BANCO BPM

Group Profile: Credit Update

July 2017

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Agenda

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BANCO BPM: MAIN STEPS

MARCH 2016
SIGNING OF THE MEMORANDUM OF UNDERSTANDING

MAY 2016
STRATEGIC PLAN 2016-2019

JUNE 2016
BP SUCCESFULLY COMPLETES €1BN CAPITAL INCREASE

SEPTEMBER 2016
BANKIT AND ECB AUTHORIZATION

OCTOBER 2016
SHAREHOLDERS' MEETINGS APPROVE MERGER PLAN

1° JANUARY 2017
BANCO BPM SPA IS FORMED

- **First bank to seize the consolidation opportunity in the Italian banking sector**
- **First combination deal authorized by the ECB, following the passage under the Single Supervisory Mechanism**

BANCO BPM: MERGER RATIONALE

➢ ***BANCO BPM IS ITALY'S THIRD LARGEST BANKING GROUP***

WITH A LEADING POSITION IN THE WEALTHIEST AREAS OF THE COUNTRY

➢ ***A WIDE CUSTOMER BASE (~4 MILLION)***

SERVED THROUGH AN EXTENSIVE AND DEEPLY ROOTED DISTRIBUTION NETWORK

➢ ***SIGNIFICANT COST AND REVENUE SYNERGIES AND CLEAR DE-RISKING PLAN APPROVED BY THE ECB***

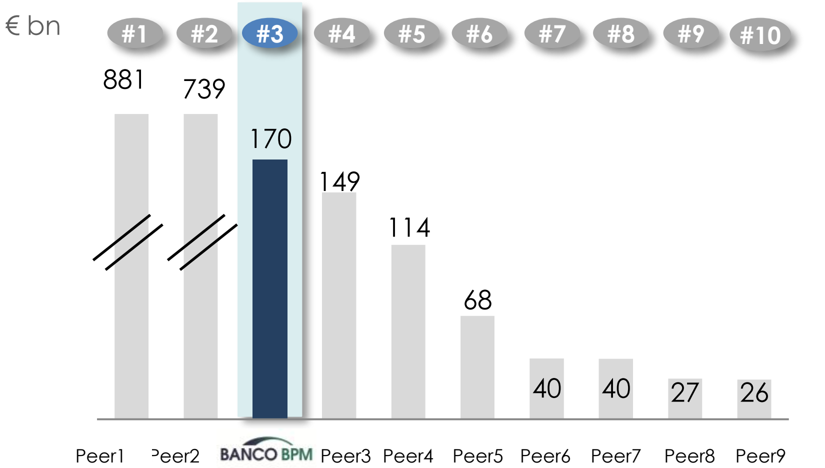
A NEW NPL UNIT TO MAXIMIZE RECOVERIES AND DELIVER ON A STRONG NPL REDUCTION PLAN

➢ ***LEADING NATIONAL PLAYER IN A NUMBER OF HIGH VALUE BUSINESSES***

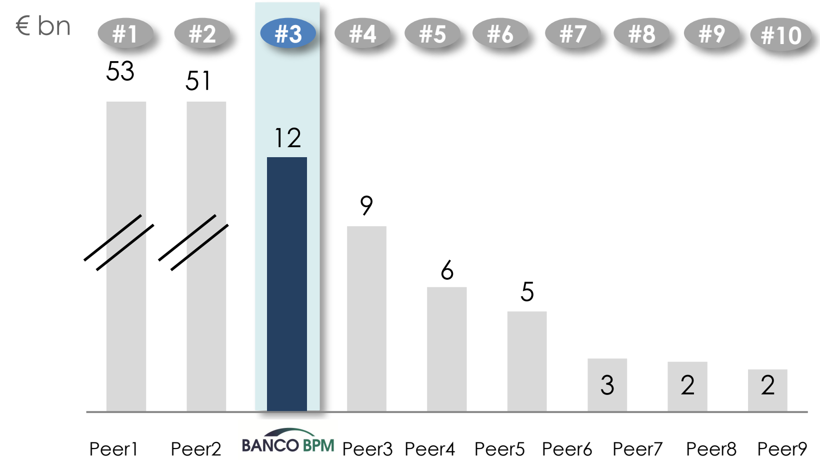
SUSTAINED BY STRONGLY RECOGNIZED BRANDS

AMONG THE TOP PLAYERS IN THE ITALIAN BANKING INDUSTRY

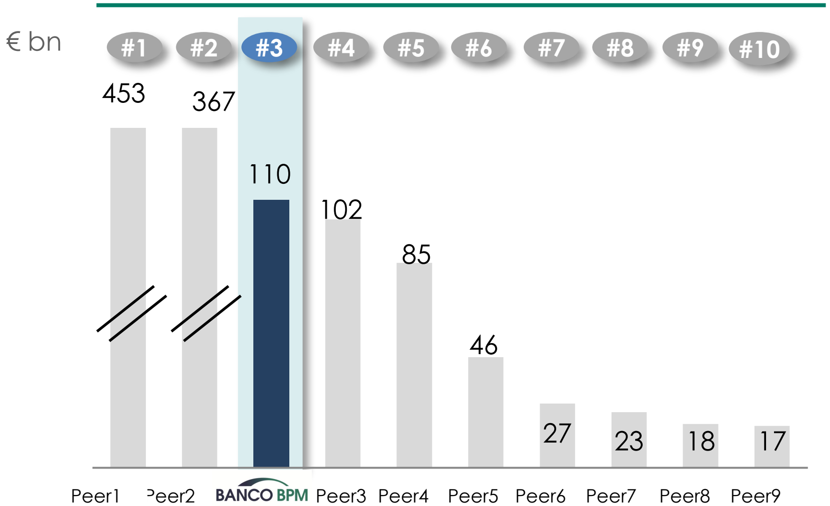
TOTAL ASSETS



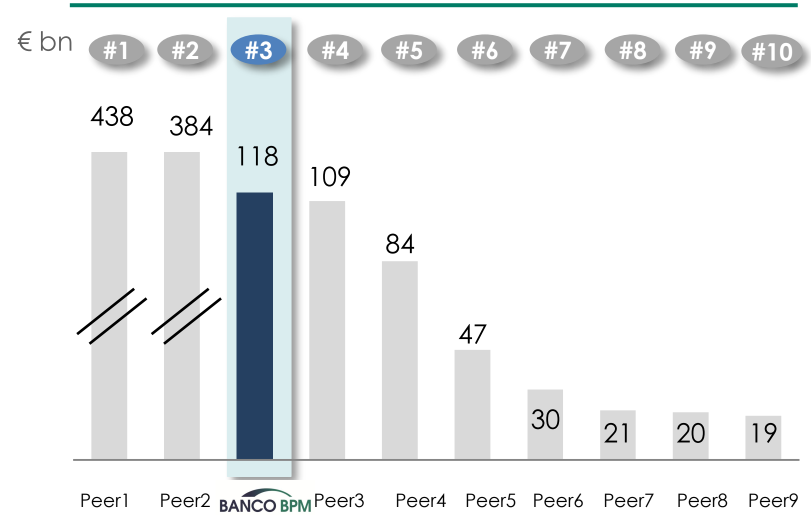
SHAREHOLDERS' EQUITY



CUSTOMER LOANS



DIRECT FUNDING



Direct Funding including Certificates for ISP and Banco BPM.

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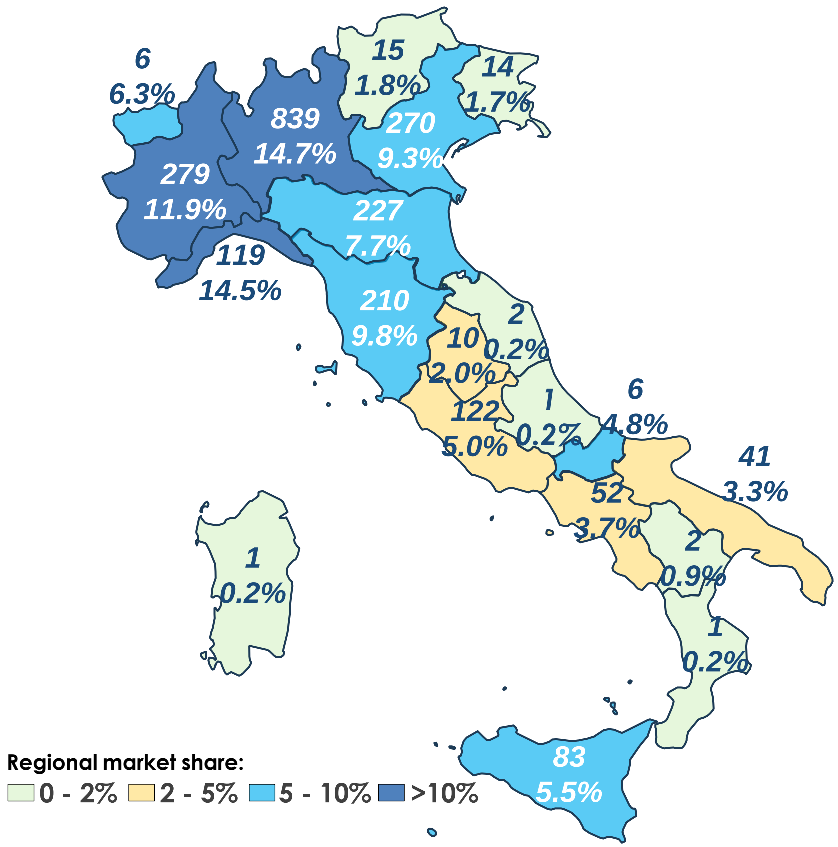
Data as at 31 March 2017.
The benchmark includes: UCI, ISP, MPS, UBI, BPER, PopSo, Credem, Creval and Carige.

BANCO BPM: GEOGRAPHICAL FOOTPRINT



1. Figures as at 30/04/2017 (including the closure of 48 branches related to the ex BPM franchise).

NATIONAL MARKET SHARES

 # Customers: 4 million
 # branches: ~2,300
Market share: 8.0%

Leadership in the wealthiest regions of Italy

1°	3°	3°
Lombardy	**Veneto**	**Piedmont**
# branches:	**# branches:**	**# branches:**
839	**270**	**279**
Market share:	Market share:	Market share:
14.7%	9.3%	11.9%

GEOGRAPHIC DISTRIBUTION (ITALY)

North: 77% **Centre: 15%** **South: 8%**

Market share above 20% in 10 provinces, among which some highly important industrial clusters:
Lucca (25.0%), Vercelli (23.3%), Verona (22.7%), Cremona (22.7%), Monza e Brianza (31.3%), Lodi (24.0%)

DEEP ROOTING IN ITALY'S ECONOMICALLY RESILIENT NORTH

Branch franchise in Northern Italy (data as at April 2017): Lombardy, Veneto and Piedmont

Region	Province	# Branches	Mkt. Share
Lombardy	Milan	295	15.6%
	Bergamo	110	16.9%
	Varese	71	17.7%
	Brescia	68	8.0%
	Monza Brianza	66	31.3%
	Cremona	57	22.7%
	Pavia	41	13.6%
	Lodi	35	24.0%
	Mantua	34	11.5%
	Lecco	33	14.0%
	Como	29	8.3%
Veneto	Verona	137	22.7%
	Venice	47	10.7%
	Vicenza	34	6.4%
	Padua	26	4.8%
	Treviso	21	4.2%
	Belluno	3	2.0%
	Rovigo	2	1.4%
Piedmont	Alessandria	62	24.5%
	Novara	60	32.1%
	Turin	52	5.5%
	Cuneo	29	6.1%
	Vercelli	27	23.3%
	Verbania	24	30.8%
	Asti	15	9.8%
	Biella	10	7.9%

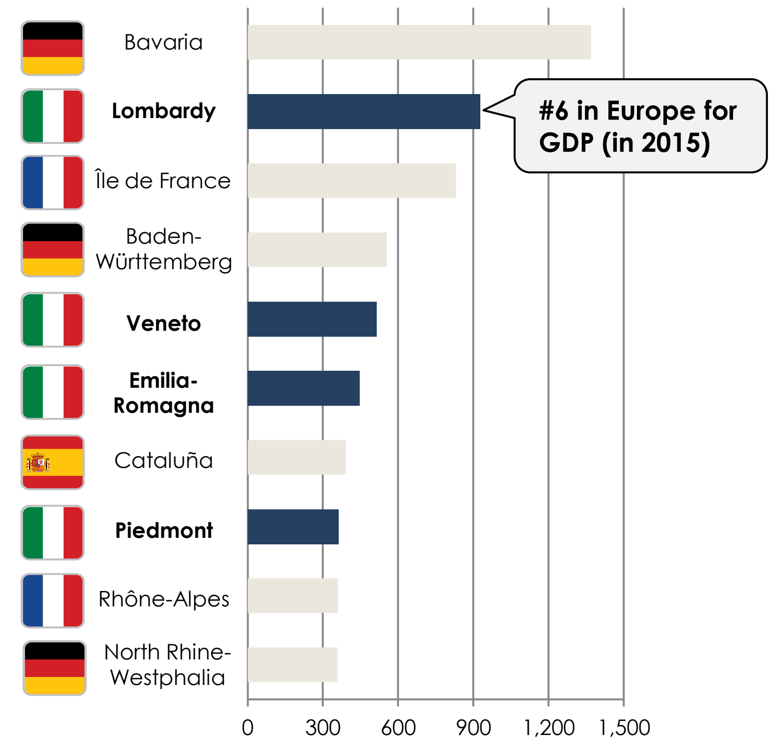
Lombardy: *# Branches: **839***
*Market share: **14.7%***

Veneto: *# Branches: **270***
*Market Share: **9.3%***

Piedmont: *# Branches: **279***
*Market share: **11.9%***

Number of Employees in Manufacturing Activities in Europe

Thousands, 2013



- 4 out of the Top 10 Manufacturing Regions in Europe are Core for the New Group.

Source: Public information, Bank of Italy, provisional market shares as at 30/04/2017 (including the closure of 48 branches related to the ex BPM franchise).

BANCO BPM: GROUP STRUCTURE

LEADERSHIP POSITION:
25% in Debt brokerage
13% in Equity brokerage
6% in Private banking[2]

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Commercial Banking
BPM S.p.A.
BANCA POPOLARE DI MILANO

Private & Investment Banking	Bancassurance	Asset Management	Consumer Credit	Leasing & Factoring
BANCA ALETTI 100%	AVIPOP 50.0%	ALETTI GESTIELLE SGR 100%	AGOS 39.0%	Alba Leasing 39.2%
Banca Akros 100%	BPMVITA 19.0%	ANIMA CHI RISPARMIA AMA 14.7%	ProFamily 100%	Selma Bipiemme 40.0%
	POPOLARE VITA 50.0%			RELEASE 82.9%
				Factorit 39.5%

Fully consolidated
Associates
Definition of strategic partnership under way

Notes:
1. Figure based on volumes of managed assets. Assosim report 2015. "Controvalori Bonds c/terzi".
2. Figures by volumes. Assofin Report on consumer credit 2015, including credit and securisations. Data of the New Group including AGOS total assets.

STRATEGIC PLAN 2016-2019: FULLY INTEGRATED MULTICHANNEL DISTRIBUTION

Key Strategic Guidelines

Sustained digital evolution

- Extend fully digital model
- Evolve and strengthen SME/SB digital offer
- Enhance Retail and Corporate payments
- Increase cost and processing time efficiency

Innovative and optimized branch network

- Lighter territorial footprint
- Larger and modern branches
- Evolved roles in branches towards advisory
- Full multichannel integration
- More efficient service
- Improved customer experience

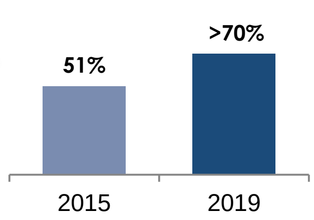
Highly evolved distribution models

- Closer to clients
- Equipped with fully integrated tools
- Certified and licensed personnel
- Scalable platform
- Strong governance and control model

Success Factors

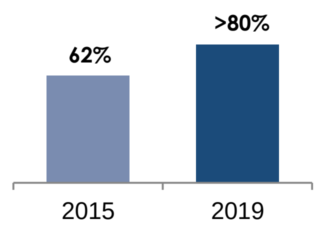
Retail

Multichannel Usage



Corporate

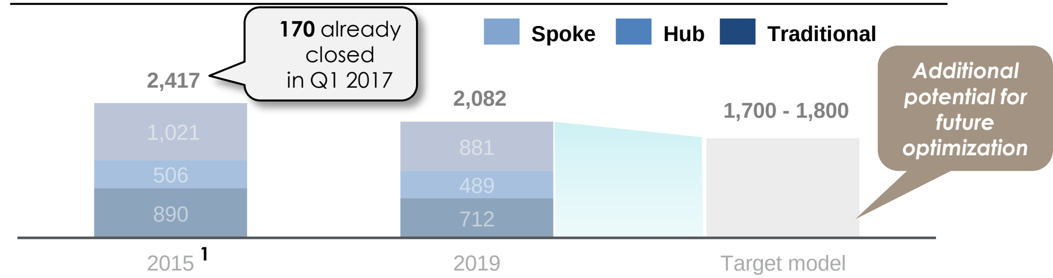
Multichannel Usage



Products

	2015	2019
Sicav		✓
Bancass. Life		✓
Bancass. non life		✓
Loans		✓
P2P		✓
Funds		✓
Issuing & acquiring	✓	✓
Trading	✓	✓
Core banking	✓	✓

Branch Network (number of branches)



New Distribution Models

- "Offerta a Distanza", "Offerta Fuori Sede", Web Advisory
- Corporate Product Specialists
- Digital Branch
- Private Coverage Teams
- Development Task Force
- Financial Advisors

Notes: 1. Not including digital branches and other branches not relevant to the analysis.

STRATEGIC PLAN 2016-2019: COST BASE OPTIMIZATION WITH SUBSTANTIAL SAVINGS

	Value Euro million	%	Key Actions
Personnel	170	49%	➤ Personnel reduction, through the activation of redundancy funds for >2,100 FTEs.
Other Administrative Expenses	110	31%	➤ Rationalization of expenses and increased contractual power
ICT	45	13%	➤ Migration to a single IT system
Branch Network Rationalization	25	7%	➤ Direct / indirect costs associated with branches closed due to geographical proximity
Total	350	100%	

(*) The original cost synergy target of €320m shown in the Strategic Plan 2016-2019 was subsequently revised upwards to €350m, following an increase in the headcount reduction target from 1,800 to >2,100.

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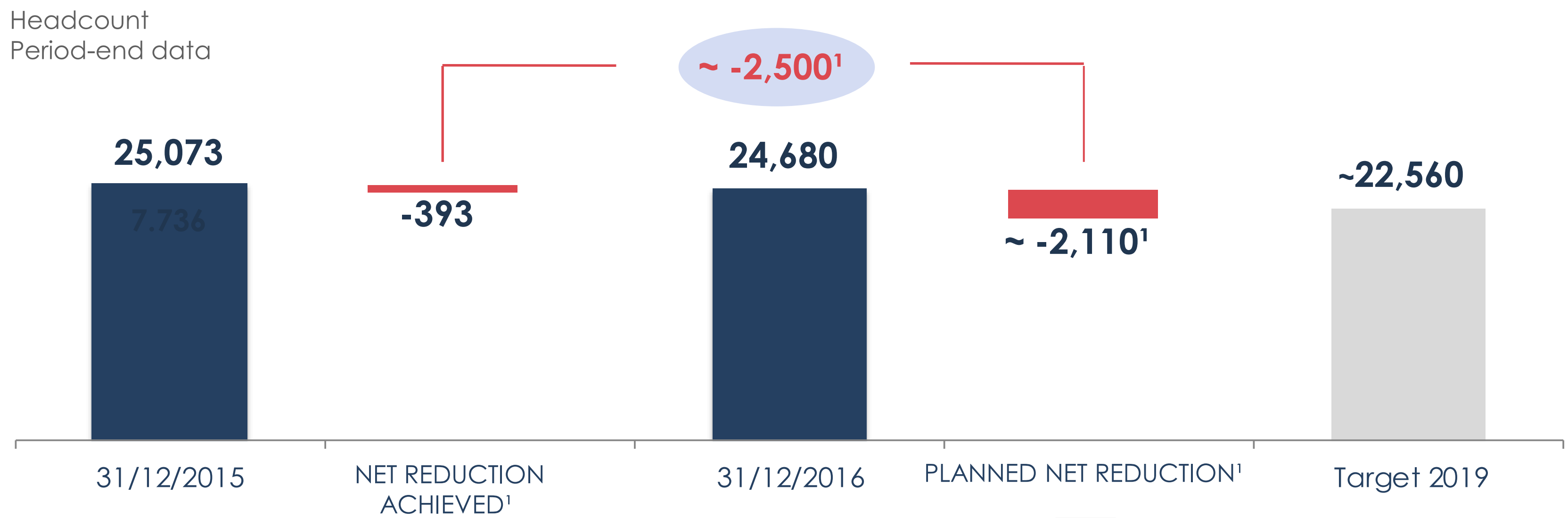
HEADCOUNT EVOLUTION

Headcount evolution: backward and forward view[1]



of which: exit phasing of the Solidarity Fund in 2017-2018

JUNE 2017	SEPTEMBER 2017	DECEMBER 2017	JUNE 2018	DECEMBER 2018
-220	-412	-523	-356	-286

Note:
1. Including natural turnover.

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STRATEGIC PLAN 2016-2019: REVENUE BOOST FROM NEW BANKING MODEL

Euro million

	Value	%	Key Actions
Corporate	105	76%	➢ Leveraging areas of excellence (e.g. Banca Aletti and Banca Akros) and benefiting from strengthened banking capabilities underpinned by a solid capital base and competitive position
Retail	43	31%	➢ Align productivity in selected product areas (e.g. Consumer credit, Online trading, Cards and acquiring, P&C Bancassurance) ➢ Combine and promote WeBank and YouBanking digital proposition ➢ Increase commercial FTEs (e.g. product specialist, "Offerta fuori sede", Digital branch)
Potential Revenue Losses	(10)	(7%)	➢ Attrition of customer base in closed branches ➢ Reduction of share of wallet for extra-exposure based on credit
Total	138	100%	

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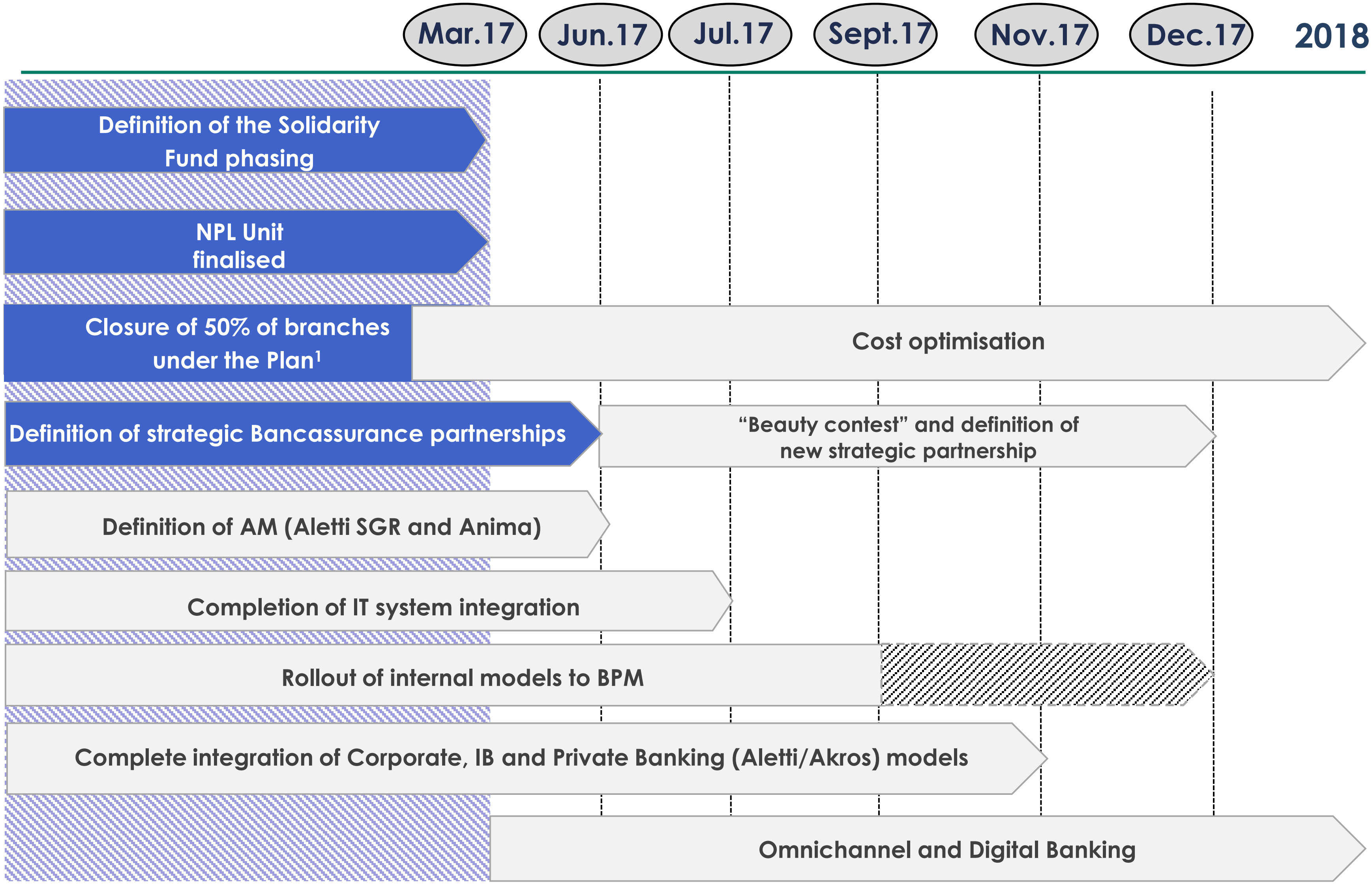
STRATEGIC PLAN 2016-2019: KEY TARGETS

		2015	2016 ADJUSTED	2019	CAGR / Delta 2015-2019
Key P&L Item	Normalised Net Income[3]	€0.6bn[1]	€0.2bn	€1.1bn	+16.1%
Key ratios	Cost/Income[3]	62.0%	65.5%	57.8%	-4.2 pp
	Cost of Risk[3]	102bps	123bps	63bps	-39bps
	Net NPL ratio	15.7%	14.7%	11.1%	-4.6 pp
	RoTE[2]	5.5%	2.0%	9.0%	+3.5 pp
	CET1 Ratio Fully Phased	12.3%	11.42%	12.9%	+0.6 pp

Notes: 1. 2015 normalized for extraordinary items 2. Tangible equity net of dividends 3. 2016 net of non-recurring items.

INTEGRATION PROJECTS: WELL ON TRACK



Note:
1. The Strategic Plan envisages the closure of 355 branches by 2019

Agenda

Q1 2017: EXECUTIVE SUMMARY (1/2)

✓ Q1 2017 NET INCOME OF €117MLN[1]

SUPPORTED BY TOTAL INCOME (excl. Net Financial Result)
(POSITIVE EFFECT FROM NET COMMISSION AND TLTRO 2)

✓ GROWING CORE REVENUES[2]

TOTALLING €1.104M (+7.5% Y/Y)

✓ CONTAINMENT OF OPERATING COSTS

-4.7% Y/Y EVEN THOUGH THE SYNERGIES UNDER THE PLAN HAVE NOT KICKED IN YET

✓ EXCELLENT OPERATING PROFITABILITY TREND

OPERATING INCOME OF €438M (+19.4% Y/Y)

✓ GROWING SIGHT DEPOSITS

C/A AND SIGHT DEPOSITS: €71BN (+€6.9BN Y/Y)

Notes:
1. Net of badwill (about €3.1bn) which is the result of temporary PPA differences as at 1st Jan. 2017 (merger effective day). The figure includes €34m PPA
2. Aggregate NII + Net Commissions.

Q1 2017: EXECUTIVE SUMMARY (2/2)

✓ CONSTANT GROWTH IN ASSETS UNDER MANAGEMENT

TOTALLING €60BN (+€4.3BN Y/Y)

✓ GROWTH IN NEW LOANS GRANTED TO CORPORATES AND HOUSEHOLDS

NEW M/LT LOANS: €4.8BN (+14.8% Y/Y), o/w €3.7BN TO CORPORATES (+14.8% Y/Y)

✓ CONTINUOUS IMPROVEMENT IN THE RISK PROFILE

NET NPLs DOWN: -€2.2BN Y/Y
NET NPL ON TOTAL LOANS DECREASED TO 13.6%, FROM 15.3% (-170bps Y/Y)
NET FLOWS TO NPLs: - €213M (-42.5% Y/Y)
INFLOWS TO BAD LOANS FROM OTHER IMPAIRED LOAN CATEGORIES: -€278M (-44.9% Y/Y)

✓ ROBUST LIQUIDITY POSITION CONFIRMED

LCR: >160%; NSFR: >100%[1]; UNENCUMBERED ELIGIBLE ASSETS[2]: €19.8BN[2]

✓ SOUND CAPITAL POSITION (CET1 PROFORMA PHASED-IN AT 11.66% AND CET1 PF FULLY PHASED AT 11.13%)[3]

IN SPITE OF TEMPORARY NEGATIVE EFFECTS FROM RWAs ON DEFAULTED ASSETS AND EAD RETAIL, WHICH SHALL BE REMOVED FOLLOWING THE ROLLOUT OF AIRB MODELS ACROSS THE FORMER BPM SCOPE

Notes:
1. Management accounting data as at March 2017.
2. Figure as at end June 2017.
3. Figures include the entire quarterly income, dividends from associates distributed after 31/03/2017 as well as the effect of DTA transformation into tax credit.

PURCHASE PRICE ALLOCATION: EFFECTS AT A GLANCE

- **PPA Concept**

  PPA is a process whereby the purchase price of the acquired assets and liabilities of the ex-BPM perimeter, are measured at fair value. The main assets are performing and non-performing loans, property, intangible indefinite assets (brand names) and definite (client relationships). The main liabilities are represented by outstanding bonds.

- **Badwill in 2017**

  The difference between the purchase price (difference between the fair value of the new shares issued on 1 January 2017 and the fair value of net acquired assets and liabilities) is negative (badwill); it gives rise to a gain that must be posted to P&L. As at 31 March 2017, badwill was temporarily[1] quantified as amounting to € 3,123.9m, which was added up to the net income of €116.8m, thus coming to a net income for the period for a total of €3,240.7m. Moreover, it is noted that the capital effect stemming from the allocation of the badwill tied to the sum of the CET1 of BP and BPM is negative for about €81m.

- **PPA reversal in the income statement**

  The higher or lower values assigned to the above-mentioned net assets trigger "reversal" effects onto future income statements. For Q1 2017, the effect from said PPA "reversals" has been positive and it came in at a net figure of € 34m.

- **Phasing of reversal**

  Based on preliminary estimates and assuming that the higher or lower values can be linearly spread throughout the residual life of the net assets they have been allocated to, the quarterly impact is expected to give rise to a positive pre-tax effect of roughly €40-45 million during the Strategic Plan period.

Notes:
1. As known, accounting rules allow for a 12-month period of time for the final quantification of PPA.

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RECLASSIFIED P&L – Y/Y COMPARISON

Reclassified P&L items (€m)	Q1 2017	o/w PPA	Q1 2017 without PPA	Q1 2016 PF	o/w PPA	Q1 2016 PF without PPA	Chg. y/y with PPA	Chg. y/y without PPA
Net interest income	556.2	21.6	534.6	558.5	0.0	558.5	-0.4%	-4.3%
Income (loss) from invest. in associates carried at equity	41.6	0.0	41.6	44.6	0	44.6	-6.8%	-6.8%
Net interest, dividend and similar income	**597.8**	**21.6**	**576.2**	**603.1**	**0.0**	**603.1**	**-0.9%**	**-4.5%**
Net fee and commission income	547.4	0.0	547.4	468.1	0.0	468.1	16.9%	16.9%
Other net operating income	30.2	-11.9	42.1	33.1	-5.5	38.5	-8.6%	9.2%
Net financial result (excluding FVO)	37.7	0.0	37.7	75.6	0.0	75.6	-50.1%	-50.1%
Other operating income	**615.3**	**-11.9**	**627.1**	**576.8**	**-5.5**	**582.3**	**6.7%**	**7.7%**
Total income	**1,213.1**	**9.7**	**1,203.3**	**1,179.9**	**-5.5**	**1,185.4**	**2.8%**	**1.5%**
Personnel expenses	-458.7	0.0	-458.7	-480.6	0.0	-480.6	-4.5%	-4.5%
Other administrative expenses	-263.2	0.0	-263.2	-283.5	0.0	-283.5	-7.2%	-7.2%
Amortization and depreciation	-53.0	-3.3	-49.8	-48.8	-0.9	-47.9	8.6%	3.8%
Operating costs	**-774.9**	**-3.3**	**-771.7**	**-812.8**	**-0.9**	**-812.0**	**-4.7%**	**-5.0%**
Profit (loss) from operations	**438.1**	**6.5**	**431.7**	**367.1**	**-6.4**	**373.4**	**19.4%**	**15.6%**
Net adjustments on loans to customers	-291.4	45.1	-336.6	-749.6	0.0	-749.6	-61.1%	-55.1%
Net adjustments on other assets	-8.4	0.0	-8.4	-4.9	0.0	-4.9	69.3%	69.3%
Net provisions for risks and charges	0.5	0.0	0.5	-3.1	0.0	-3.1	n.s.	n.s.
Impairment of goodwill and equity investments	0.0	0.0	0.0	0.0	0.0	0.0	n.s.	n.s.
Profit (loss) on the disposal of equity and other investments	17.1	0.0	17.1	1.6	0.0	1.6	992.6%	988.4%
Income (loss) before tax from continuing operations	**155.9**	**51.6**	**104.3**	**-389.0**	**-6.4**	**-382.6**	**n.s.**	**n.s.**
Tax on income from continuing operations (excluding FVO)	-38.6	-17.6	-21.0	111.4	2.1	109.4	n.s.	n.s.
Income (loss) after tax from discontinued operations	-0.0	0.0	0.0	-1.5	0.0	-1.5	-99.1%	-99.1%
Income (loss) attributable to minority interests	3.1	0.0	3.1	2.2	0.0	2.2	41.5%	41.5%
Net income (loss) for the period excluding FVO	**120.4**	**34.0**	**86.4**	**-276.8**	**-4.3**	**-272.5**	**n.s.**	**n.s.**
Fair Value Option result (FVO)	-3.6	0.0	-3.6	10.1	0.0	10.1	n.s.	n.s.
Net income (loss) for the period excluding Badwill	**116.8**	**34.0**	**82.9**	**-266.7**	**-4.3**	**-262.4**	**n.s.**	**n.s.**
Temporary merger differences (Badwill)	3,123.9							
Net income (loss) for the period	**3,240.7**							

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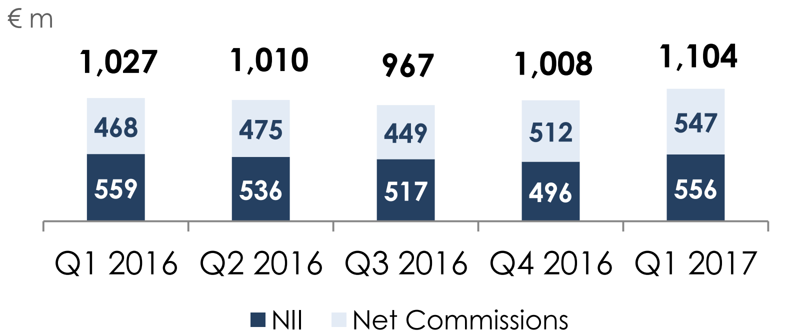
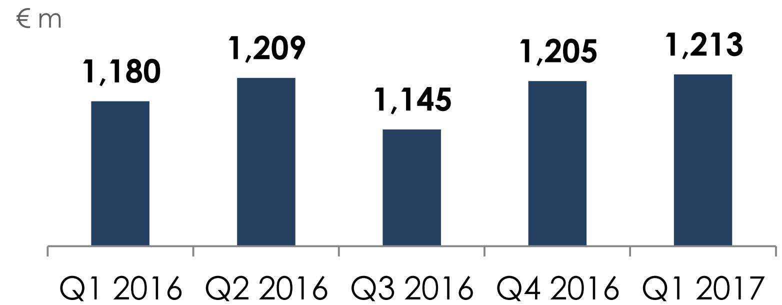
Q1 2017 RESULTS: KEY ECONOMIC HIGHLIGHTS

NET INCOME OF €117M THANKS TO AN EXCELLENT PERFORMANCE OF OPERATING TRENDS

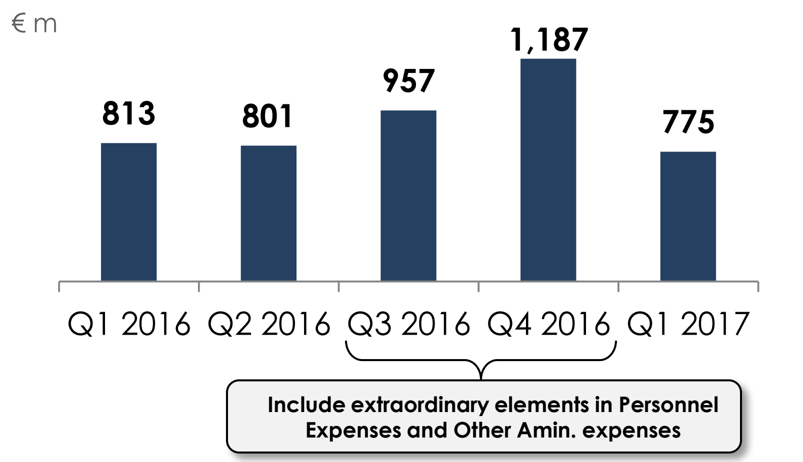
TOTAL "CORE INCOME" (NII + Commissions)



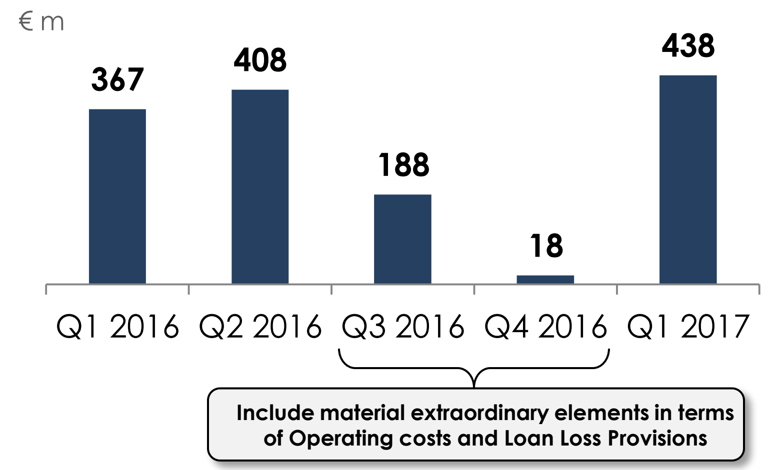
TOTAL INCOME



OPERATING COSTS



PROFIT FROM OPERATIONS



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RECLASSIFIED BALANCE SHEET AS AT 31/03/2017

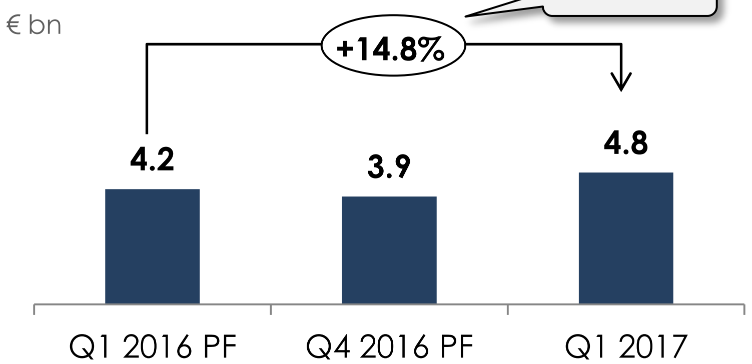
Reclassified assets (€ m)	A 31/03/2017	B 31/12/2016 PF	C 31/03/2016 PF	Chg. A/B Value	Chg. A/B %	Chg. A/C Value	Chg. A/C %
Cash and cash equivalents	780	898	854	-117	-13.1%	-74	-8.6%
Financial assets and hedging derivatives	39,210	36,580	41,546	2,630	7.2%	-2,335	-5.6%
Due from banks	5,692	6,678	5,781	-986	-14.8%	-89	-1.5%
Customer loans	110,341	110,551	112,265	-209	-0.2%	-1,924	-1.7%
Equity investments	1,455	1,595	1,716	-139	-8.7%	-261	-15.2%
Property and equipment	3,004	2,696	2,844	308	11.4%	160	5.6%
Intangible assets	2,400	1,834	2,189	566	30.9%	211	9.7%
Non-current assets held for sale and discontinued operations	10	77	80	-68	-87.4%	-71	-87.9%
Other assets	7,250	7,346	7,136	-96	-1.3%	114	1.6%
Total	**170,143**	**168,255**	**174,411**	**1,888**	**1.1%**	**-4,268**	**-2.4%**

Reclassified liabilities (€ m)	A 31/03/2017	B 31/12/2016 PF	C 31/03/2016 PF	Chg. A/B Value	Chg. A/B %	Chg. A/C Value	Chg. A/C %
Due to banks	26,708	23,276	22,620	3,431	14.7%	4,087	18.1%
Due to customers, debt securities issued and financial liabilities designated at fair value	113,086	116,773	119,853	-3,688	-3.2%	-6,767	-5.6%
Financial liabilities and hedging derivatives	10,690	10,683	11,120	7	0.1%	-430	-3.9%
Liability provisions	1,643	1,706	1,733	-63	-3.7%	-90	-5.2%
Liabilities associated with assets held for sale	1	1	0	0	n.s.	1	n.s.
Other liabilities	5,652	3,816	5,631	1,836	48.1%	21	0.4%
Minority interests	58	58	63	0	-0.7%	-5	-8.0%
Shareholders' equity	12,307	11,941	13,392	366	3.1%	-1,085	-8.1%
Total	**170,143**	**168,255**	**174,411**	**1,888**	**1.1%**	**-4,268**	**-2.4%**

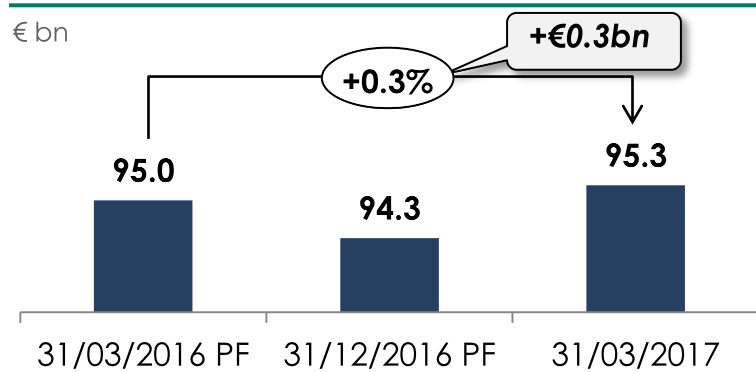
Q1 2017 RESULTS: KEY BALANCE SHEET HIGHLIGHTS

POSITIVE COMMERCIAL PERFORMANCE

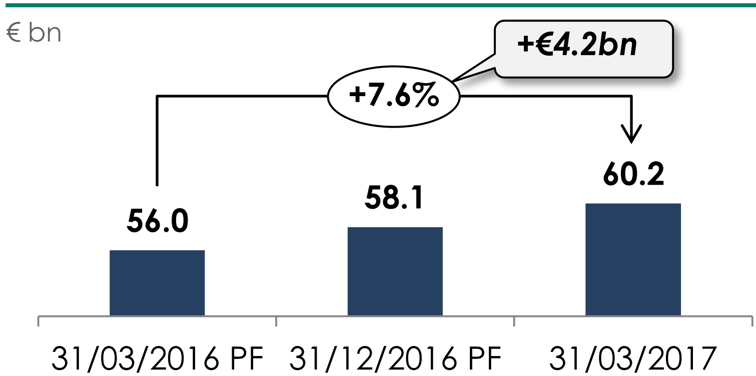
NEW M/LT LOANS



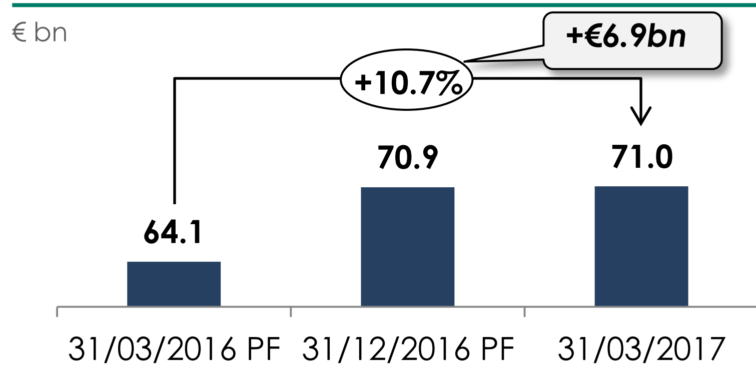
NET PERFORMING CUSTOMER LOANS



AUM



C/A AND DEPOSITS



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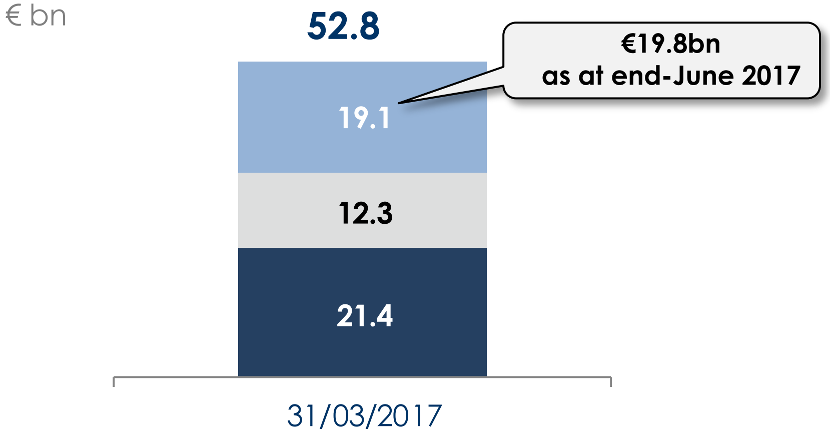
ROBUST LIQUIDITY POSITION

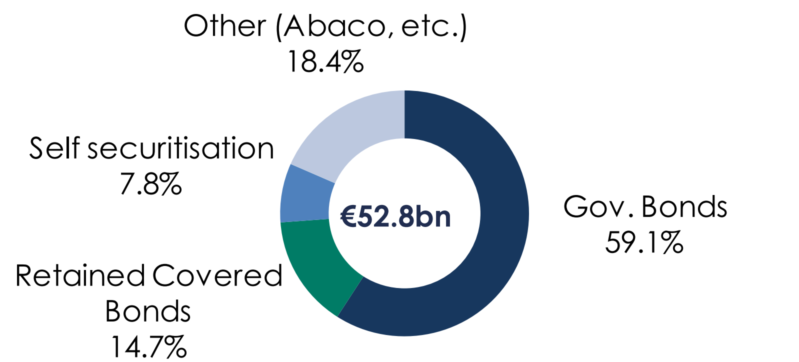
Use of eligible assets and liquidity buffer



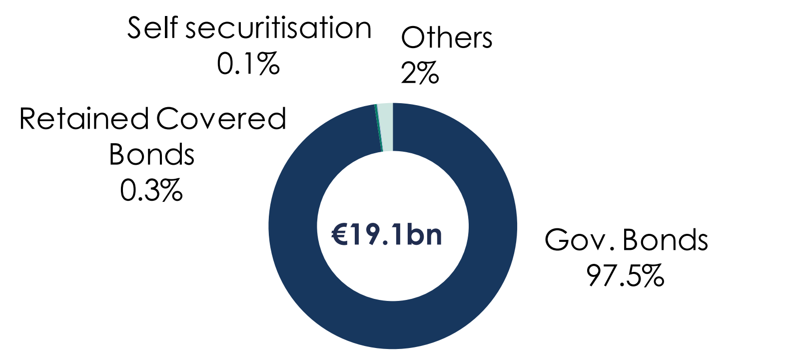
Eligible Assets (unencumbered) | Repos & others | ECB (TLTRO 2)

- Unencumbered assets >€19bn, mostly Italian Government bonds.
- TLTRO 2 position of €21.4bn (€18,3bn at the end of January): reached maximum take-up for the Group at the March 2017 auction.
- LCR >160% and NSFR >100%[1].

Breakdown of total eligible assets



Breakdown of Unencumbered* eligible assets



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Notes:
* Net of ECB haircuts. Inclusive of assets received as collateral.
1. Management accounting data as at March 2017.

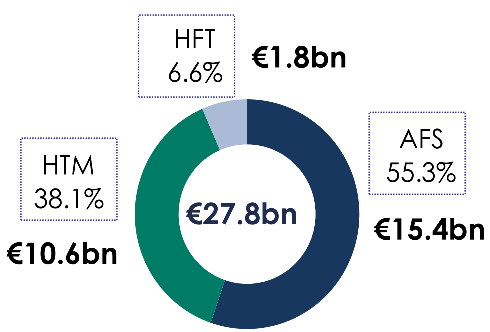
FOCUS ON SECURITIES PORTFOLIO

Analysis of the securities portfolio

€ bn

	31/03/17	31/12/16 PF	31/03/16 PF	Chg. y/y Value	Chg. y/y %	Chg. q/q Value	Chg. q/q %
Govies and Central Banks	28.9	26.9	31.0	-2.1	-6.8%	2.0	7.3%
- o/w: Italian Govies	**27.8**	**26.7**	**30.7**	**-2.9**	**-9.4%**	**1.2**	**4.4%**
Financials & others	5.2	4.7	4.5	0.7	16.5%	0.6	12.0%
Equity securities	1.8	1.2	0.9	0.8	90.5%	0.6	52.5%
Open-end funds & private equity	0.8	1.0	1.0	-0.1	-11.7%	-0.2	-19.3%
TOTAL	**36.7**	**33.8**	**37.4**	**-0.6**	**-1.6%**	**2.9**	**8.7%**

Breakdown of Italian Govies portfolio



- The securities portfolio decreased by €0.6bn y/y. Within the total, the Italian government bond component is down by €2.9bn.
- Diversification of the government bond portfolio, which now has 4% of non-Italian securities (primarily France, followed by Germany and USA).
- The Italian Govies Portfolio is classified for 55.3% by AFS and 38.1% HTM. HFT accounts for only 6.6%.
- The modified duration of Italian govies classified as AFS is 2.5 years.

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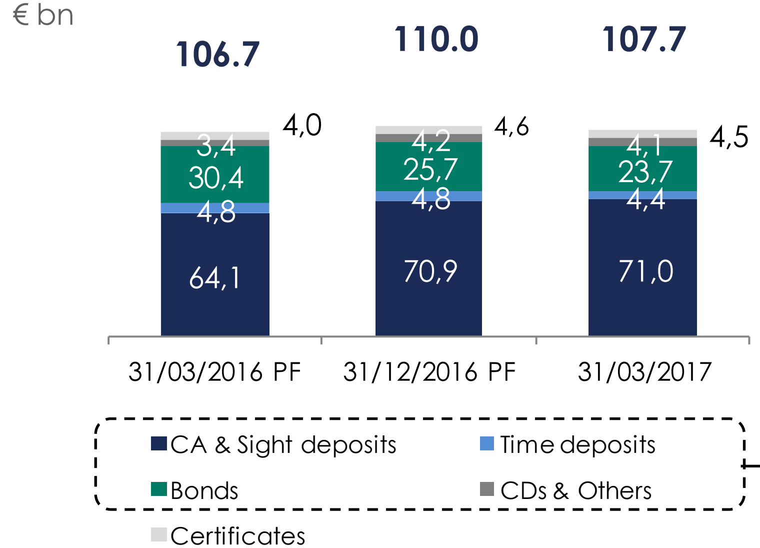
DIRECT FUNDING

Growth in deposits and decline in more expensive sources of funding

Direct funding[1] (*without* Repos)



CHANGES	In % y/y	In % q/q
CA & Sight deposits	10.7%	0.2%
Time deposits	-9.6%	-8.6%
Bonds	-21.9%	-7.6%
CDs & Others	22.8%	-0.8%
"Core" Direct Funding	**0.5%**	**-2.2%**
Certificates	12.3%	-1.1%
Direct Funding (without Repos)	**0.9%**	**-2.1%**

"Core" Direct Funding: €103.2bn as at 31/03/2017

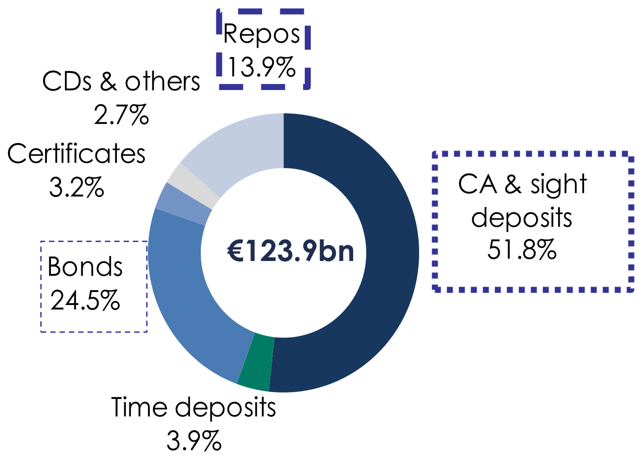
- Direct funding stood at €107.7bn, up by €1bn in 12 months.
- On a yearly basis, the decline in the more expensive components (bonds and time deposits: -€7.1bn, -20.2%) was basically offset by the increase in core sight deposits (+€6.9bn, +10.7%) and Certificates (+€0.5bn, +12.3%).
- On a quarterly basis, the reduction of the more expensive funding components is confirmed, with a concurrent move in favor of indirect funding (in particular assets under management), in keeping with the strategy outlined in the Strategic Plan.

Note:
1. Including only Certificates with guaranteed capital, recognized under Held-for-trading financial liabilities.

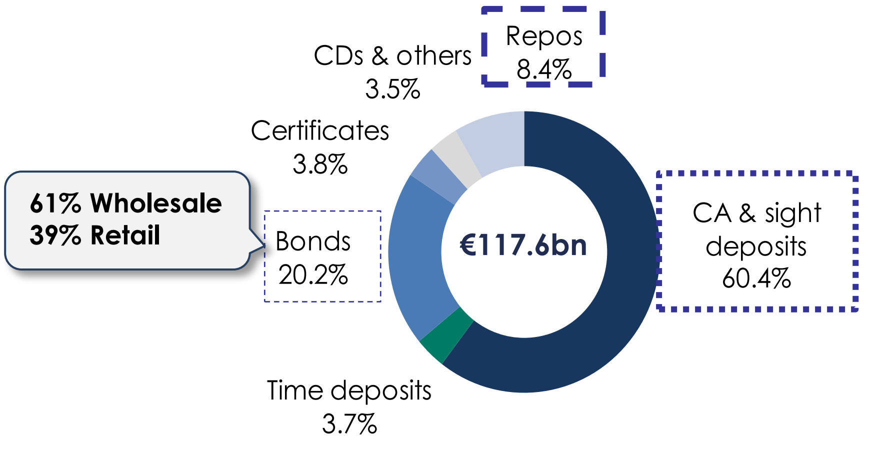
DIRECT FUNDING BREAKDOWN

Analysis of Extended Direct Funding[1] (with Repos)

Breakdown as at 31/03/2016



Breakdown as at 31/03/2017



- As at March 2017, Extended Direct Funding was €117.6bn, including Repos.
- Increase in the share of CA and sight deposits (from 51.8% to 60.4%; +8.6 p.p. y/y), a trend that highlights the ability to acquire new customers and deposits (more than 28k new c/a in Q1 2017).

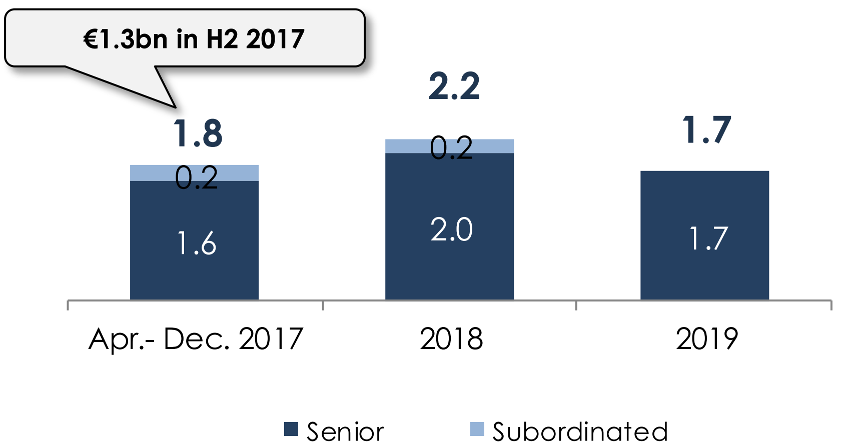
Note:
1. Including only Certificates with guaranteed capital, recognized under Held-for-trading financial liabilities.
2. Based on commercial network perimeter.

INSTITUTIONAL AND RETAIL BOND MATURITY PROFILE

Significant potential towards a reduction in the cost of funding

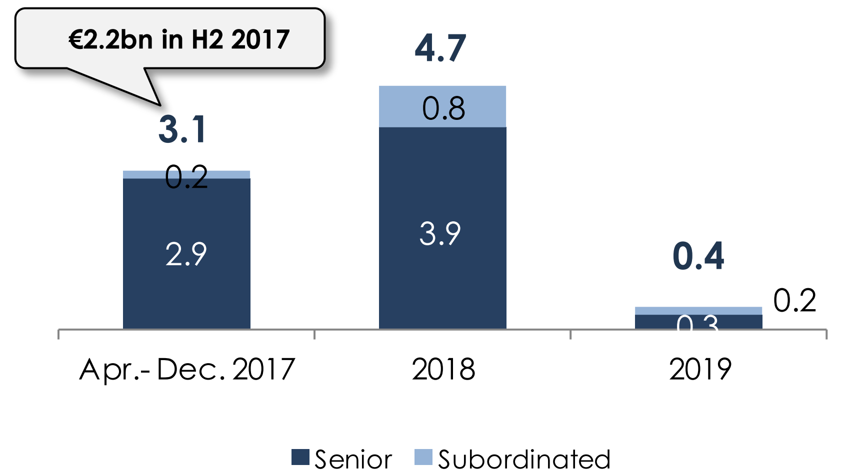
Institutional bond maturities

€ bn



Retail bond maturities

€ bn



- €1.1bn institutional bonds and €0.9bn retail bonds matured in Q1 2017.
- The average spread of the outstanding securities maturing in 2017 (€4.9bn) is around 2.5%, slightly higher than maturities in the period 2018-2019.
- Thanks to the Group's strong liquidity position, the upcoming maturities over the next three years can be managed with a view to optimizing the cost of funding and increasing assets under management.

Note: Maturities include calls.

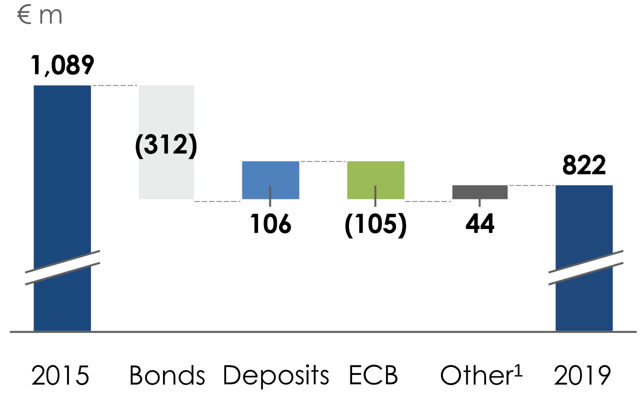
STRATEGIC PLAN 2016-2019:
ALM STRATEGY FOCUSED ON FUNDING COST REDUCTION

Funding Mix Evolution

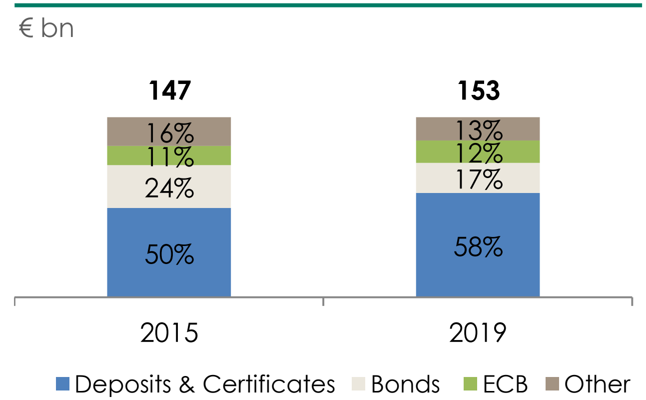
- **Funding mix rebalancing and an improved credit standing will lead to a reduction of cost of funding driven by:**
  - Reduction of Retail Bonds (~€5bn) and Wholesale bonds (~€4bn-€5bn), balanced by increase of deposits and certificates (~€16bn).
- **Issue of €1.5bn of subordinated bonds will partially offset existing bond maturities.**

KPIs Evolution

Cost of Funding Evolution



Funding Mix



Notes:
1. Other includes "certificati di deposito", REPO/PCT, other securities issued and other deposits.

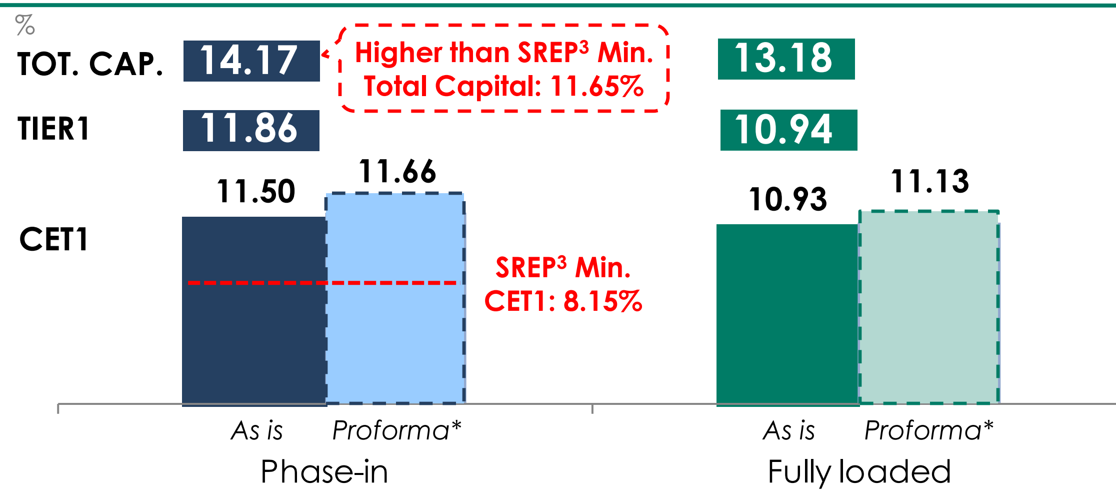
CAPITAL ADEQUACY: CAPITAL RATIOS

Capital *Ratios* as at 31/03/2017[1]

The ratios include a temporary negative buffer in order to take into account the RWAs tied to defaulted assets and Retail EAD, with a negative impact of:

- -54bps at phase-in level
- -52bps at fully loaded level

This component is set to be re-absorbed as soon as the new AIRB models are extended to the ex-BPM perimeter.



(*) Proforma CET 1 ratios include the positive effects stemming from the distribution of dividends already approved by the participations[2] and from the transformation of DTAs into tax credits (~16bps phased-in and ~20bps fully loaded).

- The Group's capital position as at 31/03/2017 already incorporates a series of regulatory headwinds, whereas, in addition to the positive impacts indicated in the chart above, it does not include the positive effect stemming from the upcoming extension of the AIRB models to the ex-BPM perimeter.
- Both the phase-in CET1 ratio (11.50%) and the Total Capital ratio (14.17%) as at 31/03/2017 highlight wide buffers as compared to the SREP requirements (8.15% and 11.65% respectively).
- After the closing of the quarter, an incremental trend in the AFS reserves has been registered.

Note:
1. The ratios are calculated including the full net income of the period, subject to authorisation by the ECB pursuant to art. 26, comma 2, Reg. UE 575/2013.
2. Estimate of positive impacts deriving from higher income through the P&L and lower values tied to deductions for investments.
3. SREP components: 4.50% of Common Equity; 1.25% of Capital Conservation Buffer; 2.40% of Pillar 2; 1.50% of AT1; 2.0% of T2.

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STRATEGIC PLAN 2016-2019: SOLID CAPITAL POSITION WITH CET1 RATIO AT 12.9%

Key CET1 Evolution Items

Pillar I Capital Requirements

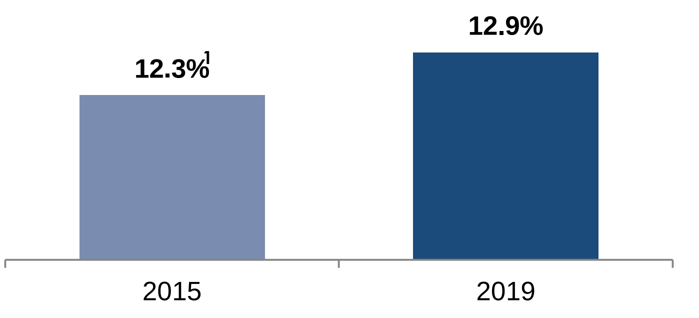
- Extension of BP AIRB system to the New Group
- Conservative assumptions on market risk and operational risk capital requirements evolution

Organic Capital Generation

- Increase of capital mainly due to the profit retained in the plan horizon, partially offset by credit portfolio growth
- 40% dividend payout

KPIs Evolution

CET 1 Ratio Fully Phased



Notes: 1. Aggregated data as of 2015 including full recognition of negative goodwill.

Agenda

Annexes

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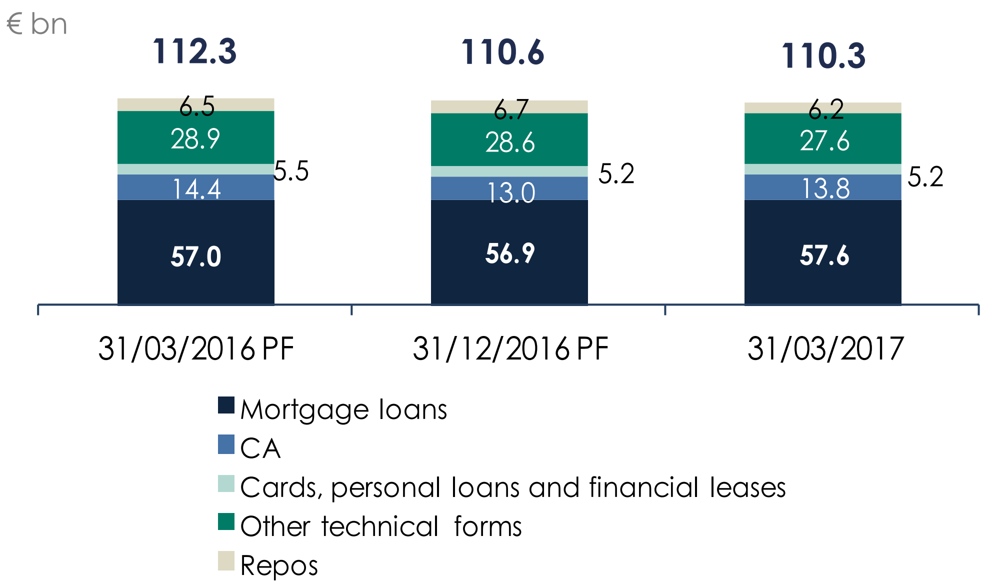
CUSTOMER LOANS

Performing loans up both q/q and y/y, thanks to €4.8bn of new loans granted

Net Customer Loans



CHANGES	In % y/y	In % q/q
Mortgages loans	+1.1%	+1.2%
CA	-4.3%	+5.8%
Cards, personal loans and leasing	-5.9%	-1.0%
o/w leasing	-15.1%	-5.3%
Other technical forms	-4.5%	-3.7%
Repos	-4.5%	-7.7%
TOTAL	**-1.7%**	**-0.2%**
o/w: performing	***+0.3%***	***+1.0%***
o/w: NPLs	***-12.8%***	***-7.2%***

NEW LOANS (€ bn)	Q1 2017	Q1 2016 PF
HOUSEHOLDS	1,053	915
CORPORATE	3,748	3,265
TOTAL	**4,800**	**4,180**

- After a negative 2011-2016 CAGR (-4%), Q1 2017 net performing loans increased by 0.3% y/y and by 1.0% q/q.
- The decline in customer loans, be it y/y (-1.7%) or q/q (-0.2%), has been fully driven by the drop in non-performing loans (-12.8% y/y and -7.2% q/q). Leasing loans were also down (-15.1% y/y and -5.3% q/q), as they are naturally running-off.
- Over the quarter, €4.8bn loans were granted, of which €1.1bn to Households (+15.0%) and €3.7bn to Corporates (+14.8%).

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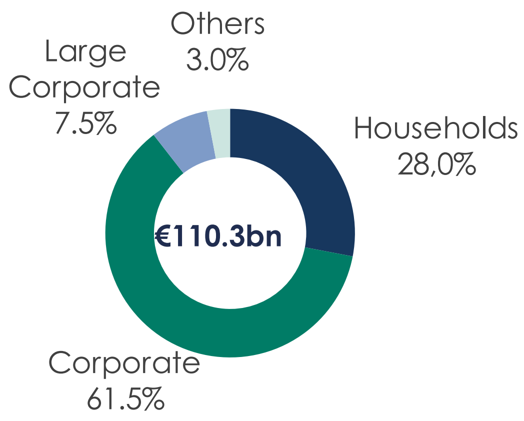
CUSTOMER LOAN ANALYSIS

Retail-oriented Banking group, with franchise concentrated in Northern Italy

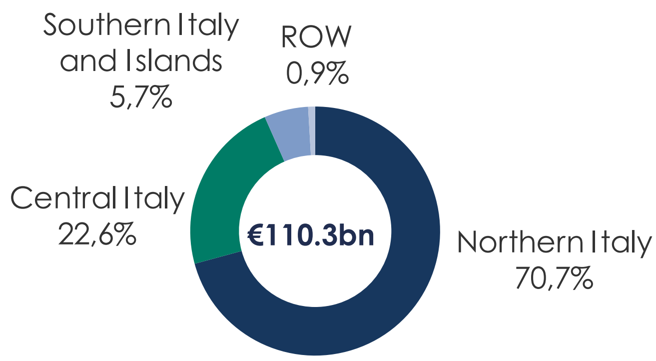
Breakdown of net loans by customer segment at 31/03/2017

%



Breakdown of net loans by geographical area at 31/03/2017

%

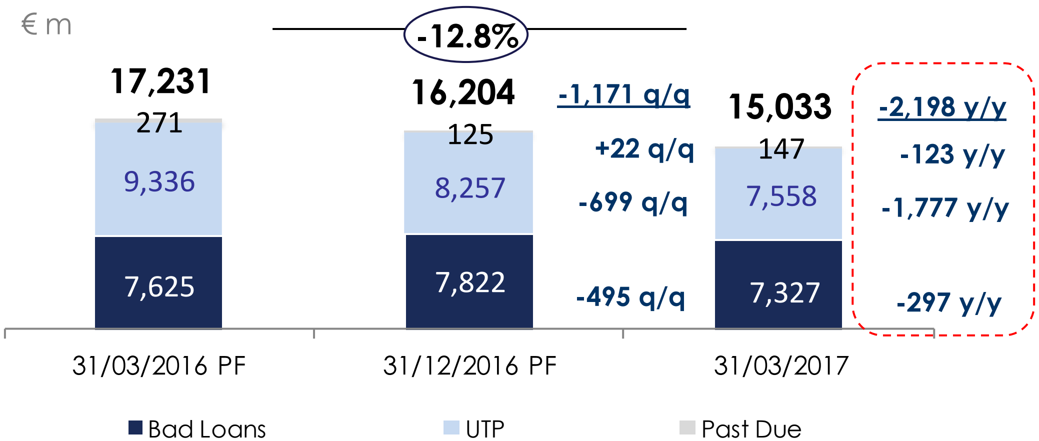


- 28% of customer loans hinge on households.
- SMEs represent 62% of the loan book and the average loan ticket is very small, coming in at €296K.
- 70% of the portfolio is concentrated in the wealthiest areas of the country.

NON-PERFORMING LOANS: STRONG DECREASE IN NET EXPOSURE

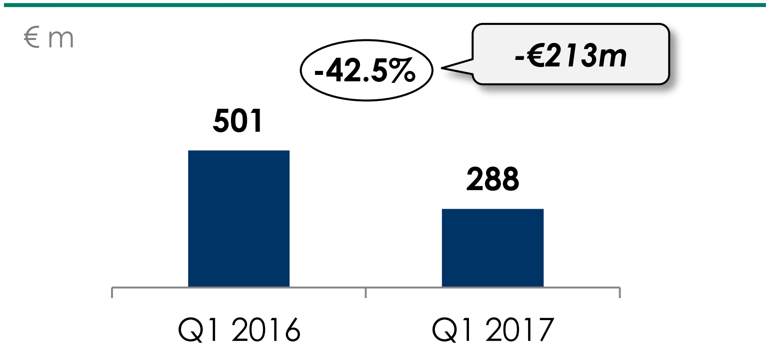
Significant improvement in new NPL flows and in stock trends

Net NPLs



CHANGES	In % y/y	In % q/q
Bad Loans	-3.9%	-6.3%
Unlikely-to-Pay	-19.0%	-8.5%
Past due	-45.6%	+17.9%
TOTAL NET NPLs	**-12.8%**	**-7.2%**

NPL net flows



The stock of net NPLs declined sharply both y/y (-€2.2bn; -12.8%) and q/q (-€1.2bn;-7.2%) thanks to:

- decline in NPLs net flows (-42.5% y/y);
- internal workout and disposals in the quarter;
- increase in coverage (also helped by the adoption of the IFRS 3 accounting principle on the ex BPM portfolio).

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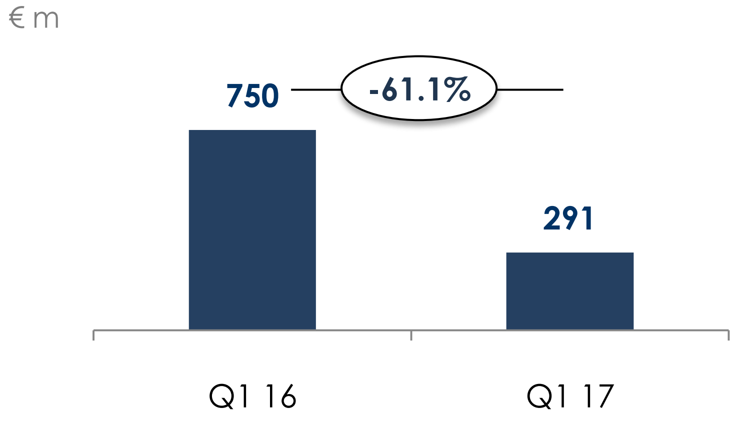
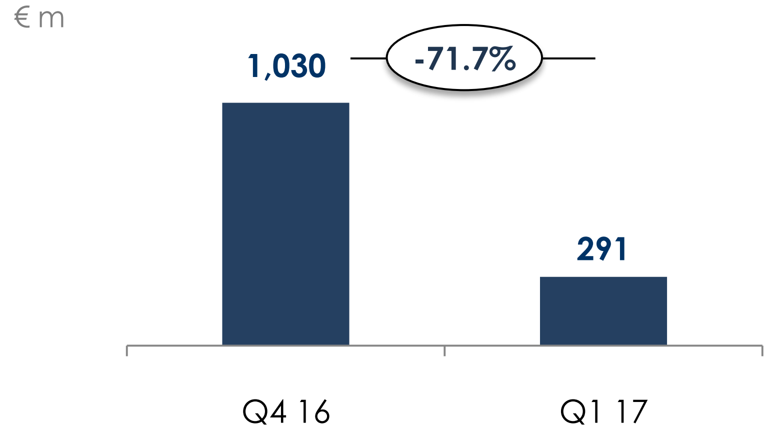
LOAN LOSS PROVISIONS

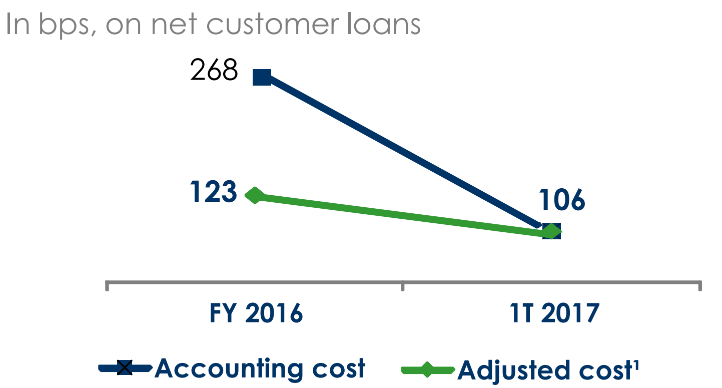
Yearly comparison



Quarterly comparison



Cost of Risk



- The cost of risk declined sharply, from 268bp in 2016 (123bp Adjusted) to 106bps, while having kept a conservative approach on coverage levels, in line with the targets of the Strategic Plan.

Note:
1. Calculated net of the impact from bringing the coverage in line with the Plan targets reported in 2016 (about €1.6bn).

CREDIT QUALITY: FOCUS ON WRITE-OFFS

Accounting restatement of write-offs starting from Q1 2017: concept in a nutshell

- At 31/12/2016, Banco BPM's combined data included write-offs totalling € 5.2 billion.
- Ex-BP and Ex-BPM had different policies on «partial write-offs». The Merger has made it necessary to adopt one of the two criteria for the new Group. In coherence with the common practice used by the system, the Group has decided to adopt the policy of ex-BPM, which allows for the inclusion of provisions on-balance sheet, in line also with the preference of the financial industry.
- Moreover, it is noted that write-offs had previously been included in the nominal exposure and were taken into consideration when calculating the bad loan and non-performing loan coverage ratios, a policy also adopted in the Strategic Plan 2016-19.
- As at 31/03/2017, as a result of the afore-mentioned and considering disposals and/or cancellations, the residual write-offs that have been booked on-balance sheet totalled €3.5 billion, while €1.0 billion of write-offs still remain off-balance sheet.

COVERAGE LEVELS: SIGNIFICANT INCREASE

Coverage in line with the Strategic Plan's targets

NPL coverage

50.0% considering write-offs not restated on BS

	31/03/17[1]	31/12/16 PF Stated	31/12/16 PF Nominal[2]	31/03/16 PF Stated	31/03/16 PF Nominal[2]	Chg. Y/Y Nominal	Chg. Q/Q Nominal
Total NPLs	**48.2%**	**37.5%**	**47.9%**	**35.4%**	**45.5%**	**+450bps**	**+210bps**
- with real guarantees	**102.1%**	**98.8%**	**99.0%**	**Nd**	**Nd**		
Bad Loans	59.0%	45.7%	60.0%	45.7%	59.9%	**+140bps**	**+120bps**
- with real guarantees	*107.4%*	106.2%	104.6%	Nd	Nd		
Unlikely-to-Pay Loans	31.2%	27..2%	27.2%	24.2%	24.2%	**+710bps**	**+400bps**
- with real guarantees	93.7%	89.7%	89.7%	Nd	Nd		
Past Due Loans	15.0%	18.2%	18.2%	16.1%	16.1%	**-100bps**	**-320bps**
- with real guarantees	92.0%	78.5%	78.5%	nd	Nd		

61.2% considering write-offs not restated on BS

Like-for-like

Like-for-like

- The NPL coverage increased sharply (+270bps y/y), notwithstanding the disposal of unsecured Bad Loans (€1.7bn since the beginning of 2016, o/w €641m in Q1 17), with a particular strengthening of the Unlikely-to-pay component.

Notes:
1. As at 31/03/2017, the majority of write-offs were restated on-balance sheet in the Gross Bad Loans, while in the past they had been included in the Nominal Value (slide 60). As of the end of March 2017, €1bn write-offs are still off-balance sheet; for a homogeneous management comparison, including also the off-balance sheet write-offs, the bad loan coverage would increase to 61.2% and to the total NPL coverage to 50.0%.
2. The Nominal coverage includes write-offs that were off-balance sheet before 31/03/2017.

Real guarantees consider the value of collateral capped at the residual debt. For Leasing, the value of assets is capped at the salvage value (VPR-Valore di Pronto Realizzo).

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NPL UNIT AT A GLANCE

A new recovery machine…

- Established since day 1 of the merger, directly reporting to the CEO
- 220 professionals fully dedicated to Bad Loan management (target 300-350)
- Focused internal organization with a well-defined mission
  - Specialized workout network
  - Portfolio disposals
  - Performance management
  - Operational excellence
  - Real Estate advisory
- MBO/incentive system focused on recovery results

… built upon clear selected success factors

1. **Complete digital-based data infrastructure** allowing to
   - Provide clear targets and managerial inputs to workout professionals
   - Make available full data tape instrumental for disposals
2. **Specialized «coverage approach»** by exposure type
   - «Large» tickets vs. «mass» exposures
   - Secured – by underlying collateral type – vs. unsecured
3. **Advanced borrower-based segmentation** aimed at identifying the most appropriate recovery strategy at single position level
4. **Strong focus** on **out-of-court approach** to accelerate recoveries
5. **Dedicated Real Estate Advisory** to promote collateral value maximization
6. **Optimized disposals** based on careful bottom-up selection of single positions

Cumulative historical recovery rate* - Average 2006-2015	
Banco BPM	53.5%
Italian Banks Average	46.9%

Track record already showing stronger recovery skills vs. average

*Simple average of yearly recovery rates excluding NPL disposals.

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NPL UNIT: STRONG PERFORMANCE IN RECOVERIES IN Q1 2017

- The new NPL Unit is constantly working to improve the process and the performance of Bad loan management

- Numerous goals have already been attained in different areas:

Operations

- New segmentation launched starting from "Large" portfolios
- Outsourcing perimeter defined and widened

Monitoring

- Internal reporting enhanced to increase top management awareness about NPL strategy implementation
- Workout KPIs and budget set at Risk Management level
- Weekly performance dialogue activated, supported by dedicated operational reporting

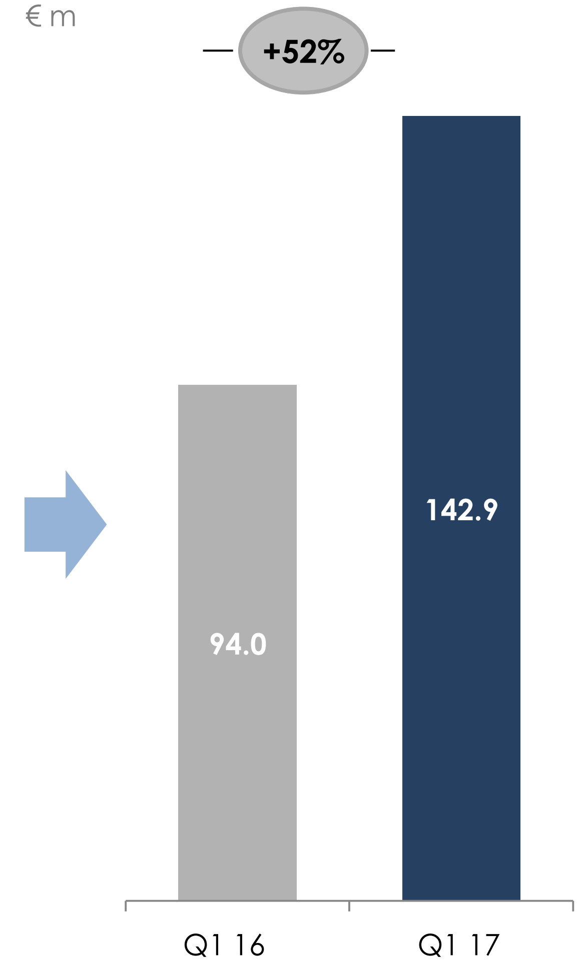
Disposals

- Activities related to the disposal of secured positions ("Rainbow" project) fully on track – transaction completed in June 2017
- Focus from 2Q: unsecured disposals – Loan data Tape preparation already ongoing

Real Estate

- Top positions selected to activate potential synergies with other Group functions (i.e. Corporate, Private Banking, Retail)

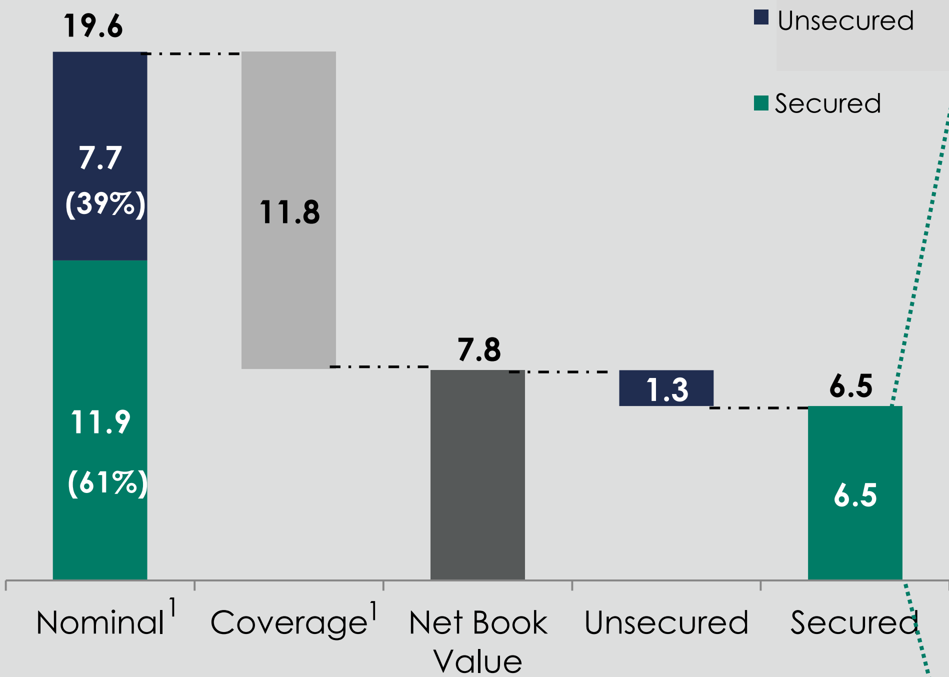
Total recoveries on Bad Loans excluding disposals



OVERVIEW OF BAD LOANS PERIMETER AS OF DECEMBER 2016

Exposure and collateral breakdown – € bn, %

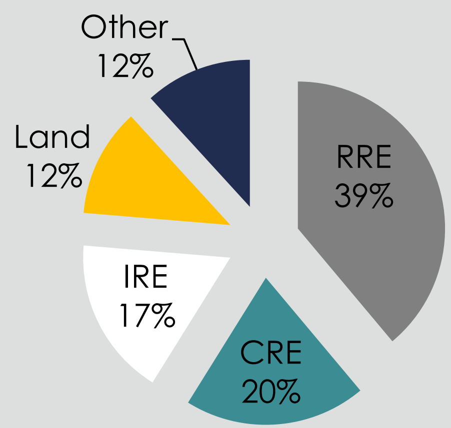
Exposure Breakdown



	Coverage	Unsecured	Secured
Coverage ratios	60%	83.1%	45.4%
Coverage ratios incl. IFRS 3 impact	~62%		

Secured Bad Loans: Collateral Breakdown

€14.8bn = Fair Value of Collateral



RRE: Residential Real Estate.

CRE: Commercial Real Estate.

IRE: Industrial Real Estate.

Other: properties not yet linked to a specific usage.

Land: areas aimed at agriculture or building purpose.

(FV Collateral + Coverage) / Nominal Book Value	170%
FV Collateral / Net Book Value	228%

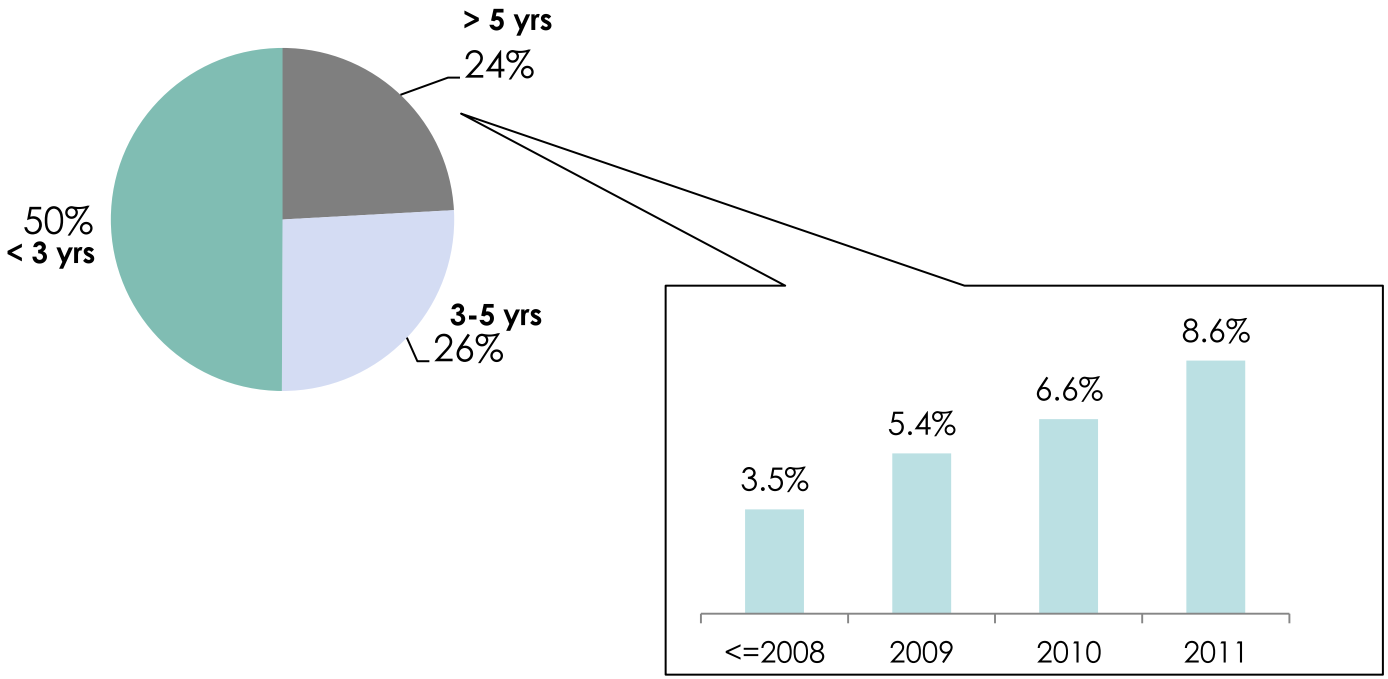
[1]Nominal Book Value and coverage including Write-offs.

BAD LOANS: BREAKDOWN BY VINTAGE

As of Dec. 2016

Vintage since classification into the Bad Loan category

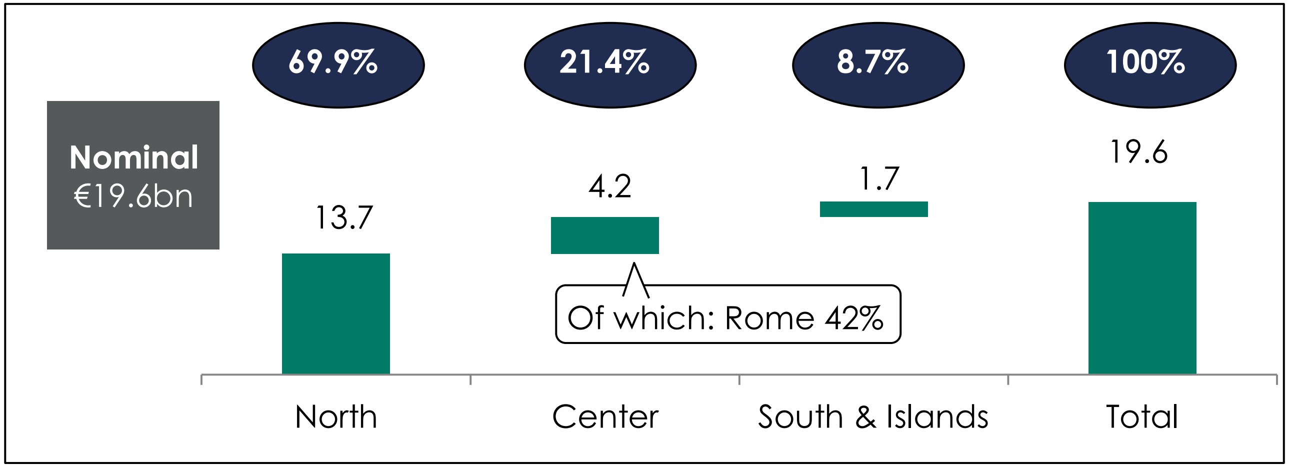
Net Book Value
€7.8bn

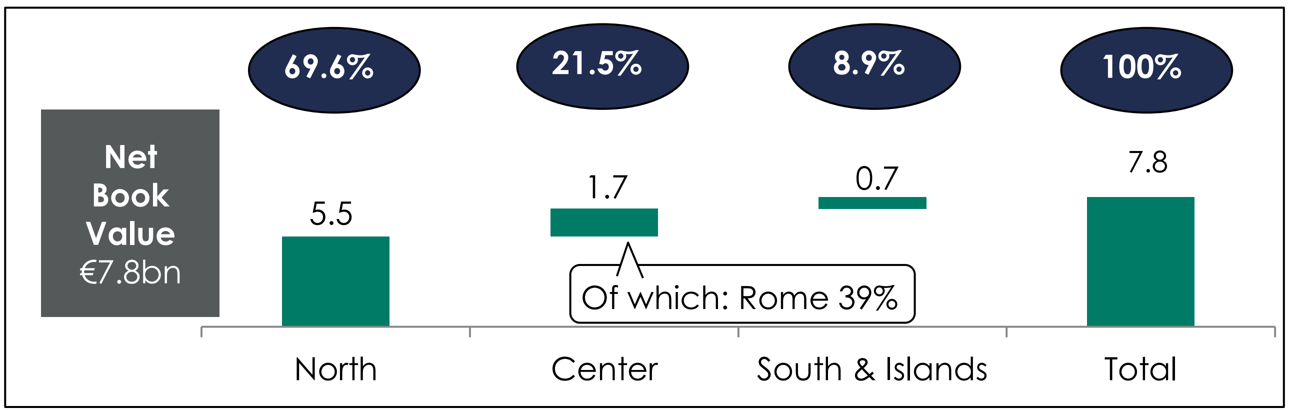


- ~76% of total NBV shows a vintage of less than 5 years
- Only ~9% has a vintage above 7 years

BAD LOANS: BREAKDOWN BY GEOGRAPHIC AREA

As of Dec. 2016





Market experience – recovery rates / data reported by Moody's

	Sec	Unsec
North	52.0%	16.3%
Center	41.0%	15.8%
South	26.4%	9.3%

Italian NPL Transactions v1.0 – July 2016

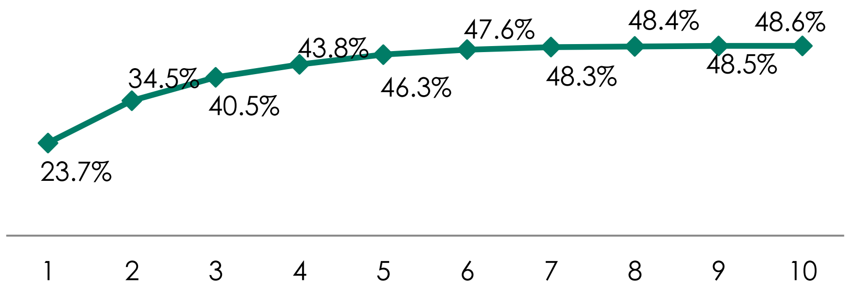
Bad loans mostly concentrated in Northern Italy and Rome, where recovery potential is higher than overall market average

BANCO BPM

WORKOUT: HISTORICAL RECOVERY CURVES[1] FOR BANCO BPM BAD LOANS WIDELY ABOVE NET BOOK VALUES

Average Recovery[1] in 10 years / Net Book Value (2016)

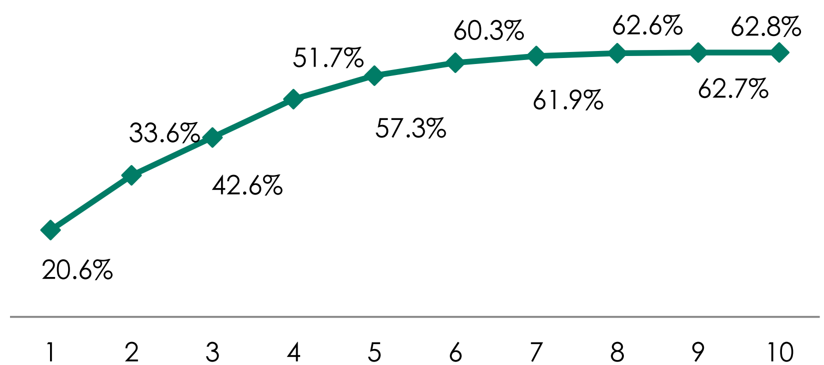
Wholesale



Time from entrance in bad loans to closing (years)

121.4%

Private individuals



Time from entrance in bad loans to closing (years)

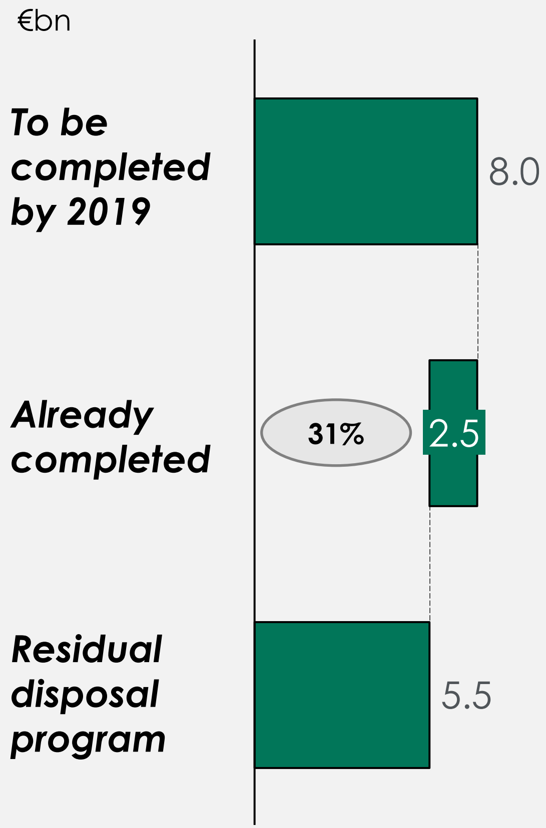
122.5%

[1] Application of internal recovery rate on closed positions – observation period 2006-2015.

BANCO BPM

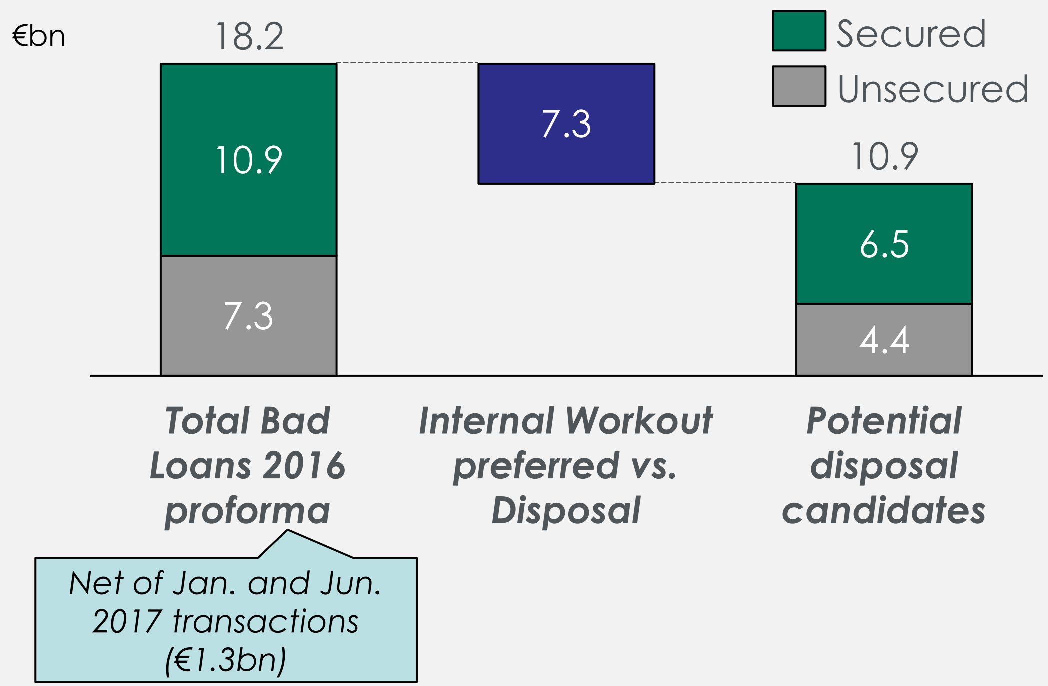
NPL DISPOSALS: 31% OF THE STRATEGIC PLAN TARGET AGREED WITH ECB ALREADY COMPLETED, RESIDUAL DISPOSAL PLAN ON TRACK

ECB Plan Status Update (as of June 2017)



Key Considerations on Residual Disposal Plan

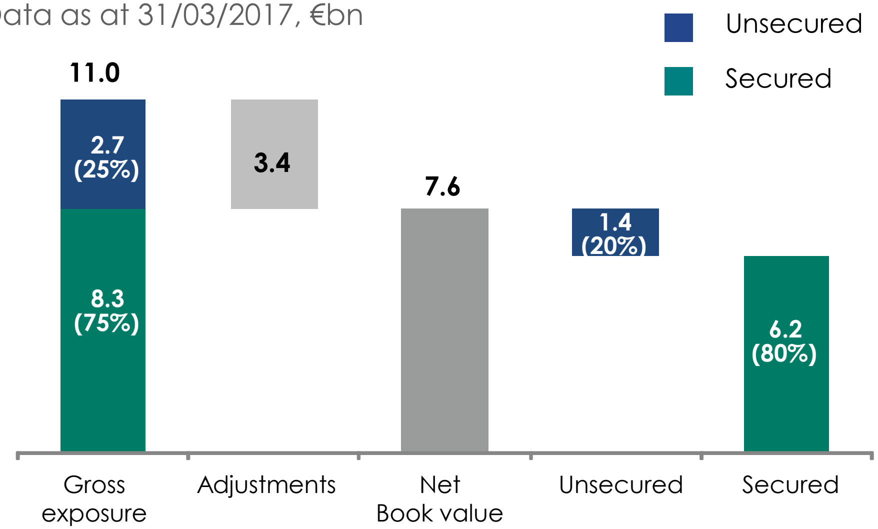
- **Residual** disposal **program** expected to be **balanced between secured and unsecured**
- **Prioritization exercise** already started to **identify «disposal candidates»**: first illustrative results available showing a total preselected disposal perimeter widely sufficient vs. the Plan



UNLIKELY-TO-PAY BREAKDOWN AS OF MARCH 2017

UTP Breakdown

Data as at 31/03/2017, €bn



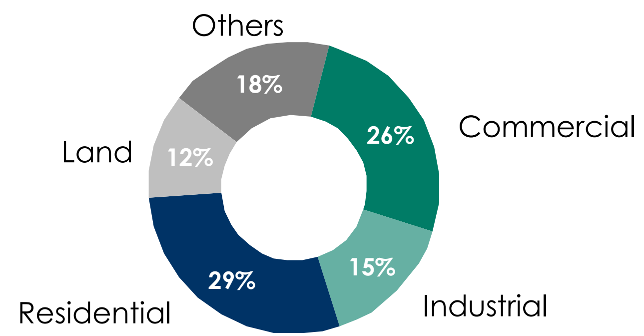
Coverage ratio 31% 46% 26%

UTP Geographic Breakdown	%
Northern Italy	72%
Central Italy	21%
Southern Italy and Islands	6%
ROW	1%

o/w Rome: 40%

UTP: Collateral breakdown

€11.4bn = Fair Value of collateral



$$\frac{\textbf{FV of collateral}}{\textbf{Net Book Value}}$$ 187%

$$\frac{\textbf{FV of collateral + Adjustments}}{\textbf{Gross Book Value}}$$ 164%

BANCO BPM

STRATEGIC PLAN 2016-2019: STRONG ASSET QUALITY IMPROVEMENT

Key Strategic Guidelines and Initiatives

Organizational Structure

- Dedicated business unit for the management of Bad Loans directly reporting to CEO
- Loan portfolio diversification and adoption of best practices for risk management

Coverage Ratios

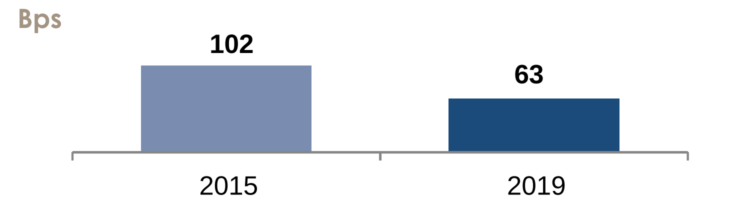
- Immediate increase in coverage ratios within the main NPLs categories (i.e. Secured Bad Loans, Unsecured Bad Loans and other NPLs)
- Overall coverage ratio influenced by "mix effect", due to declining weight of highly provisioned categories

NPL Stock Reduction

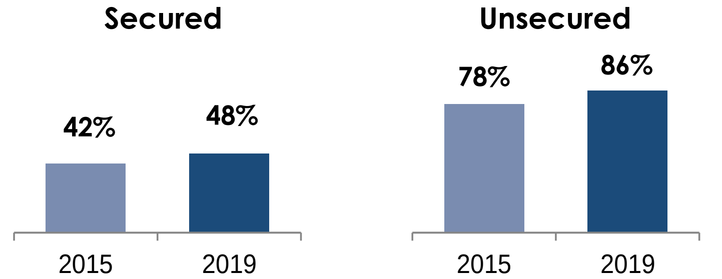
- NPL reduction plan for €8bn of nominal book value leading to a nominal NPL ratio below 18%
  - Further €2bn may be added to reduction plan in the event of significantly adverse asset quality trends

KPIs Evolution

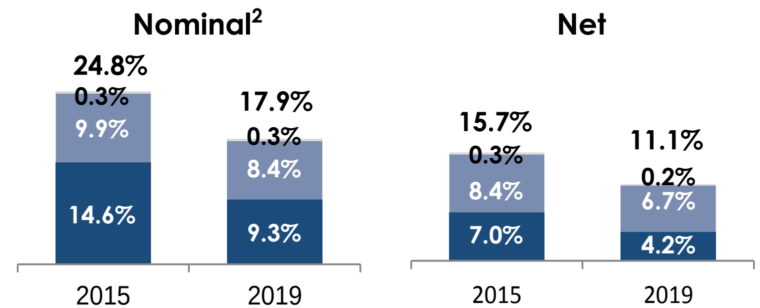
Cost of Risk[1]



Bad Loans Coverage[2]



NPL Ratio



Notes: 1. Calculated on year-end net customer loans. 2. Ratios calculated on nominal book value including write-offs (gross + write-offs).

Agenda

Annexes

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QUARTERLY RECLASSIFIED P&L

Reclassified P&L items (€m)	Q1 2017	Q4 2016 PF	Q3 2016 PF	Q2 2016 PF	Q1 2016 PF
Net interest income	556.2	496.2	517.2	535.8	558.5
Income (loss) from invest. in associates carried at equity	41.6	36.6	33.8	32.8	44.6
Net interest, dividend and similar income	**597.8**	**532.9**	**551.0**	**568.6**	**603.1**
Net fee and commission income	547.4	511.5	449.3	474.5	468.1
Other net operating income	30.2	40.7	32.6	32.8	33.1
Net financial result (excluding FVO)	37.7	119.8	112.0	132.7	75.6
Other operating income	**615.3**	**672.0**	**593.9**	**640.0**	**576.8**
Total income	**1,213.1**	**1,204.9**	**1144.9**	**1208.7**	**1179.9**
Personnel expenses	-458.7	-661.4	-620.3	-483.2	-480.6
Other administrative expenses	-263.2	-372.4	-269.1	-265.5	-283.5
Amortization and depreciation	-53.0	-152.7	-67.3	-52.2	-48.8
Operating costs	**-774.9**	**-1,186.5**	**-956.7**	**-800.9**	**-812.8**
Profit (loss) from operations	**438.1**	**18.4**	**188.2**	**407.8**	**367.1**
Net adjustments on loans to customers	-291.4	-1,029.5	-793.1	-385.9	-749.6
Net adjustments on other assets	-8.4	-88.6	-5.9	-13.0	-4.9
Net provisions for risks and charges	0.5	-41.5	-16.4	5.9	-3.1
Impairment of goodwill and equity investments	0.0	-279.0	0.0	0.0	0.0
Income (loss) before tax from continuing operations	17.1	122.8	2.7	30.9	1.6
Income (loss) before tax from continuing operations	**155.9**	**-1,297.4**	**-624.6**	**45.7**	**-389.0**
Tax on income from continuing operations (excluding FVO)	-38.6	310.0	209.1	-0.9	111.4
Income (loss) after tax from discontinued operations	-0.0	4.0	0.0	-0.1	-1.5
Income (loss) attributable to minority interests	3.1	2.3	12.8	2.0	2.2
Net income (loss) for the period excluding FVO	**120.4**	**-981.1**	**-402.6**	**46.7**	**-276.8**
Fair Value Option result (FVO)	-3.6	-1.7	-1.2	-3.0	10.1
Net income (loss) for the period excluding Badwill	**116.8**	**-982.7**	**-403.8**	**43.7**	**-266.7**
Temporary differences (Badwill)	3,123.9				
Net income (loss) for the period	**3,240.7**				

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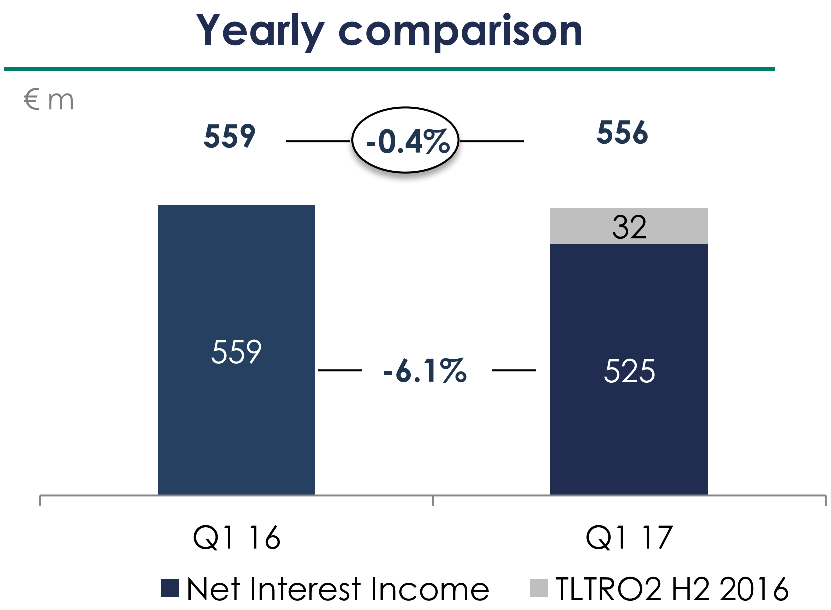
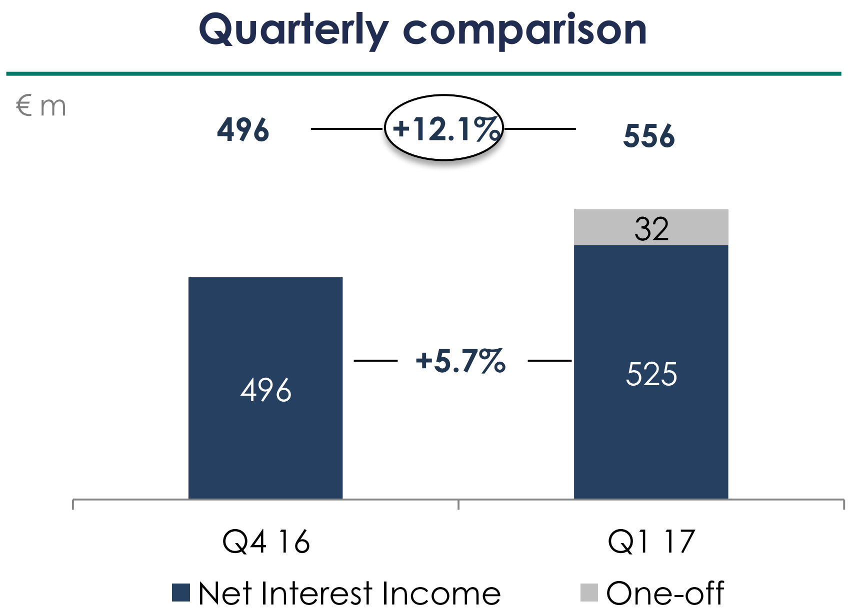
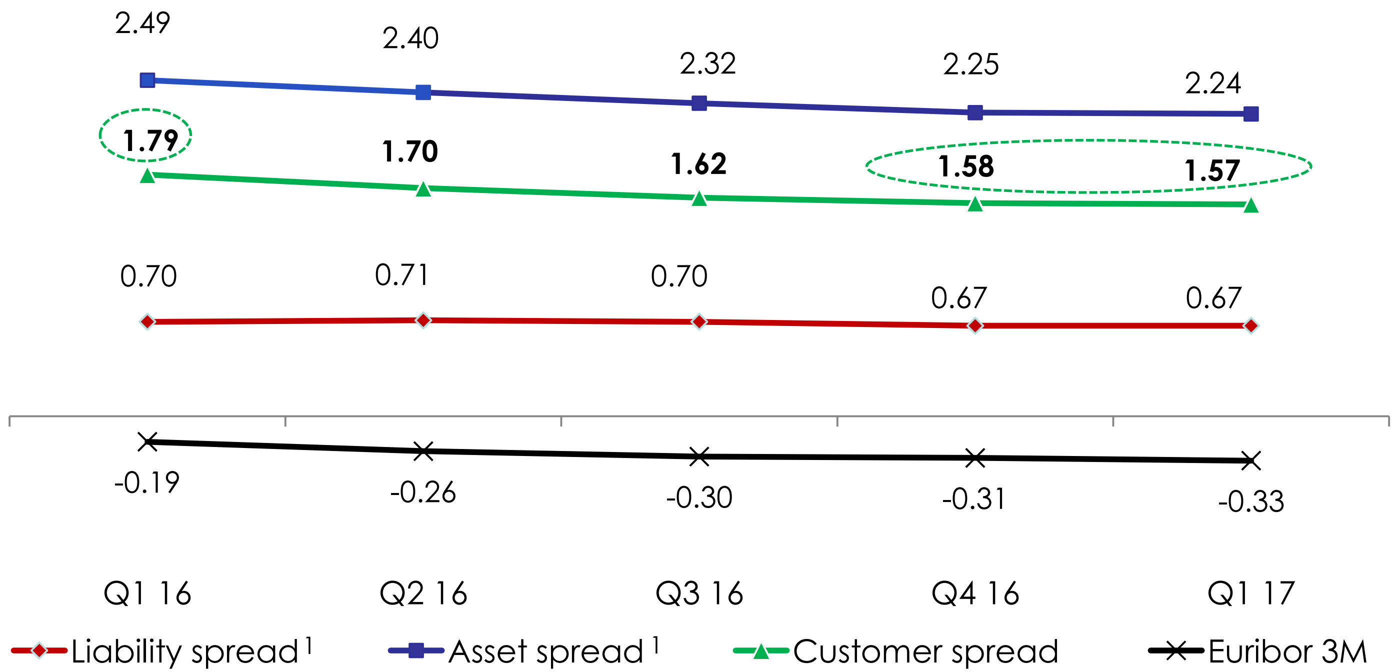
NET INTEREST INCOME





- Net interest income remained fairly stable y/y (-0.4%), while it went up 12.1% q/q, mainly driven by the positive impact of interest earned on H2 2016 TLTRO2 (€31.7m).
- On a like-for-like basis, net interest income grew by 5.7% q/q, in spite of declining financial net interest income from the bond portfolio (also due to the mark-to-market measurement of the ex-BPM portfolio), offset by the Q1 2017 ordinary contribution of TLTRO2 (€18m).

NET INTEREST SPREAD: QUARTERLY TREND



AVERAGE CHANGE

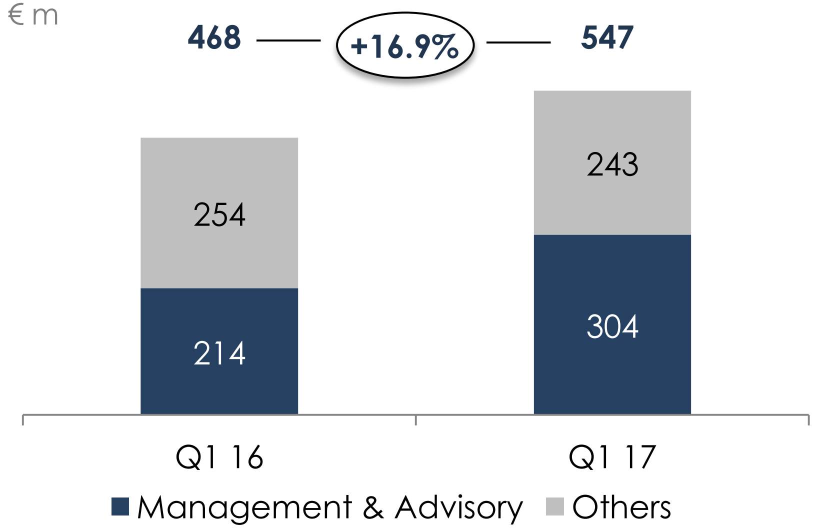
Quarterly spreads	Y/Y	Q/Q
Asset spread[1]	-25bps	-1bps
Liability spread[1]	-3bps	0 bps
Spread	-22bps	-1bps
Euribor 3M	-14bps	-2bps

- The customer spread remained basically stable q/q, in spite of Euribor 3M declining 2bps.
- The decline vs Q1 2016 (-22bps) includes 3M Euribor effect(-14bps).

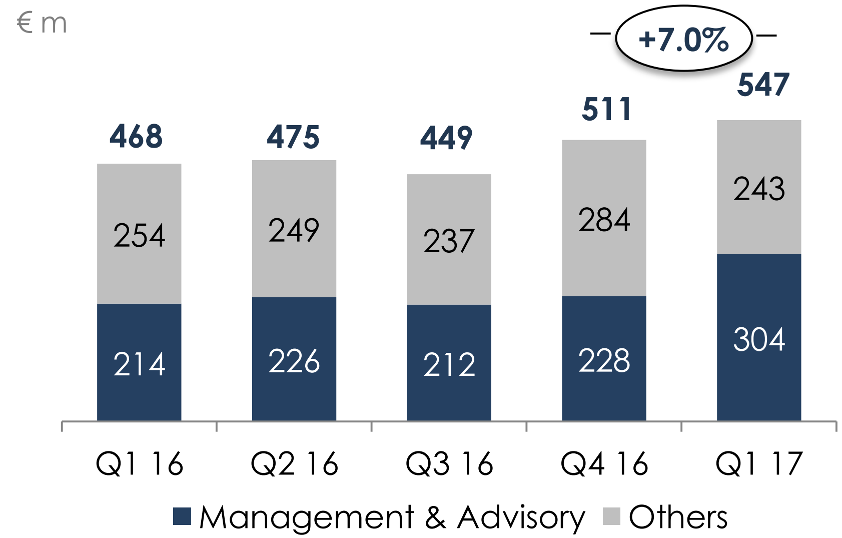
Notes:
1. Difference between the rate applied to customers and the market reference rate, in relation to activities of the commercial network.

NET FEES AND COMMISSIONS

Yearly comparison



Quarterly comparison



- Net fees and commission up by 16.9% y/y and by 7.0% q/q, driven by increasing commissions from the placement of savings products.
- In Q1 2017, performance fees amounted to €16m.
- Consumer credit fees showed a positive trend (+€7.6% y/y), which is reflected in the good performance of Agos Ducato, with an additional contribution to P&L (€32.4m) booked as "net income from associates carried at equity".

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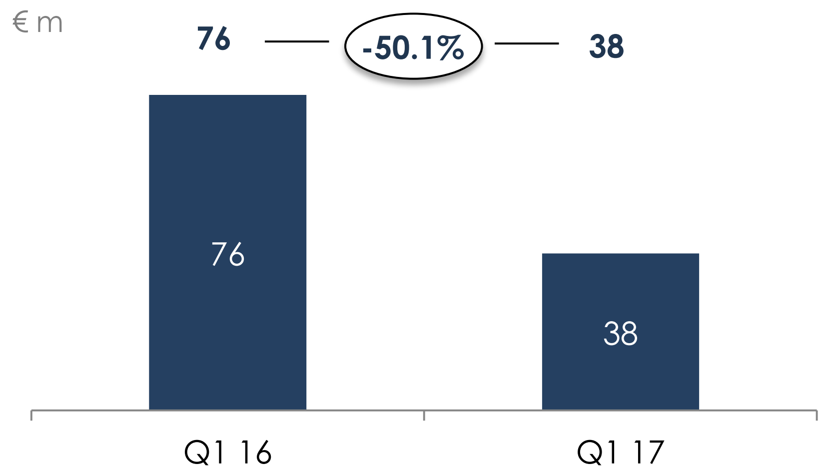
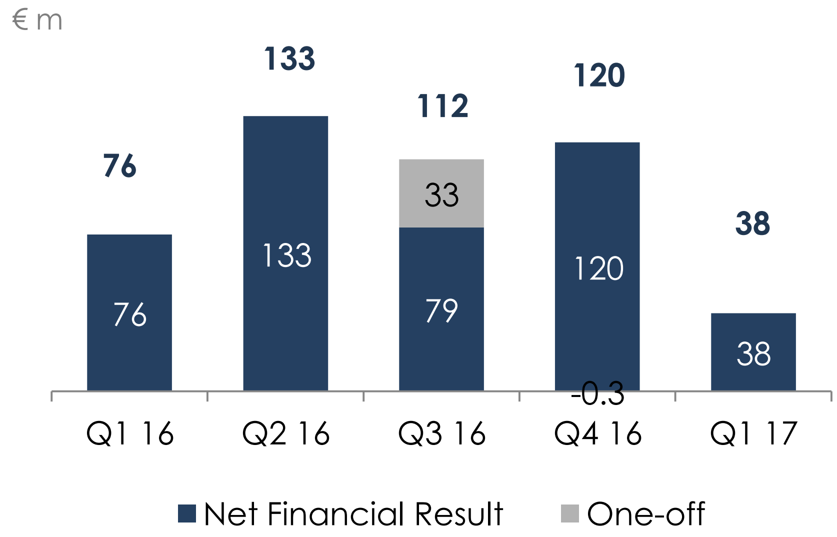
NET FINANCIAL RESULT

Yearly comparison



Quarterly comparison



- The decrease in the Net financial result y/y was mainly driven by the decline in gains from the disposal of debt securities classified in the AFS portfolio (€4m in Q1 2017 vs €70m in Q1 2016) while net income from trading, hedging and dividends increased.
- The quarterly comparison had been affected by gains from the disposal of govies of the AFS portfolio, mainly in relation to ex-BPM.

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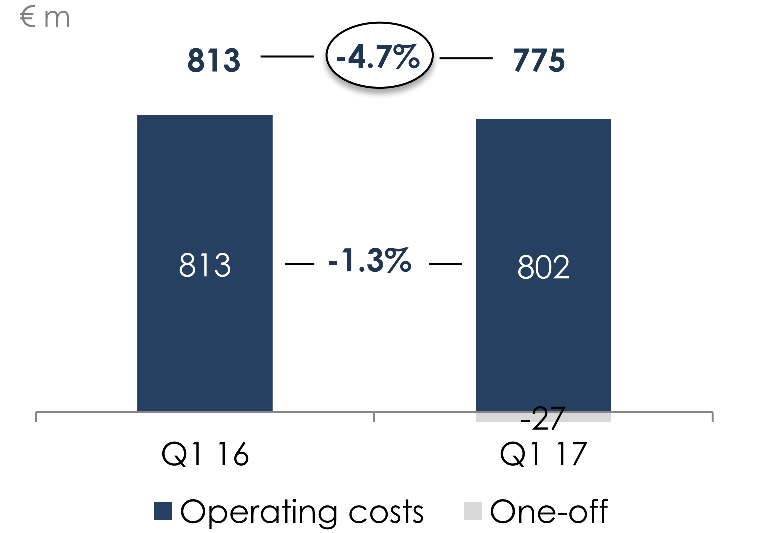
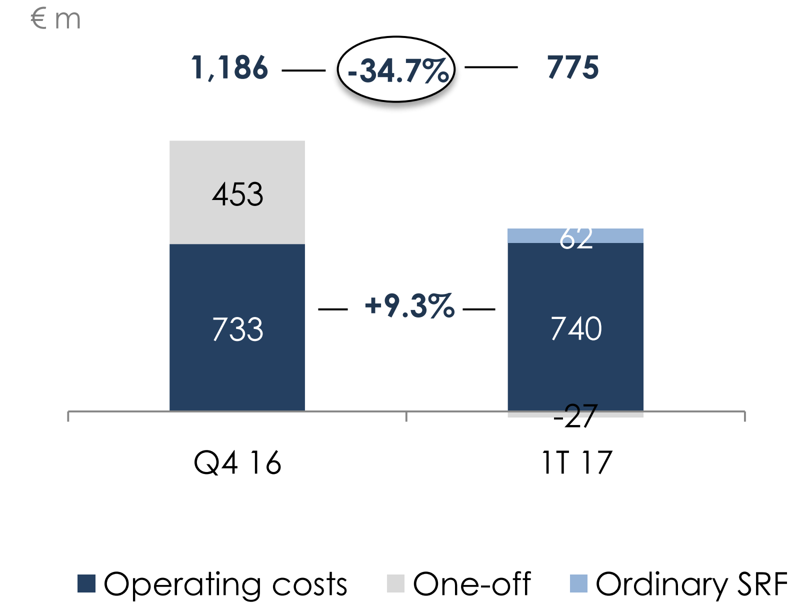
OPERATING COSTS

Yearly comparison



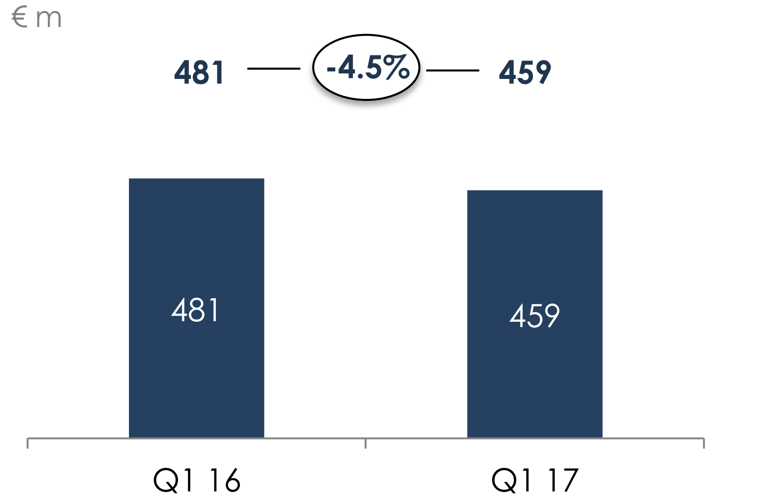
Quarterly comparison



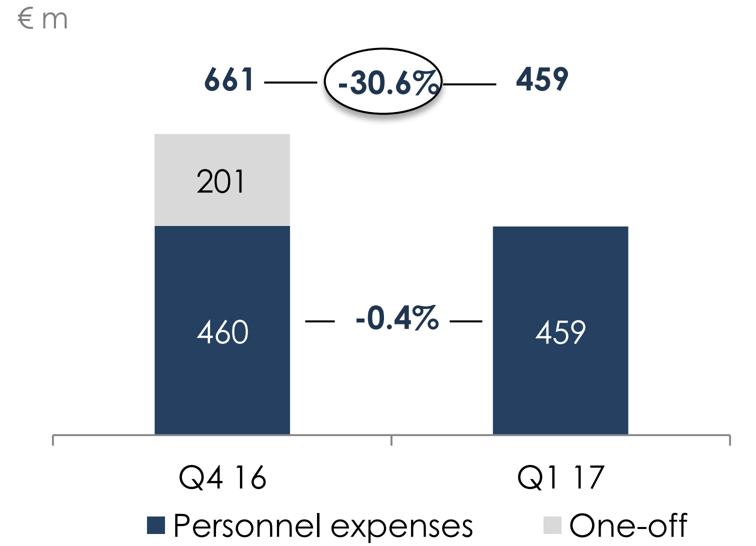
- Operating costs are down both y/y (-4.7%) and q/q (-34.7%).
- On a like-for-like basis, operating costs are down 1.3% y/y, while they are up 9.3% q/q, mainly due to the ordinary contribution to the Single Resolution Fund (€62m), not booked in Q4 2016.

PERSONNEL EXPENSES

Yearly comparison



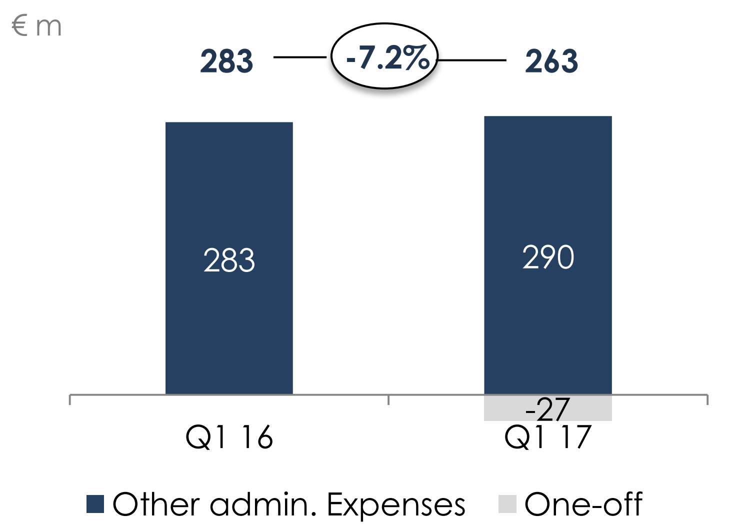
Quarterly comparison



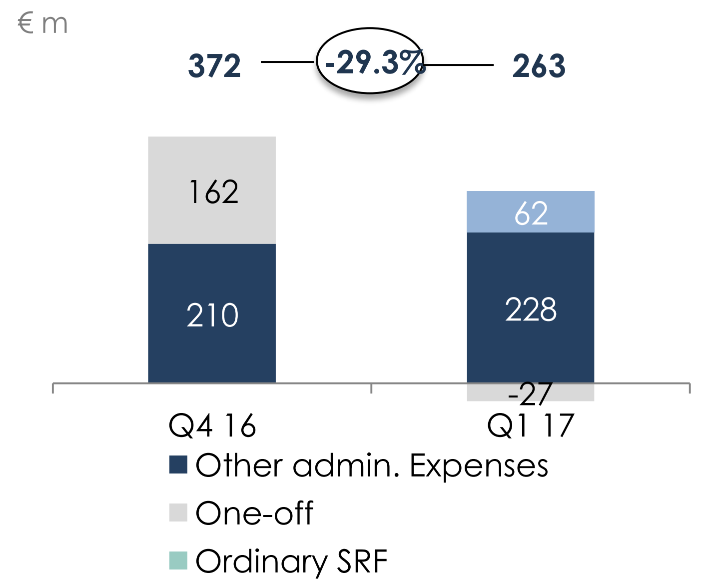
- Personnel expenses dropped by 4.5% y/y, driven by average headcount optimisation (already decreased by 200 people) and by lower variable remuneration components.
- Personnel expenses declined by 30.6% q/q and by 0.4% on a like-for-like basis (Q4 2016 included the one-off expense tied to the cost of the ex BP Redundancy Fund).

OTHER ADMINISTRATIVE EXPENSES

Yearly comparison



Quarterly comparison



- Other administrative expenses went down by 7.2% y/y. This figure benefitted from the refund of the 2015 DTA fee (€27m) and it includes the higher ordinary contribution to the Resolution Fund (€62.4m in Q1 2017 vs. €58.8m in Q1 2016) and the 2017 DTA quota (€6.7m), which have not been booked in Q1 2016.
- Other administrative expenses dropped by 29.3% (Q4 2016 included one-off expenses tied to the integration costs and non-recurring systemic contributions). Q1 2017 benefitted from the 2015 DTA fee refund (€27m), but includes about €62.4m ordinary contribution to the Resolution Fund and €14m integration costs.

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RECLASSIFIED P&L – Q/Q COMPARISON

Reclassified P&L items (€m)	Q1 2017	o/w PPA	Q1 2017 without PPA	Q4 2016 PF	o/w PPA	Q4 2016 PF without PPA	Chg. q/q with PPA	Chg. q/q without PPA
Net interest income	556.2	21.6	534.6	496.2	0.0	496.2	12.1%	7.7%
Income (loss) from invest. in associates carried at equity	41.6	0.0	41.6	36.6	0	36.6	13.5%	13.5%
Net interest, dividend and similar income	**597.8**	**21.6**	**576.2**	**532.9**	**0.0**	**532.9**	**12.2%**	**8.1%**
Net fee and commission income	547.4	0.0	547.4	511.5	0.0	511.5	7.0%	7.0%
Other net operating income	30.2	-11.9	42.1	40.7	-5.6	46.3	-25.9%	-9.1%
Net financial result (excluding FVO)	37.7	0.0	37.7	119.8	0.0	119.8	-68.5%	-68.5%
Other operating income	**615.3**	**-11.9**	**627.1**	**672.0**	**-5.6**	**677.5**	**-8.4%**	**-7.4%**
Total income	**1,213.1**	**9.7**	**1,203.3**	**1,204.9**	**-5.6**	**1,210.4**	**0.7%**	**-0.6%**
Personnel expenses	-458.7	0.0	-458.7	-661.4	0.0	-661.4	-30.6%	-30.6%
Other administrative expenses	-263.2	0.0	-263.2	-372.4	0.0	-372.4	-29.3%	-29.3%
Amortization and depreciation	-53.0	-3.3	-49.8	-152.7	-0.9	-151.8	-65.3%	-67.2%
Operating costs	**-774.9**	**-3.3**	**-771.7**	**- 1,186.5**	**-0.9**	**- 1,185.6**	**-34.7%**	**-34.9%**
Profit (loss) from operations	**438.1**	**6.5**	**431.7**	**18.4**	**-6.5**	**24.8**	**2284.6%**	**1638.7%**
Net adjustments on loans to customers	-291.4	45.1	-336.6	- 1,029.5	0.0	- 1,029.5	-71.7%	-67.3%
Net adjustments on other assets	-8.4	0.0	-8.4	-88.6	0.0	-88.6	-90.6%	-90.6%
Net provisions for risks and charges	0.5	0.0	0.5	-41.5	0.0	-41.5	n.s.	n.s.
Impairment of goodwill and equity investments	0.0	0.0	0.0	-279.0	0.0	-279.0	n.s.	n.s.
Profit (loss) on the disposal of equity and other investments	17.1	0.0	17.1	122.8	0.0	122.8	-86.1%	-86.1%
Income (loss) before tax from continuing operations	**155.9**	**51.6**	**104.3**	**- 1,297.4**	**-6.5**	**- 1,290.9**	**n.s.**	**n.s.**
Tax on income from continuing operations (excluding FVO)	-38.6	-17.6	-21.0	310.0	2.1	307.9	n.s.	n.s.
Income (loss) after tax from discontinued operations	-0.0	0.0	0.0	4.0	0.0	4.0	n.s.	n.s.
Income (loss) attributable to minority interests	3.1	0.0	3.1	2.3	0.0	2.3	35.8%	35.8%
Net income (loss) for the period excluding FVO	**120.4**	**34.0**	**86.4**	**-981.1**	**-4.4**	**-976.7**	**n.s.**	**n.s.**
Fair Value Option result (FVO)	-3.6	0.0	-3.6	-1.7	0.0	-1.7	115.3%	115.3%
Net income (loss) for the period excluding Badwill	**116.8**	**34.0**	**82.9**	**-982.7**	**-4.4**	**-978.3**	**n.s.**	**n.s.**
Temporary merger differences (Badwill)	3,123.9							
Net income (loss) for the period	**3,240.7**							

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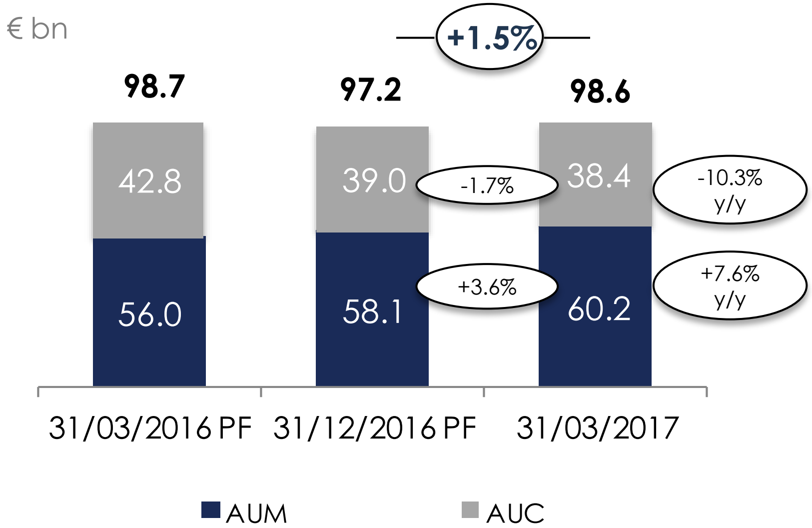
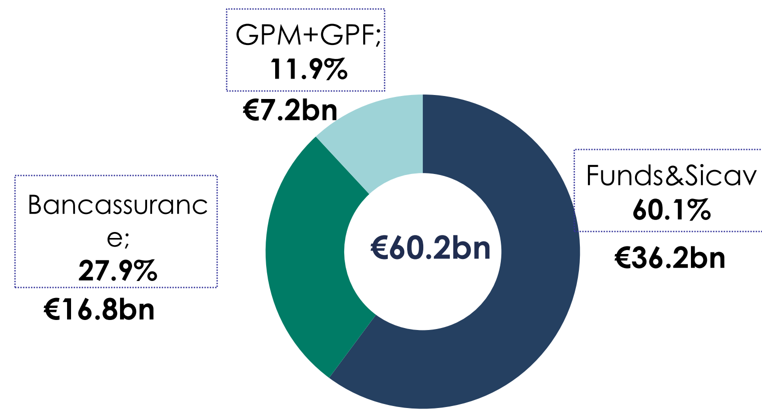
INDIRECT FUNDING

Strong growth in AUM which is increasing its share of indirect funding (from 57% in Mar ‘16 to 61% in Mar ‘17)

Indirect funding[1]



AuM analysis as at 31/03/2017



- Total indirect funding (net of guaranteed capital certificates) is basically stable y/y and up by 1.5% q/q.
- Asset Management reports an excellent growth (+7.6% y/y and +3.6% q/q), driving the rise in indirect funding .
- The Asset Management breakdown highlights the growth of the Funds and Sicav sleeve (+13.1% y/y and +5.4% q/q), and the good performance of the portfolio management GPM+GPF sleeve (+2.9% y/y and +3.5% q/q).

Note:
1. Starting from this quarter, Indirect Funding is calculated net of capital guaranteed certificates. This item, previously included in AuC, is now classified in the direct funding.

CREDIT QUALITY: DETAILS

Starting from Q1 2017, €3.5bn write-offs have been booked on Gross exposures and bad laans adjustments. As of end March 2017, €1bn write-offs remain off-balance sheet

Includes the on-balance sheet restatement of €3.5bn of write-offs

€ m	31/03/2017			
	Gross exposure	Adjustments	Coverage	Net exposure
Bad Loans	17.865	10.538	59,0%	7.327
Unlikely to pay	10.993	3.435	31,2%	7.558
Past Due	173	26	15,0%	147
Non-performing Loans	**29.032**	**13.999**	**48,2%**	**15.033**
Performing Loans	**95.717**	**408**	**0,4%**	**95.308**
Total Customer Loans	**124.748**	**14.407**	**11,5%**	**110.341**

	31/12/2016 pf							
	Nominal exposure	Write-offs	Gross exposure	Adjustments	Adjustments with write-offs	Coverage with write-offs	Coverage without write-offs	Net exposure
Bad Loans	19.578	5.166	14.413	6.590	11.756	60,0%	45,7%	7.822
Unlikely to Pay	11.349		11.349	3.092	3.092	27,2%	27,2%	8.257
Past Due	153		153	28	28	18,2%	18,2%	125
Non-performing Loans	**31.080**	**5.166**	**25.914**	**9.710**	**14.876**	**47,9%**	**37,5%**	**16.204**
Performing Loans	**94.754**		**94.754**	**408**	**408**	**0,4%**	**0,4%**	**94.346**
Total Customer Loans	**125.834**	**5.166**	**120.669**	**10.118**	**15.284**	**12,1%**	**8,4%**	**110.551**

	31/03/2016 pf							
	Nominal exposure	Write-offs	Gross exposure	Adjustments	Adjustments with write-offs	Coverage with write-offs	Coverage without write-offs	Net exposure
Bad Loans	19.003	4.955	14.047	6.423	11.378	59,9%	45,7%	7.625
Unlikely to Pay	12.311		12.311	2.975	2.975	24,2%	24,2%	9.336
Past Due	322		322	52	52	16,1%	16,1%	271
Non-performing loans	**31.636**	**4.955**	**26.681**	**9.450**	**14.405**	**45,5%**	**35,4%**	**17.231**
Performing Loans	**95.522**		**95.522**	**487**	**487**	**0,5%**	**0,5%**	**95.034**
Total Customer Loans	**127.157**	**4.955**	**122.202**	**9.937**	**14.892**	**11,7%**	**8,1%**	**112.265**

CAPITAL ADEQUACY: RWA DETAILS

Composition of RWAs as at al 31/03/2017

(€ m)

Risk-Weighted Assets	Phase-in		Fully Loaded	
	Value	% on total	Value	% on total
Credit Risk	69,137	88.9%	68,689	88.9%
Market Risk	3,045	3.9%	3,045	3.9%
Operational Risk	5,544	7.1%	5,544	7.2%
TOTAL	**77,727**	**100%**	**77,278**	**100%**
Memo RWAs as at 31/12/16	***74,679***	***100%***	***74,187***	***100%***
RWAs growth q/q	***4.1%***	-	***4.2%***	-

- In the first quarter, the RWAs registered an increase of about 4%.
- The growth is concentrated in the credit risk component, primarily stemming from a temporary negative buffer in order to take into account RWAs tied to defaulted assets and Retail EAD, which is set to be re-absorbed as soon as the new AIRB models are extended to the ex-BPM perimeter (amounting to about €3.5bn).

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BANCO BPM

OVERVIEW BANCO BPM COVERED BOND PROGRAMMES

BP OBG 1 (2010)	BP Covered Bond S.r.l.
• Public Programme	
• Residential mortgages	
• Ratings	A1 (Moody's)/ A (DBRS)
• Covered bonds	€ 5.25 bln - 3 floaters bonds, 1 public bond and 2 small-scale issues - maturity from 2017 to 2029
• Cover Pool	€ 10.7 bln
• Nominal OC	104%
• Required OC	5.0%

BP OBG 2 (2012)	BP Covered Bond S.r.l.
• Retained Programme	
• Residential/Commercial mortgages	
• Ratings	A2 (Moody's)
• Covered bonds	€ 1.25 bln - 1 floater bond –maturity 2019
• Cover Pool	€ 1.8 bln
• Nominal OC	47%
• Required OC	6.50%

BPM OBG 1 (2008)	BPM Covered Bond S.r.l.
• Retained Programme	
• Residential mortgages	
• Ratings	A1 (Moody's)
• Covered bonds	€ 3.5 bln - 5 floaters bonds - maturity from 2019 to 2021
• Cover Pool	€ 4 bln
• Nominal OC	13%
• Required OC	4.50%

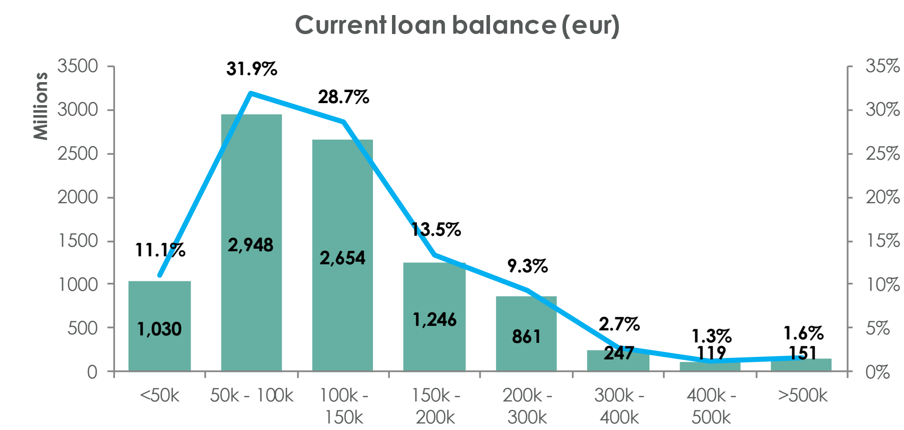
BPM OBG 2 (2015)	BPM Covered Bond 2 S.r.l.
• Public Programme	
• Residential mortgages	
• Ratings	A1 (Moody's)
• Covered bonds	€ 2.5 bln - 3 bonds - maturity from 2022 to 2025
• Cover Pool	€ 3.3 bln
• Nominal OC	36%
• Required OC	4.50%

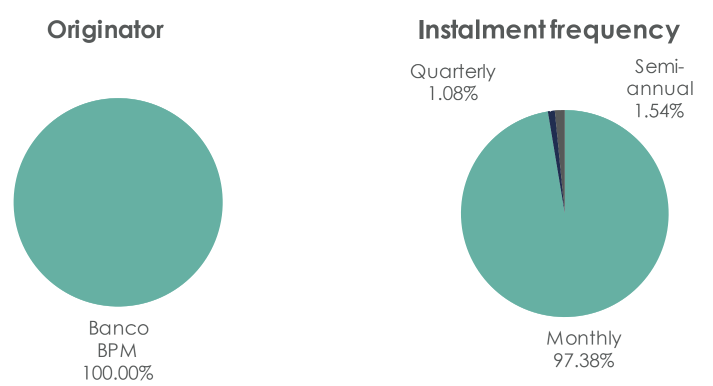
SUMMARY OF BANCO BPM COVERED BOND RESIDENTIAL PROGRAMMES

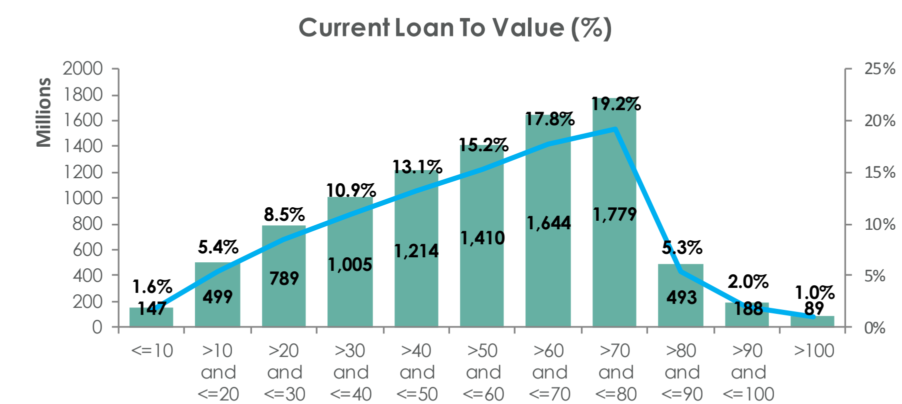
	BP OBG 1 (ex Banco Popolare)	BPM OBG 2 (ex Banca Popolare Milano)
Issuer	Banco BPM	Banco BPM
Originator	Banco BPM	BPM S.p.A.
Guarantor	BP Covered Bond S.r.l. a bankruptcy remote, special purpose entity which benefits from segregation principals well established under law 130/1999	BPM Covered Bond 2 S.r.l. a bankruptcy remote, special purpose entity which benefits from segregation principals well established under law 130/1999
Security Structure	Italian Law-based Covered Bonds (OBG)	Italian Law-based Covered Bonds (OBG)
Cover Pool	Exclusively Italian prime residential mortgages	Exclusively Italian prime residential mortgages
Maximum LTV	80% at inclusion and capped by the Asset Coverage Test, Interest Coverage, Net Present Value and Nominal Value Test	80% at inclusion and capped by the Asset Coverage Test, Interest Coverage, Net Present Value and Nominal Value Test
Substitute Assets	Up to 15%	Up to 15%
Listing/Denomination	Luxembourg Stock Exchange; EUR 100,000	Luxembourg Stock Exchange; EUR 100,000
Over-collateralisation	Committed: 7.5% Consistent with rating: 5% (Moody's), 10% (DBRS) Nominal: 104%	Committed: 7.5% Consistent with rating (Moody's): 4.5% Nominal: 13%
Ratings	A1/ A (Moody's/ DBRS)	A1 (Moody's)
Asset Monitor	BDO S.p.A.	BDO S.p.A.
Governing law	Italian	Italian
Arrangers	UBS Investment Bank	Barclays
Bondholder Trustee	BNP Paribas	Securitisation Services

BP OBG 1 Cover Pool Highlights (1/3)

Cover Pool as of Cut-off Date (31st May 2016)	
Balance 31/05/2017 (€)	9,256,730,135
Number of loans	109,966
Average loan balance	84,178
WA seasoning (years)	6.59
WA remaining term (years)	16.96
Number of borrowers	107,610
WA CLTV	54.61%
Percentage of floating rate mortgages (%)	74.50%
WA interest rate on floating rate loans (%)	1.16%
WA margin on floating rate loans (bps)	150.84
WA interest rate on fixed rate loans (%)	3.58%
WA interest rate (%)	1.77%
Outstanding Covered Bond Issuance	5,250,000,000

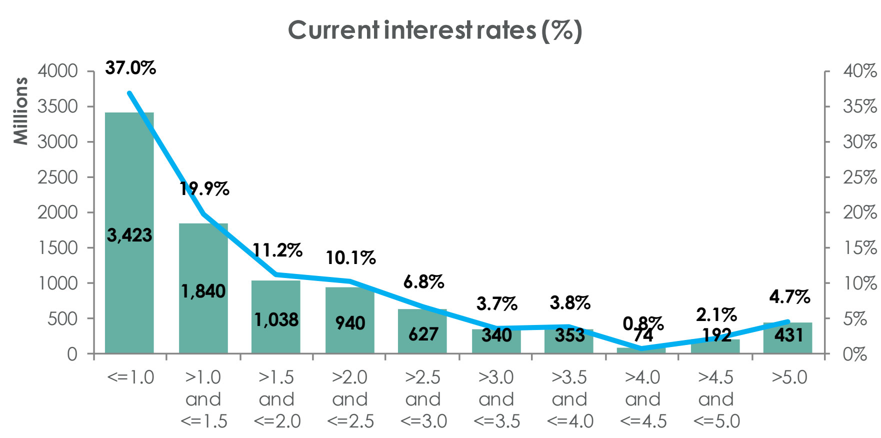


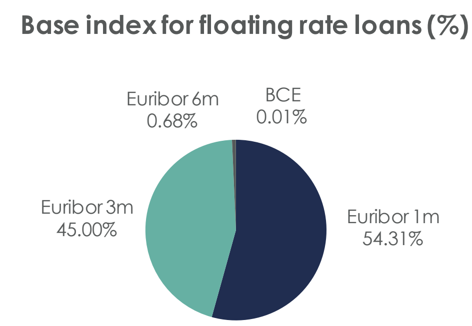


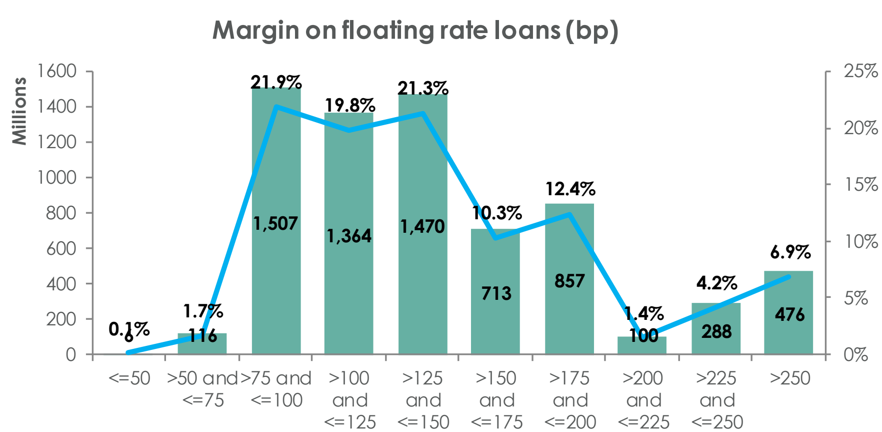


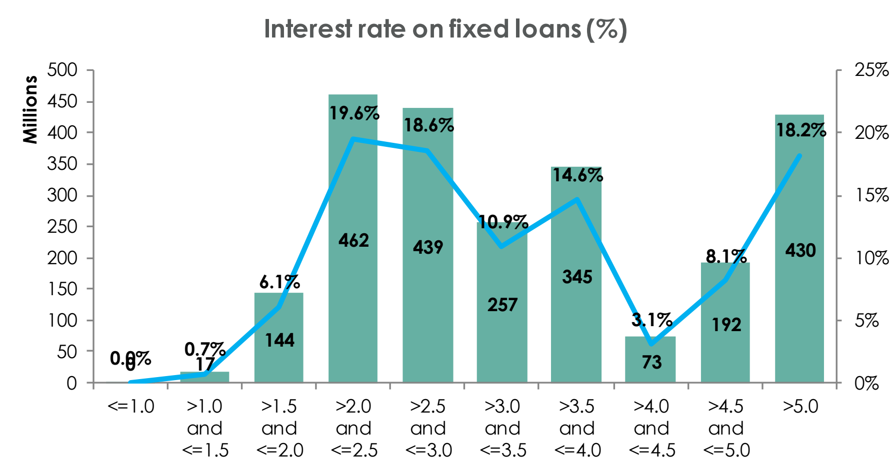
Outstanding value
% of Total

BP OBG 1 Cover Pool Highlights (2/3)









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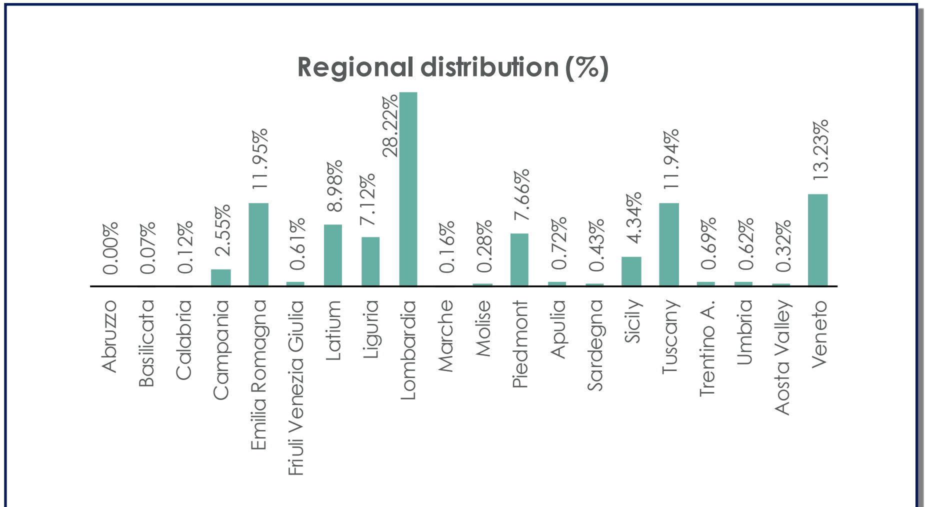
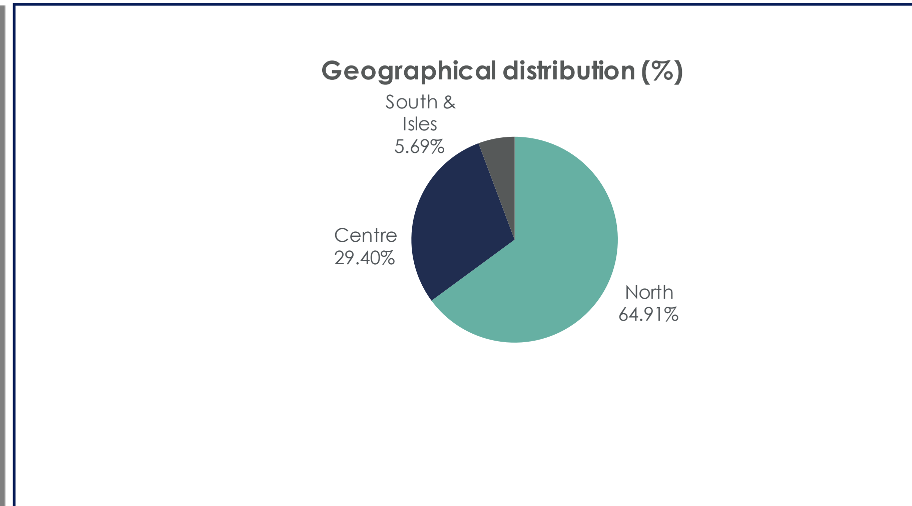
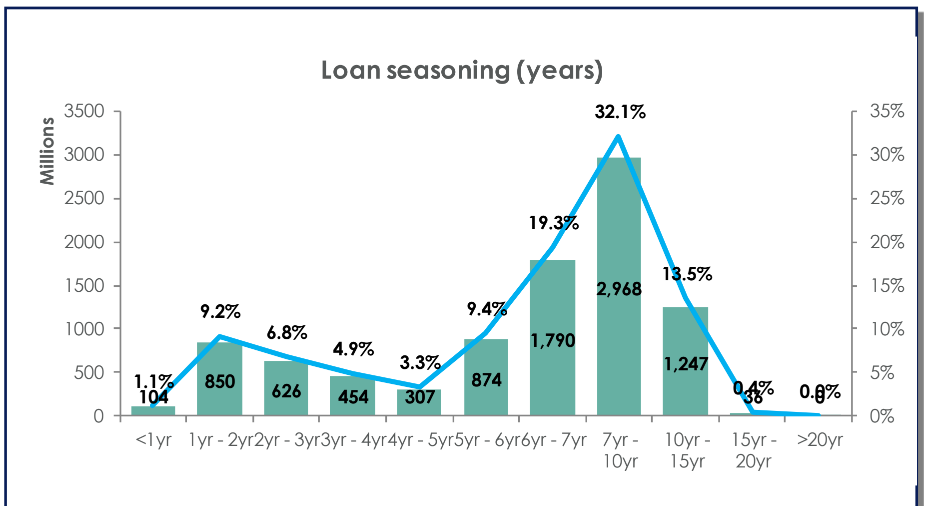
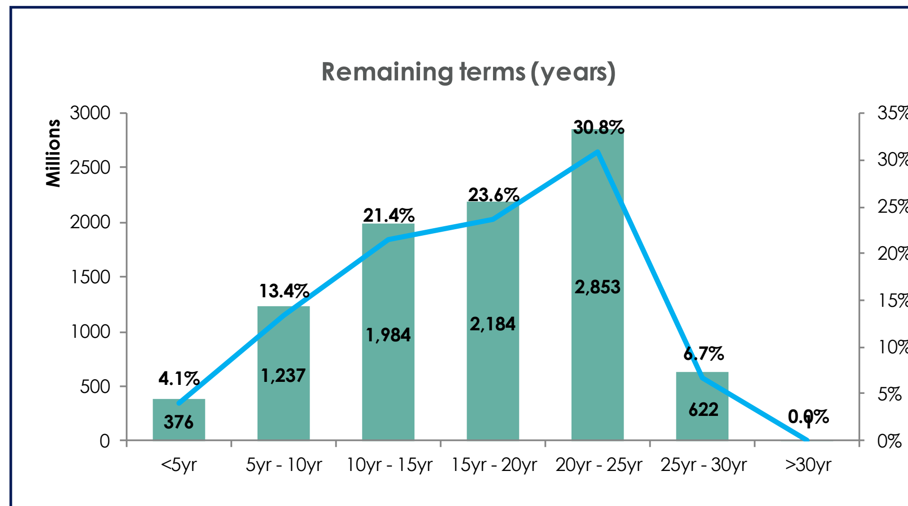
Outstanding value — % of Total

BP OBG 1 Cover Pool Highlights (3/3)





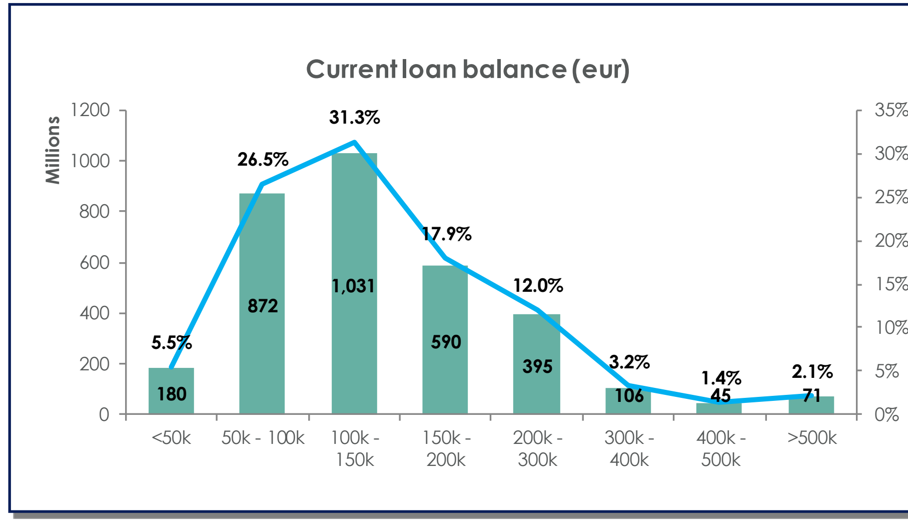


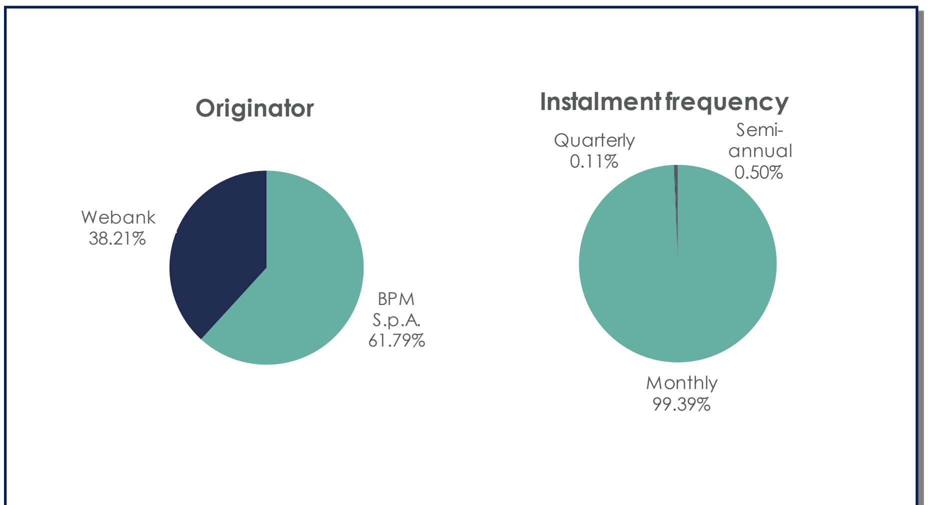


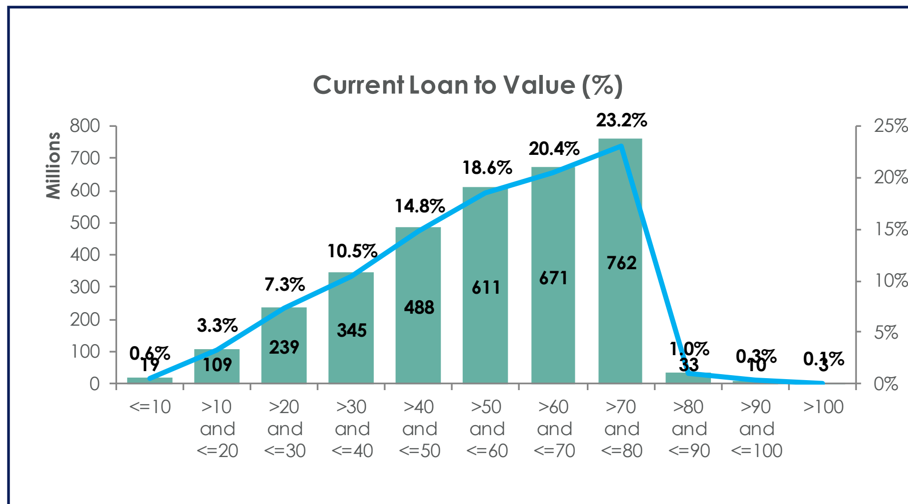
Outstanding value — % of Total

BPM OBG 2 Cover Pool Highlights (1/3)

Cover Pool as of Cut-off Date (31st May 2016)	
Balance (€)	3,289,781,614
Number of loans	30,678
Average loan balance	107,236
WA seasoning (years)	2.63
WA remaining term (years)	20.31
Number of borrowers	30,409
WA CLTV	54.82%
Percentage of floating rate mortgages (%)	54.73%
WA interest rate on floating rate loans (%)	1.59%
WA margin on floating rate loans (bps)	185.50
WA interest rate on fixed rate loans (%)	2.57%
WA interest rate (%)	2.04%
Outstanding Covered Bond Issuance	2,500,000,000







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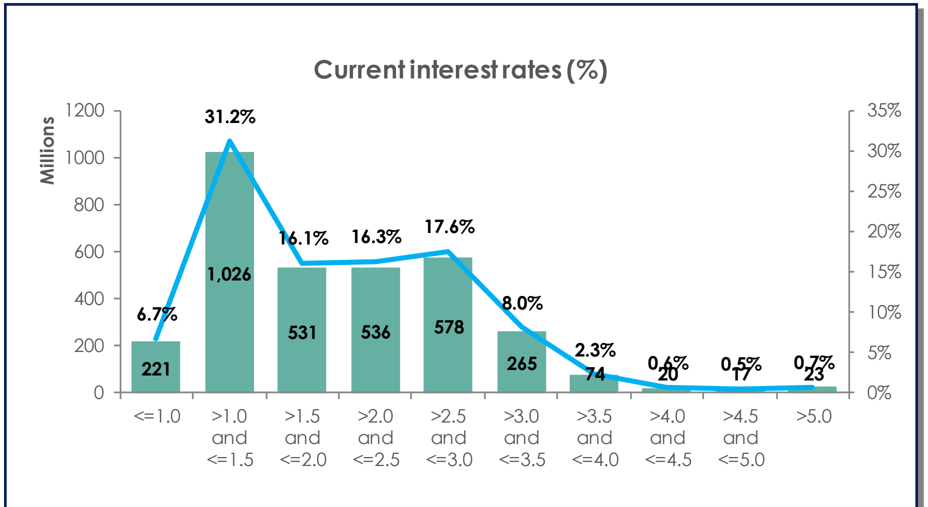
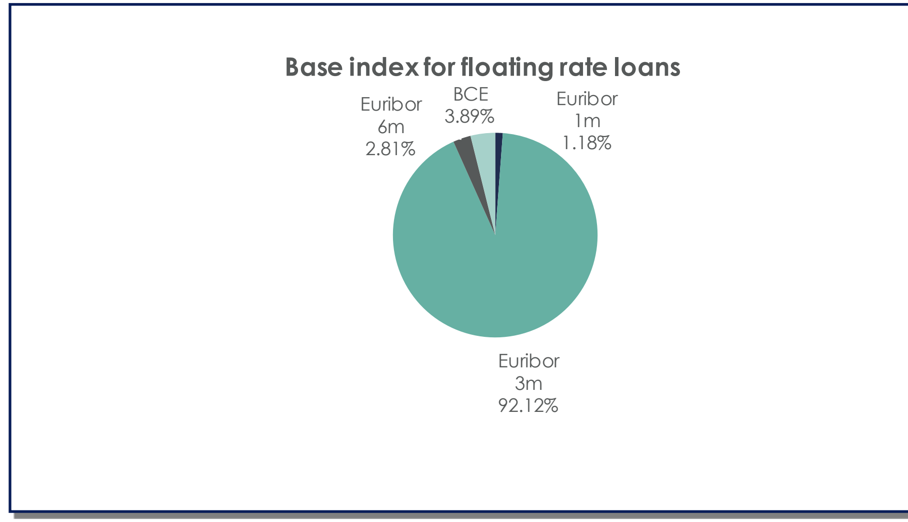
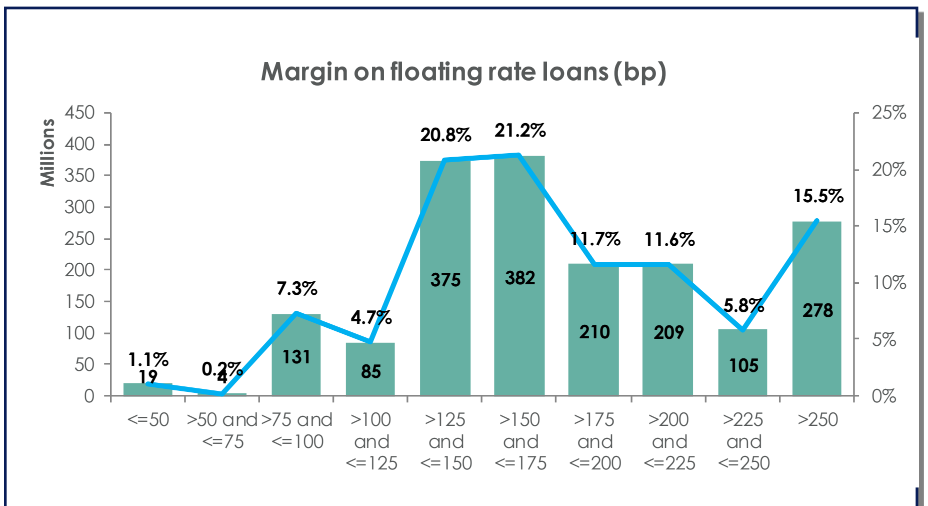
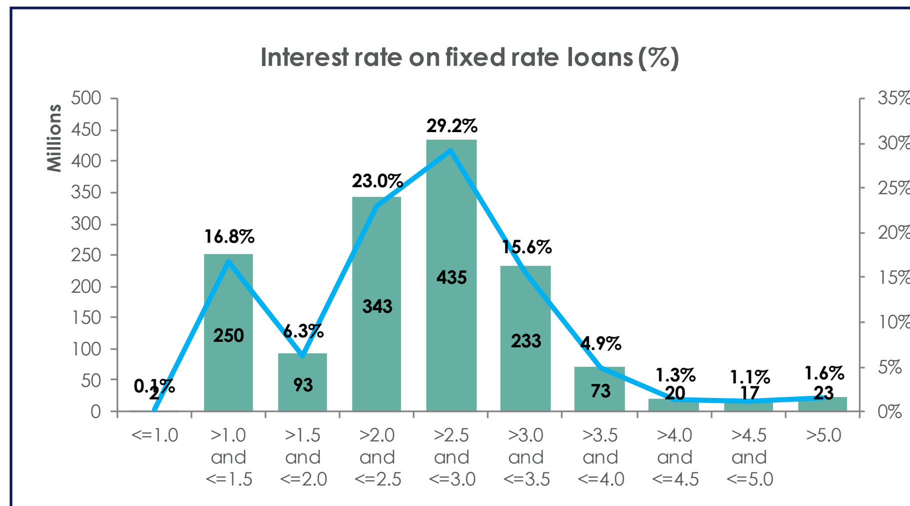
BPM OBG 2 Cover Pool Highlights (2/3)



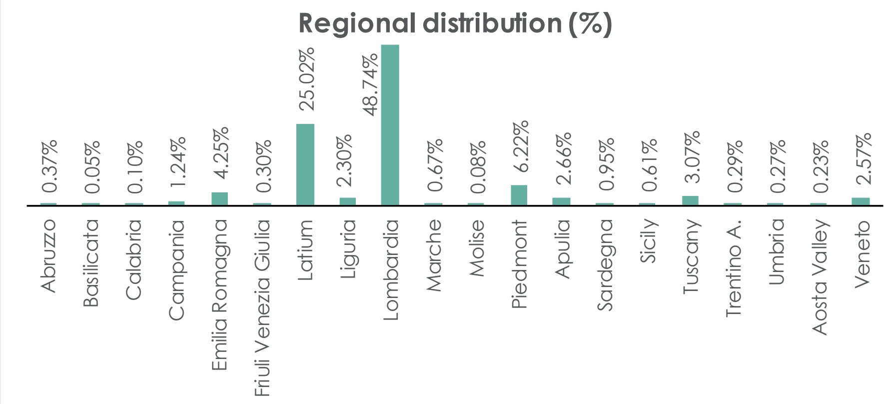


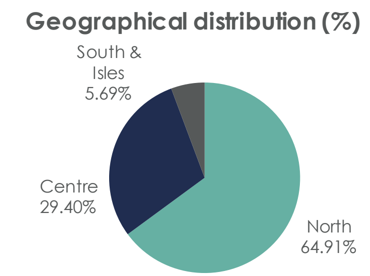


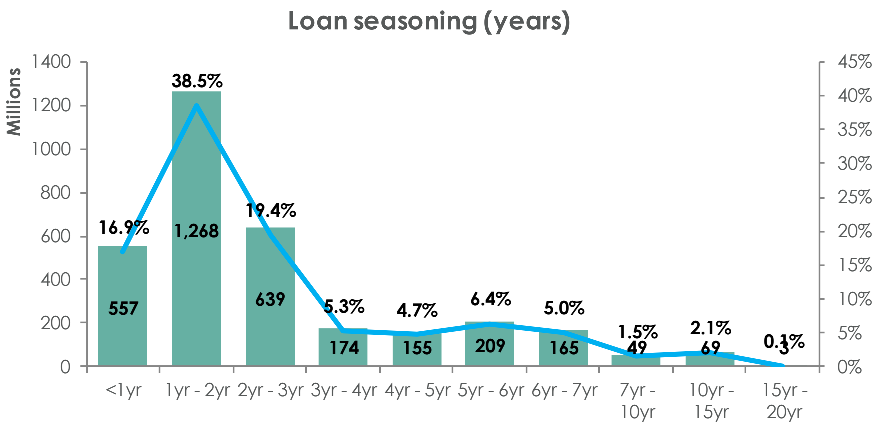


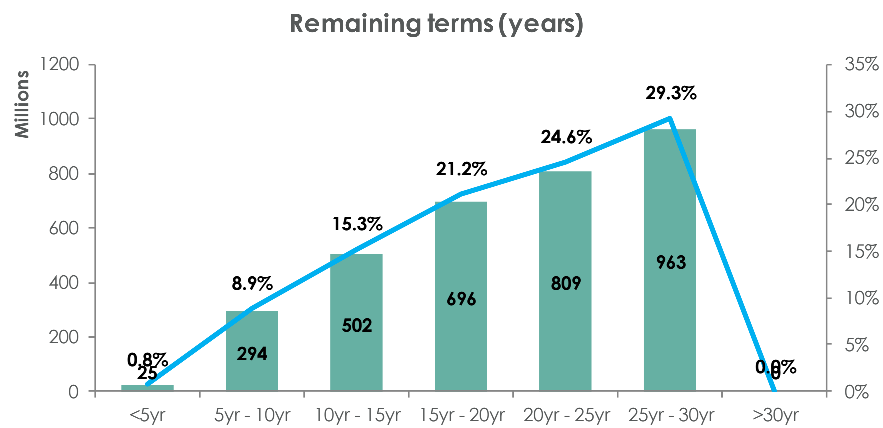
Outstanding value
% of Total

BPM OBG 2 Cover Pool Highlights (3/3)









Outstanding value
% of Total

ITALIAN COVERED BOND LEGAL FRAMEWORK

	Italian Legal Framework	BPM 2 OBG 2 Programme	BP OBG 1 Programme
Issuer	❑ Only banks complying with Bank of Italy's requirements strong capitalization	❑ Currently Banco BPM has a Tier 1 Ratio ≥ 9% **(11.86%)** and a Common Equity Tier 1 Ratio (CET1R) ≥ 8% **(11.50%).**	
Supervision	❑ Bank of Italy acts as regulator for the OBG issuances		
Asset Segregation	❑ Strong asset segregation mechanism via true sale to a Law 130/99 SPV		
Eligible Assets for Collateral	❑ Mortgages ❑ High quality public sector loans ❑ Substitute assets (max 15% of cover pool)	❑ Prime, first lien, residential mortgage loans	❑ Prime, first lien, residential mortgage loans
LTV	❑ Strong quality for the eligible assets: ❑ LTV ≤ 80% for residential mortgages ❑ LTV ≤ 60% for commercial mortgages	❑ WA Current LTV: 54.62% ❑ WA Original LTV: 59.26%	❑ WA Current LTV (original valuation): 46.98% ❑ WA Current LTV (latest valuation): 54.58%
Monitoring	❑ Internal: strong control activity and reporting lines (at least on annual basis) ❑ External: strict monitoring rules issued and supervised by bank of Italy		
Asset Monitor	❑ Dedicated, external and independent audit firm appointed for monitoring purposes (at least on semi-annual basis)	❑ BDO Italia	❑ BDO Italia
Over-collateralization ("OC")	❑ No over-collateralization required by law	❑ Currently 7.5% minimum over-collateralization (93.0% max Asset Percentage)	❑ Currently 7.5% minimum over-collateralization (93.0% max Asset Percentage)
Tests	❑ Nominal Value Test ❑ Interest Coverage Test ❑ NPV	❑ Asset Coverage Test ❑ Amortization Test ❑ Nominal Value Test ❑ NPV Test ❑ IC Test	❑ Asset Coverage Test ❑ Amortization Test ❑ Nominal Value Test ❑ NPV Test ❑ IC Test
Risk		❑ Interest rate swap at issuance	❑ Interest rate swap at issuance

BANCO BPM

BANK OF ITALY OBG REQUIREMENTS

- Pursuant to Bank of Italy supervisory regulation (dated 15 May 2007 as updated on 24 March 2010 and 24 June 2014) OBG may only be issued by banks with:
  - ✓ minimum consolidated regulatory capital of €250m
  - ✓ minimum Total Capital Ratio of 9%
- In addition the assignment of assets to the cover pool is subject to certain limits based on the bank's Tier 1 and Common Equity Tier 1 ratios:

Common Equity Tier 1 ratio (CET1) ≥ 8% Tier 1 ratio (T1) ≥ 9%	No limits
CET1 ≥ 7% T1 ≥ 8%	Up to 60% of the available eligible assets
CET1 ≥ 6% T1 ≥ 7%	Up to 25% of the available eligible assets

BANCO BPM

“OC” AND ALM MATCHING REQUIREMENTS

Asset Coverage Test (ACT)	Minimum 7.5% “OC” (93% Asset Percentage) adjusted dynamically to protect the maximum rating achievable

Mandatory Test (by Law)

“OC” Test	The aggregate outstanding amount of the Cover Pool must be at least equal to the Outstanding Amount of all the OBG issued under the Programme
Net Present Value Test	The Net Present Value of the cover pool (net of the SPV general and administrative expenses) including derivatives must be at least equal to the NPV of the outstanding Obbligazioni Bancarie Garantite
Interest Coverage Test	Interests generated by the cover pool (including derivatives) must be sufficient to cover interest payments under the Obbligazioni Bancarie Garantite

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BANCO BPM GROUP RATINGS

	Ratings assigned to Banco BPM			MEMO: Rating assigned to Italy	
	Long-Term	Short-Term	Other ratings	Long- Term	Short-Term
Moody's	Deposit Rating: Ba1/Stable Issuer Rating: Ba2/Negative	NP	BCA: b1	Baa2 Negative	P-2
DBRS	BBB low Stable	R-2 middle Stable	IA: BBB low Support: SA-3	BBB high Stable	R-1 low

- Moody's assigned its ratings to Banco BPM on 3 January 2017. In detail, the Long and Short-Term Deposit Rating stand at "Ba1/Not Prime", the Long-Term Issuer Rating at "Ba2" and the Baseline Credit Assessment at "b1". The Outlook on the Deposit Rating is Stable, while on the Issuer Rating it is Negative.
- DBRS assigned its ratings to Banco BPM on 5 January 2017. In detail, the Long-Term Rating is "BBB low" and the Short-Term Rating is "R-2 middle"; the Trend of both ratings is Stable. Moreover, the Intrinsic Assessment stands at BBB low and the Support Assessment at SA-3.

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