BANCO BPM

NEWS RELEASE

RESULTS AT 31 MARCH 2019

NET PROFIT OF € 150 MILLION (€ 39 MILLION AT 31 MARCH 2018[1] NET OF NON-RECURRING ITEMS)

OPERATING INCOME OF € 1,063 MILLION (€ 1,168 MILLION AT 31 MARCH 2018; € 1,022 MILLION IN THE LAST QUARTER OF 2018)

OPERATING COSTS OF € 670 MILLION (€ 702 MILLION AT 31 MARCH 2018; € 725 MILLION IN THE LAST QUARTER OF 2018)

NET VALUE ADJUSTMENTS ON LOANS OF € 152 MILLION (€ 326 MILLION AT 31 MARCH 2018; € 987 MILLION IN THE LAST QUARTER OF 2018)

COST OF RISK AT 57 BPS (123 BPS AT 31 MARCH 2018; 184 IN 2018)

NET CUSTOMER LOANS € 106.5 BILLION (OF WHICH PERFORMING LOANS REPRESENTED € 99.9 BILLION + 2,7% COMPARED TO DECEMBER 2018, + 5.3% COMPARED TO MARCH 2018)

DIRECT CUSTOMER FUNDING € 103.1 BILLION OF WHICH CORE DIRECT FUNDING (CURRENT ACCOUNTS AND DEPOSITS) REPRESENTED € 83.4 BILLION (+2.8% COMPARED TO DECEMBER 2018, +5.8% COMPARED TO MARCH 2018)

SIGNIFICANT ONGOING DERISKING ACTIVITY FOR THE GROUP:

COMPLETION OF ACE SALE WITH OBTAINMENT OF GACS GUARANTEE ON SENIOR SECURITIES AND DERECOGNITION OF BAD LOANS

AGREEMENT SIGNED FOR SALE OF LEASING BAD LOANS FOR € 650 MILLION NOMINAL VALUE, WITH A GROSS NPE RATIO OF 9.9% AND A NET NPE RATIO OF 6.1%

IMPROVEMENT OF RISK PROFILE WHILST MAINTAINING SOLID EQUITY POSITION:

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[1] Profit at 31 March 2018 of € 223 million, including extraordinary components for € 184 million largely connected to profits generated via restructuring of the bancassurance segment.

CET 1 RATIO "IFRS9 PHASED IN" PRO-FORMA[2] OF 13.7% AND "IFRS9 FULLY PHASED" PRO-FORMA OF 11.8%

EXCELLENT LIQUIDITY POSITION, WITH UNENCUMBERED ELIGIBLE ASSETS OF OVER € 22 BILLION[3]

Key balance sheet items

- Net customer loans of € 106.5 billion, with performing loans +2.7% and NPLs -2.0% compared to 31 December 2018, due primarily to derisking operations completed during the previous financial year;
- Direct customer funding of € 103.1 billion[4] (€ 101.5 billion at the end of December 2018): during the quarter, the growth trend in the core funding from current accounts and deposits was confirmed (+€ 2.3 billion compared to the end of the previous year) along with a decrease in more expensive funding sources (- € 0.9 billion for bonds);
- Indirect customer funding[5] € 89.4 billion (compared to € 86.6 billion at 31 December 2018), up 3.2%, of which:
    - asset management € 57.0 billion;
    - asset administration € 32.4 billion.

Key income statement items

- Net interest income at € 505.2 million compared to € 595.1 million in the first quarter of 2018 and € 554.7 million in the last quarter of 2018;
- Net fee and commission income at € 420.0 million compared to € 476.5 million in the first quarter of 2018 and € 469.9 million in the last quarter of 2018;
- Operating costs of € 670.5 million compared to € 701.5 million at 31 March 2018 and € 725.0 million in the last quarter of 2018;
- Gross operating profit at € 392.9 million compared to € 466.2 million at 31 March 2018 and € 297.4 million in the last quarter of 2018;
- Net write-downs on customer loans of € 152.0 million compared to € 326.2 million in the first quarter of 2018 and € 987.3 million in the last quarter of 2018;
- Net profit of € 150.5 million, against profit of € 223.3 million in the first quarter of 2018 (€ 38.6 net of non-recurring items).

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[2] Also considering the expected impacts of capital-management operations already defined and announced to the market, with expected completion during the current financial year

[3] Data updated at 03 May 2019.

[4] Direct funding includes certificates with unconditional capital protection (€ 3.7 billion at 31 March 2019 compared at € 3.4 billion at the end of 2018), but excludes repurchase agreements.

[5] Net of certificates with unconditional capital protection included under "direct funding".

Capital position:

- CET 1 ratio "IFRS9 fully phased" pro-forma 11.8%;
- CET 1 ratio "IFRS9 phased-in" pro-forma 13.7%.

Credit quality

- Net non-performing loan stock of € 6.6 billion with decrease of € 136 million compared to the end of 2018 (-2.0%) and € 4.8 billion compared to 31 March 2018 (-42.0%)

  Coverage:
  - Non-performing loans: 43.6% vs 43.1% at the end of 2018;
  - Bad loans: 59.6% unchanged against 31 December 2018.

Liquidity profile

- Unencumbered eligible assets of € 17.6 billion at 31 March 2019 rising to over € 22 billion at 3 May 2019.
- LCR >150% and NSFR >100%[6].

First-time adoption of the accounting standard IFRS 16

From 1 January 2019, IFRS 16 came into effect, that in relation to leasing contract payables, defines inclusion amongst property and equipment of a right of use equal to the value of future charges to be paid throughout the expected duration of the contract. Please refer to the Explanatory Notes for details of the effects of introduction of the new accounting standard.

Verona, 08 May 2019 – The Board of Directors of Banco BPM met today chaired by Mr. Carlo Fratta Pasini. The Board approved the Gruppo Banco BPM quarterly balance sheet and income statement at 31 March 2019.

Operations in the first quarter of 2019 were focused on continuation of derisking activity and performance of capital management operations already announced to the market, as well as the continuation of restructuring projects regarding Group business in line with the business plan.
More specifically, in the first quarter the "ACE" sale was completed (launched during the previous financial year) with obtainment of "GACS" guarantee on Senior Notes and placement of 95% of the Mezzanine and Junior Notes. This allowed accounting derecognition of loans sold that were booked under "assets held for sale" at the end of the year. Furthermore, the final stage of negotiation has been reached for sale of a leasing bad loan portfolio: following completion of the due diligence process, offered received from Credito Fondiario and Illimity Bank have been selected. The operation was completed in April with identification of Illimity Bank as counterparty for the sale of a portfolio of around € 650 million nominal value, composed primarily of loans from legal-relationship

[6] Managerial estimates of NSFR of Q1 2019.

assets and liabilities attributable to bad-loan leasing contracts, together with immovable or movable assets and underlying contracts.
The operation was composed of various phases beginning from 30 June 2019, with completion by mid-2020. Following the sale, no major impacts are expected on the income statement.

Regarding operations on the wholesale market, the beginning of March saw successful placement of a senior preferred unsecured bond issue with 3-year expiry, for € 750 million, reserved for institutional investors in the context of the EMTN Programme and listed on the Luxembourg Stock Exchange. Furthermore, Banco BPM complete the first issue of Additional Tier 1 instruments for a value of € 300 million, destined for institutional investors. This represented an important operation for increasing the efficiency of the Group's capital structure. The securities issued are perpetual and may be recalled by the issuer from 18 June 2024.

Please also note that the second quarter of the year is expected to see the establishment of an agreement between Banco BPM as one party and Crédit Agricole SA, Crédit Agricole Consumer Finance SA and Agos Ducato as the other, which defines the sale to Agos Ducato of the subsidiary ProFamily, after completion of the demerger of all ProFamily's non-captive activities in favour of a newly- incorporated company 100% controlled by Banco BPM.

In this context, characterised by significant efforts to achieve the objective presented, the Group has provided goof operational and economic performance, recording gross operating profit of € 392.9 million and net profit of € 150.5 million.

Operating performance

The **net interest income** amounted to € 505.2 million and compares with the figure of € 595.1 million for the corresponding period of the previous year and € 554.7 million in the fourth quarter of 2018. This income performance is negatively impacted by both the minor "reversals" due to the write-backs from discounting bad loans and the lower impact of the resulting PPA, in large part from the transfer transactions of non-performing loans made in 2018 (€ -81m yoy; € -23 qoq). Also in the first quarter of 2019, following the introduction of IFRS 16, interest expenses were recorded on debts on leases for € 2.5 million. Net of these effects, the net interest income is equal to € 499.0 million and compares with a figure calculated on a comparable basis of € 508.6 million for the first quarter of 2018 (-1.9%) and € 525.5 million in the fourth quarter of 2018 (-5.0%). Much of the reduction is due to the lower commercial spread of retail in the annual comparison and the fewer number of calendar days compared to the fourth quarter of 2018.

Profit from equity investments, accounted for using the equity method, was € 36.8 million, but down compared with the € 42.6 million recorded in the corresponding period of last year, and with respect to the contribution of the fourth quarter of 2018, which totalled € 50.7million. Within this aggregate, the main contribution was provided by consumer credit of € 32.5 million conveyed by the shareholding in Agos Ducato.

Net fee and commission income totalled € 420.0 million, with a decline of 11.9% compared to the € 76.5 million in the corresponding period of last year, mainly due to the lower contribution of upfront fees that had provided a significant contribution in the first quarter of 2018 as a result of the higher placements carried out at that time. Compared to the fourth quarter of 2018 - which recorded net fee and commissions income of € 469.9 million - the drop is equal to 10.6% due to the lower contributions of credit cards and structured finance transactions that at the end of 2018 had provided an extraordinary contribution to the quarter also due to seasonal effects.

Other net operating income is recorded at € 14.6 million, down € 6.4 million compared to the fourth quarter of 2018. Compared with the figure for the first quarter of 2018 (€ 24.1 million) the item shows a reduction mainly due to the gradual decline of the fast enquiry fees (-53,1% compared to 31 March 2018).

The **net financial result** was € 86.8 million, compared to € 29.3 million in the same period of last year. This result was helped by the performance of the securities included in the portfolio of financial assets required to be designated at *fair value* for a total of €68.2 million, a result that includes capital gains of €59.8 million, resulting from the valuation of Nexi S.p.A ordinary shares which, during the month of April, where, in the main, disposed of as part of the operation that led to the listing of the company. This figure is particularly positive if compared with the result of the fourth quarter of 2018, -€ 73.9 million, which was impacted by the write-down performed through the Interbank Deposit Guarantee Fund in Carige in addition to the effect of the widening of the spread of corporate securities. Also the result of the first quarter of 2019 is also partly penalized by the prudent risk hedging strategy which has led to an improvement of the negative reserves on the bonds of the "*Hold to collect*" Portfolio of more than € 130 million.

As a result of the dynamics described above, the **total operating income** therefore amounts to € 1,063.4 million, a decrease of 8.9% compared to the first quarter 2018, mainly due to the segments mentioned above relating to the net interest income and the commissions. Compared to the fourth quarter of 2018 the total operating income showed a growth of +4.0% mainly due to a better net financial result.

Personnel expenses, of € 425.9 million showed a decrease of 3.7% compared to the € 442.1 million in the same period of last year. Compared to the fourth quarter of 2018, personnel expenses, which totalled € 422.2 million thanks also to a partial reduction in liabilities linked to bonus systems, are substantially in line with the previous year (+0.9%). The total number of employees was 22,175 at 31 March 2019, compared to 22,247 at the end of 2018 (23,263 at 31 December 2017).

Other administrative expenses[7] amounted to € 167.0 million translating into a 21.0% drop compared to the first quarter of 2018 and 18.8% compared to the fourth quarter of 2018. This reduction is in part attributable to the application of the IFRS 16 standard which, for contracts under this standard, provides for the inclusion of the amortisation of the right of use under "Write-downs of tangible and intangible assets" in place of registration of rents and rents payable under "Other administrative expenses"; net of this effect, other administrative expenses have still recorded a strong reduction of 8.9% compared to the first quarter of 2018 and of 6.3% compared to the fourth quarter of 2018 as a result of both the lower charges resulting from the closure of more than 500 branches which occurred in 2018 and the strict cost control measures.

Write-downs of tangible and intangible assets amounted to € 77.6 million, compared to € 47.9 million at 31 March 2018, and include depreciation of property assets of € 7.5 million. This item was also influenced by the introduction of the IFRS 16 standard mentioned above. Excluding this effect and the depreciation, the aggregate shrank by 7.2% compared to the first quarter of 2018 and 12.2% compared to the fourth quarter of 2018.

7The aggregate does not include the "banking industry charges", represented by the contributions to the Resolution Funds and to the Interbank Deposit Guarantee Fund, reported in a separate line-item of the reclassified income statement, net of tax effect.

Total **operating costs** amounted to € 167.0 million translating into a 4.4% drop compared to the first quarter of 2018 and 7.5% compared to the fourth quarter of 2018.

Net adjustments on loans to customers amounted to € 152,0 million, a marked decline compared with the figure of € 326,2 million for the first quarter of 2018, due to the substantial contraction of the non-performing loans brought on by the *derisking* actions completed in the previous year. The cost of credit, measured by the ratio of net value adjustments on loans and net loans, was 57 b.p., down from 184 b.p. last year.

In the income statement for the first quarter, **net write-downs of securities and other financial assets** were also recorded at € 4.0 million (vs. net write-downs of € 2.2 million at 31 March 2018).

The **net allocations to provisions for risks and charges** amounted to € 4.4 million, compared to the € 25.0 million in the same period last year.

In the first quarter of fy 2019, no **gains on disposal of equity and other investments** were recorded of significant import**,** while the first quarter of 2018 saw capital gains of € 179.7 million derived almost entirely from the disposal of shareholdings carried out as part of the reorganisation of the bancassurance business.

As a result of the dynamics described above, the **income from current operations before taxes and before banking industry charges** came to € 129.7 million compared to the € 229.6 million recorded in the corresponding period of the previous year.

The **taxes on income from continuing operations** at 31 March 2019 amounted to -€ 50.7 million (-€ 25.9 million at 31 March 2018).

The income statement for the period included the **Systemic charges after tax** of €41.6 million (€ 49.0 million in the first quarter of 2018) relating to the ordinary contributions to the Single Resolution Fund (SRF) (€ 61.7 million before tax with respect to € 68.0 million in 31 March 2018).

Given the share of the profit or loss attributable to minority interests (+ € 1.2 million), the first quarter 2019 closes with a **net profit for the period** of € 150.5 million, compared to net result of € 223.3 million achieved in the corresponding period of the previous year, which, however, had benefited from the capital gain deriving from the reorganization operation within the bancassurance sector (net of non recorring items, the result in the first quarter 2018 had been €38.6 million.

Key balance sheet items

Direct Funding[8] as at 31 March 2019 stands at € 103.1 billion, with an increase by 1.6% vs. € 101.5 billion as at 31 December 2018. In comparison with the figures at the end of 2018 there has been a growth of € 2.6 billion of the segment represented by the current accounts and deposits on demand by the commercial network (+3.3%), while the decreasing trend of bonds issued (- € 0.9 billion) has continued. This trend is more evident in a yoy comparison, with reference to the data of the first quarter of 2018, which shows, given the substantial equality of the total aggregate of direct funding

[8] The aggregate includes deposits and current accounts and demand and term deposits, issued bonds, certificates of deposit and other securities, loans and other debts, and capital protected *certificates*. Repos are not included.

(+€ 0.1 billion or +0.1%), an increase of current and deposit accounts on demand for € 6.1 billion (+8.1%) and a decrease of the bonds issued for € 3.9 billion (or -21,7%), in line with the policy aimed at the progressive reduction of the cost of funding due to the reduction in the number of the more costly forms of collection. As regards the funding guaranteed by the *stock* of *certificates,* the new quarter releases bring balance as at 31 March 2019 to € 3.7 billion compared to € 3.4 billion in December 2018 (+8.6%) and € 3.8 billion in March 2018 (-3.5%).

Indirect deposits net of capital protected *certificates* total € 89.4 billion, up 3.2% compared to 31 December 2018.
The component of managed funding amounts to € 57.0 billion, with an increase of 2.4% compared with the figure of € 55.7 billion from 31 December 2018, seen mainly in the sector of funds and SICAVs which shows growth of € 1.4 billion in the quarter; asset management and insurance remained stable.
Administered assets, reaching € 32.4 billion, an increase of € 1.5 billion (+4.8%) compared to the end of 2018 also performed well.

Financial assets totalled € 39.0 billion, up by 5.7% compared to € 36.9 billion at 31 December 2018. The composition at 31 March 2019 is represented by debt securities at € 34.2 billion and equity securities and stakes in UCITS units at € 2.5 billion. Exposure for debt securities issued by Sovereign States are equal to € 29.3 billion, of which € 20.0 billion related to Italian government bonds; the incidence of the latter on the compartment of government securities is equal to 68.2% at 31 March 2019 compared to 64.1% at December 2018, with an increase largely linked to the short-term positions encompassed in the trading portfolio. As a result of the introduction of IFRS 9, the financial assets (equalling € 0.3 billion) also include loans to customers which must be measured at *fair value*.

Net loans to customers[9] amounted to € 106.5 bn at 31 March 2019, with a growth of € 2.5 billion compared to 31 December 2018. The increase is entirely attributable to the performing loans that have grown by € 2.6 billion (+2.7%) with a volume of new loans to households and businesses of € 5.5 billion in the quarter while the non-performing loans show a further reduction compared to the end of 2018 (- € 0.1 billion or -2.0%).

Net non-performing loans (bad loans, unlikely to pay and past due and/or non-performing overdue) amount to € 6.6 billion as at 31 March 2019, a decrease of € 136 million (-2.0%) compared to 31 December 2018. The comparison with the previous year highlights show the solid *derisking* action accomplished in 2018: the year-on-year reduction of net non-performing loans is € 4.8 billion, equal to 42.0%.
An analysis of the individual items shows the following changes:

- Net bad loans of € 1.6 billion are in line compared with those of 31 December 2018 (€ 5.2 billion at 31 March 2018);
- Net unlikely-to-pay loans of € 4.9 billion, down by 3.4% compared to 31 December 2018 ((€ 6.1 billion compared to 31 March 2018);
- Net past due loans amounting to € 78 million, down by 10.8% compared to 31 March 2018 (€ 6.7 million at 31 March 2018).

The coverage rate for the entire impaired loans aggregate was 43.6%, up compared to 43.1% at 31 December 2018 (53.8% at 31 March 2018).
More specifically, as at 31 March 2019, the coverage rate was as follows:

[9] The aggregate does not include customer loans that, following the adoption of IFRS 9, must be measured at *fair value*. These loans, amounting to € 0.3 million, are included in financial assets measured at fair value.

- Non-performing loans 59.6% (unchanged from 31 December 2018 while at 31 March 2018 they were at 66.4%);
- Unlikely-to-pay 35.3% (35.0% at 31 December 2018 and 32.2% at 31 March 2018);
- Past due 18.1% (17.5% at 31 December 2018 and 15.3% at 31 March 2018).

The *coverage ratio* of performing loans is equal to 0.37%, substantially in line with the 0.38% of 31 December 2018 (0.41% at 31 March 2018); net of reverse repurchase agreements, substantially risk-free, the level of coverage of performing loans amounted to 0.40% (0.41% at 31 December 2018 and 0.44% at 31 March 2018).

Group's Capital Ratios[10]

On 31 March 2019 the *Common Equity Tier 1 ratio* (*CET1 ratio*) amounts to 12.68% compared to 12.05% at 31 December 2018. The improvement of the ratio, considered the stability of risk-weighted assets, is attributable to the increase in the *Common Equity Tier 1 capital* due to the economic result of the quarter of the positive trend in the reserves from the valuation of financial assets at *fair value* with impact on overall profitability and the reduction of the elements to be deducted. This ratio benefits from the year arising from the option for the full application of the transitional guidelines introduced with Article 473-bis of EU Regulation no. 575/2013, which dilutes over time the impact on own funds deriving from the application of the new impairment model introduced by standard IFRS 9. Excluding the impact of the transitional rules cited above and considering also the expected impacts from operations of capital management already defined and announced to the market on which improvement is expected in the course of the second quarter of the year, the CET 1 pro-forma ratio IFRS 9 *fully phased* is 11.82%.

The Tier 1 ratio was 12.89% compared to 12.26% at 31 December 2018, while total capital ratio was 15.15% compared to 14.68% at 31 December 2018.

OPERATIONAL OUTLOOK

The global macroeconomic outlook is affected by the continuation of the trade wars, and the consequent increase in protectionist measures, presenting signs of a slowdown of the expansive cycle that also is affecting the major economies of the euro area.
The deceleration of global GDP toward levels just above +3% and the resurgence of some geopolitical tensions are impacting the investment dynamics and are having repercussions on confidence levels and on the propensity to consumer spending, helping to keep the non-negligible risks of the emersion of the financial turmoil matrix, especially in the more fragile economies.
In this context the forecasts for growth in our country in 2019 remain very low, despite recent data signalling an exit from technical recession.
Once the European elections have passed, the definition of the next budget law will prove crucial, with the identification of hedges for the expansive measures introduced this year in alternative to the increase of indirect taxation provided by the safeguard clauses.

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[10]Based on the provisions of Art. 26, paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), the inclusion of interim profits in Common Equity Tier 1 Capital (CET1) is subject to the prior permission of the competent authorities (the ECB), which requires these profits to be verified by the auditing firm.
The financial and economic situation of the Group as at 31 March 2019 has not been audited and Bank BPM will submit a formal request for the immediate inclusion of profits being generated as class 1 primary capital only after 30 June 2019. The figures and capital ratios shown in the context of the present press release include the profit generated as at 31 March 2019 resulting from the financial and economic situation of the consolidated group approved by the Board of Directors today.

Given this scenario, in the next few quarters the operating focus of the Group will be concentrated on the ordinary management, with particular focus on the *core business*, by continuing to benefit from the synergistic effects derived from the fusion and from those deriving from the *derisking* action.
The trend of revenues, net of the reduction of the positive components on the net interest income related to the PPA and to the application of the IFRS 9 following the reduction in volumes of non-performing loans, revenue performance should benefit from the positive trend of lending volumes and of the absence of particular pressure on the liquidity front, beyond that of a resumption of the committees, particularly those relating to management, brokering and consultancy services, also in the light of the good performance of the placing of financial products in the month of April. The net financial result could in part be affected by the uncertainty and volatility of the markets, possibly related with the outcome of the electoral deadlines communities, in particular if pressure were to recur on domestic securities.
The curbing of operating costs through efficiency gains will remain a key focus of attention.
Following the significant reduction in non-performing exposures and the decline in non-performing loans received, the cost of credit is expected to fall significantly against a high level of coverage.
The decline in stock will continue through internal work-out activities which, as predicted, will form the platform for the recovery of NPLs in partnership with Credito Fondiario.
Considering the completion of the actions aimed at the reorganisation of the commercial network, the rationalisation of its presence in the corporate and investment banking sector and the restructuring of the partnerships in the asset management, bancassurance and consumer credit sectors, which led to the evolution of business scope, the Group will approve a new strategic plan by the end of the year.

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The financial reporting officer, Mr. Gianpietro Val, in compliance with Article 154, paragraph 2 of the Consolidated Act for Financial Intermediation, hereby states that the accounting information illustrated in this news release is consistent with documented evidence, accounting books and book-keeping entries.

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Gruppo Banco BPM results at 31 March 2019 will be presented to the financial community on the conference call scheduled for today, 08 May 2019 at 18:30 (CET). The supporting documentation for the conference call is available on the authorised storage system's website (www.emarketstorage.com) and on the Bank's website (www.bancobpm.it), where you can also find the details for connecting to the call.

Explanatory notes

This news release is the document whereby Banco BPM has decided to make available to the public and market, on a voluntary basis, periodic additional information in respect to the half-year and annual information (the "quarterly disclosures"), in compliance with the communication policy disclosed to the market in the news release "2019 Calendar of Corporate Events" dated 22 January 2019, as required by art. 82-ter of the Issuers' Regulation in force as from 02 January 2017[11]. For the sake of completeness, it is specified that the quarterly disclosure also consists of the document presenting the results, prepared in support of the conference call with the financial community, to be held after the dissemination of this news release.
The quarterly disclosure contained in this document includes comments on operating performance during the quarter, focussing on developments in the main economic, equity and financial figures, developed using the reclassified balance sheet and income statement schedules.
Please find below some explanatory notes that are deemed useful to better understand the approach followed in preparing the aforesaid accounting statements as at 31 March 2019 and those referring to the previous year, as well as the evolution of the quarterly results contained in this news release.

1. Accounting policies and reference accounting standards

The balance sheet and income statement layouts contained in this news release have been reclassified along management criteria in order to provide an indication on the Group's overall performance based on easily and rapidly measurable operating and financial data. These layouts have been prepared based on the financial statement layouts indicated in the Bank of Italy's Circular no. 262/2005, applying the same aggregation and classification criteria presented in the consolidated financial statements as at 31 December 2018. The only difference in the reclassified layouts with respect to those defined for the 2018 financial statements consists of the new item of the liabilities on the balance sheet entitled "Leasing payables", consequent to the introduction of the new standard "IFRS 16 - Leasing", as described hereto.

The accounting standards adopted to prepare the accounting position as at 31 March 2019 - with reference to the classification, booking, measuring and derecognition of the assets and liabilities and for the recognition of costs and revenues - are those contained in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission and in force as at 31 March 2019, as established by European Community Regulation no. 1606 of 19 July 2002. In this regard, please note that starting 1 January 2019, the new accounting standard IFRS 16 "Leasing" applied; for an explanation of the main accounting choices made by the Group to represent lease contracts and consequent impacts, reference is made to point 2 below.
The adoption of certain accounting standards necessarily calls for the use of estimates and assumptions that have an impact on the value of assets and liabilities recognized in the balance sheet. Assumptions based on estimates take into consideration all the information available as at the date of preparation of the quarterly disclosure as at 31 March 2019, together with any scenarios considered reasonable based on past experience and the probable evolution in respect of future reference scenarios. It cannot be ruled out that the estimates and assumptions, albeit reasonable, may fail to be confirmed in the future scenarios in which the Group may be operating. Therefore, future actual results may differ from the estimates generated to prepare the equity and economic position as at 31 March 2019, calling for adjustments that cannot be predicted or estimated today against the carrying amount of assets and liabilities recognized in the balance sheet.
In order to present the accounting policies of the BPM Group and main uncertainties in respect of the use of estimates to prepare this periodic interim disclosure, reference is made to the contents of the consolidated annual financial report at 31 December 2018 ("Part A - Accounting policies").

Lastly, please note that the information given in this document is not prepared on the basis of accounting standard IAS 34 relative to the interim disclosure and is not audited.

2. Disclosure on the first-time adoption of the accounting standard IFRS 16 "Leasing"

Regulation no. 1986 of 31 October 2017 approved the new international accounting standard IFRS 16 "Leasing", which defines, from the point of view of both the lessor and the lessee, the principles on recording, assessment, submission and *disclosure* of leasing contracts, replacing the previous standards/interpretations (IAS 17, IFRIC 4, SIC 15 and SIC 27). The new standard must be applied starting with all years starting on or after 1 January 2019.

<u>Significant aspects of the new accounting standard IFRS 16</u>

The accounting standard IFRS 16 defines leasing as a contract, or part to a contract, under which the lessor grants to the lessee the right to use an identified asset ("Right Of Use") for a certain period of time in exchange for a fixed fee. The key elements to define if a contract or a part thereof meets the definition of a lease is represented by the fact that the asset is identified, the lessee has the right to control the use of the same, and basically to receive all the economic benefits.
On the basis of this definition, the scope of application of IFRS 16 includes all contracts envisaging a right of use of an asset, regardless of its legal qualification, and therefore including rental, hire, lease or commodatum contracts that were previously not classified as leases. Considering the requirements laid down by IFRS 16 and the clarifications provided by IFRIC in September 2018, the intangible assets represented by software, acquired through user's licences or on the basis of cloud

[11] It should be recalled that the quarterly disclosure, the related timing for approval and the method of publication were disclosed to the public in the news release by Banco BPM entitled "2017 Calendar of Corporate Events" on 30 January 2017.

computing agreements, are excluded from the scope of application of IFRS 16, as they must be subject to the regulations of standard IAS 38 where conditions are met.
The main innovation concerns the representation of lease contracts, as defined above, from the point of view of the lessee, as the standard eliminates the classification between operational lease and financial lease of IAS 17, by introducing a single accounting model according to which the lessee must recognise in its equity position, a liability on the basis of the current value of future instalments to be paid for the duration of the contract with balancing entry for the recognition, among the assets, of the right of use of the asset covered by the lease contract. After the initial registration:

- the right of use will be measured at cost under IAS 16 (or based on possible alternative criteria allowed by IAS 16 or IAS 40) and subject to amortisation over the term of the contract or the useful life of the asset;
- the liability will be gradually reduced as a result of the payment of the instalments and the interest due to be charged to the income statement will be recognised on it.

The lessee may still choose not to adopt the new requirements in case of short-term contracts, i.e. with a duration not exceeding twelve months, or if the assets underlying the lease contract have a new unit value of modest value (identified by IASB around 5,000 dollars per contract, as indicated in the *Basis of Conclusions* of IFRS 16, paragraph BC100).
As regards the lessor, by contrast, the IAS 17 accounting rules for lease contracts are basically confirmed, differentiated on the basis of whether it is an operating or finance lease; in the case of a finance lease, the lessor will continue to recognise a receivable for future lease payments in the balance sheet.

Project for the transition to IFRS 16 for Gruppo Banco BPM

For Gruppo Banco BPM, adoption of the IFRS 16 accounting standard starts as of 1 January 2019.
In order to comply with the new accounting standard, during the second half of 2018, the Group implemented a specific project aimed to identify the scope of the contracts to be subjected to the provisions of IFRS 16, to define the appropriate accounting standards - both at the time of the first-time adoption and in full - as well as to put in place the necessary IT and organisational implementations.

In particular, the recognition of the scope of the contracts relevant to the Group was completed, i.e. contracts containing a lease component on the basis of the definitions explained previously. The information necessary to calculate the right of use/liability has also been defined and the activities aimed at recovering it have been completed. To this end, it should be pointed out that the Group did not avail itself of a practical expedient, allowed by IFRS 16 at the time of first adoption, to circumscribe the application only to contracts identified as leases pursuant to the previous IAS 17 (“grandfather assessment”).

With reference to business processes, in 2019 operative provisions were issued aimed at implementing the expense management process (expenditure cycle) that guarantees the recognition of leasing contracts fully compliant with the new standard, both in terms of a correct identification on acquiring the same at the time of their stipulation and in terms of a correct entering of the necessary information to calculate the right of use and the related liability on the basis of the new accounting rules.

In relation to the procedure for the IT management of the lease contracts, represented in substance by the engine used to calculate the right of use and liability for future charges, completion of the activities aimed at its configuration is currently on progress and expected to be accomplished by the end of the first half of the year. For this reason, in order to prepare the accounting position as at 31 March 2019, contained in this news release, it was also necessary to rely on processing produced outside the target system which are in any case considered complete and reliable.

Please also note that the data and information produced on the basis of the new processes and systems will be subjected, during the second quarter, to both internal and external audit by the independent auditing firm. These audits are expected to be completed by the deadline for the preparation of the first interim financial statements drafted in accordance with IAS 34, represented by the half-year financial report as at 30 June 2019. On this occasion, a complete disclosure will be prepared on the definitive impacts of the transition, in compliance with the disclosure requirements laid down by IFRS 16.
In light of the foregoing, although the impacts deriving from the application of accounting standard IFRS 16 are believed to be reliable, it cannot be excluded that, following completion of the controls over the processing produced by the target systems, information may emerge, today unknown, such as to require possible corrections of the data and impacts contained in this news release.

Scope and choices of application of IFRS 16 for Gruppo Banco BPM

The scope of IFRS 16 of Gruppo Banco BPM includes the lease contracts on the property units mainly intended for commercial activities (branches), which generated more than 99% of impacts consequent to the application of the new standard, as explained in greater detail in the next paragraph. The impacts relating to the rest of the perimeter, comprising the company care hire contracts and a limited number of contracts containing a right of use of identified technological appliances.

On first application of IFRS 16 (hereinafter also referred to as "FTA" - First Time Application), the Group has chosen to adopt the Modified Retrospective Approach, permitted by the transitory provisions contained in paragraphs C5(b), C8(b)(ii) of the aforementioned standard. In accordance with this approach, the right of use is set as equal to the lease liability and the comparative information need not be redetermined for the 2018 financial statements. It follows that:

- as at the transition date, no impacts have been recorded on the shareholders' equity booked for Gruppo Banco BPM;
- the data relating to FY 2019 is not comparable with that of FY 2018 with reference to the right of use, lease liability and correlated economic impacts.

Please also note that the Group has availed itself of the practical expedient, both during FTA and definitively, not to apply the regulations of IFRS 16 to contracts with a term of less than 12 months (i.e. due before 31 December 2019 for the FTA) or with underlying assets of modest new value (threshold value being identified as of Euro 5,000).

Additionally, in order to determine the impairment of the right of use during FTA, the Group relied on assessments performed for the 2018 financial statements relative to the existence of onerous contracts that entailed the need to record a provision for risks and charges in accordance with IAS 37. In particular, these are provisions established against lease contracts for closed branches, for which the costs necessary to fulfil the contract exceeded the expected benefits.

In order to calculate the lease liability and related right of use, Gruppo Banco BPM has discounted the future charges attributable to the leasing component, net of VAT, to be paid for the expected contract term.
With reference to the lease duration, in addition to the period that cannot be cancelled, during which the Group cannot avoid paying charges, extension options were considered if their exercise by the Group was held to be reasonably certain, considering all facts and circumstances. More specifically, with reference to contracts envisaging the faculty of the lessor to renew the lease at the end of the first period, during FTA and definitively, the Group considers the initial term of the rental contract (e.g. 12 years for 6 + 6 year rental contracts) and, once this term has ended, the following first renewal period (e.g. next 6 years), where there is no reasonable evidence that may lead to another renewal period or, vice versa, the end of the contract.
In regard to the discounting of future charges, the discounting rate is equal to the incremental borrowing rate as at the date on which the contract is stipulated. This rate was identified in the rate used for managerial purposes which expresses the average cost of Group funding both *secured* and *unsecured*. For the purpose of the transition and in line with the transitional provisions of the standard, this rate corresponds to the ITR (internal transfer rate) of deposits on a Group level, used for managerial purposes on 1 January 2019.

<u>Accounting impacts following the application of IFRS 16 for Gruppo Banco BPM</u>

On the basis of that explained above, the first-time adoption of IFRS 16 entailed the recording of greater tangible assets following the booking of rights of use acquired through leasing, of € 836.1 million, almost entirely represented by property rent contracts and the corresponding liabilities, mainly in regard to clients. Considering the reclassification of the provision for risks and charges for onerous contracts of closed branches, of € 33.2 million, the impact on the assets and corresponding liabilities is € 802.9 million, as shown in summary form in the table below.

Table 1: Summary of the financial impacts of the first-time adoption of IFRS 16 for the reclassified item of the BS

Reclassified BS items	Financial impacts of FTA of IFRS 16 *(figures in thousands of euros)*	IFRS 16 *Impact*	IFRS 16 *Reclass.*	IFRS 16 01/01/2019
***Tangible assets** (*)*	Recording: *- Rights of use of tangible assets (before impairment)*	*836,101*	-	836,101
	- net of impairment (provision for risks and charges on onerous contracts)	-	*-33,209*	-33,209
	Rights of use of tangible assets acquired through leasing	***836,101***	***-33,209***	**802,892**
TOTAL IMPACT ON ASSETS (A)				**802,892**
***Liability provisions** (**)*	Reclassification of provisions of liabilities (impairment of rights of use):			
	Provisions for risks and charges for onerous charges	**-**	***-33,209***	**-33,209**
***Leasing payables** (***)*	Recording: *Leasing payables (customers)*	*828,136*	-	*828,136*
	Leasing payables (banks)	*7,965*	-	*7,965*
	Payables for lease contract charges	***836,101***	**-**	***836,101***
TOTAL IMPACT ON LIABILITIES (B)				**802,892**
CONSOLIDATED SHAREHOLDERS' EQUITY	Impact on consolidated shareholders' equity (A)+(B)	**-**	**-**	**-**
TOTAL IMPACT ON CONSOLIDATED SHAREHOLDERS' EQUITY				**-**

(*) At 01 January 2019, the balance of the item of the reclassified balance sheet "Tangible assets" amounts to € 3,578,777 thousand, showing an increase of € 802,892 thousand on the balance of € 2,775,885 thousand booked as at 31 December 2018; this is a result of the recording of the right of use (€ 836,101 thousand), net of the related impairment (€ 33,209 thousand)
(**) At 01 January 2019, the balance of the item of the reclassified balance sheet "Liability provisions" amounts to € 1,671,657 thousand, down € 33,209 thousand on the balance of € 1,704,866 thousand as at 31 December 2018; this is following the reclassification of the provision for risks and charges on onerous contracts of closed branches, which reduced the right of use
(***) At 01 January 2019, the balance of the item of the reclassified balance sheet "Leasing payables" amounts to € 836,101 thousand, with a corresponding increase allocated to the liability recorded for future charges (new item, as explained at point 1 above in these notes)

With reference to the impacts on the income statement, during the first quarter of 2019, adoption of IFRS 16 entailed the debit of:
- amortisation of the right of use for € 25.6 million (recorded under "Write-downs of tangible and intangible assets");
- interest expense on leasing payables for € 2.5 million (recorded under "Net interest income").

While the old accounting standard IAS 17 was in force - in respect of the above expenses, the rental expense and lease charges relative to contracts coming under the scope of IFRS 16 would have been booked under "Other administrative expenses", for an amount basically in line with the expenses recorded in application of the new standard.

Considering that the above economic items and the evolution of the contracts seen during the first quarter in terms of new contracts stipulated and payment of charges at 31 March 2019:
- the tangible assets represented by the right of use deriving from lease contracts amount to € 778.3 million;
- lease payables total € 809.9 million.

Impacts on own funds following application of IFRS 16 for Gruppo Banco BPM

With reference to the impact on own funds, the application of IFRS 16 entailed a reduction of approximately 15 BPs with respect to the IFRS 9 phase-in CET1 ratio at 01 January 2019. In line with that explained by the Basel Committee on 06 April 2017 "FAQs on the treatment of the ROU Asset", this effect derives from the inclusion of the right of use on tangible assets in calculating the risk-weighted assets (RWAs) subject to 100% weighting in line with the treatment applied to owned tangible assets. The impact on the IFRS 9 fully phased CET1 ratio was of 12 bps.

3. Impacts of the PPA (Purchase Price Allocation) of the business combinations of the former Gruppo Banca Popolare di Milano and of the former Groups Banca Popolare Italiana and Banca Italease

In compliance with international accounting standard IFRS 3, the income statement of Gruppo Banco BPM includes the P&L impacts caused by the allocation of the values determined for the business combination of Gruppo Banco Popolare and the Gruppo Banca Popolare di Milano completed in FY 2017 and for the acquisitions of Gruppo Banca Popolare Italiana and Gruppo Banca Italease, completed in FY 2007 and 2009, respectively.

The impact on the consolidated income statement for the first quarter of 2019, deriving from the reversal of value adjustments to net assets acquired (mainly referring to the former Gruppo Banca Popolare di Milano) was + € 6.0 million on the net interest income, - € 9.6 million on other net operating income as a result of the amortisation of the intangibles booked during the PPA and -€2.7m of provisions on higher real estate values

4. Charges generated by the contribution to resolution mechanisms

Starting with FY 2018, the line-item "After-tax banking industry charges" has been added to the Reclassified Income Statement. This line-item will include ordinary and extraordinary charges due by banks under the single and national resolution funds (SRF and NRF) and of the Deposit Guarantee Scheme (DGS).

During the first quarter of 2019, the income statement was charged with the amount of ordinary contributions to be paid to the Single Resolution Provision for FY 2019, which net of the related tax effect, comes to € 41.6 million (€ 49.0 million were the ordinary contributions pertaining to the first quarter of 2018). Gross of the tax effect, the expense is € 61.7 million (€ 68.0 million during the first quarter of 2018). Please note that in 2019, as in the prior year, the Group does not intend to exercise the option of paying the contribution through irrevocable payment commitments ("IPCs"), set as a maximum of 15% of the total contributions.

5. Changes in consolidation scope

During the first quarter of 2019, we note, as change in the consolidation scope, the leaving by the subsidiaries Liberty S.r.l., BPM Securitisation 3 S.r.l. and Beta S.r.l., and the associate Motia Compagnia di Navigazione S.p.A. following cancellation from the competent Registers of Companies upon completion of the liquidation procedure.
The SPVs Erice Finance S.r.l. and Leviticus SPV S.r.l. also leave the scope of consolidation, the first due to closure of the securitisation transaction and the second following completion of the transfer of receivables under the scope of the ACE project and the consequent derecognition of such from the accounts.

It is also specified that on 11 February 2019, the merger by incorporation was completed into the parent company Banco BPM of the subsidiaries BP Property Management S.c.a r.l. and Società Gestione Servizi BP S.c.p.a. This operation, which took effect for accounting and tax purposes as of 1 January 2019, occurred in the simplified form established for fully held companies.

The above-mentioned changes had no material impacts on consolidated financial results.

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

In compliance with the indications of Consob Communication no. DEM/6064293 of 28 July 2006, it is specified that the income statement for the first quarter of 2019 does not show non-recurring items of a significant amount:

7. Capital requirements regulation

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

Please note that the minimum capital requirements for 2019 are as follows:

- a minimum common equity tier 1 capital ratio (Common Equity Tier 1 ratio - "CET1 ratio"), minimum: 4.5% + 2.5% Capital Conservation Buffer: "*CCB*");
- a minimum Tier 1 capital ratio of 6.0% + 2.5% of CCB;
- minimum total capital ratio of 8% + 2.5% of CCB.

With communication of 21 December 2018, the Bank of Italy confirmed the Countercyclical Capital Buffer ratio at zero per cent also for 2019.

With communication of 30 November 2017, the Bank of Italy identified the banking group Banco BPM as an 'Other Systemically Important Institution' (O-SII). The O-SII reserve for 2019 is equal to 0.06% and must be gradually increased annually in a linear manner until it reaches 0.25% on 1 January 2022.

On 08 February 2019, the European Central Bank (ECB) notified Banco BPM its final decision on the minimum capital ratios that Banco BPM is required to comply with on an ongoing basis starting with FY 2019.
The decision is based on the supervisory review and evaluation (SREP) conducted in accordance with art. 4(1)(f) of EU Regulation no. 1024/2013.
In compliance with art. 16(2)(a) of the same Regulation no. 1024/2013, which gives the ECB the power to require that supervised banks hold an amount of own funds greater than the minimum capital requirements provided for under the current regulations, top-up was reduced to 2.50% (it was 2.50% in 2018) to be added to the above requirements.
Taking into account the aforementioned SREP requirements, at consolidated level Gruppo Banco BPM must comply with the following capital ratios:

- CET1 ratio: 9.31%;
- Tier 1 ratio: 10.81%;
- Total Capital ratio: 12.81%.

Banco BPM elected to fully apply the transitional provision under the new article 473 bis of EU Regulation no. 575/2013, which phases in the impact on own funds generated by the adoption of the new impairment model introduced by IFRS9. Under the transitional provision, it is possible to include a transitional positive component to the Tier 1 capital by a percentage of the increase in expected loan loss provisions further to the adoption of IFRS 9. This percentage will decrease over five years, as shown below:

- period from 1 January to 31 December 2018: 95% of the increase in provisions for expected credit losses due to the adoption of the IFRS 9 accounting standard;
- period from 1 January 2019 to 31 December 2019: 85% of the increase in provisions for expected credit losses;
- period from 1 January 2020 to 31 December 2020: 70% of the increase in provisions for expected credit losses;
- period from 1 January 2021 to 31 December 2021: 50% of the increase in provisions for expected credit losses;
- period from 1 January 2022 to 31 December 2022: 25% of the increase in provisions for expected credit losses.

From 1 January 2023, the impact deriving from the first-time adoption of the IFRS 9 accounting standard will be fully reflected in the calculation of own funds.

In addition to the possibility of phasing in the impact deriving from the first time adoption of the accounting standard on 1 January 2018, the transitional regulation provides for the possibility of phasing in any impacts that the adoption of the new impairment model will produce in the first few years following the first time adoption of the new accounting standard, albeit limited to those arising from the measurement of performing financial assets.

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

8. Sovereign risk exposure represented by debt securities

The table below provides an illustration of the Group's sovereign risk exposure at 31 March 2019, represented by debt securities, broken down by single Country and by category of the classification accounting portfolio:

31 March 2019 *(million euro)* **Countries/Accounting portfolios**	**Fin. ass. measured at amortized cost**	**Fin. ass. measured at fair value through other comprehensive income**	**Fin. ass. measured at fair value through profit or loss**	**Total**
Italy	10,906	6,908	2,192	20,006
USA	2,405	1,339	-	3,744
France	1,106	1,958	-	3,064
Germany	386	361	-	747
Spain	652	443	343	1,438
Other Countries	294	53	-	347
Total	**15,749**	**11,062**	**2,535**	**29,346**

At 31 March 2019, the Group's sovereign debt exposure totalled € 29.3 billion (€ 27.5 billion at 31 December 2018), of which 53.7% classified in the portfolio of financial assets measured at amortized cost, 37.7% under financial assets measured at fair value through other comprehensive income, and 8.6% in the portfolio of financial assets measured at fair value through profit or loss as they were held for trading.
Out of this exposure, about 87% refers to securities issued by members of the European Union; more specifically about 68% by Italy.
With regard to financial assets measured at fair value through other comprehensive income, at 31 March 2019 the reserves generated by the fair value measurement totalled a negative € 62 million, gross of tax effect, and refer to Italian Government bonds for € 87 million (other government bonds have a positive effect of € 25 million).
As to financial assets measured at amortized cost, the book value came out at € 15.8 billion, of which € 10.9 billion represented by Italian government bonds. For information purposes only, note that the fair value of the government bonds

classified in this accounting category, measured based on the market prices at 31 March 2019, (level 1 in the fair value classification) totalled € 15.8 billion (€ 10.8 billion being the fair value of the Italian government bonds alone).
Finally, note that in FY 2019, Gruppo Banco BPM did not change its business model, hence no financial assets reclassification has been reported across the different accounting categories.

9. Other explanatory notes

The reclassified balance sheet and income statement reflect on a consolidated basis the financial accounts of Banco BPM and its subsidiaries with respect to 31 March 2019, or, when not available, to the most recently approved financial reports.
Similarly, the equity method-based treatment of associates was carried out based on the accounting information submitted to Banco BPM as at 31 March 2019, or, if not available, on the most recent financial reports prepared by the associates.

Attachments

- Reclassified consolidated balance sheet at 31 March 2019 compared with the data as at 31 December 2018
- Reclassified consolidated income statement for Q1 2019 compared with the data for Q1 2018
- Reclassified consolidated income statement – 2019 and 2018 quarterly evolution
- Reclassified consolidated income statement without PPA line by-line - Quarterly evolution

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BANCO BPM GROUP

Reclassified consolidated balance sheet

(in euro thousand)	31/03/2019	31/12/2018	Chg. vs. 31/12/2018	Chg. % vs. 31/12/2018
Cash and cash equivalents	803,862	922,017	-118,155	-12.8%
Financial assets at amortised cost	111,592,055	108,207,732	3,384,323	3.1%
- Due from banks	5,122,516	4,193,119	929,397	22.2%
- Customer loans (*)	106,469,539	104,014,613	2,454,926	2.4%
Other financial assets	38,957,122	36,852,942	2,104,180	5.7%
- Financial assets designated at FV through P&L	7,551,337	5,869,106	1,682,231	28.7%
- Financial assets designated at FV through OCI	14,882,235	15,351,561	-469,326	-3.1%
- Financial assets at amortised cost	16,523,550	15,632,275	891,275	5.7%
Equity investments	1,357,504	1,434,163	-76,659	-5.3%
Property and equipment	3,528,234	2,775,885	752,349	27.1%
Intangible assets	1,275,289	1,277,941	-2,652	-0.2%
Tax assets	4,944,310	5,012,477	-68,167	-1.4%
Non-current assets held for sale and discontinued operations	280,946	1,592,782	-1,311,836	-82.4%
- Customer loans	263,675	1,576,159	-1,312,484	
- Other assets and group of assets	17,271	16,623	648	3.9%
Other assets	3,100,101	2,388,852	711,249	29.8%
Total Assets	**165,839,423**	**160,464,791**	**5,374,632**	**3.3%**
Direct funding	109,319,505	105,219,691	4,099,814	3.9%
- Due to customers	95,232,378	90,197,859	5,034,519	5.6%
- Debt securities issued and financial liabilities designated at FV	14,087,127	15,021,832	-934,705	-6.2%
Due to banks	31,399,655	31,633,541	-233,886	-0.7%
Leasing debts	809,859		809,859	
Other financial liabilities designated at fair value	7,805,726	7,228,829	576,897	8.0%
Liability provisions	1,599,631	1,704,866	-105,235	-6.2%
Tax liabilities	511,719	505,402	6,317	1.2%
Liabilities associated with assets held for sale	4,390	3,043	1,347	
Other liabilities	3,825,362	3,864,345	-38,983	-1.0%
Total Liabilities	**155,275,847**	**150,159,717**	**5,116,130**	**3.4%**
Minority interests	44,278	45,599	-1,321	-2.9%
Shareholders' equity	10,519,298	10,259,475	259,823	2.5%
Consolidated Shareholders' Equity	**10,563,576**	**10,305,074**	**258,502**	**2.5%**
Total Liabilities and Shareholders' Equity	**165,839,423**	**160,464,791**	**5,374,632**	**3.3%**

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

BANCO BPM GROUP

Reclassified consolidated income statement

(in euro thousand)	31/03/2019	31/03/2018	Changes	Changes %
Net interest income	505,152	595,111	-89,959	-15.1%
Income (loss) from investments in associates carried at eq	36,758	42,585	-5,827	-13.7%
Net interest, dividend and similar income	**541,910**	**637,696**	**-95,786**	**-15.0%**
Net fee and commission income	420,023	476,520	-56,497	-11.9%
Other net operating income	14,620	24,150	-9,530	-39.5%
Net financial result	86,840	29,308	57,532	196.3%
Other operating income	**521,483**	**529,978**	**-8,495**	**-1.6%**
Total income	**1,063,393**	**1,167,674**	**-104,281**	**-8.9%**
Personnel expenses	-425,873	-442,089	16,216	-3.7%
Other administrative expenses	-167,019	-211,487	44,468	-21.0%
Amortization and depreciation	-77,599	-47,926	-29,673	61.9%
Operating costs	**-670,491**	**-701,502**	**31,011**	**-4.4%**
Profit (loss) from operations	**392,902**	**466,172**	**-73,270**	**-15.7%**
Net adjustments on loans to customers	-151,952	-326,239	174,287	-53.4%
Net adjustments on other assets	-3,971	2,228	-6,199	
Net provisions for risks and charges	4,422	-24,964	29,386	
Profit (loss) on the disposal of equity and other ivestments	167	179,654	-179,487	-99.9%
Income (loss) before tax from continuing operations	**241,568**	**296,851**	**-55,283**	**-18.6%**
Tax on income from continuing operations	-50,705	-25,937	-24,768	95.5%
Systemic charges after tax	-41,621	-49,037	7,416	-15.1%
Income (loss) after tax from discontinued operations	-	-14	14	
Income (loss) attributable to minority interests	1,246	1,430	-184	-12.9%
NET INCOME (LOSS) FOR THE PERIOD	**150,488**	**223,293**	**-72,805**	**-32.6%**

BANCO BPM GROUP

Reclassified consolidated income statement - Quarterly evolution

(in euro thousand)	31/03/2019	IV Q 2018	III Q 2018	II Q 2018	I Q 2018
Net interest income	505,152	554,694	557,759	584,998	595,111
Income (loss) from investments in associates carried at equity	36,758	50,668	32,791	33,413	42,585
Net interest, dividend and similar income	**541,910**	**605,362**	**590,550**	**618,411**	**637,696**
Net fee and commission income	420,023	469,875	451,372	450,993	476,520
Other net operating income	14,620	21,061	214,531	130,029	24,150
Net financial result	86,840	-73,898	46,768	80,182	29,308
Other operating income	**521,483**	**417,038**	**712,671**	**661,204**	**529,978**
Total income	**1,063,393**	**1,022,400**	**1,303,221**	**1,279,615**	**1,167,674**
Personnel expenses	-425,873	-422,177	-431,479	-437,060	-442,089
Other administrative expenses	-167,019	-205,705	-196,184	-203,102	-211,487
Amortization and depreciation	-77,599	-97,096	-49,456	-49,020	-47,926
Operating costs	**-670,491**	**-724,978**	**-677,119**	**-689,182**	**-701,502**
Profit (loss) from operations	**392,902**	**297,422**	**626,102**	**590,433**	**466,172**
Net adjustments on loans to customers	-151,952	-987,260	-267,405	-360,212	-326,239
Net adjustments on other assets	-3,971	3,968	-1,312	-1,593	2,228
Net provisions for risks and charges	4,422	-227,805	-71,865	-20,707	-24,964
Profit (loss) on the disposal of equity and other ivestments	167	5,109	-10,301	-1,104	179,654
Income (loss) before tax from continuing operations	**241,568**	**-908,566**	**275,219**	**206,817**	**296,851**
Tax on income from continuing operations	-50,705	322,430	-72,338	-61,320	-25,937
Systemic charges after tax	-41,621	-668	-32,122	-18,391	-49,037
Income (loss) after tax from discontinued operations	-	-	932	18	-14
Income (loss) attributable to minority interests	1,246	5,777	256	2,160	1,430
NET INCOME (LOSS) for the period excluding Badwill and Impairment on goodwill and client relationship	**150,488**	**-581,027**	**171,947**	**129,284**	**223,293**
Impairment on goodwill and client relationship after tax	**-**	**-2,929**	**-**	**-**	**-**
NET INCOME (LOSS) FOR THE PERIOD	**150,488**	**-583,956**	**171,947**	**129,284**	**223,293**

BANCO BPM GROUP

Reclassified consolidated income statement without PPA line-by-line - Quarterly evolution

(in euro thousand)	I Q 2019	IV Q 2018	III Q 2018	II Q 2018	I Q 2018
Net interest income	499,188	534,304	537,227	541,685	536,030
Income (loss) from investments in associates carried at equity	36,758	50,668	32,791	33,413	42,585
Net interest, dividend and similar income	**535,946**	**584,972**	**570,018**	**575,098**	**578,615**
Net fee and commission income	420,023	469,875	451,372	450,993	476,520
Other net operating income	24,182	31,635	225,104	140,539	34,604
Net financial result	86,840	-73,898	46,768	80,182	29,308
Other operating income	**531,045**	**427,612**	**723,244**	**671,714**	**540,432**
Total income	**1,066,991**	**1,012,584**	**1,293,262**	**1,246,812**	**1,119,047**
Personnel expenses	-425,873	-422,177	-431,479	-437,060	-442,089
Other administrative expenses	-167,019	-205,705	-196,184	-203,102	-211,487
Amortization and depreciation	-74,849	-94,597	-46,543	-46,126	-45,056
Operating costs	**-667,741**	**-722,479**	**-674,206**	**-686,288**	**-698,632**
Profit (loss) from operations	**399,250**	**290,105**	**619,056**	**560,524**	**420,415**
Net adjustments on loans to customers	-151,952	-987,260	-267,405	-360,212	-326,239
Net adjustments on other assets	-3,971	3,968	-1,312	-1,593	2,228
Net provisions for risks and charges	4,422	-227,805	-71,865	-20,707	-24,964
Profit (loss) on the disposal of equity and other ivestments	167	5,109	-10,301	-1,104	179,654
Income (loss) before tax from continuing operations	**247,916**	**-915,883**	**268,173**	**176,908**	**251,094**
Tax on income from continuing operations	-52,750	324,810	-69,946	-51,347	-10,742
Systemic charges after tax	-41,621	-668	-32,122	-18,391	-49,037
Income (loss) after tax from discontinued operations	-	-	932	18	-14
Income (loss) attributable to minority interests	1,246	5,777	256	2,160	1,430
NET INCOME (LOSS) for the period excluding PPA, Badwill and Impairment on goodwill and client relationship	**154,791**	**-585,964**	**167,293**	**109,348**	**192,731**
Purchase Price Allocation (PPA) after tax	**-4,303**	**4,937**	**4,654**	**19,936**	**30,562**
Impairment on goodwill and client relationship after tax	**-**	**-2,929**	**-**	**-**	**-**
NET INCOME (LOSS) FOR THE PERIOD	**150,488**	**-583,956**	**171,947**	**129,284**	**223,293**