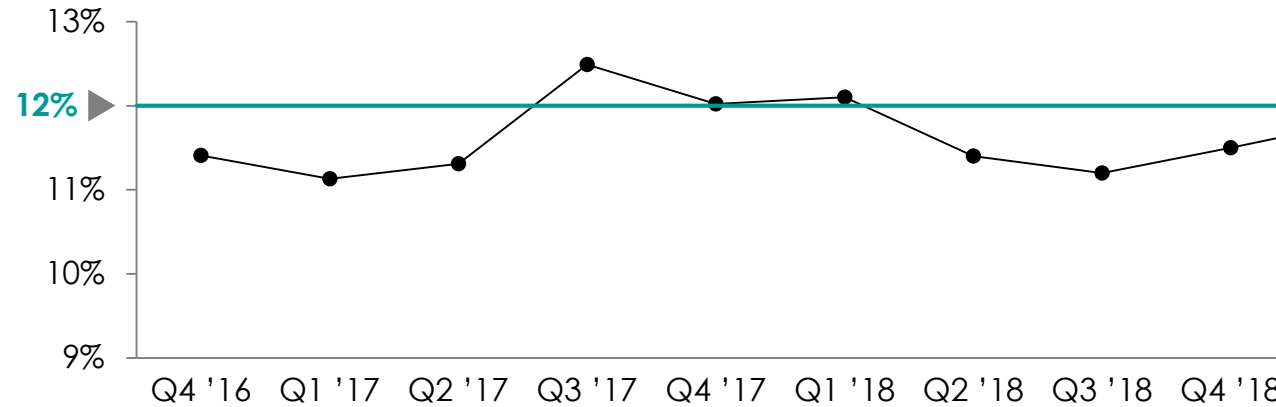


An indisputable track record of solid capital generation...

Over the last 3 years, the Group absorbed CET1 impact in excess of 11% without new capital injections

- >800 bps De-risking Plan
- +
- >200 bps Regulatory headwinds
- +
- ~100 bps Additional impacts

Pro-forma CET1 ratio (%)



Resilient capital position

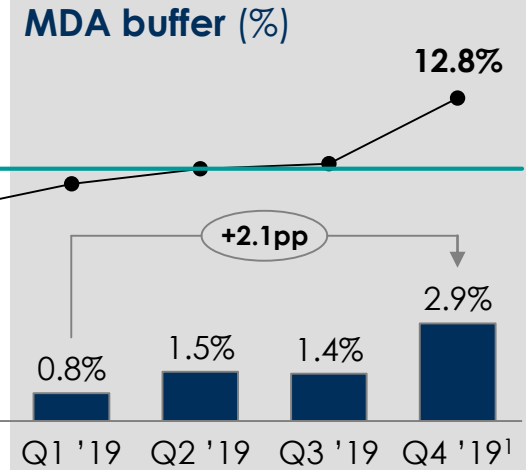
- CET1 ratio in area 12.0% over the last 3 years
- Constantly improving since Q3 '18



Improving Texas ratio

- Steady reduction of Texas ratio since 2015

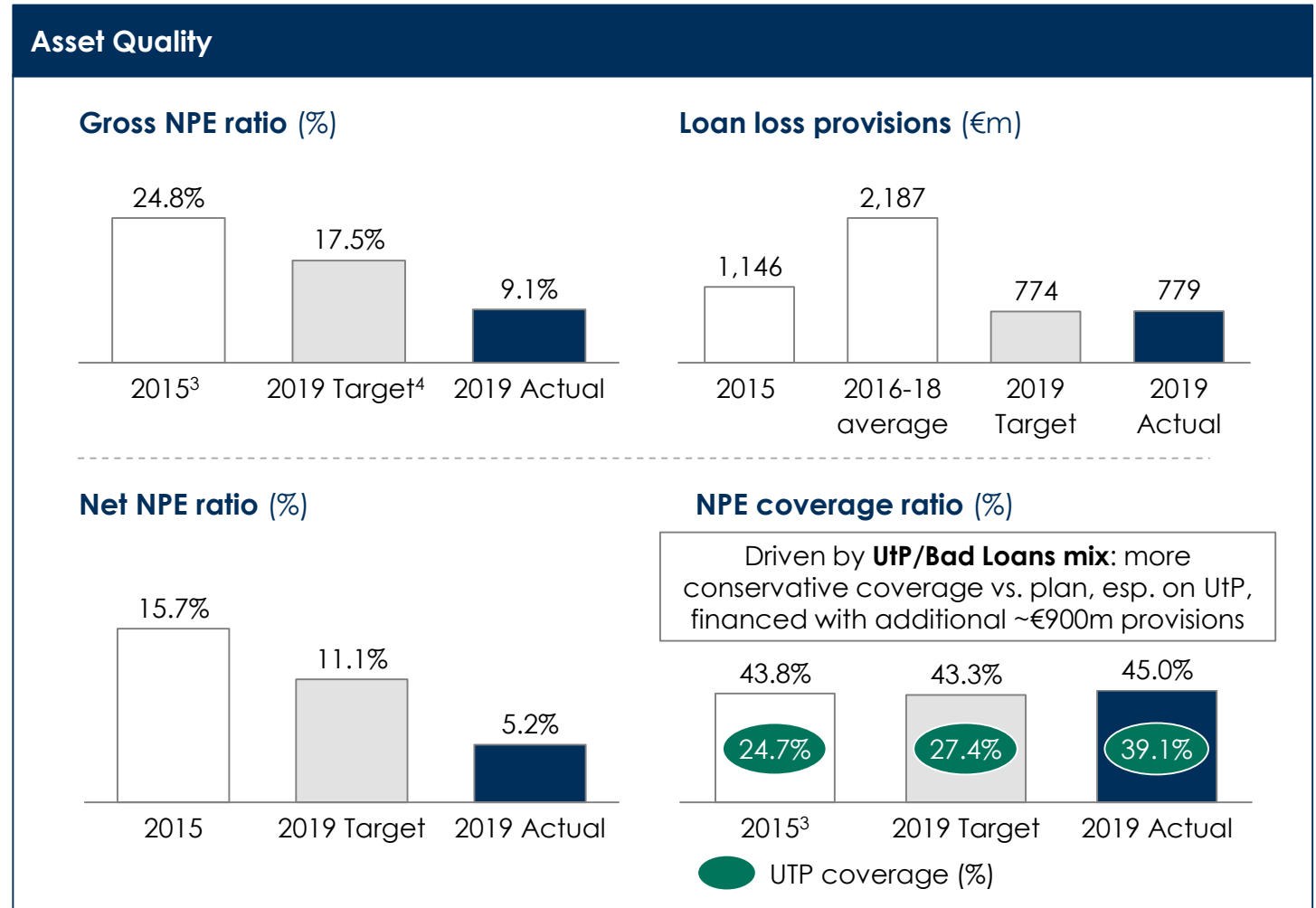
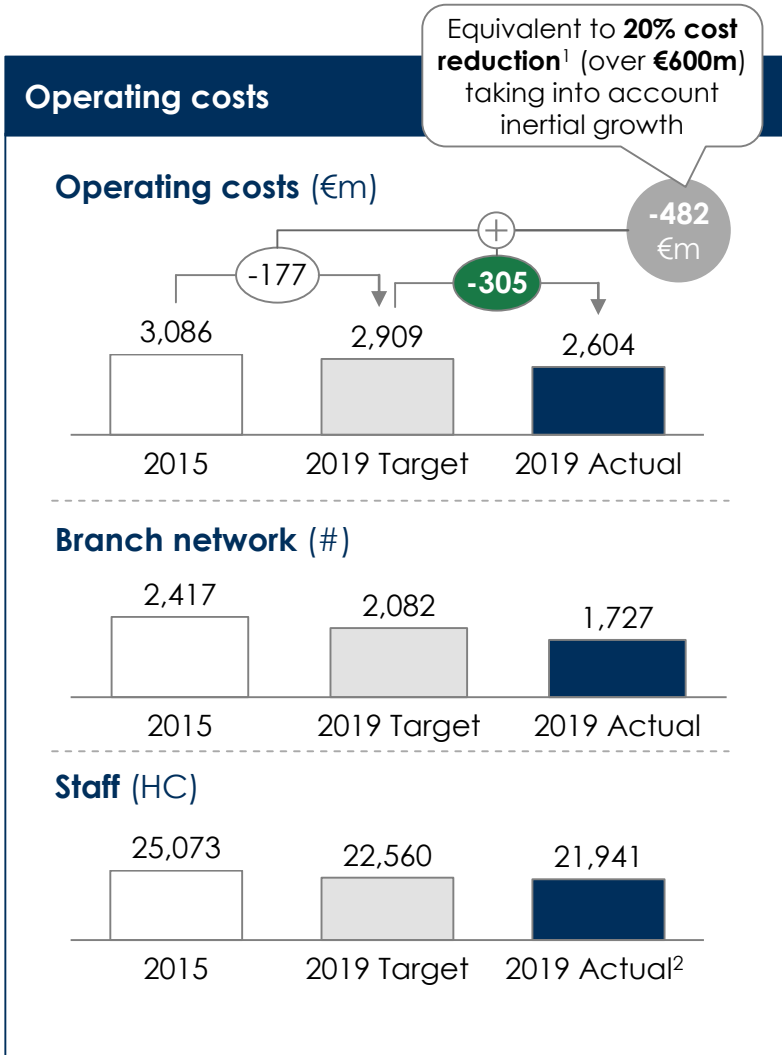
Year	Texas Ratio
2015	162%
2019 Actual	52%



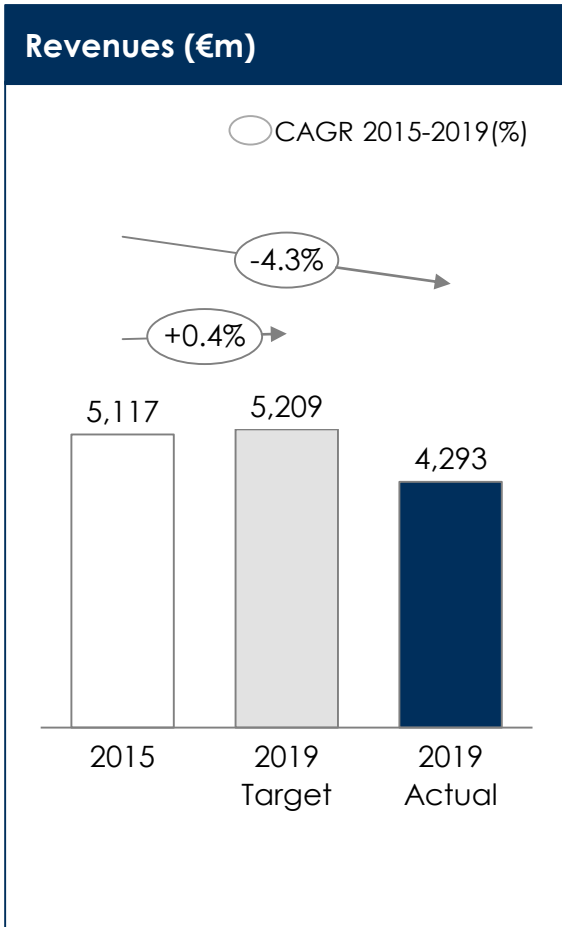
Prudent MDA buffer

- MDA buffer significantly increased with demonstrated capacity to appeal to AT1 investors

... paired with over-delivery on operating cost and asset quality targets



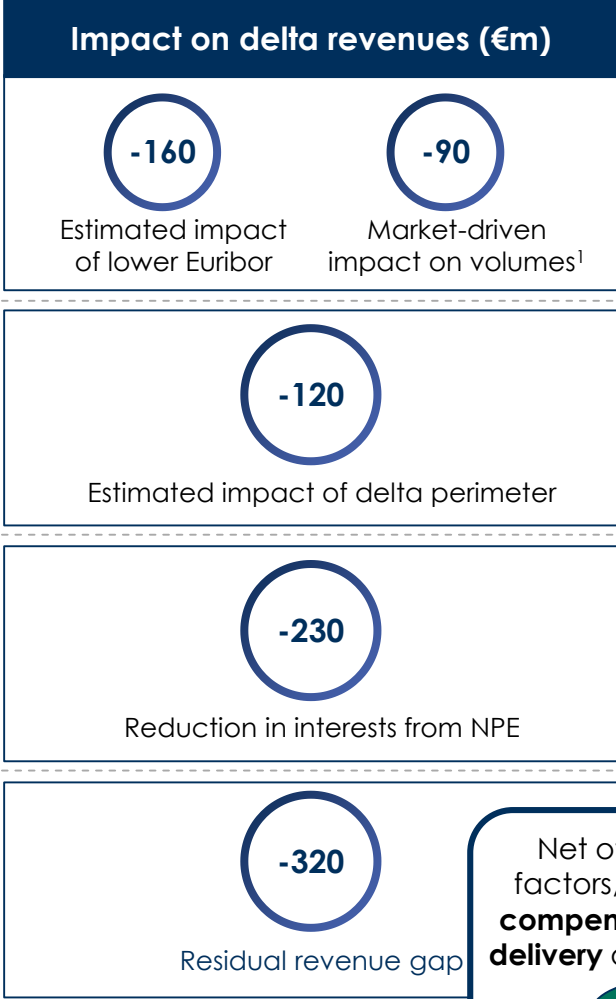
Revenue path mostly influenced by exogenous factors



-€916m
actual
vs.
target

- Adverse macro-economic conditions**
- Change in perimeter**
- De-risking**
- Residual**

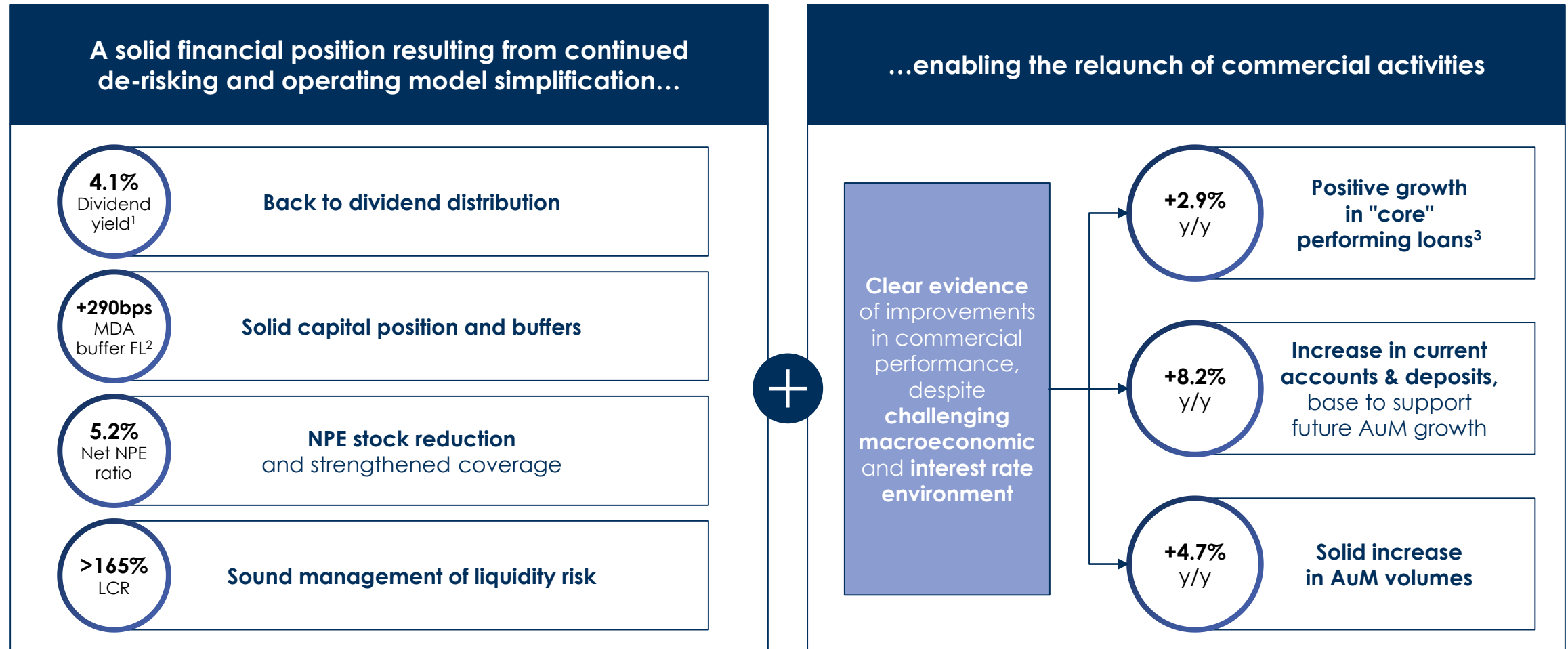
- Euribor (+0.10% target vs. -0.34% actual)
- GDP growth (+1% target vs. 0.1% actual)
- Disposal of Gestielle, Banca Depositaria and others
- Reduced NII contribution from NPE



Net of exogenous factors, revenue gap **compensated by over-delivery** on costs savings

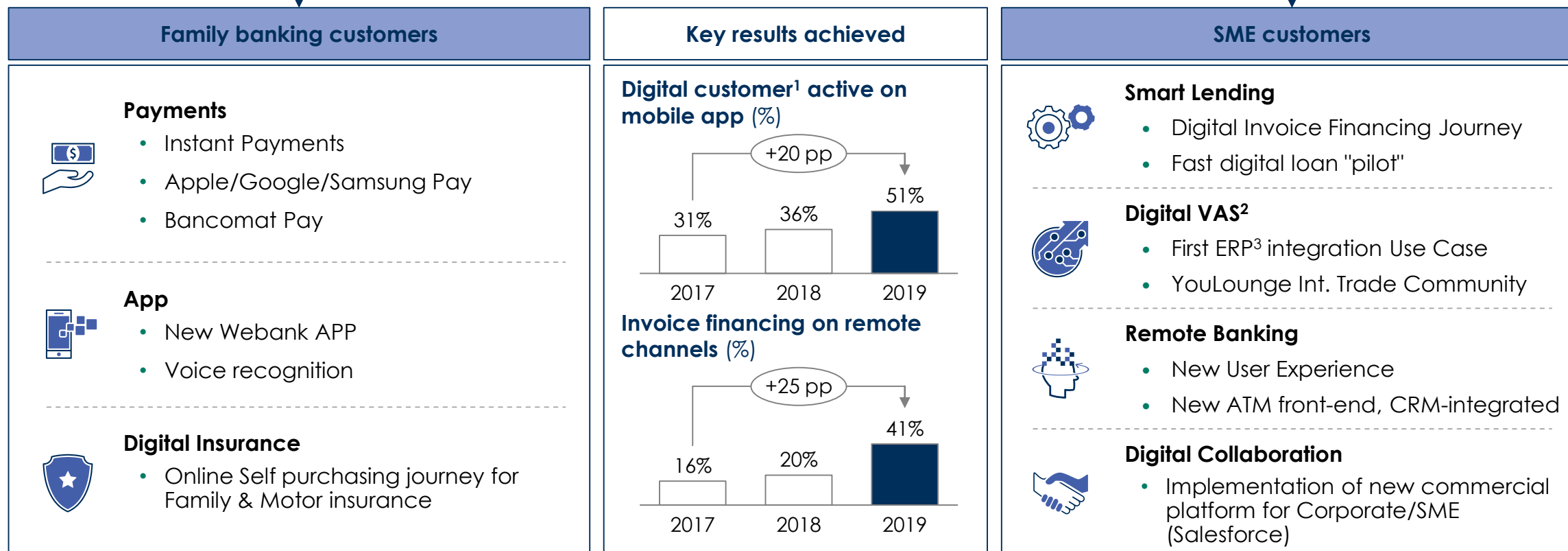
€305m

Strong 2019YE results paving the way for the new Strategic Plan

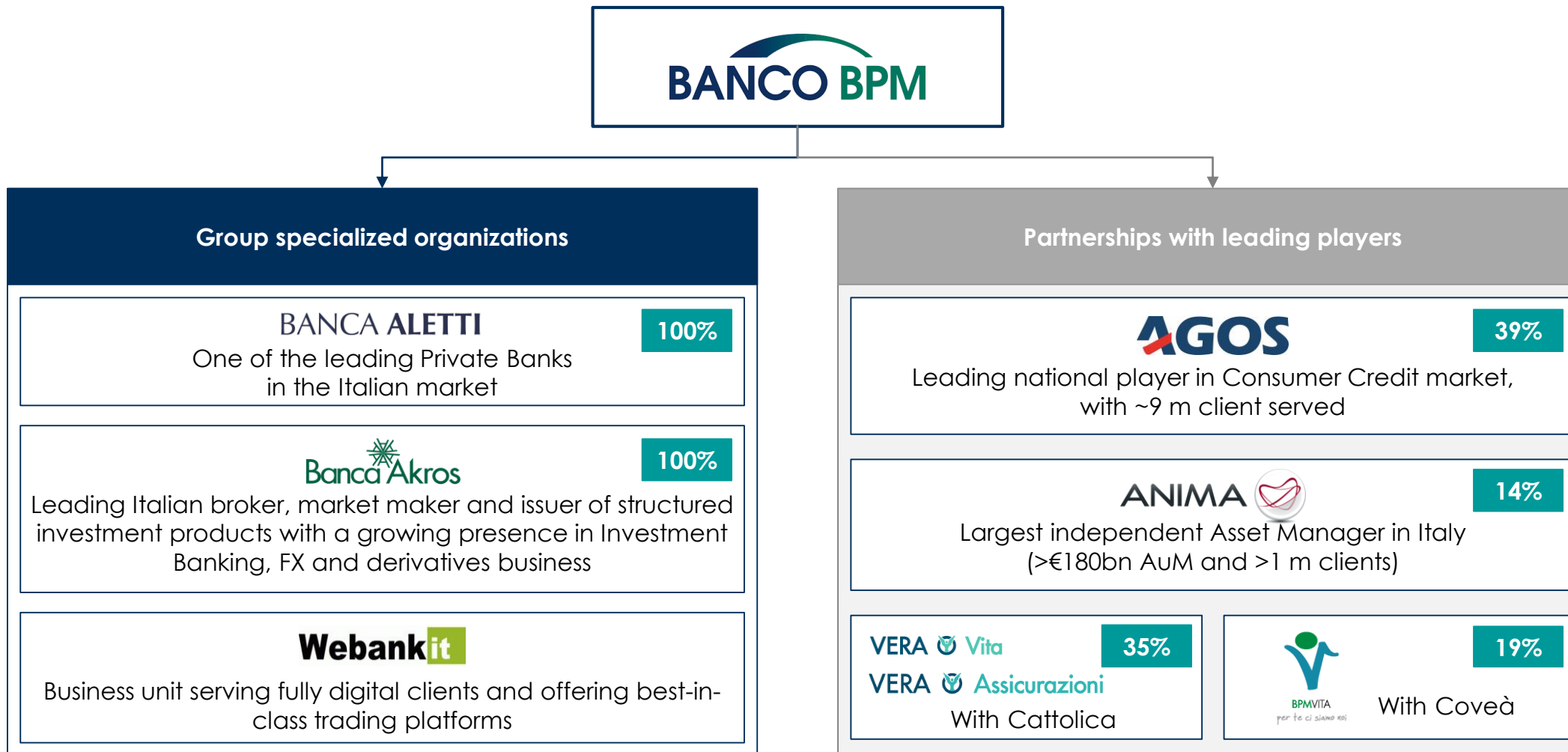



While completing the integration plan, we progressed in the “Digital Transformation” journey

Main "Digital Transformation" achievements



Well-recognized areas of excellence in BANCO BPM business model



 % ownership

Deeply involved in our communities

€10m

Contributed to schools, universities, religious Institutions and other non-profit organizations for social projects

1,000+

Social projects supported

6,000+

People engaged in financial education through 60+ workshops organized in schools and branches¹

~7,000 h

Employee working hours volunteered to organize and support 120 social activities in ~30 Italian cities

~20,000

Prestigious works of art restored and shared, available for public events, free of charge

100+

Schools supported through facilities restructuring and teaching material donation¹

Up to 2.5%

Of Net income devolved to charity and public interest initiatives

Agenda





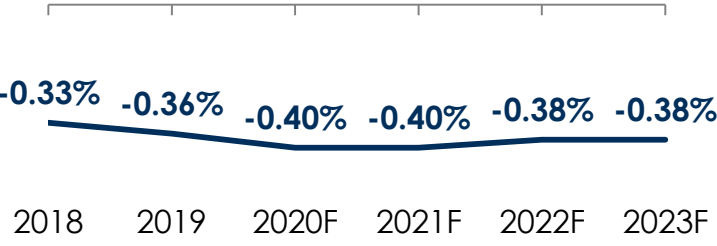


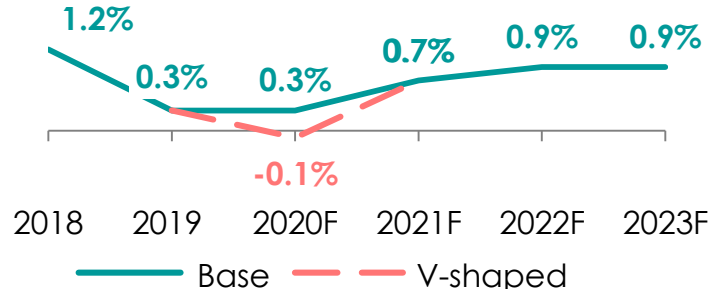
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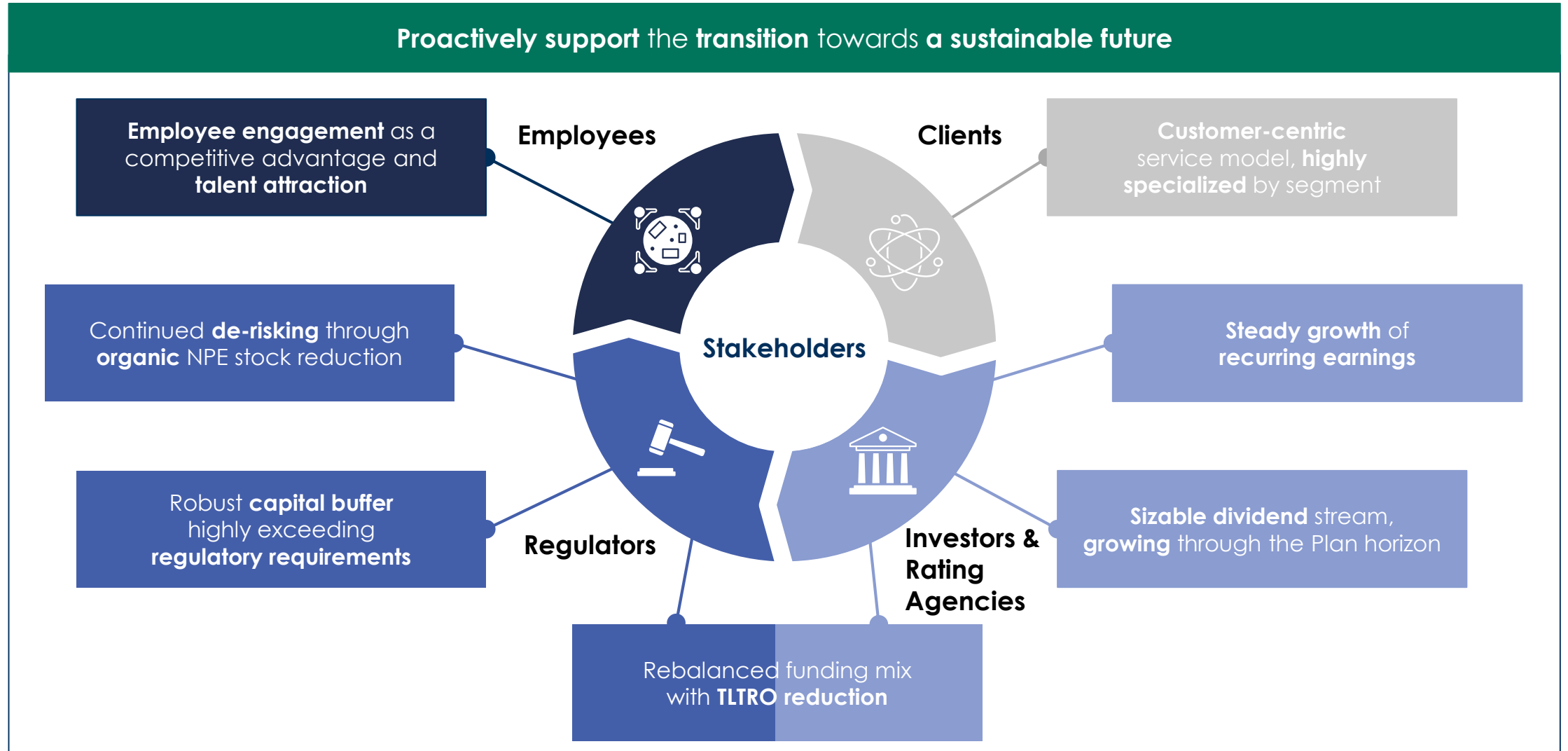
3. Financial forecasts

4. Conclusions

Comprehensive assumptions, factoring in newly emerged uncertainties and regulatory evolutions

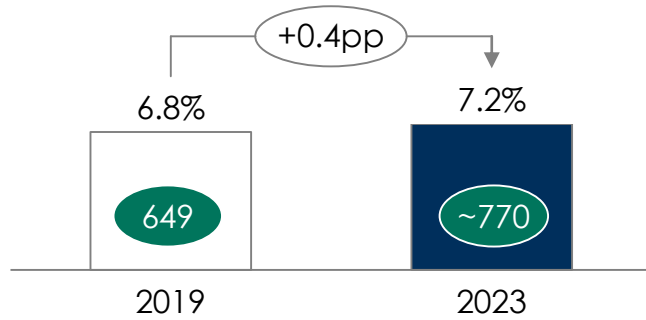
<p>Global economy</p> 	<ul style="list-style-type: none"> • Slowdown of global trade alimented by ongoing trade war • Increased uncertainty from US-Iran tensions • Uncertain 2020 outlook due to COVID-19 	<p>Evolving regulatory landscape</p>  <p>Basel IV (implementing standards)</p>	<p>Main assumptions</p>														
<p>EU economy</p> 	<ul style="list-style-type: none"> • Announcement of new expansionary measures package <ul style="list-style-type: none"> - TLTRO III - Quantitative Easing reactivation (~€20bn / year) • Potential economic fallouts of Brexit 	 <p>NPE Guidelines</p> <p>Calendar provisioning</p>	<p>Euribor 3M (%)</p>  <table border="1"> <tr> <th>Year</th> <td>2018</td> <td>2019</td> <td>2020F</td> <td>2021F</td> <td>2022F</td> <td>2023F</td> </tr> <tr> <th>Value (%)</th> <td>-0.33%</td> <td>-0.36%</td> <td>-0.40%</td> <td>-0.40%</td> <td>-0.38%</td> <td>-0.38%</td> </tr> </table>	Year	2018	2019	2020F	2021F	2022F	2023F	Value (%)	-0.33%	-0.36%	-0.40%	-0.40%	-0.38%	-0.38%
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Value (%)	-0.33%	-0.36%	-0.40%	-0.40%	-0.38%	-0.38%											
<p>Italian economy</p> 	<ul style="list-style-type: none"> • Stagnation in 2019 (-0.3% GDP growth estimated for Q4) • Deceleration of foreign trade • Industrial sector in a recessive phase (-1.3% output in 2019) 	 <p>Guidelines on PD and LGD estimation</p> <p>New DoD</p>	<p>Italy Real GDP trend (y/y % change)</p>  <table border="1"> <tr> <th>Year</th> <td>2018</td> <td>2019</td> <td>2020F</td> <td>2021F</td> <td>2022F</td> <td>2023F</td> </tr> <tr> <th>Value (%)</th> <td>1.2%</td> <td>0.3%</td> <td>-0.1%</td> <td>0.7%</td> <td>0.9%</td> <td>0.9%</td> </tr> </table>	Year	2018	2019	2020F	2021F	2022F	2023F	Value (%)	1.2%	0.3%	-0.1%	0.7%	0.9%	0.9%
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Value (%)	1.2%	0.3%	-0.1%	0.7%	0.9%	0.9%											

Strategic priorities addressing key stakeholders' expectations



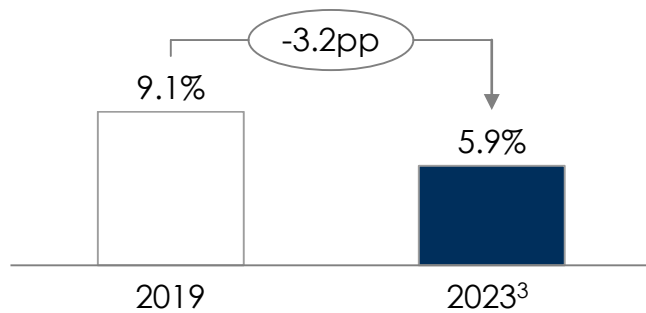
Key targets of the Strategic Plan 2020-2023

RoTE¹
(%)

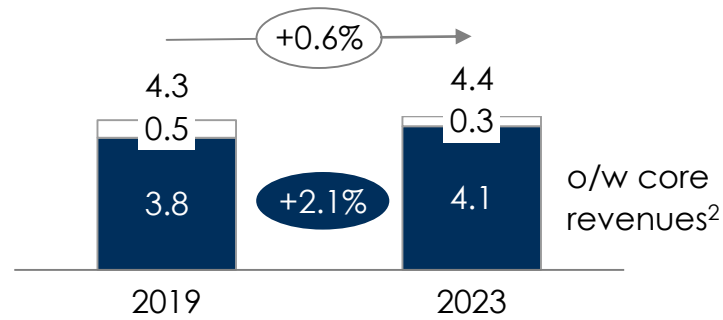


● Net income (€m)

Gross NPE ratio
(%)

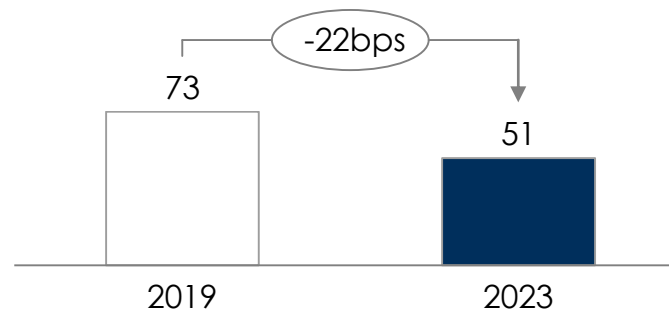


Total revenues
(€bn)

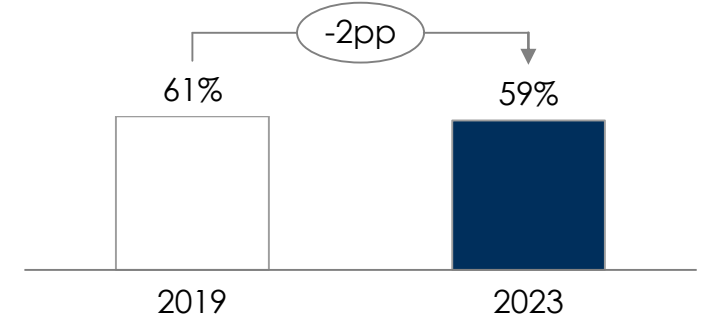


○ CAGR 2019-2023 (%)

Cost of risk
(bps)



Cost/Income
(%)



**~250
bps**

**MDA buffer
throughout
the Plan**

**800+
€m**

**Dividend
distribution
over 2020-23**

≥ 40%

**Avg. dividend
payout over
2020-23**

Fully confirmed under the V-shaped scenario

BBPM 2020-23 Strategic Plan: 4 key ESG-driven pillars yielding sizable shareholders' remuneration



1

Sustainable development of the core business

2

Digital-enabled operating model allowing high cost flexibility as a key lever

3

Continued asset quality improvement

4

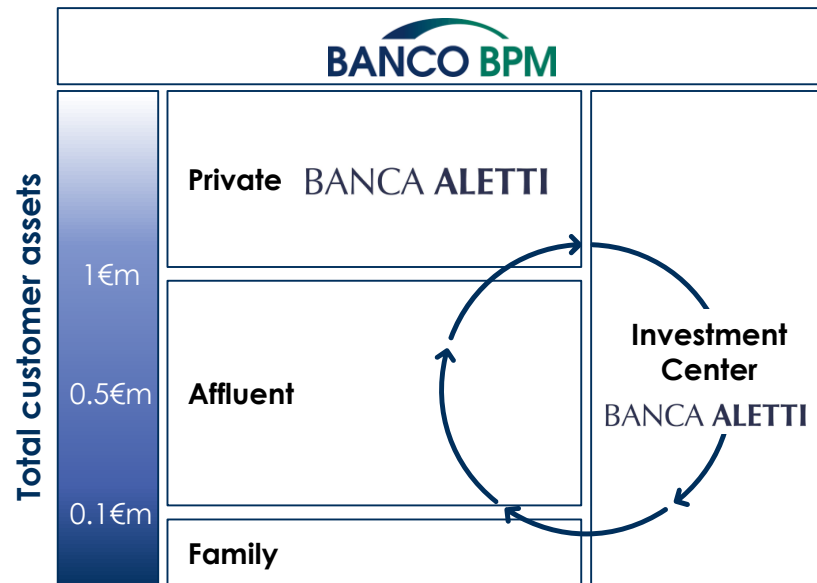
Further strengthening of the balance sheet

Sizable shareholder remuneration

Deployment of further service model specialization through Group's product factories and network reshaping

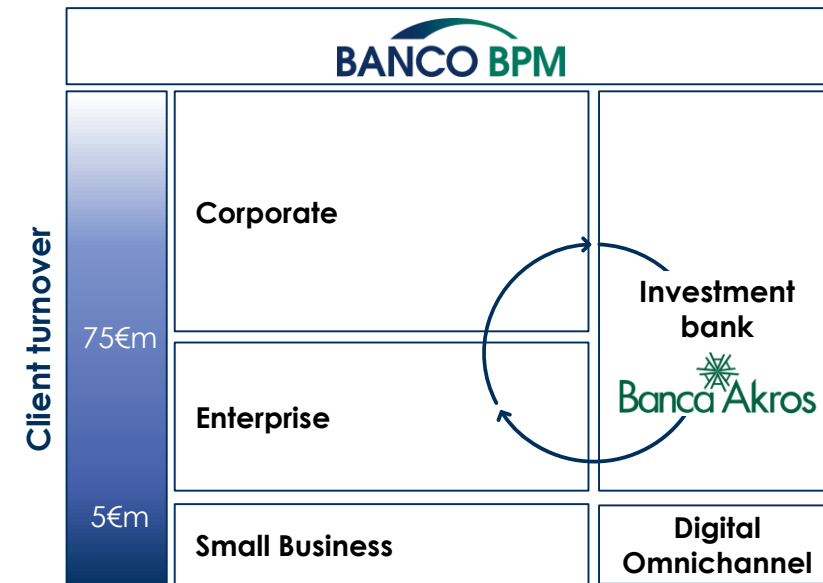
Wealth Management

- **Increased specialization** of **Affluent service model**
- **Strengthened coordination** between the **network** (both to Private Bankers and Affluent Relationship Managers) and the **Investment Center** responsible for supporting commercial activities

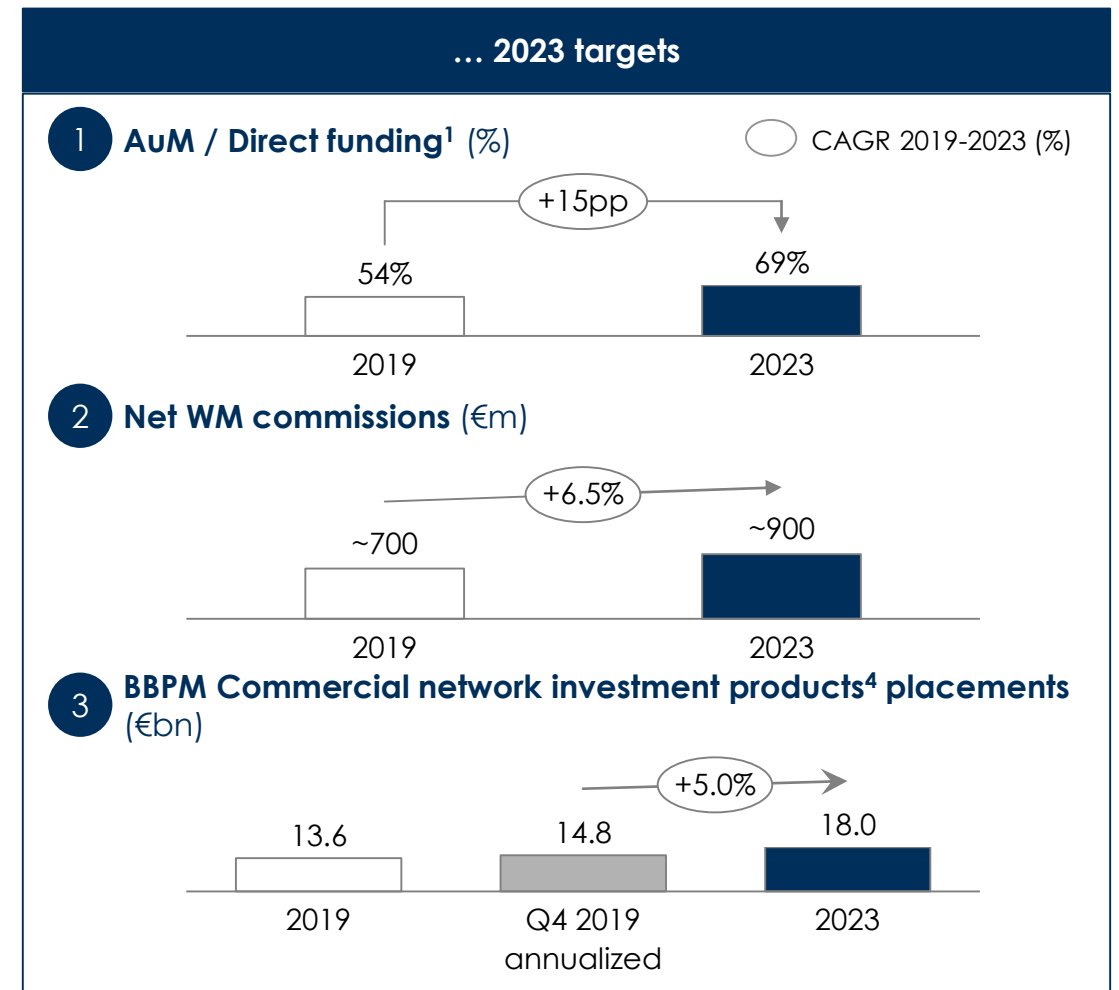
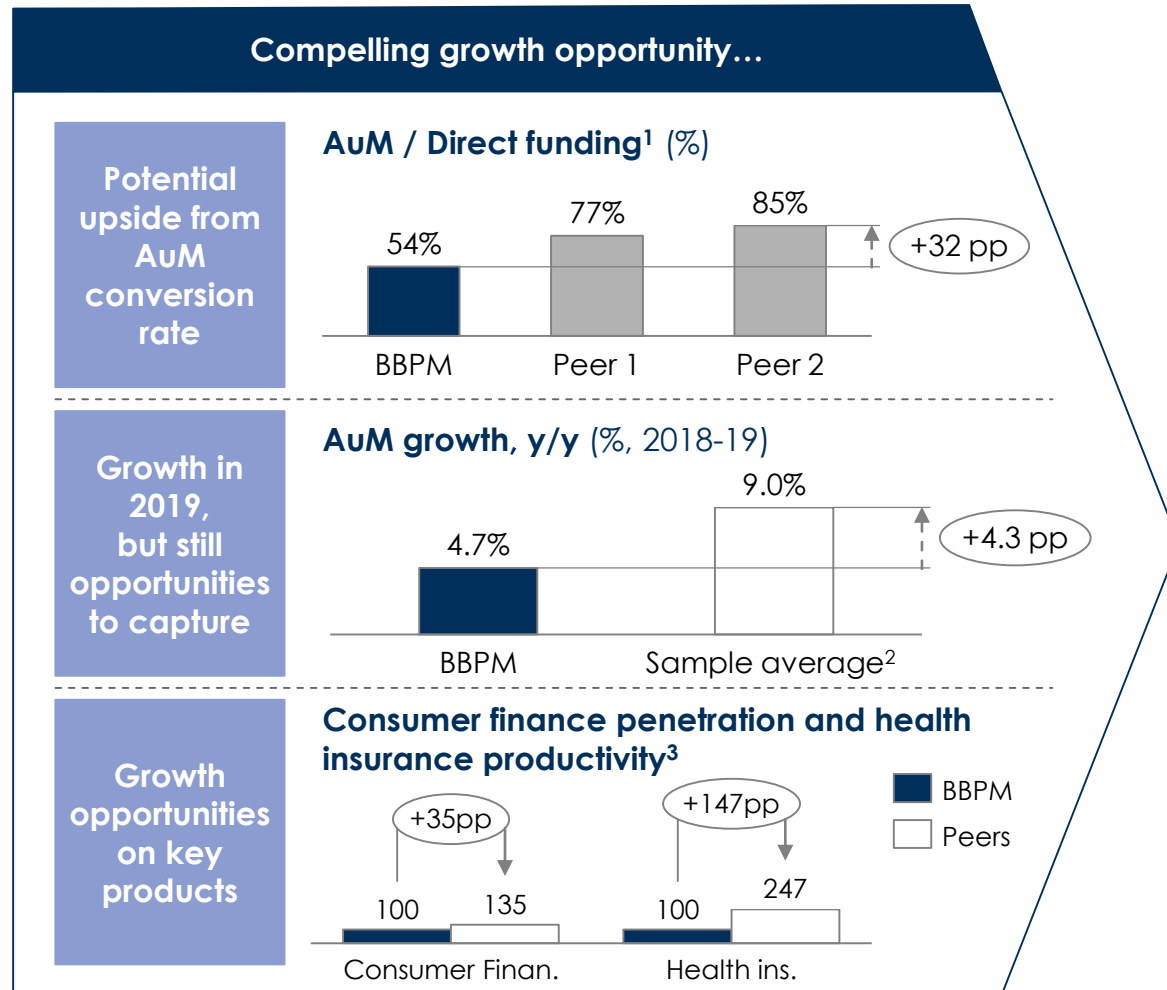


Corporate and SME segments

- Set-up of **dedicated service models and service unit** for Enterprise and Small Business clients, favoring **verticalization** and **service model specialization**
- Set-up of the new **Origination team**, for Enterprise and Corporate, in charge of accelerating the **generation** of virtuous **cross-selling opportunities**
- **Strengthened collaboration** between the network and Banca Akros



Wealth Management and Family Banking | Unlocking the untapped potential



Commercial step-up in **Wealth Management** driven by enhanced advisory and digital up-scaling

Key initiatives	
Best-in-class service quality via specialization	<ul style="list-style-type: none"> • Best-in-class service quality through an omni-channel experience and the enhanced specialization of service model per client segment
Commercial boost driven by technological scale-up	<ul style="list-style-type: none"> • Productivity increase driven by process digitization, "Robot4Advisor" solutions, CRM analytics and roll-out of E2E off-site/remote advisory offering
Product range expansion	<ul style="list-style-type: none"> • Product range expansion focusing on: <ul style="list-style-type: none"> - Dedicated offers to drive switching from direct funding - Evolution of management accounts and insurance offer - Boost of sustainable investments and advisory - HNWI-dedicated products (e.g. Private Insurance, Private markets, Lombard) - Integrated "all asset" advisory (e.g. real estate, art, taxes, etc.)

Focus: service model specialization

Client segmentation by total assets

BANCA ALETTI

- **Private Bank** of BBPM Group, dedicated to **HNW individuals**
- **Lead Investment Center** for all Group WM clientele

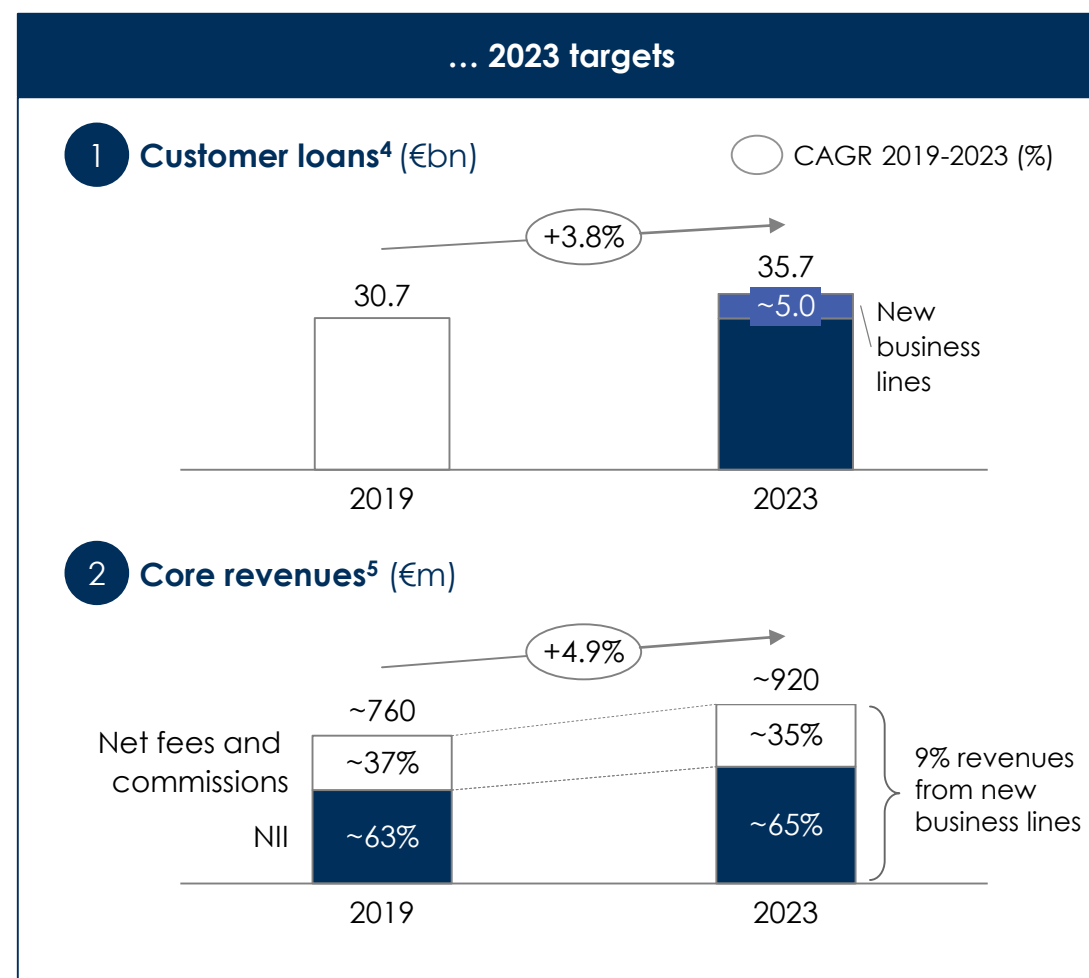
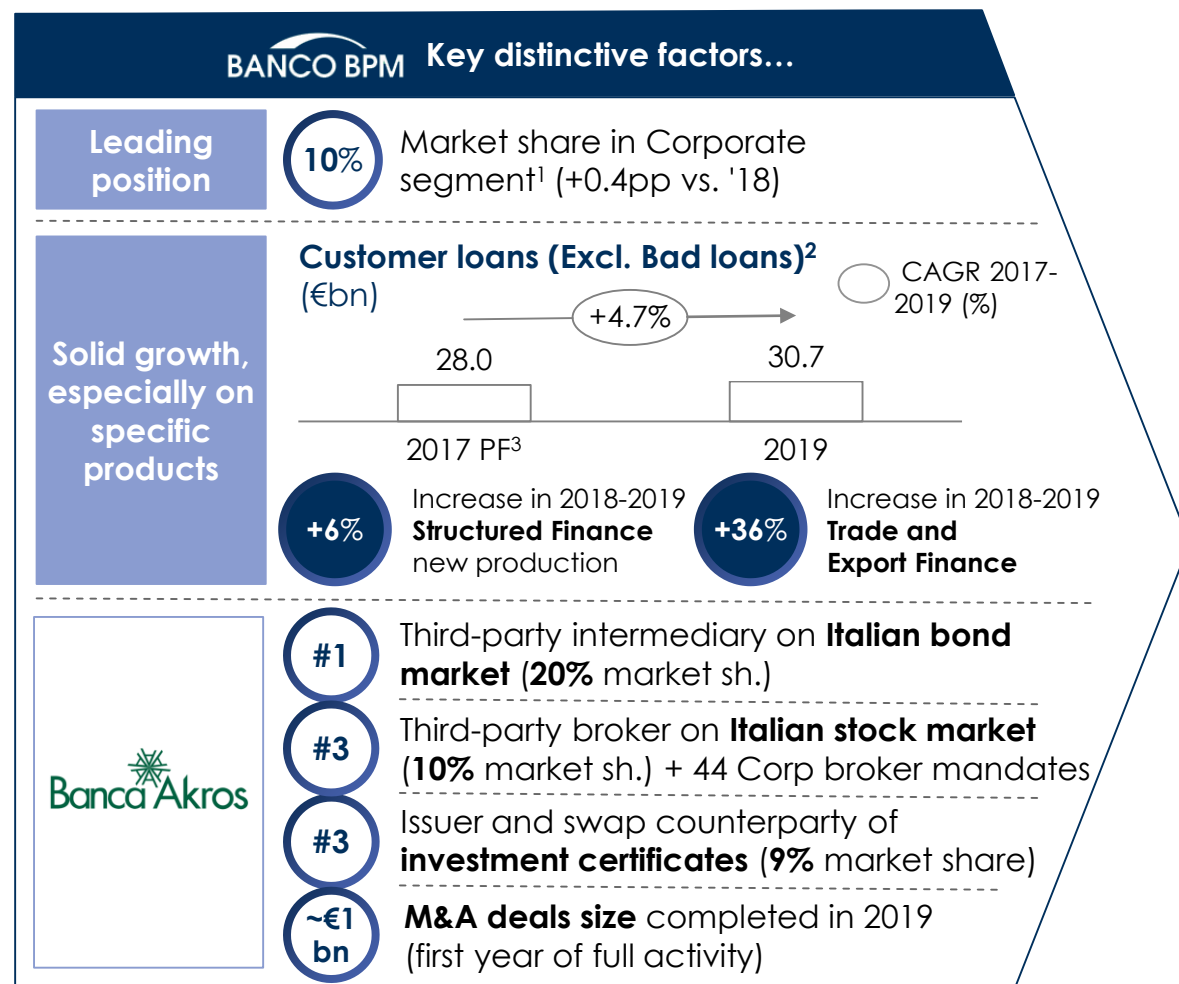
- Specialization of service models** focusing on high growth Upper Affluent
 - New specialized offer
- Strengthen Private Bankers/ Affluent Relationship Managers networks** and digital support to improve client coverage
- Increasing Investment Center **support** and **coordination**

Selected KPIs
<p>~€9bn</p> <p>Ready for shifting from direct to AuM</p>
<p>+10%</p> <p>Affluent Relationship Managers</p>
<p>+20%</p> <p>Private Bankers</p>
<p>+2x</p> <p>Investment Center specialists deployed across the network</p>

Strategic partnership consolidation in Bancassurance & Consumer Finance and **Family Banking** development through analytics and digitization

	Key initiatives	Selected KPIs
Product factories and catalogue full potential	<ul style="list-style-type: none"> Roll-out of dedicated initiatives to achieve full potential in Consumer Finance, Bancassurance and Payment services partnerships Repricing and simplification of product catalogues, especially on transaction banking 	<p>€1.2bn (+25% vs. '19) Consumer Finance gross annual production in 2023</p>
Analytics & new commercial proposition	<ul style="list-style-type: none"> Full implementation of Marketing Automation approach Switching from traditional campaign to event-driven omni-channel customer journeys <ul style="list-style-type: none"> Based on new analytical and machine learning capabilities and on "customer value management" across channels and clients profiles 	<p>From €44m in 2019 to €70+ m in 2023 Non-life Bancassurance commissions</p>
Digital sales	<ul style="list-style-type: none"> Focus on digital / omni-channel sales growth, <ul style="list-style-type: none"> Enhanced customer experience Cost-to-serve reduction Webank digital sales capabilities extended to the Group with full integration in the overall commercial strategy 	<p>Boosting omni-channel marketing automation</p> <ul style="list-style-type: none"> From 8 m to 23 m (3x) annual client interactions From <15% to >30% overall sales contribution

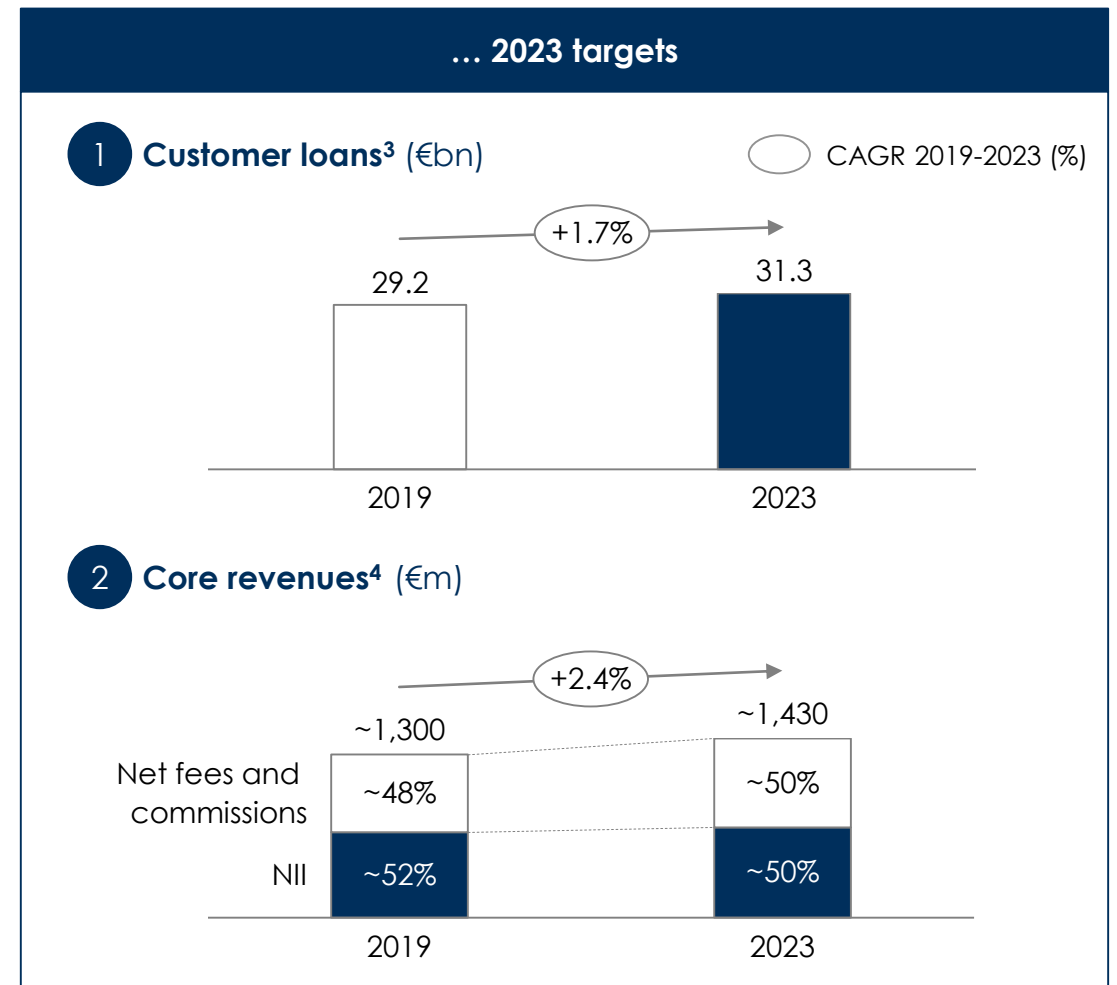
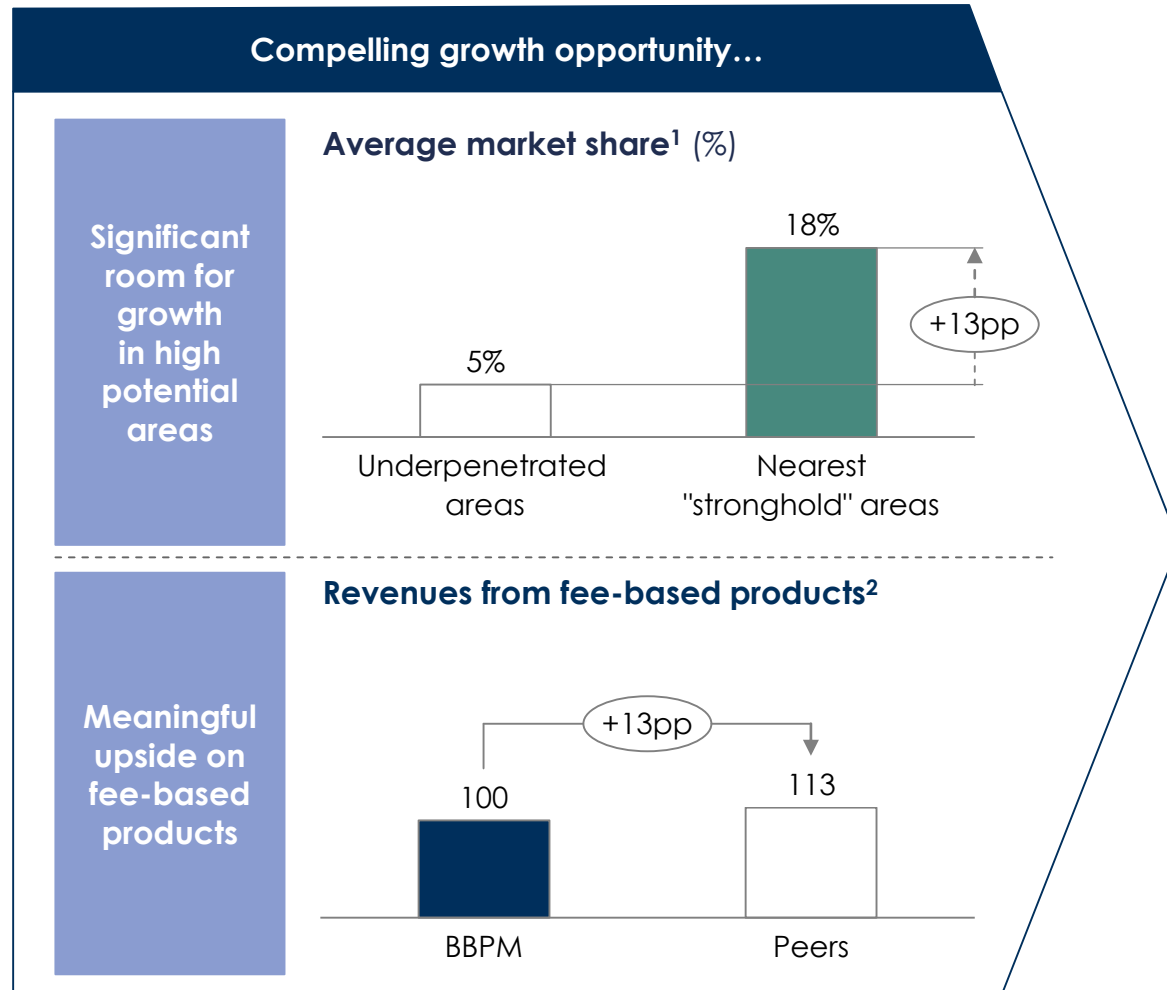
Corporate segment | Strong positioning to be further consolidated leveraging on Banco BPM key distinctive factors



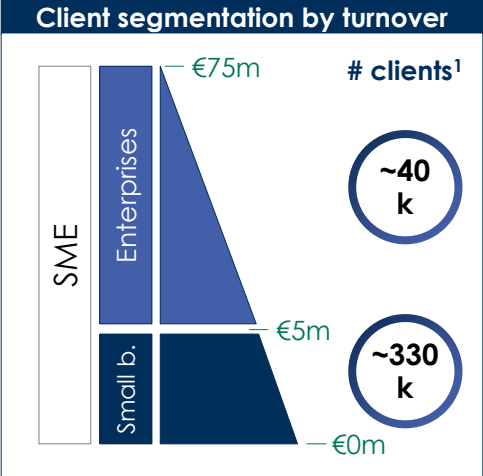
Growth in **Corporate segment** supported by client margin uplift and expansion into new lines of business

Key initiatives		Focus: service model specialization	Selected KPIs								
Specialization boost	<ul style="list-style-type: none"> Strengthen the integration and collaboration between client coverage teams and product specialists 	<p>Strengthened client-centric coverage model</p>	<p>~12% Loans market share¹ in 2023</p>								
Growth in new business lines	<ul style="list-style-type: none"> Significant expansion of Structured Export Finance businesses, set-up in 2019 Boost leverage finance through selective Originate-to-Share solutions (~€1.2bn of new origination in 2023) also in partnership with strategic investors Specialty finance growth on Public Administration through non-recourse factoring, leveraging on a partnership with a leading player (~€2bn turnover in 2023) New digital platform to launch Supply Chain Finance business through leading Fintech partner TeamSystem 		<p>% Cust. loans hedged</p> <table border="1"> <tr> <th>Year</th> <th>% Cust. loans hedged</th> </tr> <tr> <td>2019</td> <td>35%</td> </tr> <tr> <td>2023</td> <td>65%</td> </tr> <tr> <td>Mkt avg</td> <td>60-65%</td> </tr> </table>	Year	% Cust. loans hedged	2019	35%	2023	65%	Mkt avg	60-65%
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2019	35%										
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Mkt avg	60-65%										
Full potential of FX and derivatives and Investment Banking	<ul style="list-style-type: none"> Unlocking full potential of Banca Akros on FX and derivatives business, by strengthened specialist team (+30%) and promoting hedging activity on Corporate and SME clients Improved synergies between network and Banca Akros on Investment Banking activities 	<ul style="list-style-type: none"> Upgrade of commercial planning solutions to increase collaboration between production and coverage Set-up of a Capital Structure Solutions (CSS) team to foster mid-cap clients' organic and external growth 	<p>Structured export finance outstanding volumes (€bn)</p> <table border="1"> <tr> <th>Year</th> <th>Structured export finance outstanding volumes (€bn)</th> </tr> <tr> <td>2019</td> <td>0.4</td> </tr> <tr> <td>2023</td> <td>1.8</td> </tr> </table>	Year	Structured export finance outstanding volumes (€bn)	2019	0.4	2023	1.8		
Year	Structured export finance outstanding volumes (€bn)										
2019	0.4										
2023	1.8										
			<p>40+ New product factory specialists and skilled resources</p>								

SME segment | Enlarge SME revenue base leveraging on Corporate best practices



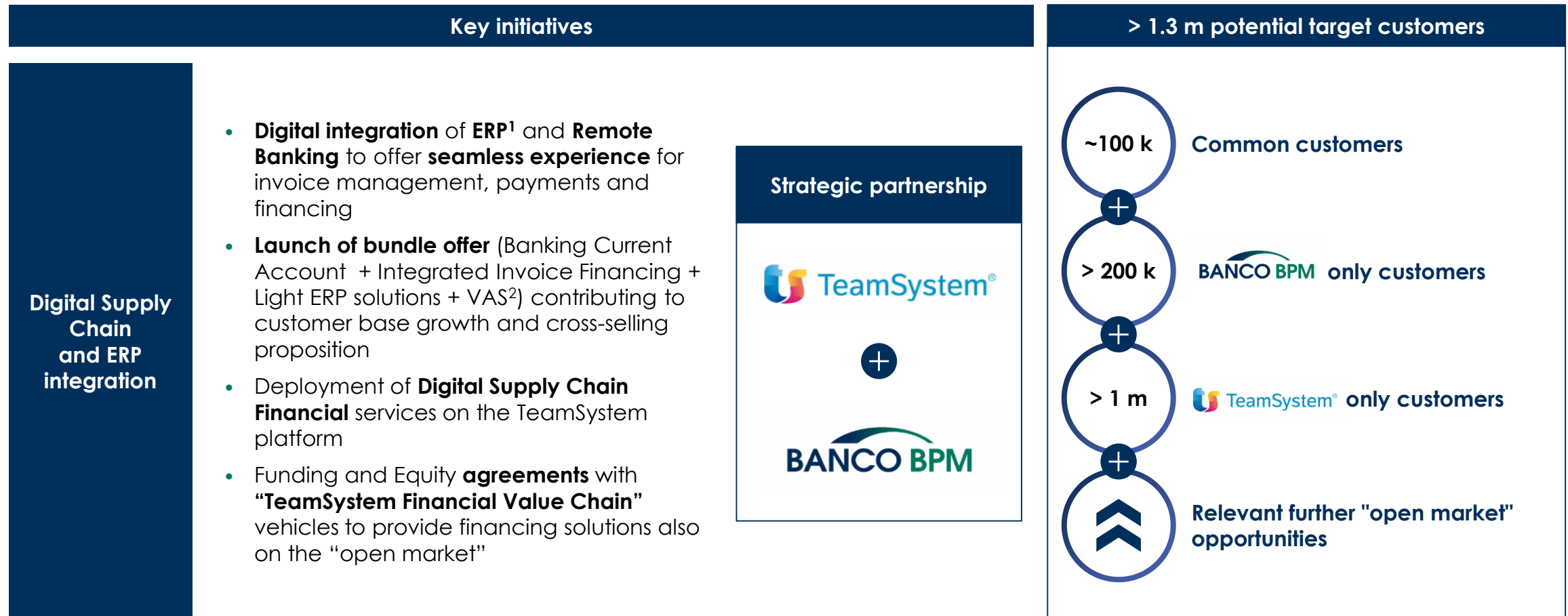
Specialization in **SME segment** service model enabling expansion in underpenetrated areas and improved cross-selling

Key initiatives	Focus: service model specialization	Selected KPIs
<p>Enterprise & SB dedicated service models</p> <ul style="list-style-type: none"> • Specialization of service models with dedicated approach for Enterprise and Small Business clients 	<p>Client segmentation by turnover</p>  <ul style="list-style-type: none"> • Enterprise: specialization of service model following Corporate best practices, increasing commercial activity on cross-selling and wholesale banking products • Small Business: full deployment of digital omni-channel model with cost-to-serve optimization 	<p>From ~€60m in 2019 to ~€90m in 2023 Commissions from cross-selling²</p>
<p>Boost presence in high potential markets</p> <ul style="list-style-type: none"> • Grow market share in selected attractive areas • Expansion in high-growth/ESG driven industries leveraging on distinctive in-house know-how in (e.g. Agribusiness) 		<p>~€2bn (> 2x vs. 2019) New production Finanza Agevolata & FEI plafond in 2023</p>
<p>Development of distinctive integrated solutions</p> <ul style="list-style-type: none"> • Pricing optimization and simplification of lending and core daily banking products • Boost cross-selling both in core commercial activities (e.g. trade finance, Italian guarantees, etc.) and wholesale banking products (e.g. hedging, M&A, structured finance, etc.) • Optimization of transaction banking (e.g. instant payments, merchant services) • Commercial refocus towards capital efficient products (e.g. MCC guarantees) • Full potential of smart lending PSD2-enabled solutions • Strengthen Remote advisory and Digital branch channels for more effective interaction with clients 		<p>Geographic expansion: selected 8 priority areas in North and Center of Italy to bridge market share gap vs. strongholds</p>

1. Number of NDG as of 2019YE

2. Includes export finance, commitments and guarantees, hedging and other value added services (e.g. structure finance)

Expansion of **SME customers** offer leveraging on digital capabilities and new "open banking" partnerships



BBPM 2020-23 Strategic Plan: 4 key ESG-driven pillars yielding sizable shareholders' remuneration



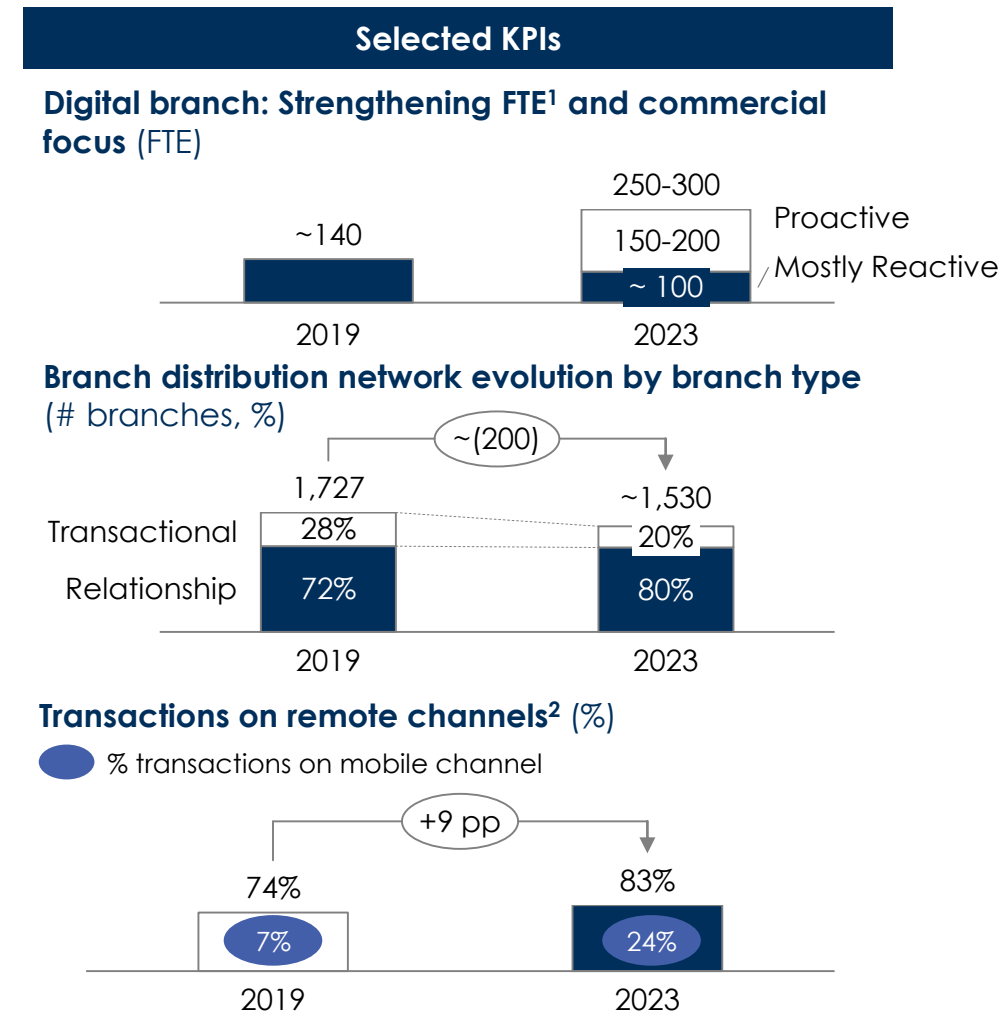
2

Digital-enabled operating model allowing high cost flexibility as a key lever

- > Complete the transition to a fully digital omni-channel model
- > Invest in Our People, Thinking Forward
- > Technology enabling the Strategic Plan

Complete the transition to a fully digital omni-channel model and to a "paperless" relationship with clients

	Key initiatives
Omni-channel evolution	<ul style="list-style-type: none"> Implement a seamless experience across all channels to boost the digital adoption New digital solutions built with "Mobile first" approach, capitalizing on WeBank experience Scaled-up Digital Branch to focus on commercial propositions, advisory and remote sales; technical support driven by smart assistance solutions Deploy new CRM platform enabling single customer view and collaboration across channels
Adoption of a paperless approach	<ul style="list-style-type: none"> Deploy a paperless relationship with the client, contributing to environment sustainability
Branch evolution and network rationalization	<ul style="list-style-type: none"> Relationship branches at the heart of the distribution network, focused on advisory and with a fully fledged product offer Strong reduction of transactional branches, especially in areas with high concentration of presence Further boost of self-service solutions <ul style="list-style-type: none"> - +30% highly automated branches



Invest in Our People, Thinking Forward | Inclusive people strategy

Key initiatives

Inspirational leadership

- Foster an **inclusive and adaptive leadership style** to promote **trust, respect** and a **collaborative culture**
- Generate **value** from **inclusion** and **diversity**
- Introduce **ESG values & metrics** into the business, operating model and in the **incentive mechanisms**

Building tomorrow's talent

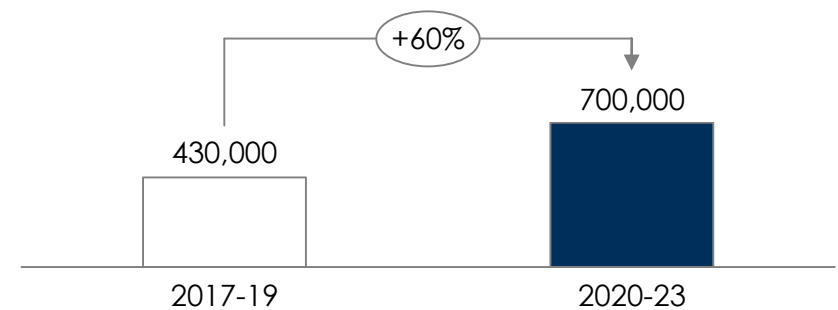
- **Strategic long-term planning** of workforce, generational change and skills sourcing to meet the Strategic Plan goals (Managers' Academy)
- Personalized **career paths**
- **New training model:** personalized, flexible and technology enabled ("anytime, anywhere, anyhow" – **Learning Evolution**)

Excellent place to work

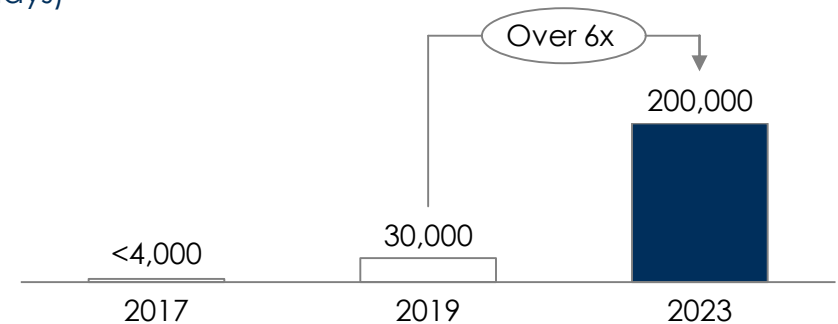
- **Invest in a digital "employee-centric"** organization (tools and enablers) to facilitate collaboration and creativity (**IT4People**)
- Increase **work-life integration** (i.e. Smart Working)
- Strengthening of the **Employee Welfare & Wellbeing plan** and of the **sustainable working environment** (ESG in the workplace)

Selected KPIs

Up-skilling, engagement and transformation training days (person/days)



Smart Working time¹ (days)



Invest in Our People, Thinking Forward | Skill-set evolution and generational handover

Key initiatives

Generational change

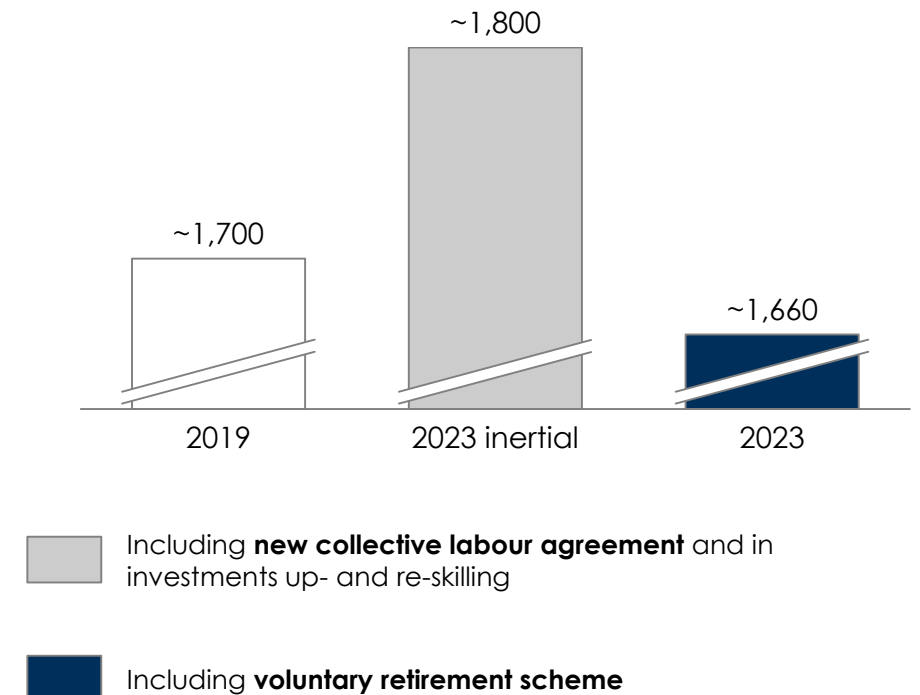
- Launch of a strategic **recruiting program** aimed at **attracting talents**
- Focus on **managing and facilitating handover** to accelerate knowledge transfer
- Generational turnover favored by a **voluntary retirement scheme (1,100 HC)**

Skill-set expansion

- Selective introduction of **specialist profiles** to support business growth and build the future workforce with **new capabilities**
 - **Reinforcement** of **product specialist** teams across factories
 - Hiring of new skills (digital, data scientists, security experts...)
- **Digital Academy** to accelerate the transition towards a more advanced skills set

Selected KPIs

HR cost evolution (€m)



Technology enabling the Strategic Plan | €600+ m IT investments, of which ~40% for digital innovation

Key initiatives

Evolve the infrastructural model

- Evolution of the **infrastructure**, enabling the adoption of **cloud solutions** to accelerate time-to-market for new business initiatives
- Implementation of "**data & analytics tools**" to support business expansion (e.g. enhanced cross-selling, pricing optimization)
- Extensive use of **automation tools** (e.g. Robotics and Artificial Intelligence) to improve and simplify processes
- Leverage **partnerships** with Fintechs, innovation centers and universities to speed up delivery and facilitate an Open Banking approach

Strengthen Cybersecurity

- Further invest in **Group's cybersecurity** solutions in line with state of the art technology evolution

Enhance the IT operating model

- Enhancement of the **up-skilling** and **re-skilling** programs for IT employees to introduce **innovative competences** (e.g. Digital, Advanced Analytics, Artificial Intelligence, Cybersecurity, ...)
- Diffusion of a **new way to collaborate** between Business and IT functions (**Agile**) in order to speed up business application's delivery
- Foster the diffusion of a company-wide **digital culture** through collaborative tools to support **clients in adopting advanced solutions**

Selected KPIs

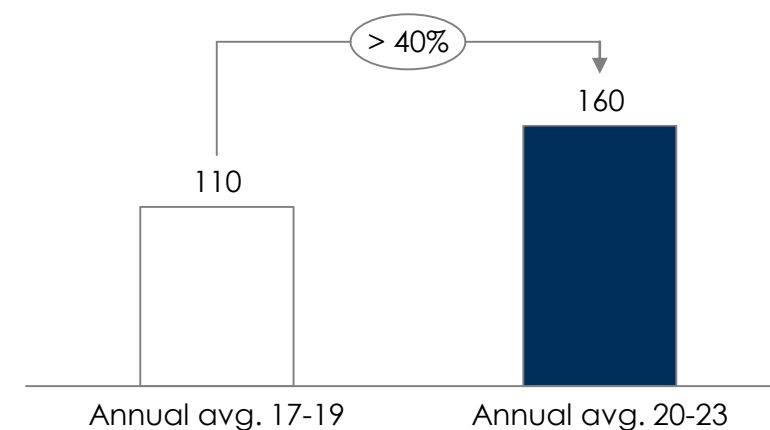
Total IT investments...



... o/w digital-related



IT investments (€m)



Building an ESG holistic approach, managed and controlled through a solid governance

ESG Strategy and Governance



Oversight allocated to the **Risk and Control Committee**
Dedicated managerial structure to coordinate and control ESG activities



Definition of Group **guidelines**, **values** and **metrics** integrated into the operating and business model



Executive remuneration linked to ESG achievements

Deployment based on 4 key areas



Environment

Strengthening the Group strategy for a transition to a sustainable economy



Clients

Expanding the product range toward ESG solutions, improving client service and relationship



People

Focus on Our People: Training, Well Being and Respect



Community

Excel in committing to the Community

Spreading the culture and value of sustainability to customers, colleagues and communities

Simpler and transparent communication with customers (project Language R-Evolution launching in 2020)

Act Responsible – Think sustainable

○ ESG targets



BBPM 2020-23 Strategic Plan: 4 key ESG-driven pillars yielding sizable shareholders' remuneration




3

Continued asset quality
improvement

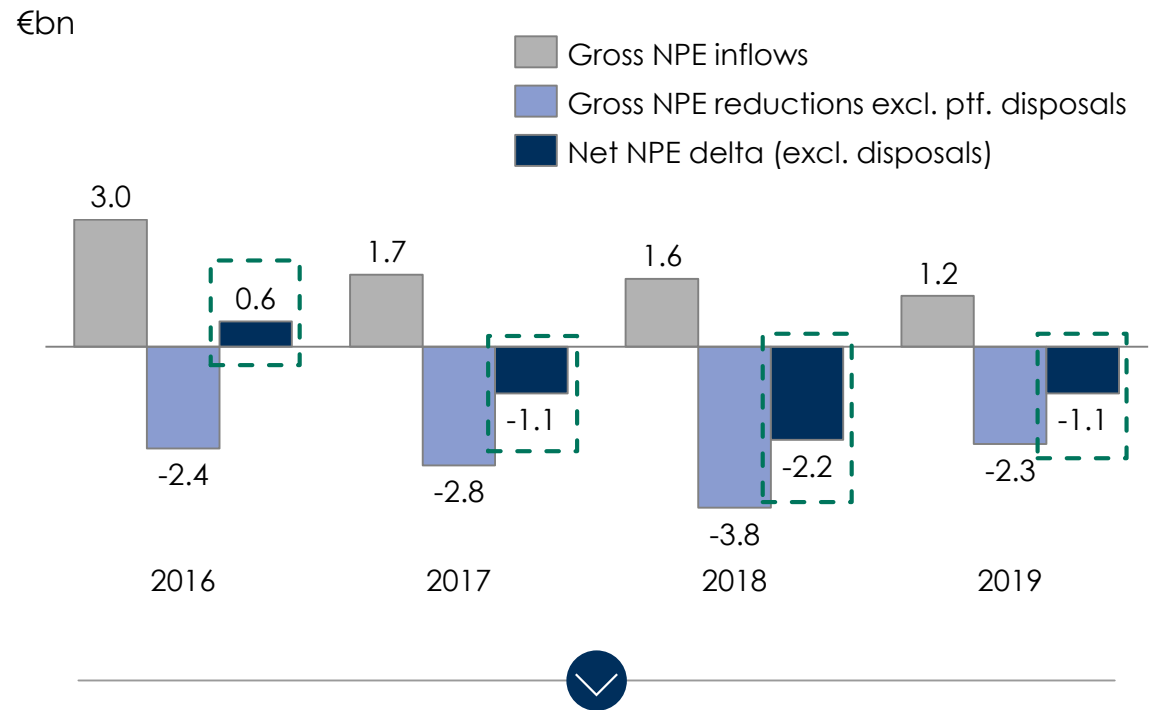
An impressive de-risking track record, with exceptional performance in both disposals and workout

Large disposal deals: proven evidence of value embedded in Banco BPM NPE portfolio

Bank ¹	Deal size	P/GBV	% of BoP ³ NPL stock
	€13.2bn ²	28%	~77%
Peer 1	€17.7bn	13%	~33%
Peer 2	€25.0bn	21%	~85%
Peer 3	€10.8bn	29%	~28%

2 out of 3 cases enabled by shareholder capital injections

Positive workout impact, with at least €1bn annual NPE net outflow (on top of disposals) starting from 2017



UTP coverage increased more than peers over 2016-2019 (11 pp vs. 7 pp peer average⁴)

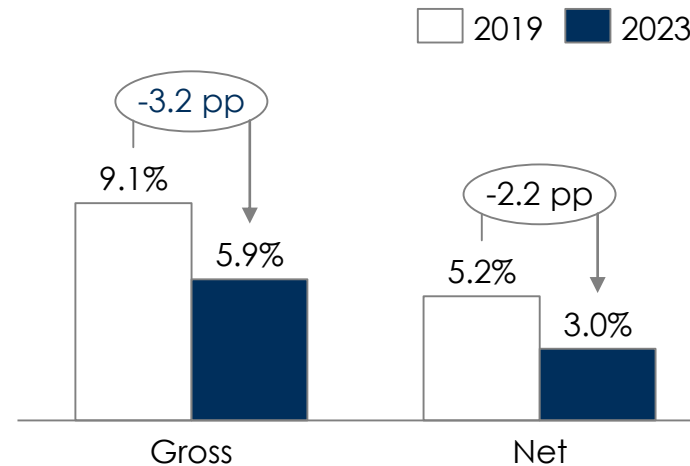
Further asset quality improvement without disposals: gross NPE ratio at 5.9% in 2023 (3.0% net)

Initiatives 2020-23

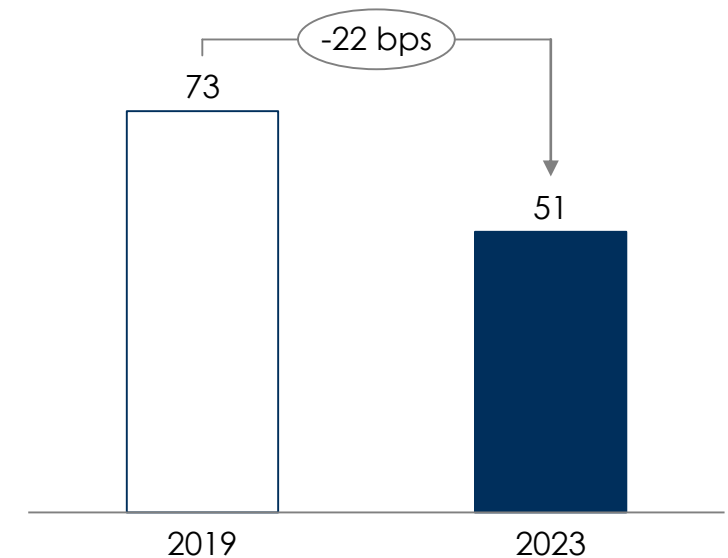
Continued de-risking anchored on 4 organic-only initiatives

- Credit risk data warehouse
- Credit policy strengthening
- Monitoring & Early Warning system evolution
- New UTP management approach

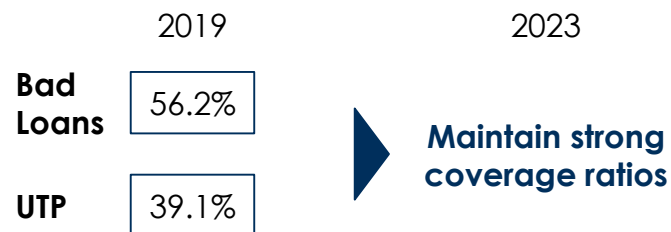
NPE ratio (%)



Cost of Risk (bps)



Guidelines on coverage Ratios



Loan portfolio quality improvement through end-to-end credit monitoring and NPE management specialization

Advanced Credit risk data warehouse

- Higher **consistency** of managerial and risk data
- **Strengthen granularity** enabling full data analytics visibility throughout the organization supporting decision making

Strengthening credit policies

- Higher sector **specialization** and **integration** with **budgeting and MBOs**
- Clearer focus on **risk-reward perspective** and support of the **ESG initiatives** (focus on carbon reduction and energy saving projects)

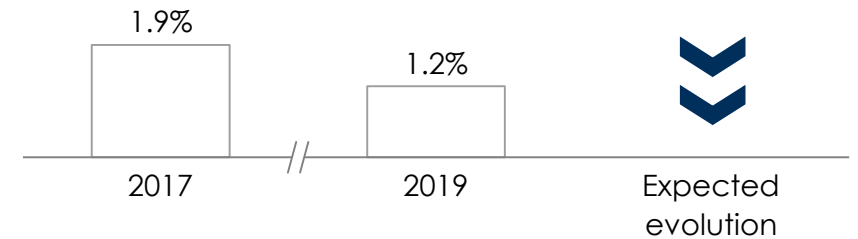
Monitoring & Early Warning system evolution

- **Roll-out** of an **upgraded monitoring platform**
 - **New early warning model** development, leveraging on innovative data and **machine learning techniques**
 - **Improved risk control** ability through workflow driven strategies
 - **Performance-based risk prevention**, operational kpi setting and monitoring

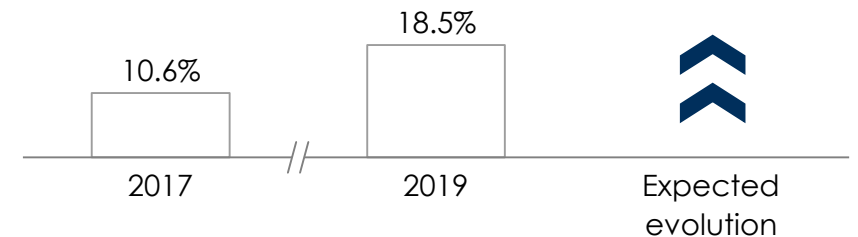
New UTP management approach

- Roll-out of a **specialized management approach** for UTP exposures
 - **Core portfolio**: focus on maximization of cure and activation of viable forbearance measures
 - **Non-core portfolio**: focus on maximization of recovery via early extra-judicial solutions

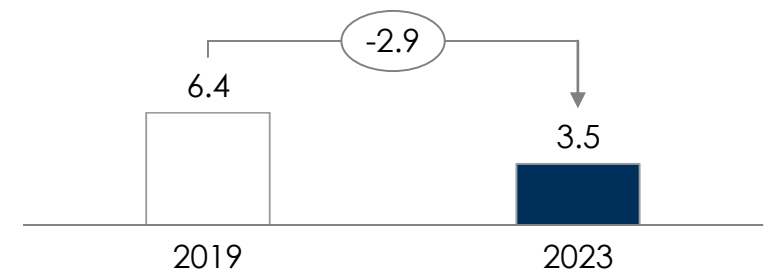
Default rate (%)



NPE Workout rate¹ (%)



UTP stock evolution over Plan horizon (€bn, GBV)



BBPM 2020-23 Strategic Plan: 4 key ESG-driven pillars yielding sizable shareholders' remuneration



4

Further strengthening
of the balance sheet

Optimization of Balance Sheet through more active asset and liability management

Proactive securities portfolio management

- **Enhancement** of securities portfolio structure
 - Alignment of the share of **Italian govies** on total securities at **~40%**, in line with peers average

Rationalization of real estate portfolio

- **Sale of ~€1bn** real estate portfolio, freeing up **~20 bps** of CET1 ratio
 - Disposals focused on **properties held as investment**
 - **~€0.5bn** portfolio already **identified analytically**

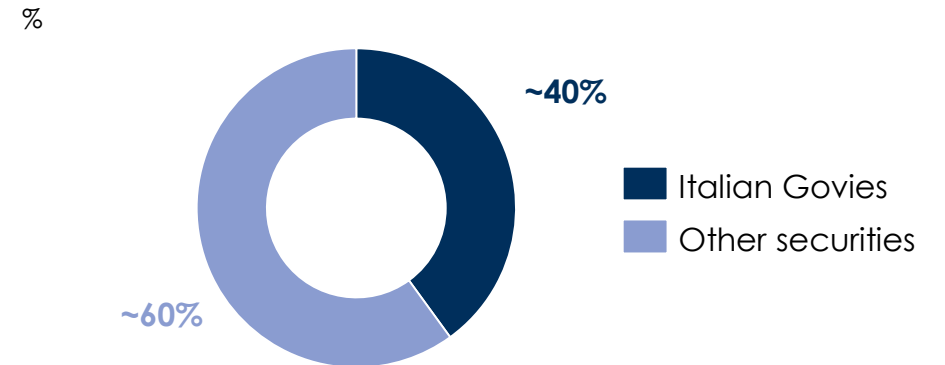
Equity stake portfolio optimization

- **Sale of equity participations** (~40 bps impact) aimed at:
 - Taking advantage of **favorable market conditions**
 - Removing **capital burden** stemming from **non strategic stakes**

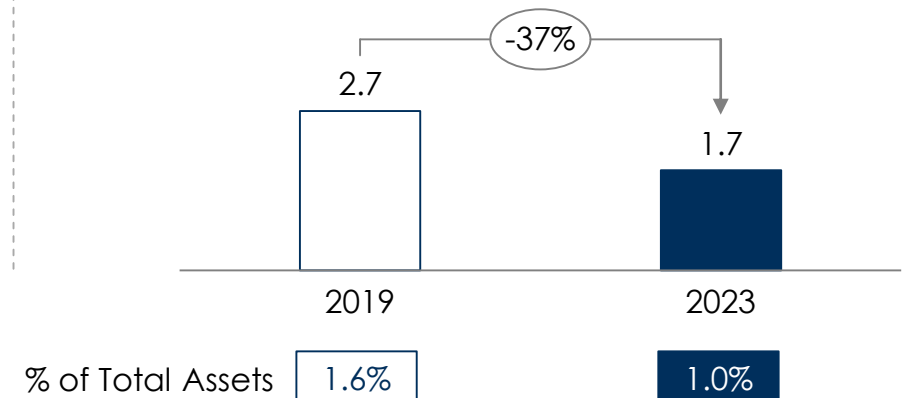
Active credit portfolio management

- **Dynamic mitigation** of credit risk through significant market transactions **with no impact on client relationships**
 - **Synthetic securitizations** focused on existing loan portfolio
 - Up to **15-20 bps** CET1 capital benefit per year

Securities portfolio mix (%)



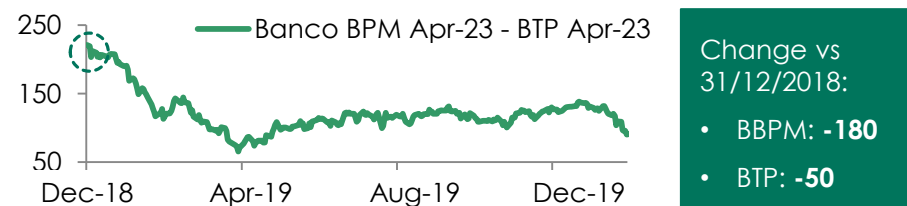
Real Estate portfolio (€bn)



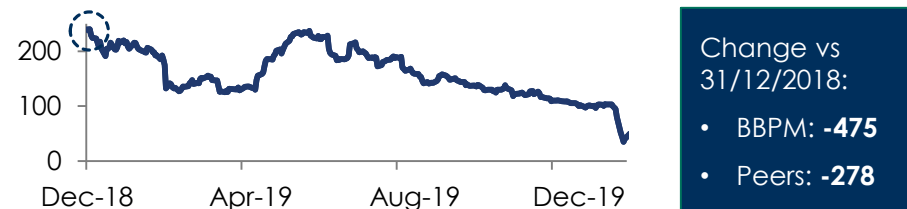
Rebalancing of funding mix building on credit investors' recognition of Group delivery capacity

Tightening of BBPM credit spread above market average¹

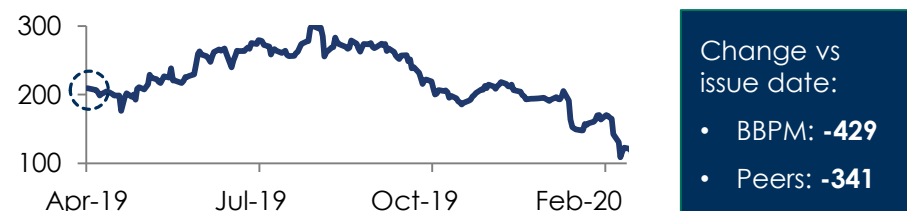
Senior Preferred spread differential vs. BTP (2018-YTD) (bps)



Tier 2 spread differential vs. Peers avg.¹ (2018-YTD) (bps)



AT1 spread differential vs. Peers avg.¹ (2018-YTD) (bps)

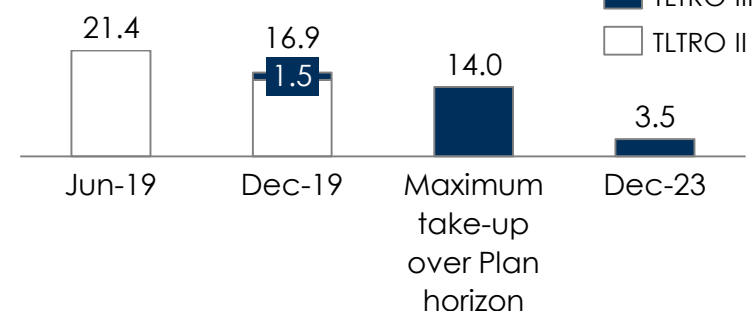


Rebalancing of funding mix, consistently with rating agencies' expectations

- **More diversified** funding composition
- **Stronger** capital structure

Reduction of reliance on TLTRO financing²

TLTRO take-up (€bn)



Key liquidity targets

LCR

>160% average target in 2020-23

NSFR

Comfortably **above 100%** throughout the Plan

MREL

Significant buffer vs. requirements maintained at all times

Agenda

1. The foundation of Banco BPM 2020-23 Strategic Plan: built on a strong track record and based on real delivery
2. An ambitious and credible Plan, addressing all stakeholders' expectations

3. Financial forecasts

4. Conclusions

CET1 ratio and MDA buffer well above minimum guidance throughout the plan horizon, even taking into account conservative headwinds

Key capital targets

Main guidance

~2.5% MDA buffer

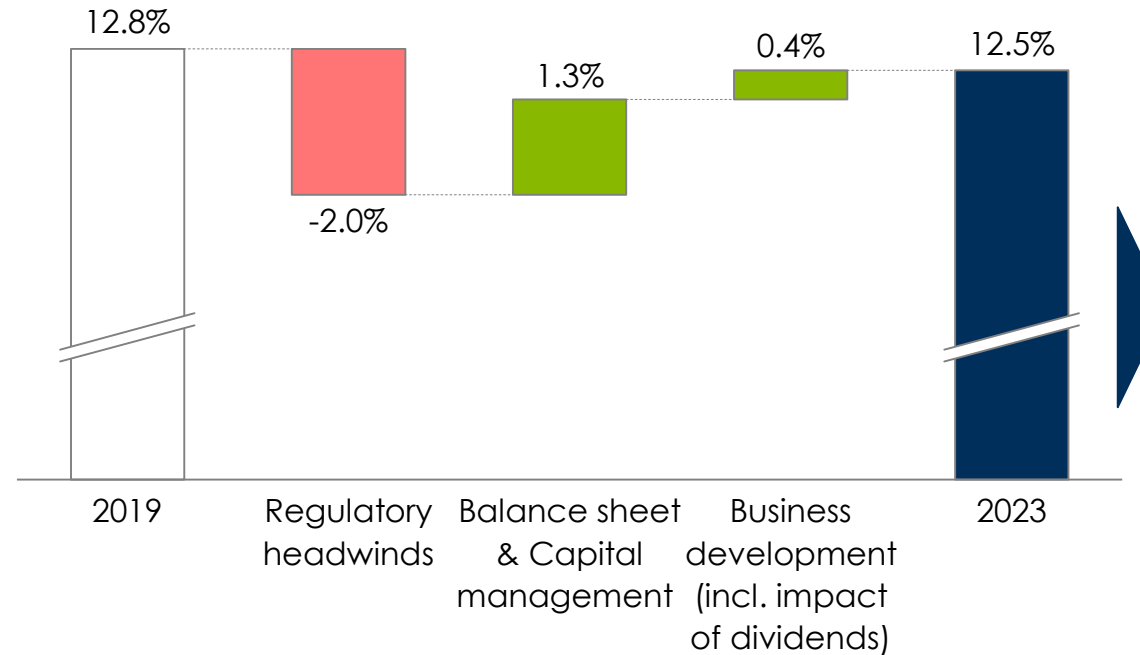
Minimum to be maintained at all times throughout the Plan

>12.0% CET1 ratio

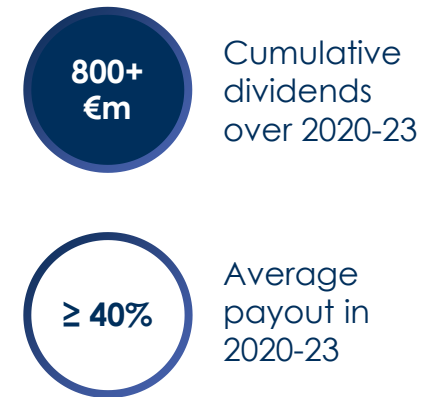
With opportunity to exploit room for further efficiency (e.g. CRD V regime¹)

Additional guidance

Fully-phased CET1 ratio (%)



Capital distribution



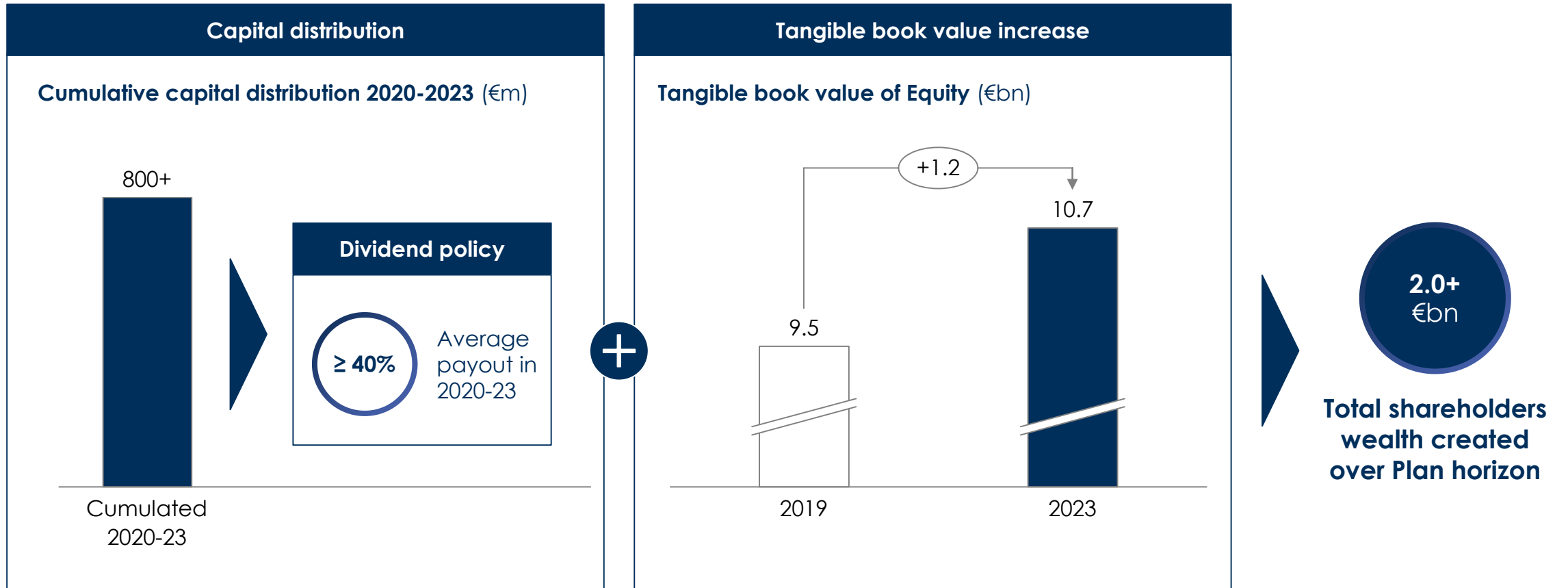
Capital buffer and dividend distribution fully confirmed under the V-shaped economic scenario²

Capital headwinds measured through very conservative assumptions, confirming Banco BPM strengths even under stressed scenarios

Fully-phased CET1 ratio impact (%)		2019	2020	2021	2022	2023	Cumulative 2020-2023
Regulatory headwinds (Pillar I)	Regulation and internal models evolution		0.1	0.1	0.1		0.3
	EBA guidelines ¹		0.6		0.2		0.8
	Basel IV framework		0.2		0.7		0.9
	Total		0.9	0.1	1.0		~2.0
Capital buffer under current regime	MDA buffer (bps)	290 ²				>300	
Pillar 2-related item (%)	Prudential NPE impact			<~0.1	~0.2	~0.3	Up to ~0.6

- **More than compensated** by potential capital efficiency offered by CRD V regime³
- **Expected to decline** after the end of the Plan horizon

Significant shareholder wealth creation and distribution



Key 2023 financial targets

	€m	2019	2023	Δ '19-'23	CAGR '19-'23 (%)
Profit & Loss	Total revenues	4,288	~4,400	~110	0.6%
	o/w Net interest income	1,993	~1,920	~(70)	(0.9%)
	o/w Net fees & commissions	1,795	~2,190	~400	5.1%
	Operating costs	(2,599)	~(2,590)	~10	(0.1%)
	Loan loss provisions	(779)	~(590)	~190	(6.7%)
Balance sheet & Capital	Net income	649	~770	~120	4.3%
	Net customer loans	105,844	~116,000	~10,150	2.4%
	Direct funding ¹	108,900	~122,000	~13,100	2.9%
	Indirect funding	89,743	~116,000	~26,250	6.6%
	AuM/ Direct funding ¹	54%	69%	15 p.p.	
	Tangible shareholders' equity	9,486	~10,700	~1,200	
	RWA	65,856	~73,000	~7,150	
Key ratios	Cost / Income ratio (%)	61%	59%	(2pp)	
	Cost of Risk (bps)	73	51	(22)	
	RoTE ² (%)	6.8%	7.2%	0.4pp	
	Net income/ RWA	1.0%	1.1%	0.1pp	
	CET1 ratio FL (%)	12.8%	12.5%	(0.3pp)	
	Gross NPE ratio (%)	9.1%	5.9% ³	(3.2pp)	

Agenda

1. The foundation of Banco BPM 2020-23 Strategic Plan: built on a strong track record and based on real delivery
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BBPM Strategic Plan 2020-2023

Unlocking Our Potential | Building a Common Future | Investing in Our People



Demonstrated track record
of **delivery** in
the **only sizable European**
SSM banking merger



Concrete and **direct**
response to **internal** and
external stakeholders,
upholding **ESG** best
standards



Attractive shareholder
remuneration (€800+m
dividends in 4 years) with
solid capital position, **fully**
confirmed even under
V-shaped scenario



Transformation of the "way
we do business" securing
future sustainability