Banco BPM S.p.A. – Corporate presentation

BoA Merrill Lynch "22nd Annual CEO Financial Conference"

London, 28 September 2017

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* * *

In this presentation, with a view to provide adequate information on the Group's balance sheet, financial and income statement position, reclassified accounting tables and comparative data have been prepared, on an aggregate basis, with reference to 31 December 2016 for the balance sheet and to 30 June 2017 for the profit and loss account. Such data have been obtained through the aggregation of the data referring to the former Banco Popolare Group and to the former BPM Group as at 31/12/2016 and as at 30/06/2016, with the inclusion of appropriate adjustments.

Comparative data calculated on an aggregate basis have not been subject to an external audit.

* * *

This presentation includes both accounting data (based on financial accounts) and internal management data (which are also based on estimates).

Mr. Gianpietro Val as the manager responsible for preparing the Bank's accounts hereby states pursuant to Article 154-*bis*, paragraph 2 of the Financial Consolidated Act that the accounting information contained in this presentation corresponds to the documentary evidence, corporate books and accounting records.

Agenda

BANCO BPM

BANCO BPM: THE FRANCHISE VALUE OF THE NEW GROUP

➤ *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

MAIN ACHIEVEMENTS AND ONGOING PROJECTS AT A GLANCE

	June-17	July-17	Aug-17	Sept-17	Dec-17

Completion of organizational set-up ✓

NPL Unit set up ✓

Closure of 50% of branches under the Plan[1] ✓ — Cost optimization

Definition of strategic Bancassurance partnerships ✓ — «Beauty contest» and definition of new strategic partnerships

Assignment Private in Aletti: branch BPM ✓

Integration of ex BMP's IT systems ✓

Definition of AM partnership structure (Anima – Aletti) ✓

Roll-out of internal models to BPM

Assignment Private in Aletti: branch BP and Banca Akros*

Integration of Corporate, Investment Banking and Private Banking models (Aletti/Akros)

Omnichannel and Digital Banking

* Current hypothesis, to be confirmed

Notes; 1. The Strategic Plan envisages the closure of 335 branches by 2019.

BANCO BPM

BPM MIGRATION ON THE GROUP'S IT PLATFORM

IT MIGRATION COMPLETED DURING THE WEEKEND OF 22/23 JULY → **100% OF BRANCHES OPENED BY 08:30A.M. MONDAY MORNING**

About **6 months**
kick off: 9 January
go live: 24 July

More than **700 colleagues**
have been working on this project over the last 6 months

Migrated on Group IT platform:
more than **600 branches**
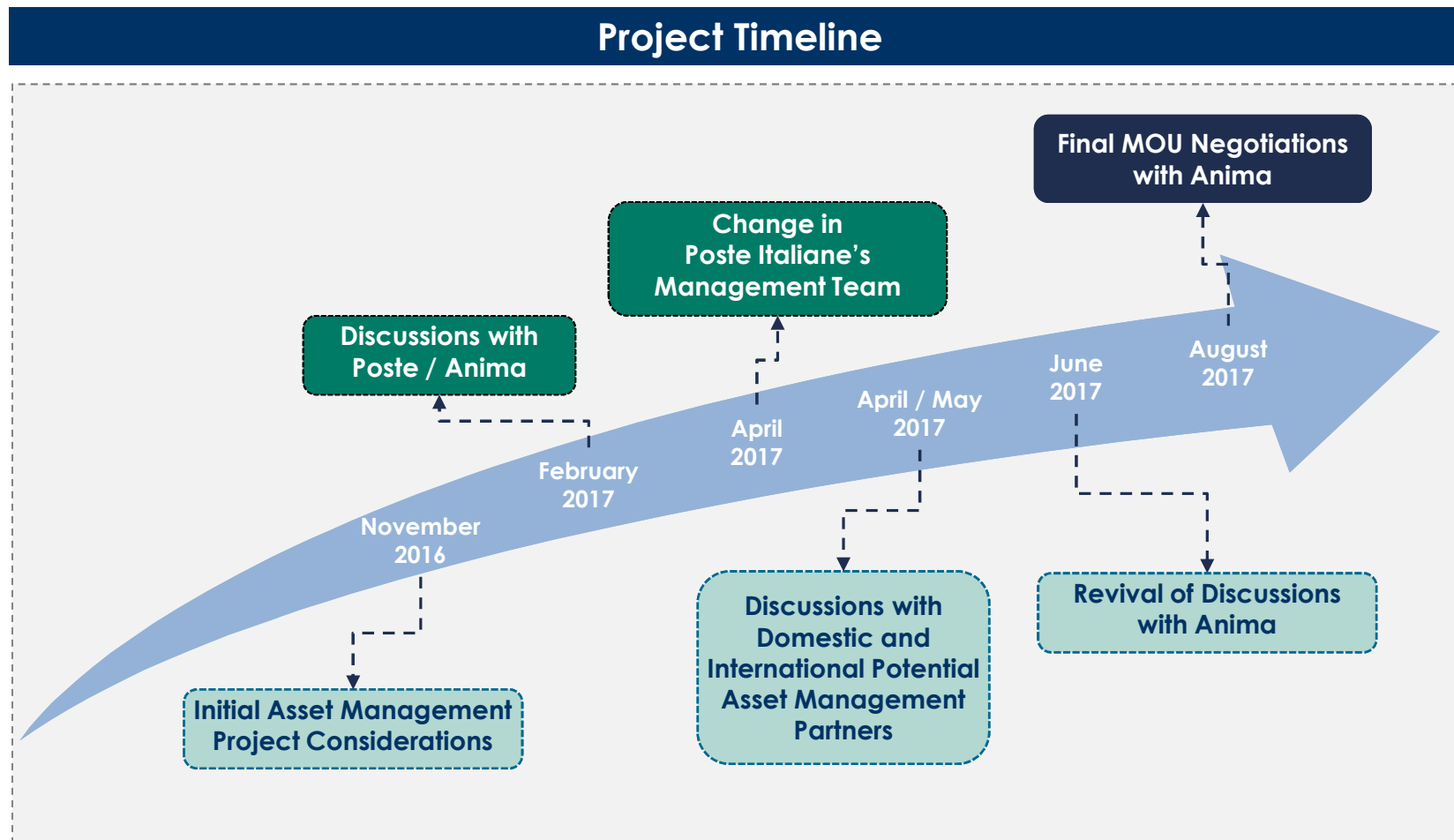more than **1M customers**
more than **6,000 employees**

About **5,000 people involved** over the last few days

About **1,000 people backing up** the **BPM network**

BANCO BPM

SALE OF ALETTI GESTIELLE TO ANIMA: MAIN WORKSTREAMS OF THE PROJECT

Project Timeline

Final MOU Negotiations with Anima

Change in Poste Italiane's Management Team

Discussions with Poste / Anima

June 2017

August 2017

April / May 2017

April 2017

February 2017

November 2016

Initial Asset Management Project Considerations

Discussions with Domestic and International Potential Asset Management Partners

Revival of Discussions with Anima

TRANSACTION WITH ANIMA: 20-YEAR PARTNERSHIP
Transaction Financial Data

The transaction with Anima to allow Banco BPM to receive up to €1.1bn: (i) an upfront cash consideration of €700m, (ii) excess capital distribution of c. €250m and (iii) potentially c. €150m from the sale of management of insurance reserves

€1.1bn

Estimated excess capital of Aletti Gestielle including 2017E net income

€950m

€250m

€700m

100% Aletti Gestielle Valuation / potential gross capital gain

€150m

Transfer of Insurance Reserves' Management to Anima

Potential Gross Capital Gain c. €840m

Aletti Gestielle Transaction Value

Management of Insurance Reserves

Total Valuation
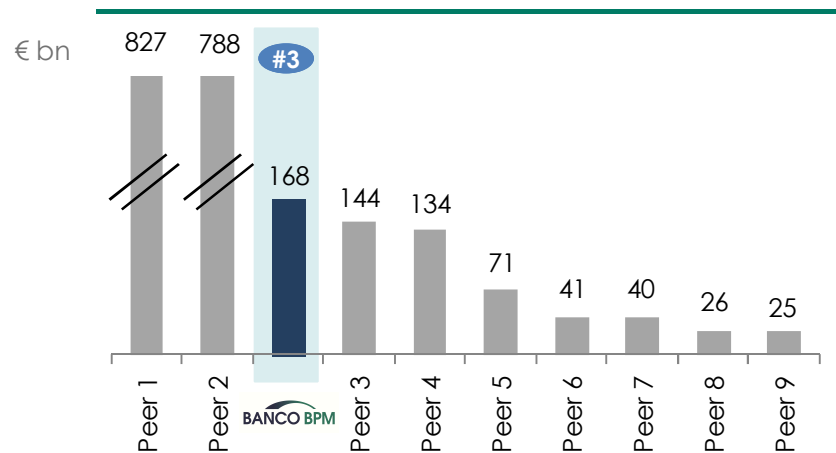
CET1 *fully-loaded* Impact (bps)

c. + 90bps[1]

c. +15bps

> +105bps

Note: 1. Including the effect of a pro quota subscription of Anima's possible capital increase by Banco BPM.
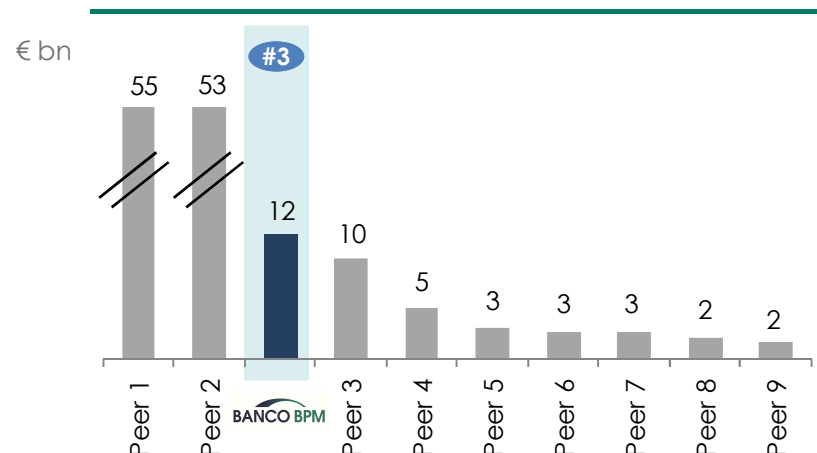
Agenda

BANCO BPM

AMONG THE TOP PLAYERS IN THE ITALIAN BANKING INDUSTRY

TOTAL ASSETS

€ bn

		#3							
827	788	168	144	134	71	41	40	26	25
Peer 1	Peer 2	BANCO BPM	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	Peer 8	Peer 9

SHAREHOLDERS' EQUITY

€ bn

		#3							
55	53	12	10	5	3	3	3	2	2
Peer 1	Peer 2	BANCO BPM	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	Peer 8	Peer 9

CUSTOMER LOANS

€ bn

		#3							
450	394	109	94	90	47	26	24	18	17
Peer 1	Peer 2	BANCO BPM	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	Peer 8	Peer 9

DIRECT FUNDING

€ bn

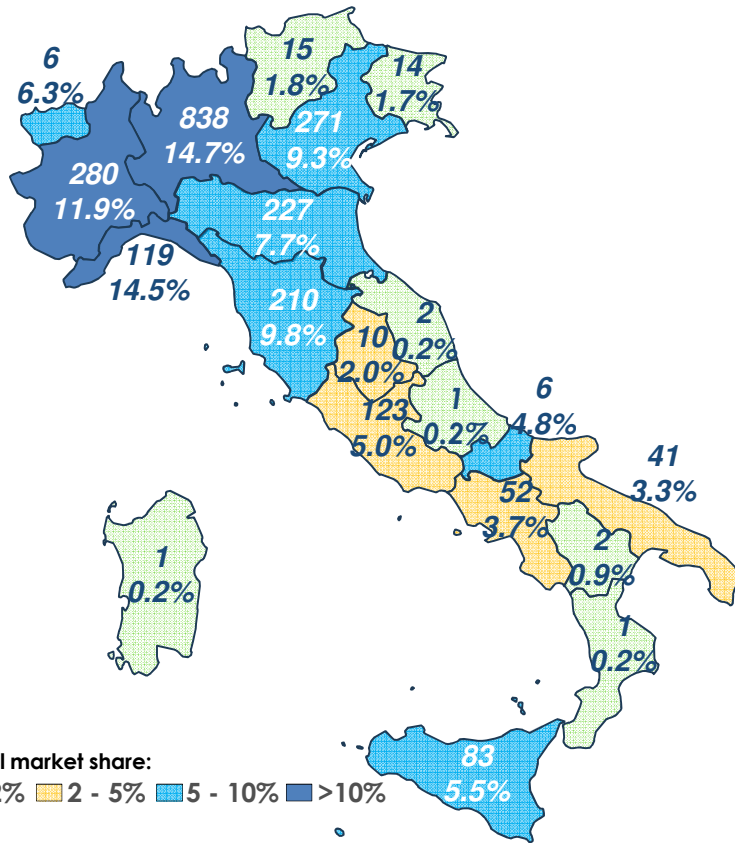|		#3							
547	412	115	107	99	49	30	27	20	18
Peer 1	Peer 2	BANCO BPM	Peer 3	Peer 4	Peer 5	Peer 6	Peer 7	Peer 8	Peer 9
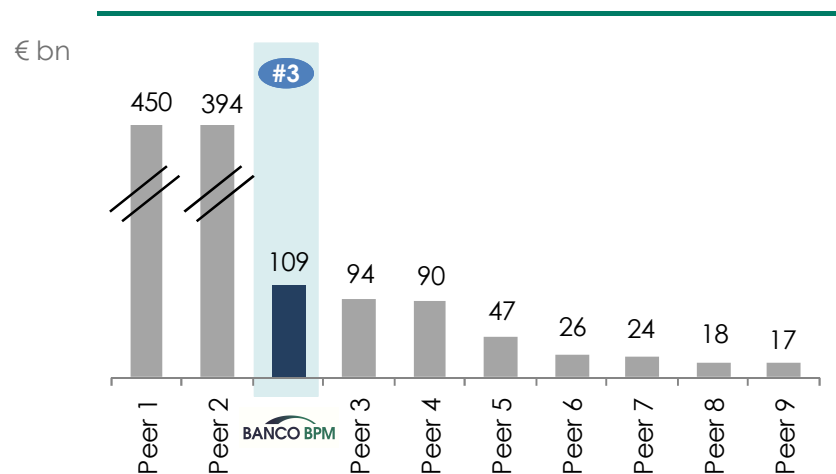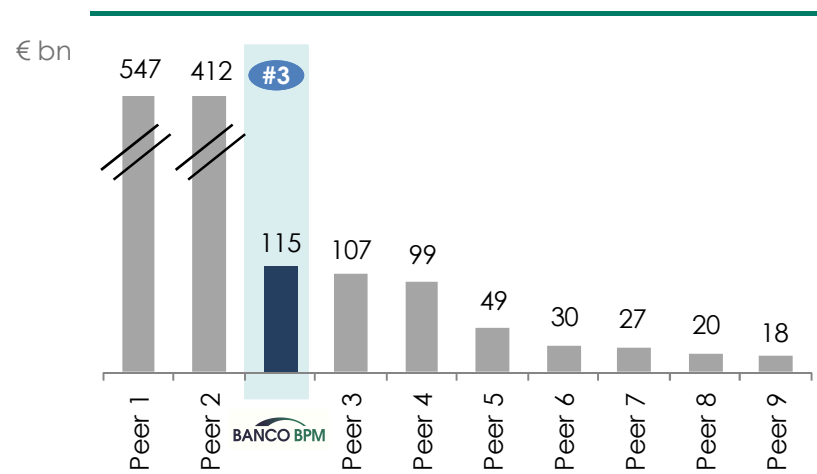
Direct Funding including REPOs for all banks and Certificates for ISP and Banco BPM. For ISP, the direct funding related to the Insurance business is excluded.

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Data as at 30 June 2017.
The benchmark includes: UCI, ISP, MPS, UBI, BPER, PopSo, Credem, Creval and Carige.

BANCO BPM: GEOGRAPHICAL FOOTPRINT

Regional market share:

☐ 0 - 2% ☐ 2 - 5% ☐ 5 - 10% ☐ >10%

Map labels (branches / market share):
- 6 / 6.3%
- 15 / 1.8%
- 14 / 1.7%
- 838 / 14.7%
- 271 / 9.3%
- 280 / 11.9%
- 227 / 7.7%
- 119 / 14.5%
- 210 / 9.8%
- 2 / 0.2%
- 10 / 2.0%
- 1 / 0.2%
- 6 / 4.8%
- 123 / 5.0%
- 41 / 3.3%
- 52 / 3.7%
- 2 / 0.9%
- 1 / 0.2%
- 1 / 0.2%
- 83 / 5.5%

1. Branch figures as at 30/06/2017. Market Shares as at April, 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

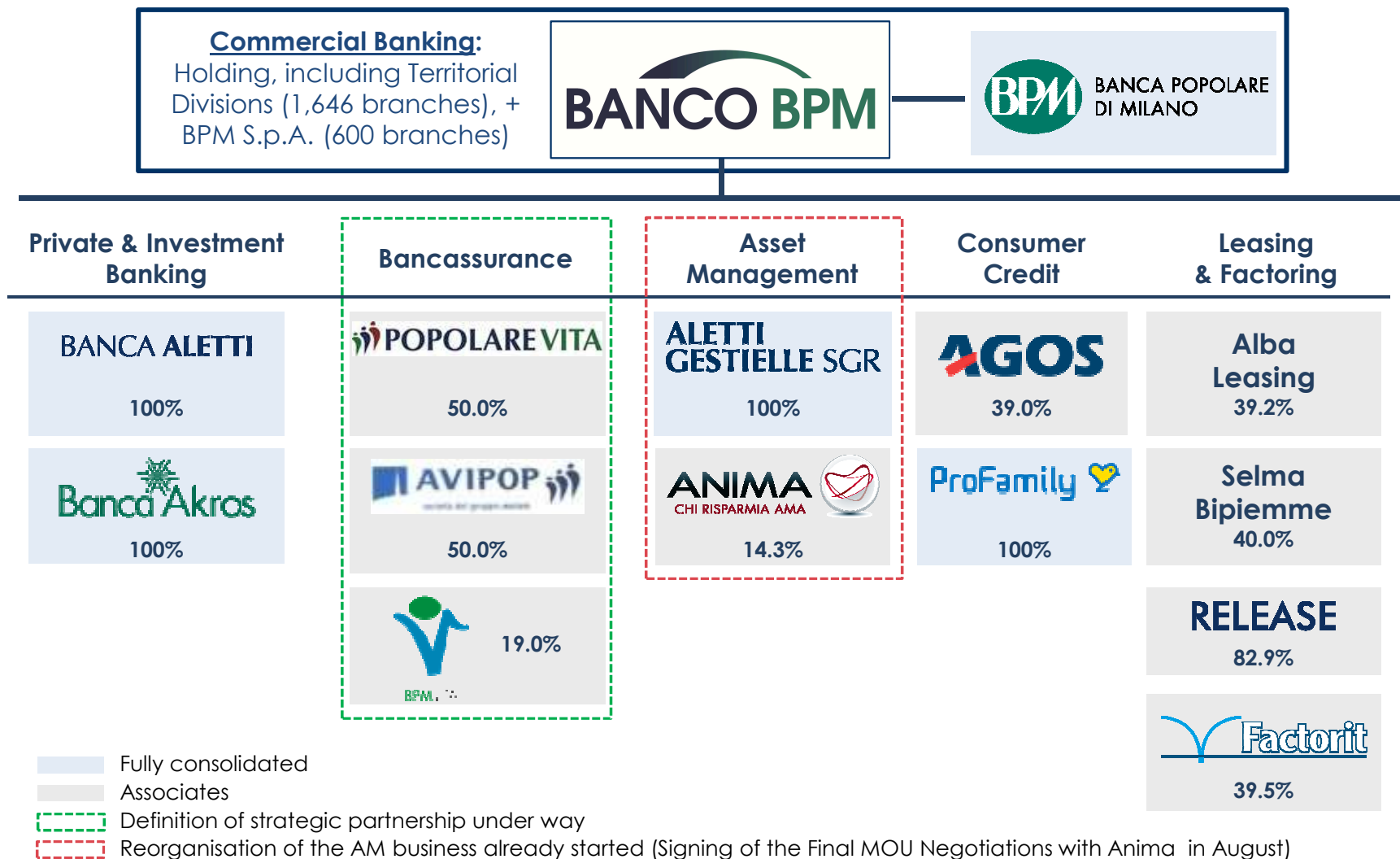| 1°	3°	3°
Lombardy	**Veneto**	**Piedmont**
# branches:	# branches:	# branches:
838	**271**	**280**
Market share:	Market share:	Market share:
14.7%	9.3%	11.9%

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%)

BANCO BPM: GROUP STRUCTURE

Commercial Banking:
Holding, including Territorial Divisions (1,646 branches), + BPM S.p.A. (600 branches)

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BPM BANCA POPOLARE DI MILANO

Private & Investment Banking	Bancassurance	Asset Management	Consumer Credit	Leasing & Factoring
BANCA **ALETTI** 100%	**POPOLARE VITA** 50.0%	**ALETTI GESTIELLE SGR** 100%	**AGOS** 39.0%	**Alba Leasing** 39.2%
Bancá Akros 100%	**AVIPOP** 50.0%	**ANIMA** CHI RISPARMIA AMA 14.3%	ProFamily 100%	**Selma Bipiemme** 40.0%
	BPM 19.0%			**RELEASE** 82.9%
				Factorit 39.5%

Fully consolidated

Associates

Definition of strategic partnership under way

Reorganisation of the AM business already started (Signing of the Final MOU Negotiations with Anima in August)

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Agenda

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EXECUTIVE SUMMARY: P&L - MAIN DATA

✓ **«CORE[1]» REVENUES UP**
€2,151m in H1 2017 (+5.6% y/y)

**+5.6%
Y/Y**

✓ **OPERATING COSTS DOWN**
€1,525m in H1 2017 (-5.5% y/y)
Cost Income ratio: -344bps y/y, at 64%

**-5.5%
Y/Y**

✓ **STRONG OPERATING PROFITABILITY**
€853.6m in H1 2017 (+10.2% y/y)

**+10.2%
Y/Y**

✓ **NET PROFIT AT €94M / €127M ADJUSTED[2]
VS. NEGATIVE NET RESULT IN H1 2016**

Note: 1. Net interest income + Net fees and commissions.   2. Net of non-recurring items.

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EXECUTIVE SUMMARY: BALANCE SHEET - MAIN DATA

✓ **C/A AND SIGHT DEPOSITS UP**
  Reaching €72bn (+10.5% y/y)

+€6.8BN Y/Y

✓ **AUM INCREASING**
  Reaching €62bn (+11.1% y/y)

+€6.2BN Y/Y

✓ **NEW LOANS GROWING**
  €9.3bn (+9.7% y/y), o/w €7.1bn granted to corporates (+10.0% y/y) and €2.2bn to households (+8.6% y/y) [1]

+€0.8BN Y/Y

✓ **NET NPLs DOWN**
  To €14.2bn (-16.8% y/y)

-€2.9BN Y/Y

✓ **SOLID CAPITAL POSITION - CET1 FL pro-forma at 11.3%**[2]:
  Still not factoring in:
  ▪ **positive impact from AIRB model roll-out**
  ▪ **positive impact from reselling the stakes within the new bancassurance JV**

11.3%

Note: 1. Mortgages and personal loans. Corporates includes also Large Corporates, Institutionals and Third Sector.
2. Includes: negative impact from RWA on defaulted assets and Retail EAD, negative impact of the put options in bancassurance and positive impact from the asset management rationalization.

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EXECUTIVE SUMMARY: RISK PROFILE KEEPS IMPROVING

✓ **2016-19 BAD LOAN DISPOSAL PLAN WELL ON TRACK**
Total disposals already completed: €2.5bn
Additional ~€2bn Bad loan disposals planned in Q4 2017

31% COMPLETED

✓ **NET NPL RATIO IMPROVING SIGNIFICANTLY**
From 15.0% as at June 2016 to 13.0% as at June 2017 (-200bps y/y)

13.0% VS 11.1% target 2019

✓ **NET FLOWS TO NPLs DOWN**
€530m in H1 2017: -€596m y/y (-52.9%)

-52.9% Y/Y

✓ **COVERAGE LEVELS STRENGTHENED**
NPLs: +350bps y/y
Bad Loans: +40bps y/y
UTPs: +720bps y/y

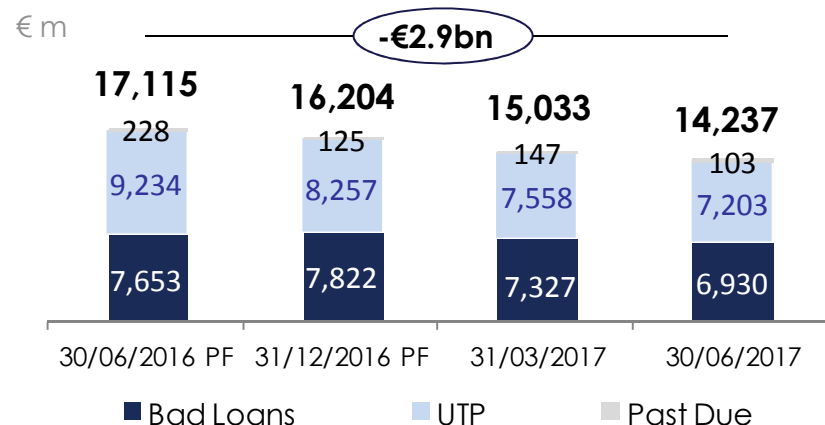| NPLs[1]	Bad loans[1]	UTPs
49.0%	59.9%	31.5%

Note: 1. **Including write-offs**, the coverage rises to **50.7% for NPLs** (+520 bps y/y) and to **62.1% for Bad loans** (+260bps y/y). See slide 44 for details.

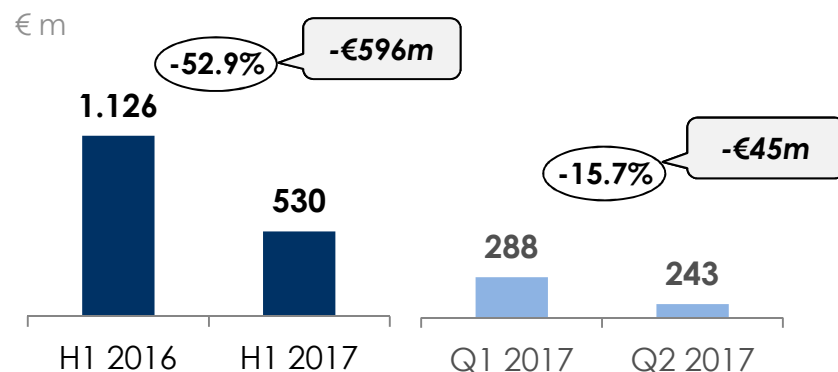**BANCO BPM**

HIGHLIGHTS: RISK PROFILE KEEPS IMPROVING

NET NPLs

€ bn

-€2.9bn

-16.8%

30/06/16 PF	31/12/16 PF	30/06/17
17,1	16,2	14,2

NET NPL RATIO

%

-200bps

30/06/16 PF	31/12/16 PF	30/06/17	Target 2019
15,0	14,7	13,0	11,1

NET FLOWS TO NPLs

€ m

-52.9%

-€596m

H1 2016	H1 2017
1.126	530

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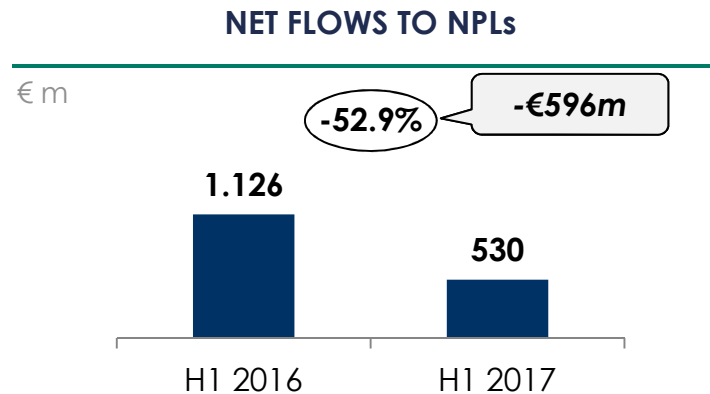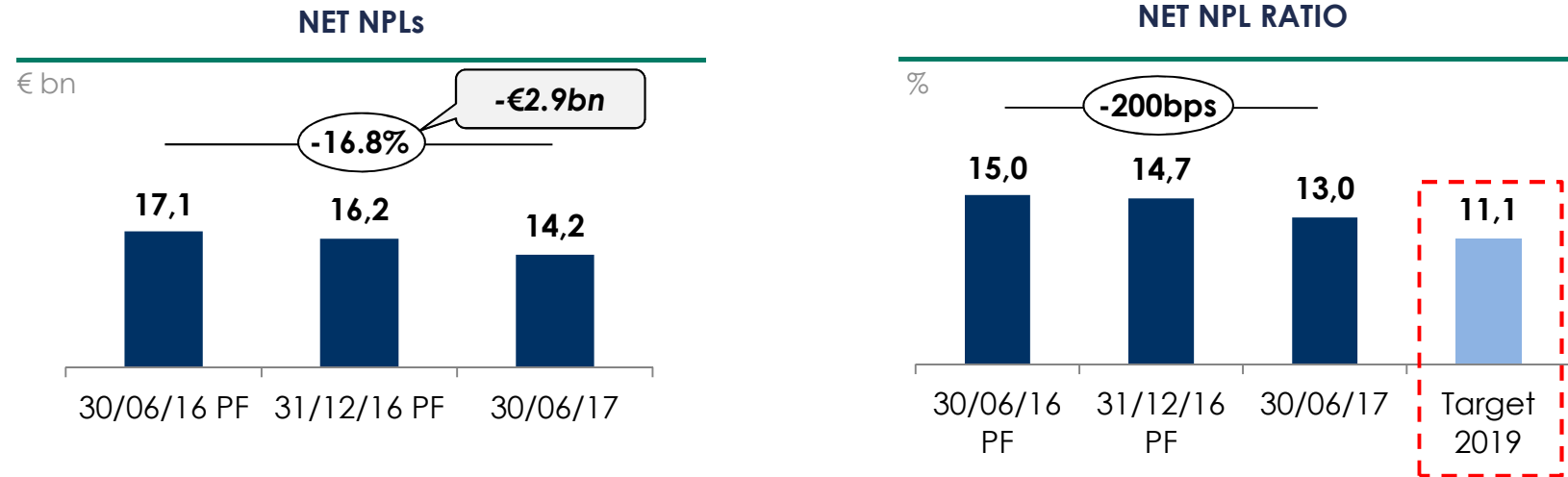
STRONG NPL STOCK REDUCTION AND SIGNIFICANT IMPROVEMENT IN NEW NPL FLOWS

Net NPLs

€ m

-€2.9bn

	30/06/2016 PF	31/12/2016 PF	31/03/2017	30/06/2017
Total	**17,115**	**16,204**	**15,033**	**14,237**
Past Due	228	125	147	103
UTP	9,234	8,257	7,558	7,203
Bad Loans	7,653	7,822	7,327	6,930

■ Bad Loans　■ UTP　■ Past Due

CHANGE €/m and %	Chg. 12M		Chg. 6M		Chg. 3M	
	Value	%	Value	%	Value	%
Bad Loans	-723	-9.4%	-892	-11.4%	-397	-5.4%
UTP	-2,030	-22.0%	-1,054	-12.8%	-355	-4.7%
Past Due	-125	-54.8%	-22	-17.4%	-44	-30.0%
TOTAL	**-2,878**	**-16.8%**	**-1,968**	**-12.1%**	**-796**	**-5.3%**

Net flows to NPLs

€ m

-52.9%　-€596m

-15.7%　-€45m

H1 2016	H1 2017	Q1 2017	Q2 2017
1.126	530	288	243

The net NPL stock dropped significantly across all the periods under consideration (-€2.9bn y/y, -€2.0bn in H1 and -€0.8bn in Q2), thanks to:

- decrease in net flows of NPLs (-52,9% y/y);
- internal workout and disposals over the period;
- increase in coverage.

Decline across all non-performing classes: particularly Unlikely-to-pay loans (-€2.0bn y/y), which confirms that the current asset quality trend is normalizing.

An additional ~€2bn of unsecured Bad Loans to be disposed in Q4 2017.

SIGNIFICANT INCREASE IN COVERAGE LEVELS

Coverage in line with Strategic Plan targets

NPL coverage

	30/06/17	31/03/17[1]	31/12/16 PF Nominal[2]	30/06/16 PF Nominal[2]	CHANGE (in bps) 12M[3]	6M[3]	3M
Total NPLs	Nominal: 50.7% → **49.0%**	**48.2%**	**47.9%**	**45.5%**	**350**	**110**	**80**
Bad Loans	Nominal: 62.1% → 59.9%	59.0%	60.0%	59.5%	40	-10	90
Unlikely-to-Pay Loans	31.5%	31.2%	27.2%	24.3%	720	430	30
Past Due Loans	19.6%	15.0%	18.2%	16.6%	300	140	460

- The NPL coverage increased sharply:
  +520bps y/y and +280bps YTD (both at nominal level) and +80bps q/q, notwithstanding the hefty disposal of Bad Loans (€2.5bn since the beginning of 2016).

- Coverage strengthened in all non-performing loan classes, particularly for Unlikely-to-pay loans (+720bps y/y).
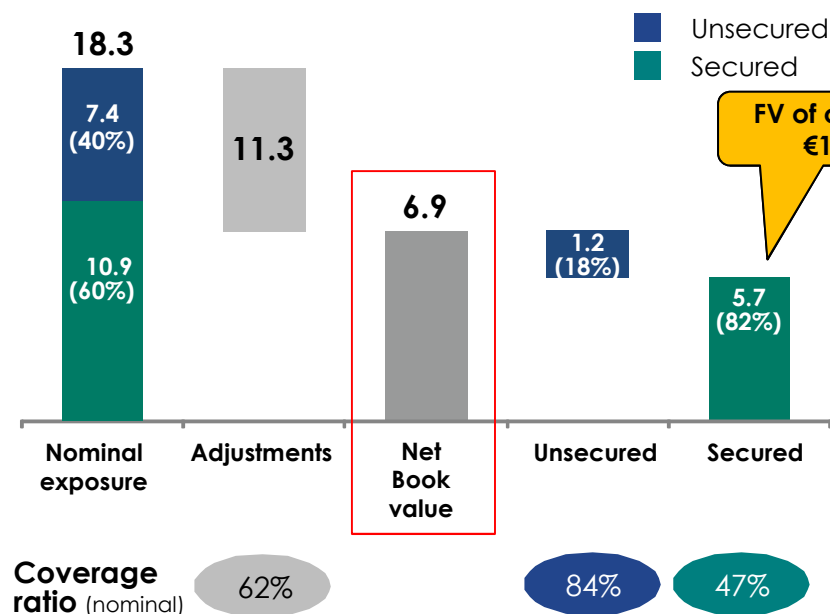
Notes:
1. At 31/03/2017, most write-offs that in the past were included in the Nominal values have been brought back onto balance sheet. At the end of March 2017, write-offs of about €1bn are still off-balance sheet.
2. The December and June 2016 Nominal coverage includes all the write-offs that were off-balance sheet at that time, in line with the values used in the Strategic Plan.
3. The 12 and 6-month changes are measured against the nominal values in June and December 2016, respectively (i.e. inclusive of all write-offs).
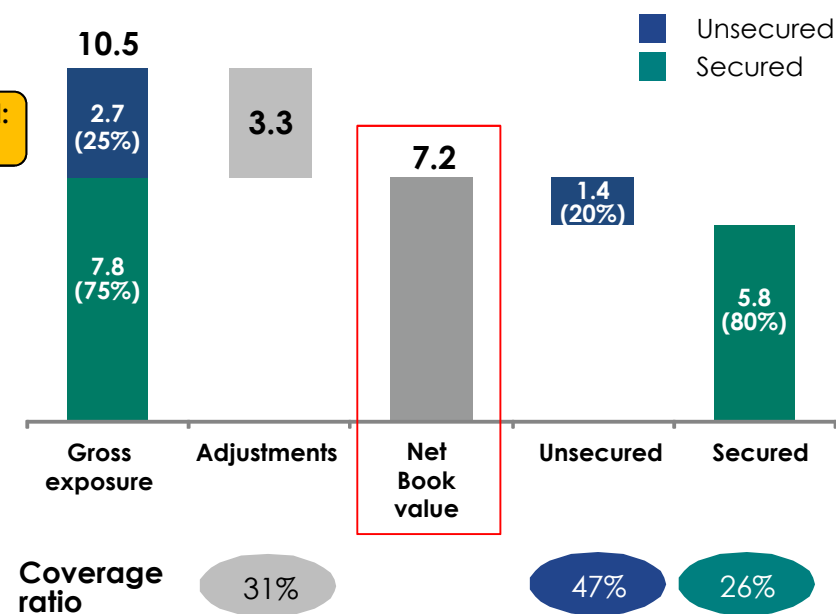
FOCUS ON BAD LOANS AND UNLIKELY-TO-PAY LOANS

Bad loan Breakdown
30/06/2017 (€bn)

Including off-balance sheet write-offs of about €1.0bn.

| Unsecured |
| Secured |

18.3

7.4 (40%)

10.9 (60%)

11.3

6.9

FV of collateral: €14.3bn

1.2 (18%)

5.7 (82%)

Nominal exposure | Adjustments | Net Book value | Unsecured | Secured

Coverage ratio (nominal)

62%

84%

47%

Bad loans geographic Breakdown		%
Northern Italy	*o/w Rome: 52%*	68%
Central Italy		22%
Southern Italy and Islands		9%
ROW		1%

UTP Breakdown
30/06/2017 (€bn)

| Unsecured |
| Secured |

10.5

2.7 (25%)

7.8 (75%)

3.3

7.2

1.4 (20%)

5.8 (80%)

Gross exposure | Adjustments | Net Book value | Unsecured | Secured

Coverage ratio

31%

47%

26%

UTP geographic Breakdown		%
Northern Italy	*o/w Rome: 40%*	72%
Central Italy		20%
Southern Italy and Islands		6%
ROW		1%

BANCO BPM

FULLY-LOADED CET1 RATIO: EVOLUTION IN DETAIL

Fully-Loaded CET 1 ratio: evolution
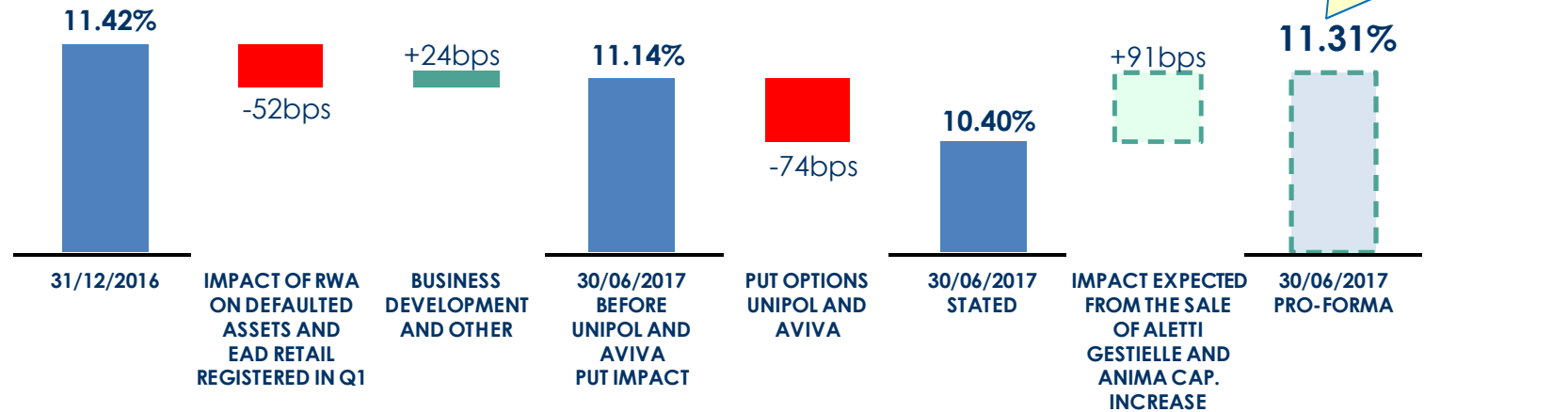
Does not factor in additional positive impacts specified below

11.42%	-52bps	+24bps	11.14%	-74bps	10.40%	+91bps	11.31%
31/12/2016	IMPACT OF RWA ON DEFAULTED ASSETS AND EAD RETAIL REGISTERED IN Q1	BUSINESS DEVELOPMENT AND OTHER	30/06/2017 BEFORE UNIPOL AND AVIVA PUT IMPACT	PUT OPTIONS UNIPOL AND AVIVA	30/06/2017 STATED	IMPACT EXPECTED FROM THE SALE OF ALETTI GESTIELLE AND ANIMA CAP. INCREASE	30/06/2017 PRO-FORMA

- At 30/06/2017, the pro-forma fully-loaded CET1 ratio stands at 11.31%, not yet factoring in:
  - positive impact from AIRB model roll-out;
  - positive impact from reselling the stakes within the new bancassurance JV.

- At the same time, the pro-forma ratio still includes two negative factors that emerge on a strictly temporary basis:
  - RWA on defaulted assets and Retail EAD (-52bps registered in Q1 at CET 1 fully-loaded level)[1];
  - Impact from Unipol's and Aviva's exercise of the put options on Popolare Vita (-52bps) and Avipop (-22bps), respectively, to be substantially absorbed at the end of the insurance business rationalization process.

Note: The ratios are calculated including the full net income of the period, subject to ECB authorization pursuant to art. 26, paragraph 2, Reg. EU 575/2013 and to EU Decision ECB/2015/4. Considering that the final PPA calculation is completed pursuant to IFRS 3, the ECB authorization is expected to be received by 11 August.
1. As communicated to the market in the Q1 2017 Results presentation.

Agenda

BANCO BPM

NPL UNIT AT A GLANCE

| A new recovery machine…	… built upon clear selected success factors

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

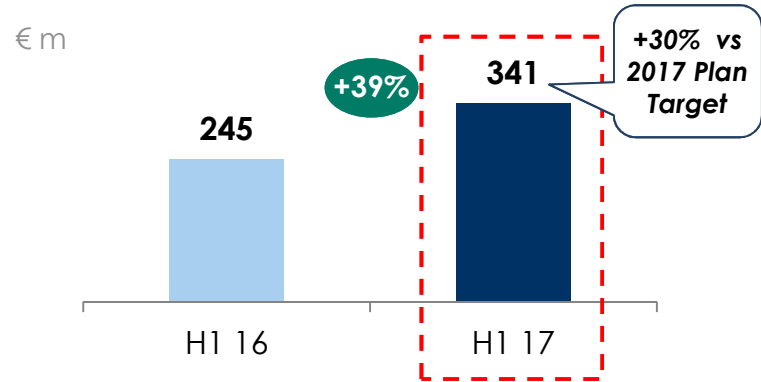| Cumulative historical recovery rate* - Average 2006-2015	
Banco BPM	53.5%
Italian Banks Average	46.9%
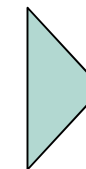
Track record already showing stronger recovery skills vs. average

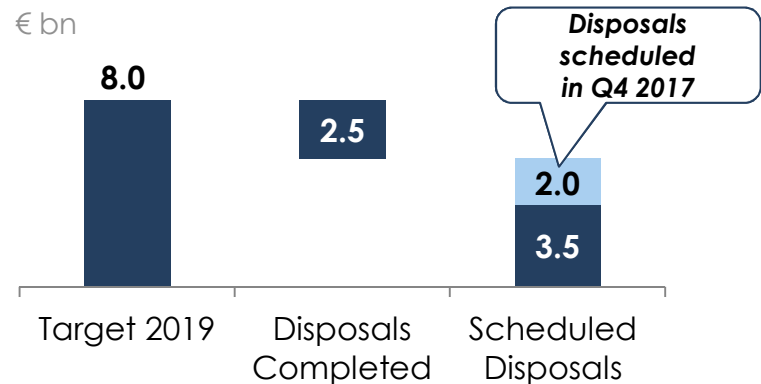*Simple average of yearly recovery rates excluding NPL disposals.

BANCO BPM

NPL UNIT: MAIN KPI IN H1 2017

Workout recoveries

€ m

245 (H1 16)

+39%

341 (H1 17)

+30% vs 2017 Plan Target

- Recovery actions have been achieving significant results right from the first months.
- NPL stock reduction of 2.6 times recovery (~€886m in H1 2017).
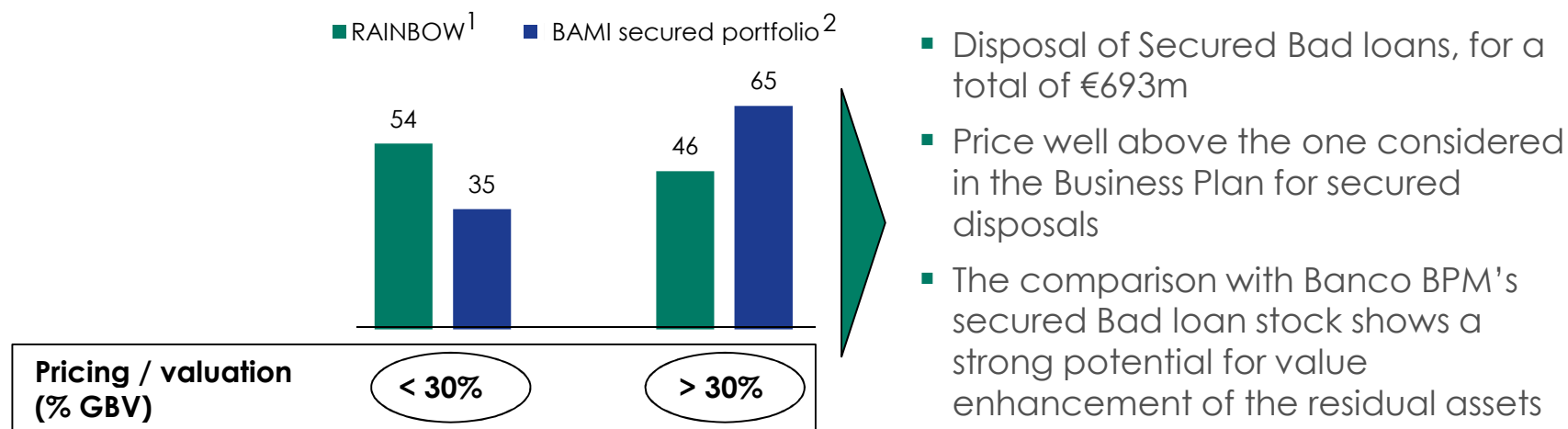- Solid collection pipeline also in H2.

Status of Disposals

€ bn

8.0 Target 2019

2.5 Disposals Completed

Scheduled Disposals: **2.0** / **3.5**

Disposals scheduled in Q4 2017

- With the Rainbow deal and the finalization of a significant «single name» transaction, the Group is well on track in meeting the 2017 target in terms of secured loan disposals.
- In H2 2017, the focus will shift to unsecured loan sales.

FOCUS ON DISPOSALS: THE RAINBOW DEAL

Percentage pricing distribution and comparison with residual secured Bad loans stock of Banco BPM

■ RAINBOW[1] ■ BAMI secured portfolio[2]

Pricing / valuation (% GBV)   < 30%   > 30%

- Disposal of Secured Bad loans, for a total of €693m

- Price well above the one considered in the Business Plan for secured disposals

- The comparison with Banco BPM's secured Bad loan stock shows a strong potential for value enhancement of the residual assets

Pipeline and next steps

- 2017: finalization, preparation and completion of the sale of ~€2bn of unsecured Bad loans.

- 2018: planned disposal of a portfolio of about €3.0/3.5bn, with possible application for the State guarantee on securitization of Bad loans (GACS). Due Diligence of the portfolio to start by September 2017.

Note: 1. Rainbow: average valuations from binding offer.   2. Positions above > €1m, measured by applying IRR comparable to those used by investors and discounting recovery costs to net present value.