



Strategic Update:

- Partnership with Crédit Agricole
- ACE Project

03 December 2018

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

EXECUTIVE SUMMARY

- **Binding MoU aimed at strengthening the partnership of Banco BPM and Crédit Agricole in the consumer credit sector** in Italy:

- Generating a significant capital uplift for Banco BPM (c.+80bps), whilst maintaining the existing shareholding in Agos (39%)
- Strengthening the partnership with Crédit Agricole, as well as Agos' leading position and market share in the sector

- **Massive derisking** via ACE Project for a total nominal amount of Bad Loans up to €7.8bn, in addition to a potential €0.8bn leasing portfolio

In the event that the optimisation would lead to a range between € 7.0 bn and € 7.8 bn

- the gross NPL ratio 30/09/2018 PF down to a range between ~ 11.3% / 10.6% **-4.6pp / -5.2 pp vs. 30/09/18**
- the net NPL ratio 30/09/2018 PF down to a range between ~ 6.9% / 6.6% **-1.6pp / -1.9 pp vs. 30/09/18**
- the gross Bad Loan ratio 30/09/2018 PF down to a range between ~ 3.7% / 3.0% **-5.0pp / -5.7 pp vs. 30/09/18**
- the net Bad Loan ratio 30/09/2018 PF down to a range between ~ 1.6% / 1.2% **-1.7pp / -2.1 pp vs. 30/09/18**

- **Healthy preservation of capital ratios:** thanks to the benefits of the agreement in consumer credit, the FL CET1 ratio pro-forma is set to remain in the area of 11%-11.5%¹, even in case of NPL disposal for an amount at the top of the range

Note:

1. Indicated on a pro-forma basis, with reference to the data as at 30/09/2018, including the estimated impact related to the strengthening of the Consumer Credit Business and to the ACE Project.

REORGANISATION OF THE CONSUMER CREDIT BUSINESS

Signed a binding MoU aimed at strengthening the partnership of Banco BPM and Crédit Agricole in the Consumer Credit sector in Italy

PROFAMILY

- Agos to acquire ProFamily “captive” business **for a total consideration of €310m**
- ProFamily, as part of Agos, will distribute its products through the entire branch network of Banco BPM Group, on an exclusive basis with a 15-year contract
- BBPM will keep 100% of former ProFamily “non captive”

AGOS

- **Agos will maintain its current shareholding structure: 61% CA and 39% Banco BPM**
- Definitive agreements will be signed between Banco BPM, CA and CACF including: Shareholders’ Agreement, Distribution Agreement and Funding Agreement, which will remain substantially unchanged other than in their duration (15 years)
- Banco BPM and CA have also agreed to explore the feasibility of an IPO of Agos over the next 2 years
- As part of the IPO, Banco BPM shall have the option (but no obligation) to reduce its current shareholding in Agos. Banco BPM has obtained from CA a put option on a 10% shareholding in Agos, at a price of €150m, exercisable in June 2021. Such guarantee, due to the implied reduction in the risk related to the capital invested, shall entail a consequent increase in Banco BPM’s CET1 ratio. This option is in any case unlikely to be exercised, given the wide gap between its strike price and the intrinsic value of Agos which is set to increase further as a result of the strengthening of the partnership.

Additional flexibility for both shareholders, while preserving their strong commitment for the future development of the company

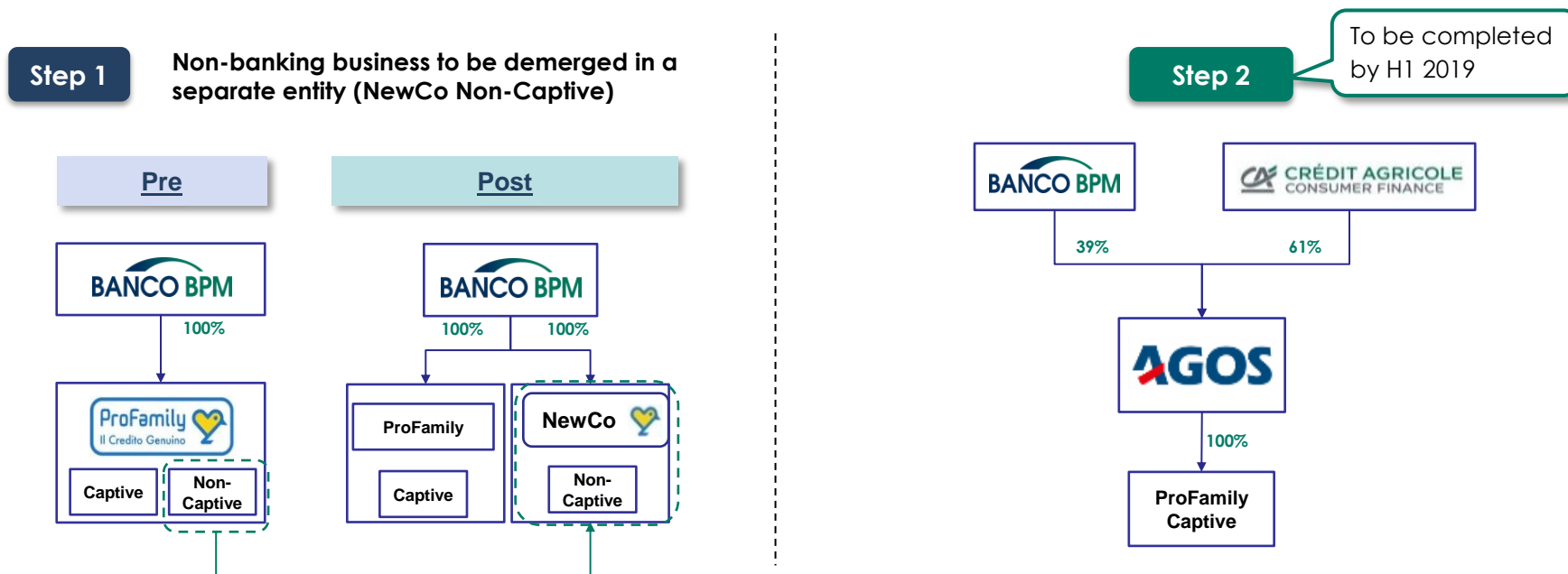
- **Generating a significant capital uplift for Banco BPM (c.+80bps¹)**, whilst maintaining the existing shareholding in Agos
- Strengthening the partnership with CA, as well as Agos’ leading position and market share in the sector

Note:

1. Pro-forma impact expected from the completion of the agreement calculated, all other conditions being equal, assuming as reference basis the CET1 ratio fully loaded as at 30 of September 2018 (11.2% PF).

STRUCTURE OF THE TRANSACTION IN CONSUMER CREDIT

KEY STEPS OF THE POTENTIAL STRUCTURE POST TRANSACTION



It is reminded that, as part of a possible IPO of Agos to be explored with CA, Banco BPM would have the option to reduce its stake in Agos by 10%, exercisable in June 2021

UPDATE ON ACE PROJECT

1 NPL Portfolio

Up to €7.8bn Nominal Book Value



- **Minimum required to complete 2018-20 plan submitted to ECB:** €3.5bn disposal
- **Current base case scenario:** acceleration of the derisking plan via larger disposal

Potential platform set-up and sale dependent upon several factors

2 NPL Recovery B.U.

Business Unit dedicated to loan recovery activities



Definition of the Business Unit Perimeter and subscription of a servicing agreement



Offers

Towards closing

STATUS

- **Banco BPM received offers** from three consortia – Credito Fondiario-Eliot, doBank-Fortress-Ilimity and Prelios-CRC – for the full perimeter of credit bad loans earmarked for disposal by the bank as well as for sub-perimeters
- Offers have been provided for **both GACS and non-GACS financing structures**, in order for Banco BPM to **maintain flexibility on the potential financing structure** of the transaction, maximising the outcome for the bank
- Bidders also submitted offers for the **NPL Recovery Business Unit**

NEXT STEPS

- Following the board of 29-Nov, **Banco BPM will continue the negotiation with the three consortia** in order to sign a framework agreement as soon as possible
- Final size of the portfolio ranging between **€7.0bn - €7.8bn of nominal book value** equivalent to a **gross balance sheet exposure of €6.0bn and €6.8bn**, respectively
- Possible **partnership for the NPL Recovery Business Unit** and subscription of a **long-term servicing agreement**
- Prosecution of **DD on leasing portfolio** aimed to **obtain final offers**

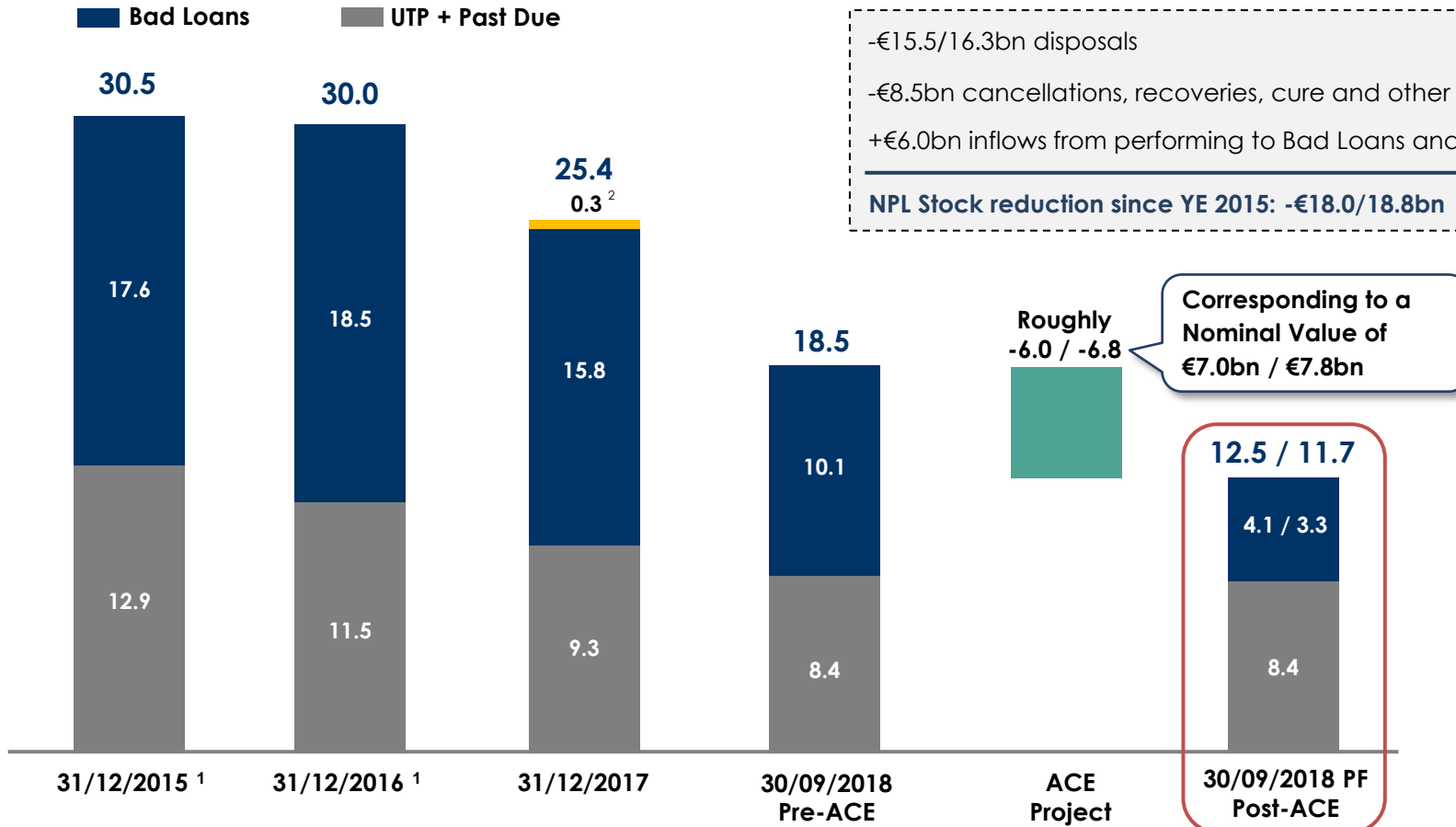
NPL DYNAMICS AT A GLANCE: EXCELLENT FURTHER DERISKING TO COME VIA ACE PROJECT

€ bn – Total NPLs, gross book value

NPL Dynamics since YE 2015 – including ACE

-€15.5/16.3bn disposals
 -€8.5bn cancellations, recoveries, cure and other³
 +€6.0bn inflows from performing to Bad Loans and UTP

NPL Stock reduction since YE 2015: -€18.0/18.8bn

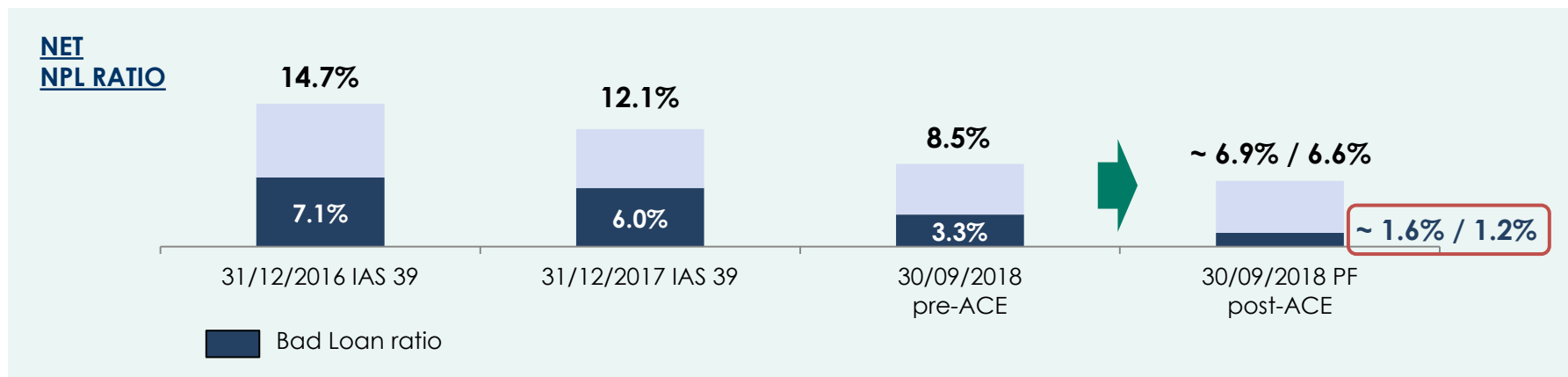
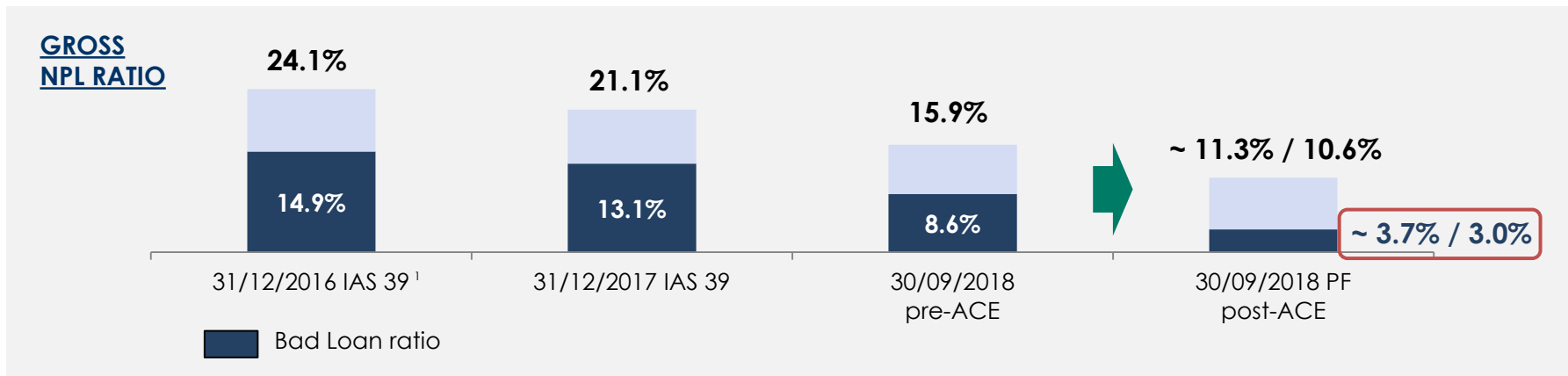


Internal management analysis

Notes:

1. Accounting gross book value, including restatement for managerial purposes (inclusion of a portion of write-offs, in coherence with the restatement done in 2017).
2. Subject to IFRS 9 reclassification.
3. Other includes net change in Past Due and IFRS 9 reclassification impact.

SHARP DROP IN NPL RATIOS



Trend since YE 2016 and YTD also impacted by IFRS 9 FTA.

Note:

1. Data restated excluding from the Nominal amount only the write-offs which remained off-balance sheet at the beginning of 2017.

CONSIDERATIONS ON THE RESIDUAL BAD LOAN PORTFOLIO

Assuming disposal of full ACE portfolio (€7.8bn Nominal Book Value)

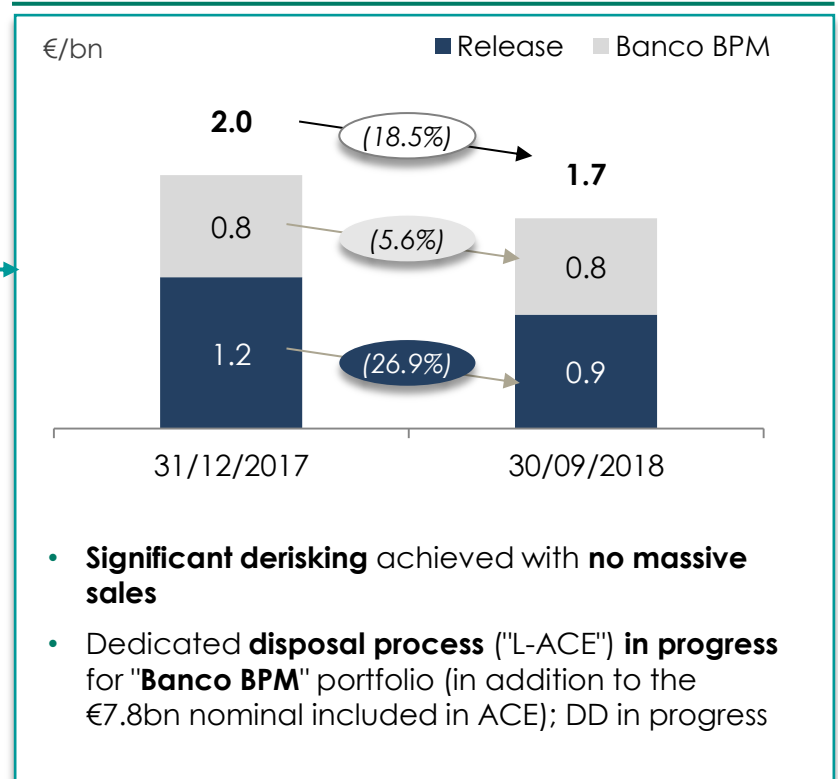
Analysis of the residual portfolio

Key data on residual Bad Loan portfolio	Accounting GBV (€bn)	Accounting coverage	Share of secured
Total	3.3	60.6%	72.7%

<i>of which: Leasing¹</i>	1.7	58.1%	85.9%
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<i>of which: Other bad loans¹</i>	1.6	63.2	58.6%
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Focus on the Leasing portfolio¹



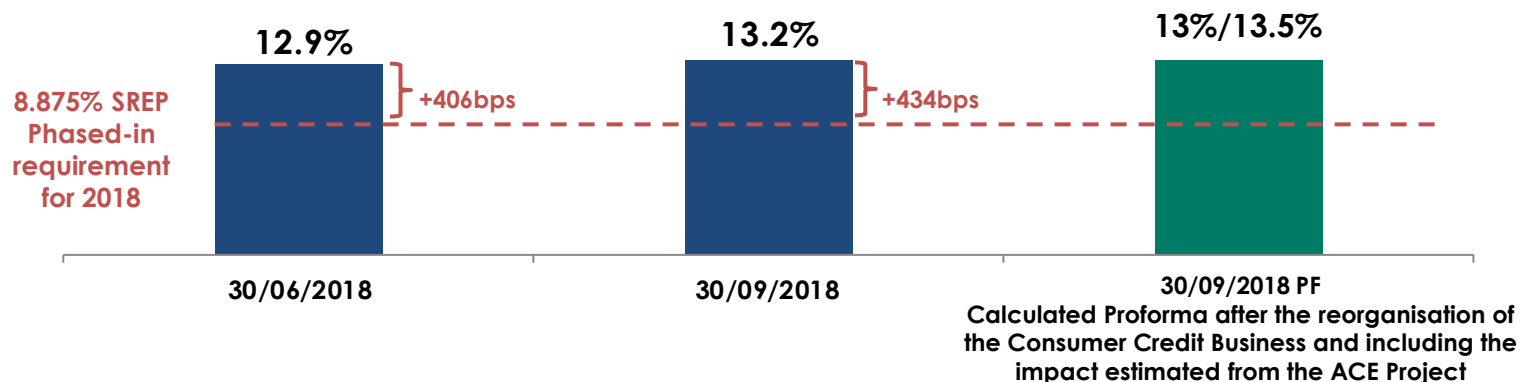
Note:

1. Managerial Data.

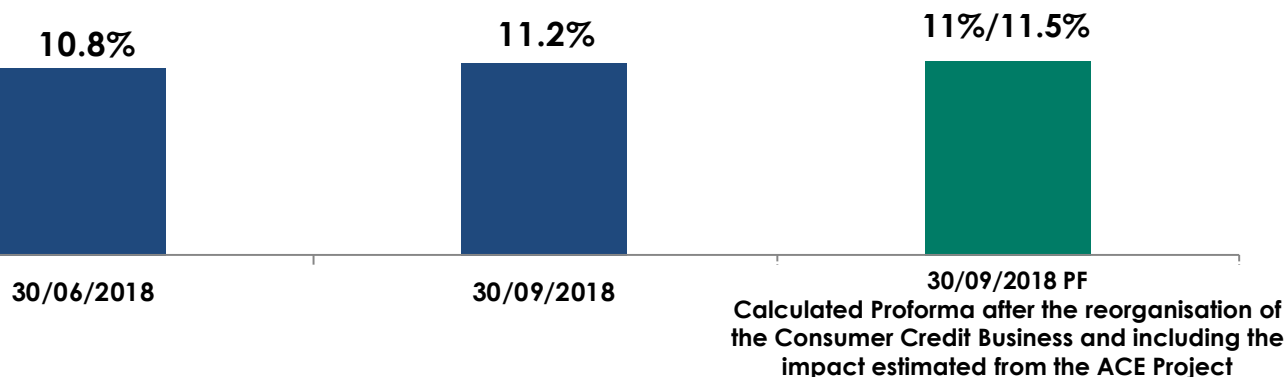
SOUND CAPITAL POSITION CONFIRMED

Solid buffer vs. the 2018 SREP requirement to be confirmed. In fact, the benefits of the agreement in Consumer Credit are anyhow set to allow the bank to fully face the overall effects on capital related to the ACE transaction, even in case of NPL disposal for an amount at the top of the range

CET 1 ratio Phased-in



CET 1 ratio Fully Loaded



CONTACTS FOR INVESTORS AND FINANCIAL ANALYSTS

INVESTOR RELATIONS



Roberto Peronaglio	+39-02-7700.2574
Tom Lucassen	+39-045-867.5537
Arne Riscassi	+39-02-7700.2008
Silvia Leoni	+39-045-867.5613
Andrea Agosti	+39-02-7700.7848

Registered Offices: Piazza Meda 4, I-20121 Milan, Italy
Corporate Offices: Piazza Nogara 2, I-37121 Verona, Italy

investor.relations@bancobpm.it
www.bancobpm.it (IR Section)

