NEWS RELEASE

BANCO BPM: EU-WIDE STRESS TEST RESULTS

Particularly satisfactory results that confirm the Bank's ability to generate value under the base scenario and resilience under the adverse scenario

For Banco BPM the outcomes are even more important considering that the exercise rules prevented the peculiarities tied to the merger plan to be factored in, which otherwise would have contributed to further and strongly improving the achieved results, especially under the adverse scenario

CET 1 ratio phase-in under Baseline scenario 15.74%

CET 1 ratio phase-in under Adverse scenario 8.47%

Milan, 2 November 2018 – Gruppo Banco BPM was subject to the 2018 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB).

Banco BPM notes the announcement made today by the EBA on the EU-wide stress test and confirms the outcomes of this exercise.

The 2018 EU-wide stress test does not contain a pass/fail threshold and instead is designed to be used as an important source of information for the purpose of the SREP. The results will assist Competent Authorities in assessing Banco BPM's ability to meet applicable prudential requirements under stressed scenarios.

The Adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2018 – 2020).

The stress test has been carried out applying a static balance sheet assumption as at 31 December 2017, and therefore does not take into account already implemented and/or future business strategies and management actions.

The outcomes are not a forecast of the Group's future financial performance, nor of its prospective capital ratios.

The solidity evidenced in the Baseline scenario, reflecting Banco BPM's ability to generate value through its core business, and the resilience manifested in the Adverse scenario, have been confirmed by the following results:

- CET 1 ratio phase-in under Baseline scenario 15.74% *(14,32% fully loaded);*
- CET 1 ratio phase-in under Adverse scenario 8.47% *(6,67% fully loaded).*

These outcomes appear even more satisfactory when considering that the Stress Test exercise has been performed at a very peculiar time for the Group, and that the exercise rules did not allow to take into account already implemented specific actions tied to the merger plan, i.e. non-recurring costs and the de-risking of bad loans already disposed in H1 2018. The inclusion of these elements would have led to a better result than the one achieved, namely:

- following the merger of the two former Banking Groups Banco Popolare and Banca Popolare di Milano on 1 January 2017, Banco BPM incurred extraordinary and non-recurring costs (in particular tied to personnel cost reductions based on signed agreements in keeping with the redundancy scheme and the migration on a single IT system), which under the exercise rules could not be filtered out, and instead were projected throughout the 3-year time horizon for a cumulative total exceeding 500 million Euro, thus generating unrealistic effects;

- based on the static balance sheet assumption, the exercise did not factor in the ongoing de-risking process (in particular the sale of € 5.1 billion of bad loans already completed in H1 2018, corresponding to about one third of the total portfolio).

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