MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

BMPS 3Q19 Results

6 November 2019

Key takeaways of 3Q19

Resilient revenues

in a difficult macro environment, thanks to strong focus on the JV with AXA and tactical management of the govies portfolio

Solid and less volatile capital ratios

supported by the evolution of the regulatory framework and the optimisation of the govies portfolio

NPE reduction plan well on track

with Gross NPE target ratio <12.5% confirmed by YE2019

Sound liquidity position

ahead of future maturities

Highlights of 3Q19 Results

Pre-provision profit

EUR 262mln

Resilient revenues, leveraging on AXA partnership & govies portfolio management, and strict cost control

Cost of risk

Cost of risk at 53bps

Default rate: 1.5% (2.1% at FY2018)
Danger rate: 11.3% (15.6% at FY2018)

2019 guidance confirmed at 60/65bps

Net income

EUR 94mln

Including non-operating items, among which: contribution to systemic funds (EUR -36mln), quarterly DTA fees (EUR -18mln) and additional provisions for new customer filings related to diamonds (EUR -8mln)

Gross NPE ratio

c. 14%
(including ongoing disposals)

Revised NPE strategy:
<12.5% at YE2019

CET1

14.8% (transitional)
12.6% (fully loaded)*

Total Capital

16.7% (transitional)
14.6% (fully loaded)*

Liquidity indicators

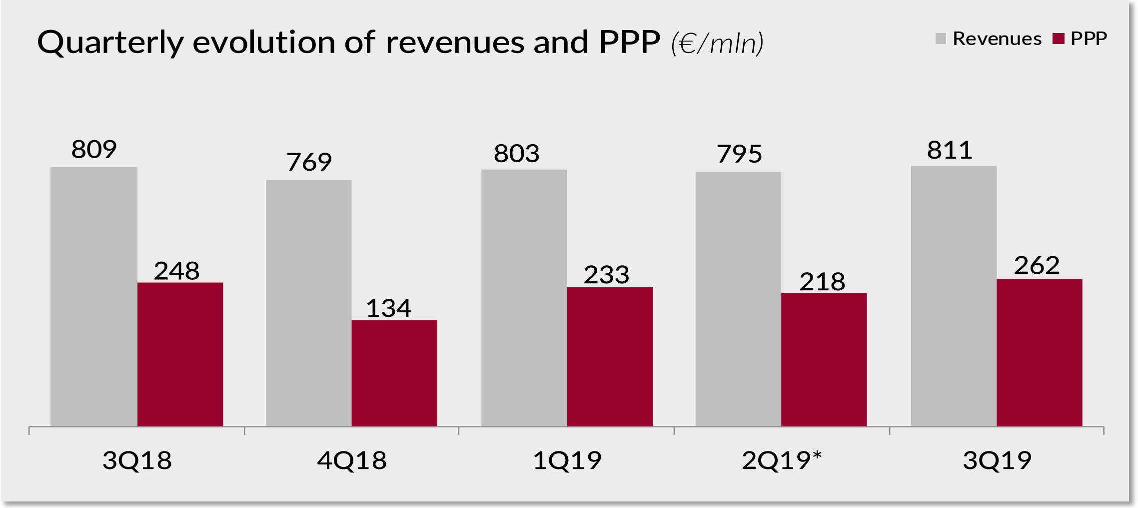
>200% LCR
>100% NSFR

EUR 23.4bn
Unencumbered Counterbalancing Capacity
(17.5% of total assets)

* Ratios calculated considering the full deduction of IFRS9 FTA. Including 3Q19 net income and expected reversal of DTAs until the end of the transitional period, proforma fully loaded CET1 ratio at 13.1% and fully loaded Total capital ratio at 15.1%.

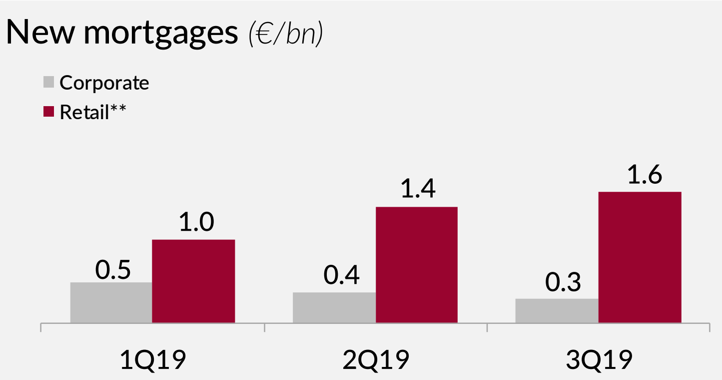
3Q19 confirms resilient revenues and good commercial activity

Resilient revenues

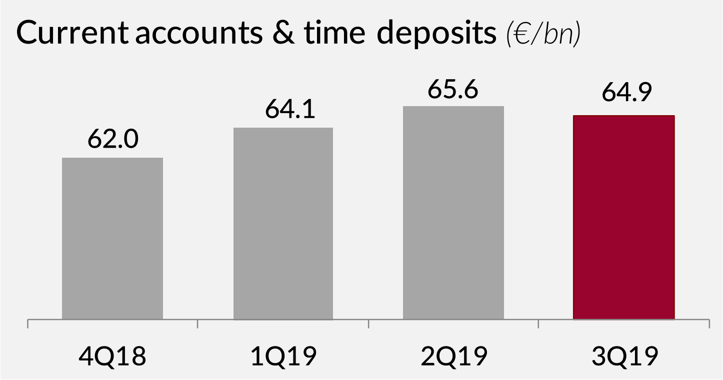


- Stable revenues, notwithstanding the difficult macro and interest rate environment and the typical seasonality of the quarter, thanks to:
  - ✓ positive trend in WM placement and continuing fees, leveraging also on the successful partnership with AXA
  - ✓ recomposition of the govies portfolio, with a positive contribution on the P&L (capital gain booked in the quarter is greater than the expected future impact on NII, as the reduction in the FVTOCI component was partially offset by the increase in the AC component)

Commercial activity



- ✓ Increase in Retail mortgages (+13% QoQ), with particular focus on mortgages to households
- ✓ Selective lending strategy to corporate customers



- ✓ Ongoing positive momentum on commercial direct funding stock (current accounts + time deposits): EUR +2.9bn since Dec-18***

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* 2Q19 revenues & pre-provision profit net of the cost for the unwinding of the Juliet servicing agreement (EUR 49mln).
** Including small-business mortgages.
***3Q19 impacted by the decrease in the current account deposit held by an institutional client, due to the typical seasonality of its business.

Focus on the bancassurance business in partnership with AXA

Main Initiatives

Rebranding & Reskilling pilot

This pilot will reshape branches with graphical elements that will present the "LA BANCASSICURAZIONE" opportunities available through an MPS branch that is able to cover: L&S, P&C, Health and Motor customer needs.
Some branches will reorganise their work process with the introduction of specifically trained product managers

Dedicated ADV campaign

On air starting from 20 October 2019, the campaign celebrates the courage of couples who live their lives through projects that are worthy of protection.
The campaign is linked to a brand-new life protection solution, unique on the market, that simultaneously insures two people against Death, Critical Illness and Long Term Care

"PER NOI" ADV Campaign

Surfing the «Health Wave»

MPS and AXA were first movers in the bancassurance health business, having introduced a standalone solution named "FORMULA BENESSERE" in October 2018. During 2019 MPS and AXA delivered a series of initiatives to:

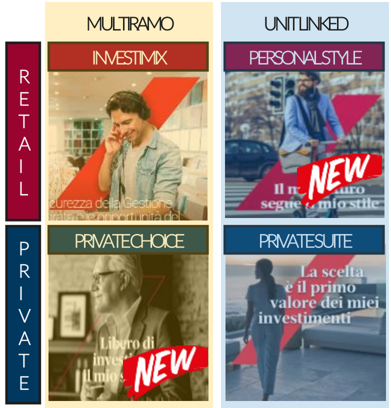
- boost productivity and sales,
- increase media visibility
- position the bank as a place of well-being

Continuous Innovation on Savings

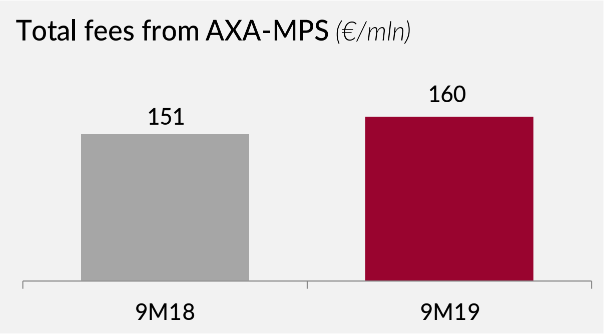
MPS and AXA have reviewed their Multiline and traditional UL product lines in less than 18 months. The offer is now based on 4 pure multimanager platforms:

- tailor-made for key target markets
- fully coherent with internal advisory platforms and latest regulations

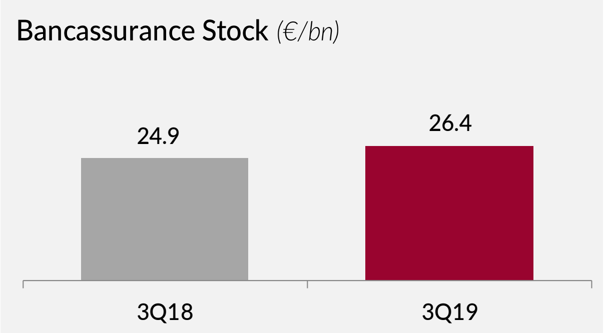
"WRAPPER" Development



Results



- Fees from AXA-MPS represent c. 15% of total GMPS fees



Savings market share*: 6.42% (+44bps YoY)

P&C market share*: 5.85% of which Motor market share*: 9.48%

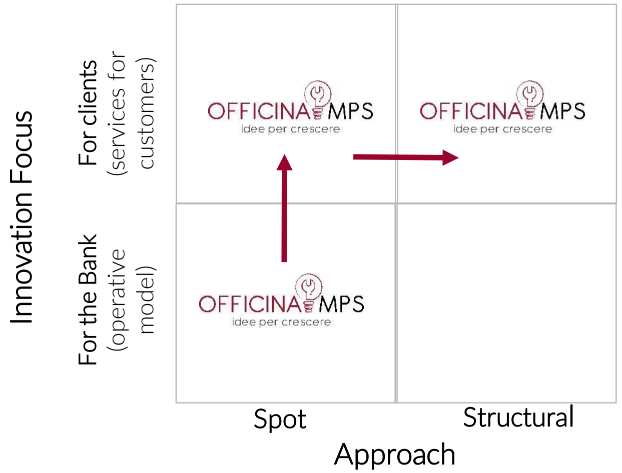
* Savings market share: July 2019 update. P&C and Motor market shares: June 2019 update.

Strong push on innovation

OFFICINA MPS
idee per crescere

- Launched in 2018, with the intent to **promote start-up projects** that would contribute to the evolution of the bank, its customers' experience and the territories in which the bank operates
- After the extraordinary success of the first two editions, which involved **500 start-ups** and sparked a process of **virtuous contamination**, the project was transformed into a **permanent start-up lab**, with a dedicated team reporting directly to the CEO
- High expectations for an increased positive impact of innovation throughout the bank and more relevant client pipelines, directly involving local territories

OfficinaMPS evolution



trovabando – agevolati, facilmente

Winner of the first edition:
Provides, together with BMPS, a tool to identify the most appropriate European bans and grants

UGO

Winner of the second edition:
Offers personal care services to non self-sufficient people, taking care of all logistical issues

Partnership with AXA-MPS for medical escort and transport services*

widiba

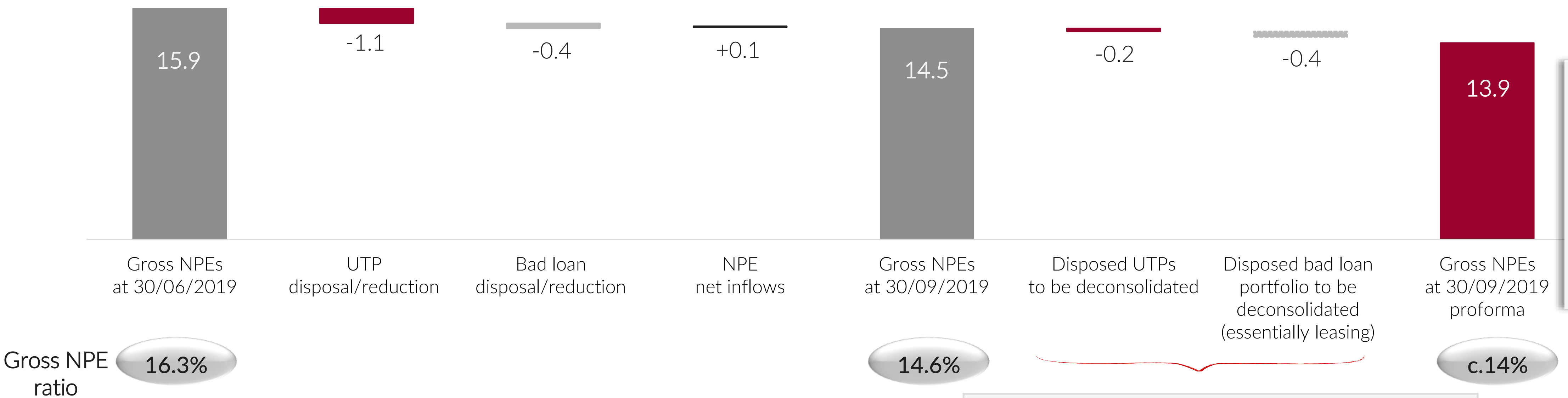
Widiba confirms leadership in new banking and accelerates profitability

- New growth targets achieved:
  - **EUR 8bn direct and indirect funding stock** (EUR +0.4bn in 9M19)
  - **EUR 0.6bn loans** (EUR +0.2bn in 9M19)
- **Positive turning point of profitability**:
  - EUR +5mln net operating result in 9M19
- c. 343k customers with confirmed high customer satisfaction index: 4.85/5
- Fully integrated model with financial advisors through the **proprietary innovative robo-for-advisors platform** (WISE)
- Innovation leadership confirmed by **recently launched new solutions**:
  - New fee-based global advisory model
  - New instant digital credit solution
  - New exclusive wealth management value proposition for private customers (Prime)
  - Open banking platform extension

* Services providing transportation and/or someone to accompany clients to travel to and from their homes for medical appointments and treatments.

NPE reduction plan well on track

NPE evolution in 3Q19 *(€/bn)*



c. EUR 0.6bn NPE disposals ongoing or to be deconsolidated

EUR 0.2bn of ongoing UTP disposals (binding offers expected by YE)

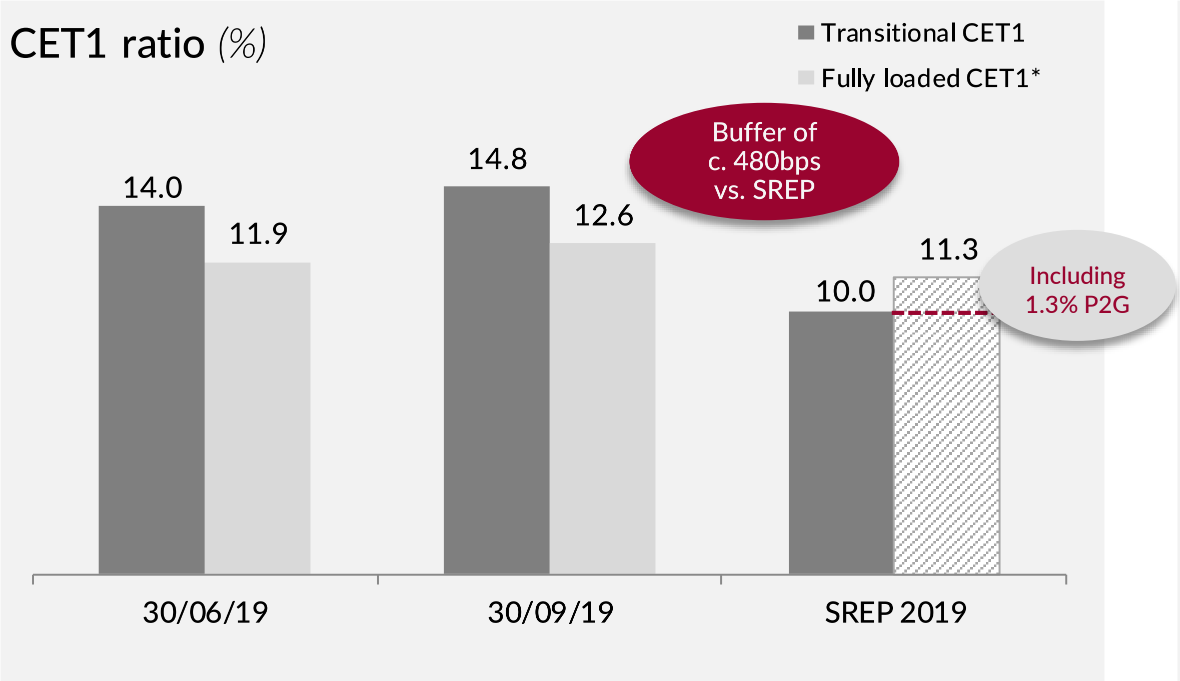
&

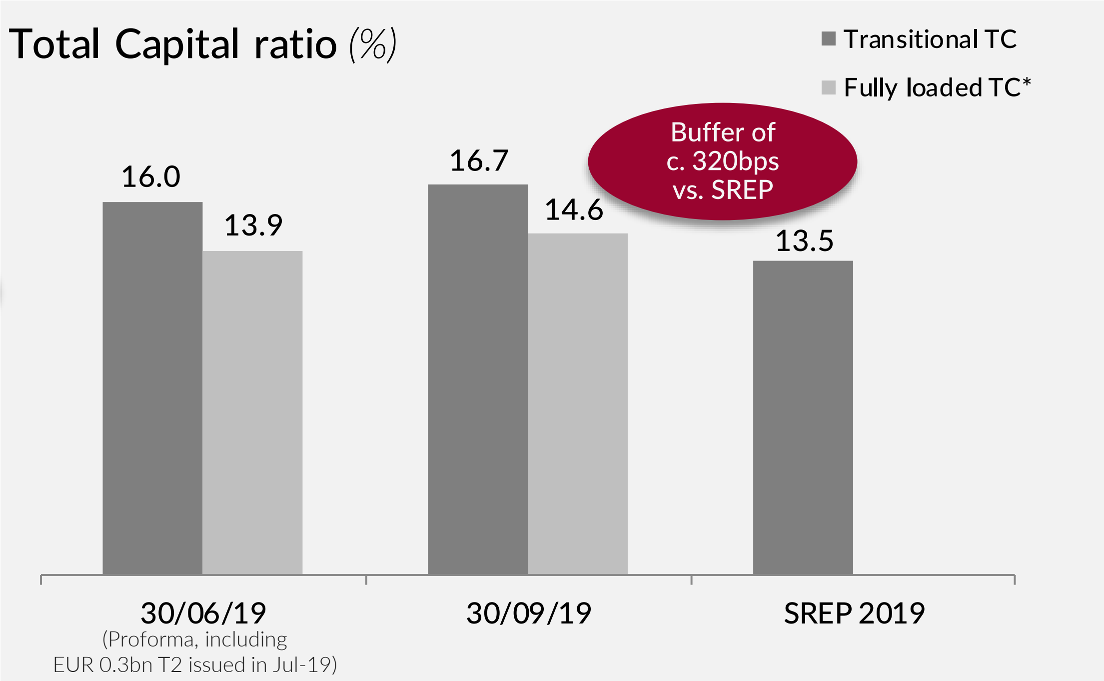
Further EUR 2.0bn NPE disposals expected by YE:

Expected Gross NPE ratio <12.5%

- EUR 1.5bn UTP reductions in 9M19 & deconsolidation of EUR 0.2bn ongoing; EUR 0.8bn bad loans disposal in 9M19 (including the partial deconsolidation of leasing bad loan portfolio; ongoing deconsolidation of the remaining EUR 0.4bn)
- Further EUR 2bn bad loan disposals expected by YE2019 and further EUR 0.2bn UTP disposals in the pipeline (binding offers expected by year-end)
- Target Gross NPE ratio confirmed <12.5% by YE2019, reaching the Restructuring plan targets two years in advance with no further P&L impacts

Strong and less volatile capital ratios





- Strong capital ratios, well above 2019 SREP Overall Capital Requirement (including Capital Conservation Buffer of 2.5%), also on a fully loaded basis:
  - CET1 ratio at 12.6% (vs. 10.0% SREP Requirement & vs. 11.3% including Pillar 2 Guidance)
  - Tier 1 ratio at 12.6% (vs. 11.5% SREP Requirement)
  - Total Capital ratio at 14.6% (vs. 13.5% SREP Requirement)
- Quarterly trend impacted by the evolution of the regulatory framework (removal of negative filter for DTAs on multiple goodwill redemption), improved FVTOCI reserve and RWA reduction due to the NPE disposals completed in the quarter
- Potential volatility of capital from govies reduced thanks to portfolio optimisation (credit spread sensitivity** of the FVTOCI component down to EUR -1.7mln from EUR -2.4mln in 2Q19)

* Ratios calculated considering the full deduction of IFRS9 FTA. Including 3Q19 net income and expected reversal of DTAs until the end of the transitional period, proforma fully loaded CET1 ratio at 13.1% and fully loaded Total capital ratio at 15.1%.

** Credit spread sensitivity: EUR/mln before tax for 1bp change in the BTP/Bund spread.

Agenda

- 3Q19 Results
- Details on 3Q19 Results
- Focus on Asset Quality

3Q19 Results

P&L (€/mln)	1Q19	2Q19	3Q19	9M19
Net Interest Income	409	404	355	1,168
Fees and commissions	359	364	356	1,078
Financial revenues*	43	42	112	196
Other operating income/expenses**	-8	-63	-11	-82
Total revenues	**803**	**747**	**811**	**2,360**
Operating costs	-569	-577	-549	-1,696
Pre-provision profit	**233**	**169**	**262**	**665**
Total provisions***	-164	-88	-113	-365
Net operating result	**69**	**82**	**149**	**300**
Non-operating items	-92	-47	-67	-207
Profit (Loss) before tax	**-23**	**35**	**82**	**93**
Tax expense/recovery	57	34	13	104
PPA & other items	-6	-4	-1	-11
Net income (loss)	**28**	**65**	**94**	**187**

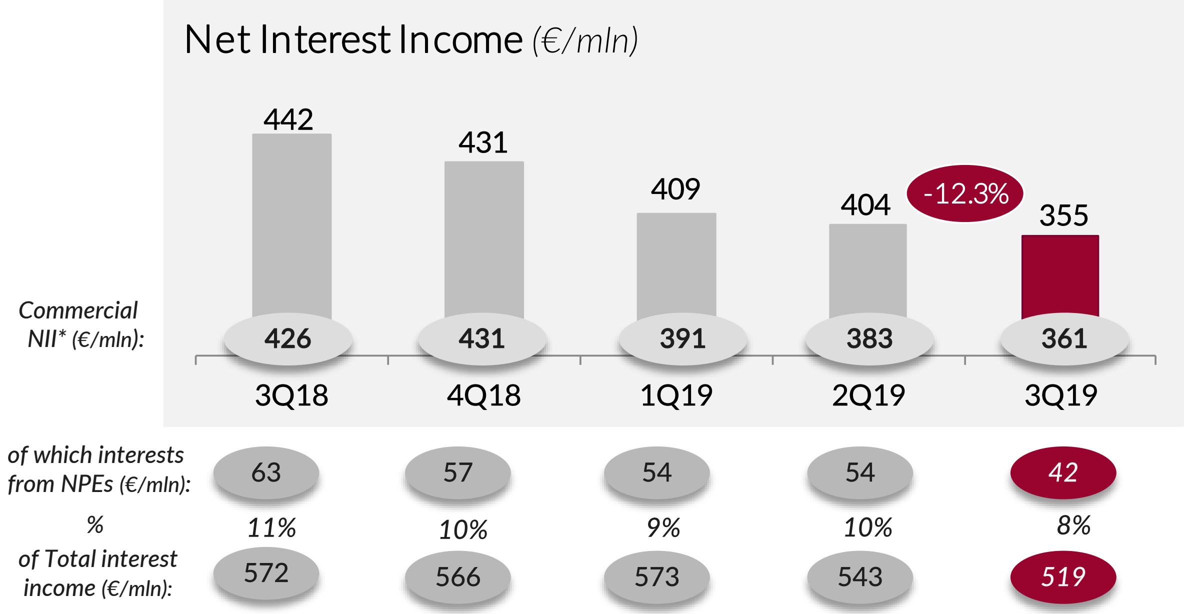
- Pre-provision profit at EUR 262mln:
  - NII impacted by strong pressure on lending (lower average volumes and reduced asset spread) and by the increased cost on wholesale funding for the bonds issued in the quarter
  - Fees & commissions impacted by seasonality but up 0.7% vs. 3Q18. Positive contribution of WM placement and continuing fees, with AXA JV leveraging increased
  - Financial revenues boosted by capital gains on the sale of securities and by the contribution from AXA
  - Costs decrease across all components
- Cost of risk at c. 53bps, benefitting from a lower default rate
- Net income at EUR 94mln, including non-operating items for EUR -67mln, among which:
  - EUR -18mln quarterly DTA fees
  - EUR -36mln estimated annual contribution to the Deposit Guarantee Scheme (DGS)
  - EUR -8mln additional provisions for customer claims related to diamonds

* Financial revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets.

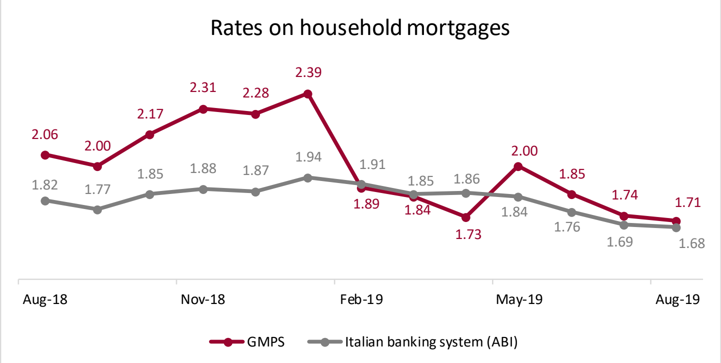
** 2Q19 includes EUR -49mln costs for the unwinding of the Juliet servicing agreement.

*** Includes net impairment losses on financial assets measured at amortised cost and on financial assets at FVTOCI.

Net Interest Income



- **Net interest income** down vs. 2Q19, mainly impacted by:
  - persisting pressure on asset margins (both on loan stock and on new flows)
  - decreased average loan volumes (EUR -1.4bn in the quarter) also due to the deconsolidation of MP Belgio and NPE disposals
  - increased cost of wholesale funding ascribable to bonds issued in the quarter (EUR 10mln QoQ)
  - decreased contribution from NPE stock (EUR -12mln in the quarter) mainly thanks to disposals/reductions completed in 3Q
  - positive non recurring component booked in 2Q19
- **Lending rate down** by 8bps QoQ, broadly in line with average market trend; in 2019 lending rate on new business slightly higher than market average on household mortgages
- **Cost of deposits gap vs. the market:** +15bps in August 2019 (+25bps gap in December 2017), in line with Restructuring Plan target



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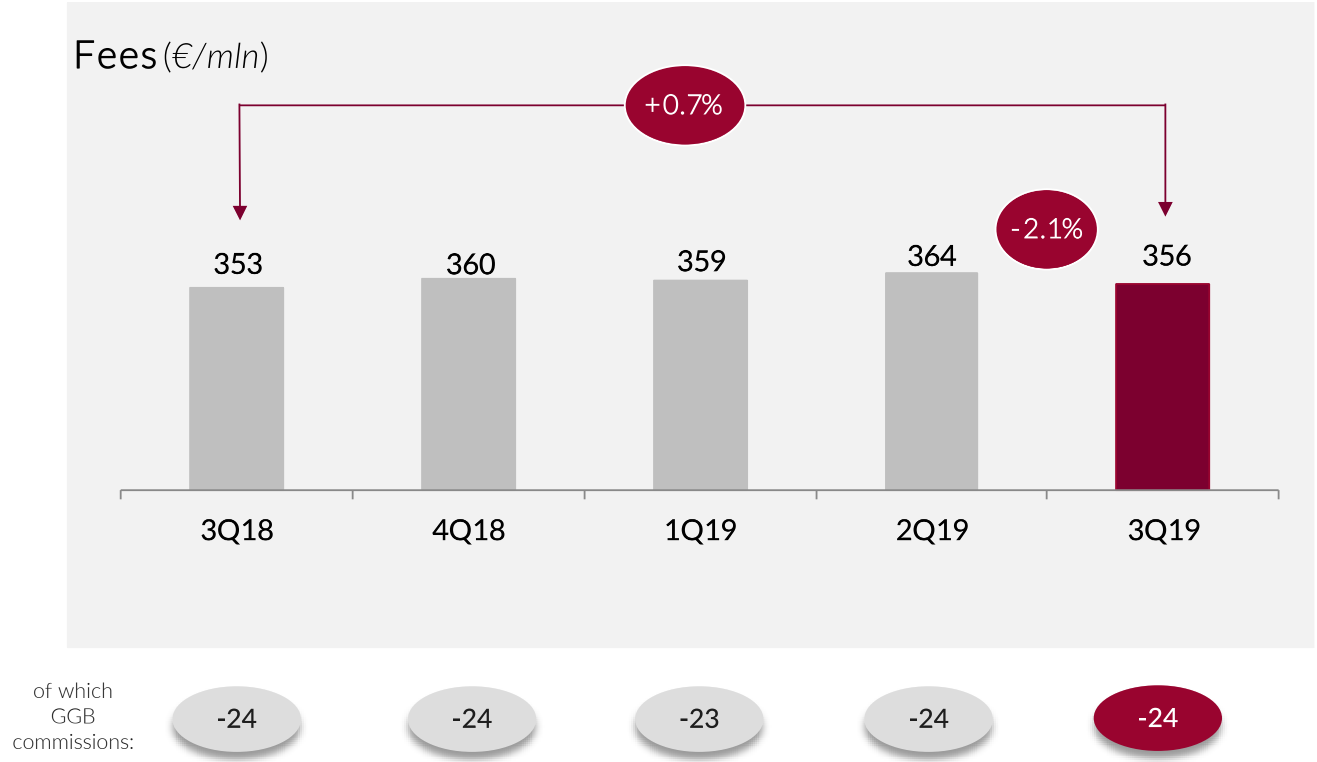
* Net interest income on commercial loans to customers and on commercial direct funding.

** Figures from operational data management system.

Fee and Commission Income

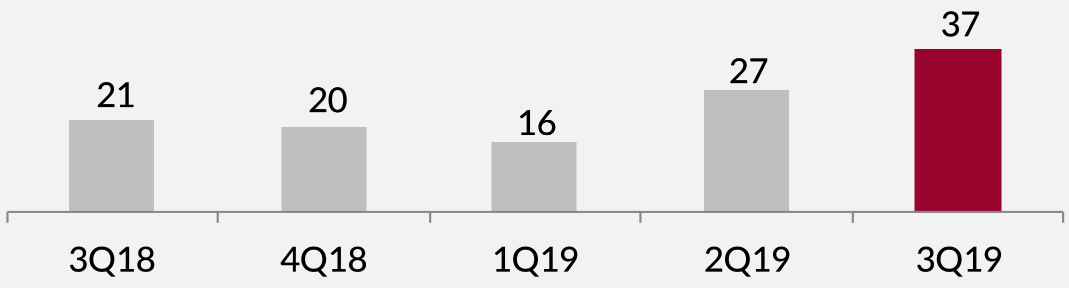


€/mln	2Q19	3Q19	3Q19 vs. 2Q19	9M18	9M19	9M19 vs. 9M18
Wealth Management fees:	156	162	3.9%	509	473	-7.1%
WM Placement	52	55	6.2%	181	157	-13.4%
Continuing	85	88	3.4%	266	258	-3.1%
Custody	9	10	15.2%	30	29	-2.5%
Protection	10	9	-12.8%	32	29	-9.6%
Traditional Banking fees:	252	241	-4.5%	793	739	-6.8%
Credit facilities	121	112	-7.2%	399	352	-11.8%
International business	13	13	-4.4%	42	38	-7.5%
Payment services and client expense recovery	118	116	-1.7%	352	349	-1.1%
Other	-44	-47	-6.0%	-140	-134	4.2%
TOTAL NET FEES	364	356	-2.1%	1,163	1,078	-7.3%

- **Net fees and commissions** impacted by the typical seasonality of the quarter, but up 0.7% vs. 3Q18. Increased contribution of WM placement (+6.2% QoQ) and continuing (+3.4% QoQ) fees, driven by bancassurance business; credit facilities (-7.2% QoQ) impacted by reduced commissions on short-term and consumer loans
- **Stock of assets under management** at EUR 58.6bn, up by c. EUR 0.8bn QoQ, driven by bancassurance and positive market effect
- **Stock of assets under custody** at EUR 42.4bn, up by EUR 0.1bn QoQ thanks to positive market effect, which more than offsets negative quarterly net inflows

Financial Revenues*

Dividends/Income from Investments *(€/mln)*



Trading/Disposal/Valuation Hedging of Financial Assets (€/mln)

	3Q18	4Q18	1Q19	2Q19	3Q19
Net result from trading/hedging	5	25	36	23	31
Gains/losses on disposals/repurchases	7	-22	12	6	82
Net result from financial assets/liabilities at FVTPL	-16	-21	-20	-14	-39
Total	-3	-18	27	14	75

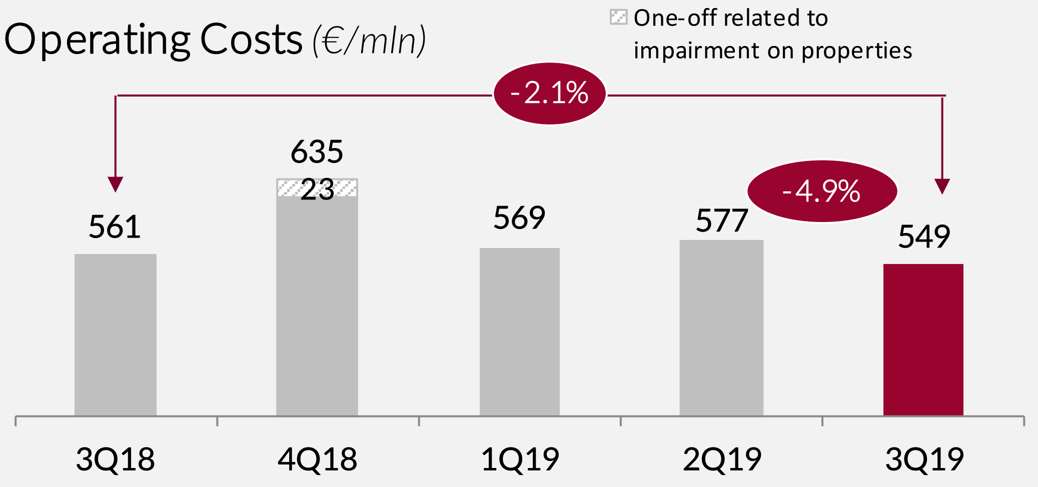
- **Dividends, similar income and gains (losses) on equity investments** include the contribution of the joint venture with AXA

- **Trading/disposal/valuation/hedging of financial assets/others:**
  - EUR +31mln from trading/hedging, including the results of MPS Capital Services, whose contribution is up by c. EUR 11mln QoQ
  - EUR +82mln from gains on disposals/repurchases, of which c. EUR +90mln from to the sale of govies and other securities and EUR -9mln mainly related to the disposal of loans
  - EUR -39mln due to losses from financial assets and liabilities at FVTPL, of which EUR -20mln on loans, EUR -15mln on securities and stakes, and EUR -4mln on liabilities at fair value

* The item includes: Dividends/income from trading investments, Net result from trading/hedging, Gains/losses on disposals/repurchases, Net result from financial asset/liabilities at FVTPL.

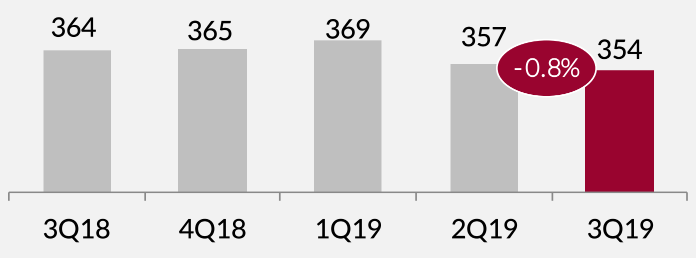
Operating Costs

Operating Costs (€/mln)



- **Operating costs** decrease by 4.9% QoQ and by 2.1% vs. 3Q18*
  - **Personnel expenses** decrease 0.8% QoQ, thanks to the deconsolidation of MP Belgio in June and to the full effects of the additional 100 exits completed in May. Headcount reduced by 4.5% YoY
  - **Other admin expenses** are down by c. 9.8% vs. 2Q19; in October further 84 branches were closed, substantially reaching the 2021 target of branch closure
  - **Depreciation & Amortisation** decrease by c. EUR 11mln QoQ, also thanks to reduced impairments on properties

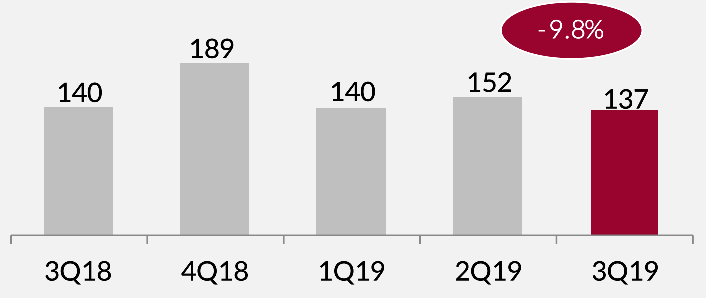
Personnel Expenses (€/mln)



FTEs**	23.2K	23.1K	22.5K	22.2K	22.2K

-4.5% YoY

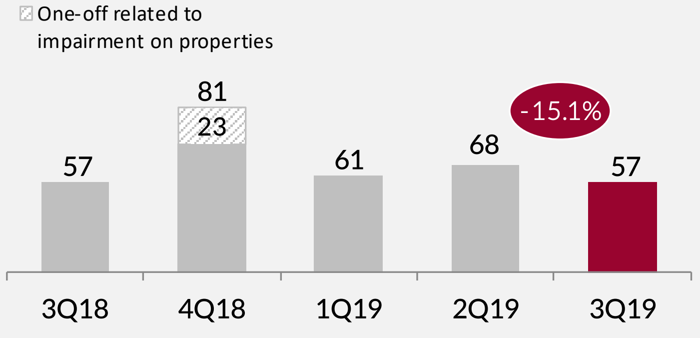
Other Admin Expenses (€/mln)



Branches	1,597	1,529	1,529	1,529	1,529

-4.3% YoY

Depreciation & Amortisation (€/mln)

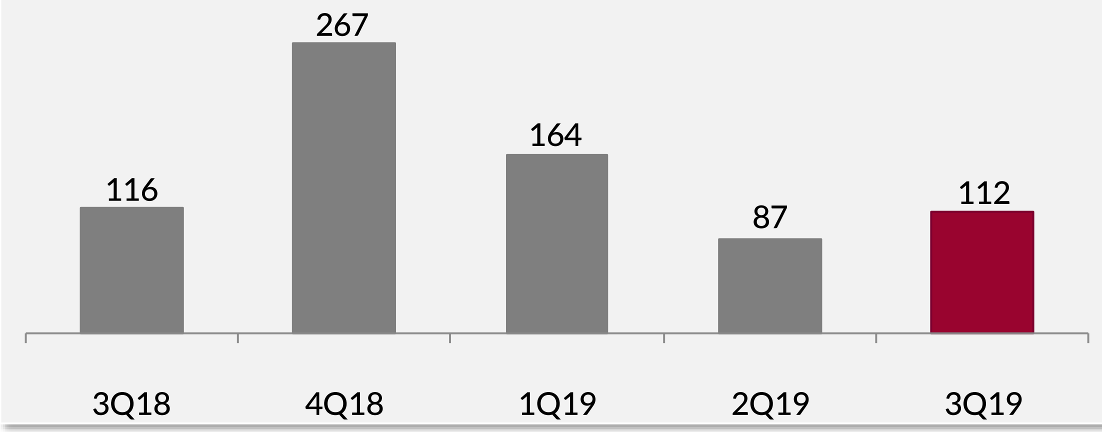


* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16, therefore 2019 and 2018 data are not fully comparable. At 30 September 2019 the introduction of IFRS16 brought a c. EUR 44mln decrease in Other Admin Expenses and a c. EUR 41mln increase in Depreciation & Amortisation.

** The number of FTEs refers to the effective workforce and therefore does not include employees who were seconded outside of the Group's perimeter.

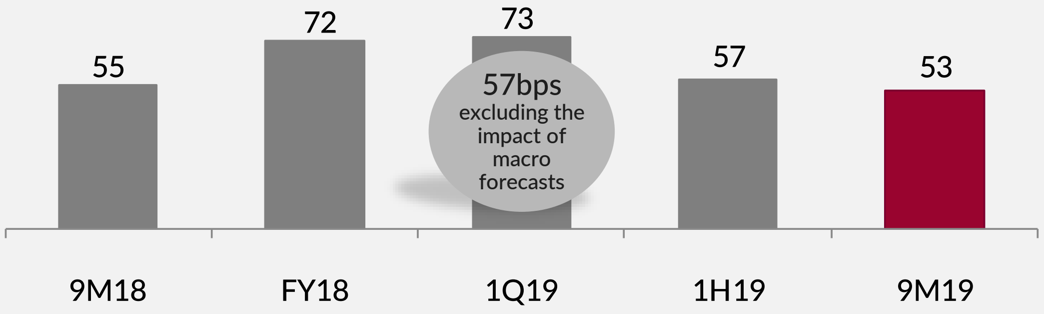
Cost of Risk & Coverage

Net Loan Loss Provisions *(€/mln)*



Net impairment losses (including financial assets at FVTOCI): 121 | 257 | 164 | 88 | 113

Cost of Risk* *(bps)*



Non-performing Exposures Coverage *(%)*

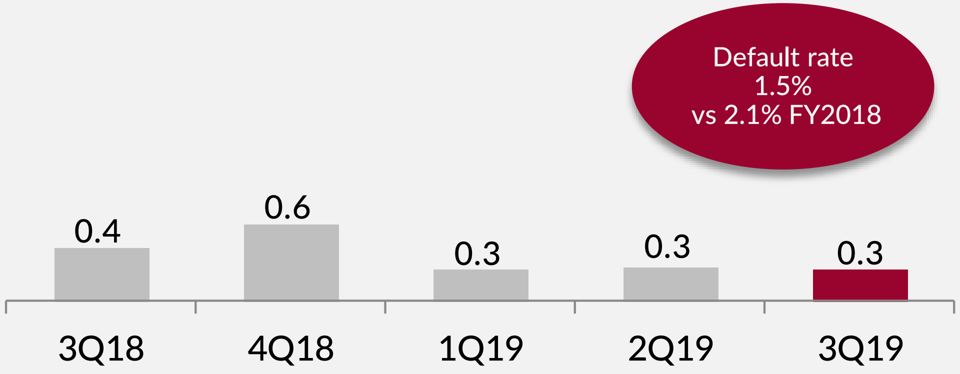
	Sep-18	Dec-18	Jun-19	Sep-19
Bad Loans *(sofferenze)*	68.6	62.4	61.9	61.7
Unlikely-to-Pay Loans	44.9	44.0	45.5	41.7
Past Due Loans	30.3	18.3	25.2	23.4
Total NPEs	**56.4**	**53.1**	**53.8**	**52.6**

- **Loan loss provisions** for the quarter at EUR 112mln
- **9M cost of risk** at 53bps, including impact, booked in 1H19, from the unwinding of Juliet servicing agreement, the revised NPE strategy and risk model updates (see slide 34 for further details). FY2019 guidance confirmed at 60/65bps
- **Coverage** decreases due to NPE disposals/reductions completed in the quarter (EUR 1.1bn UTPs and EUR 0.4bn bad loans)

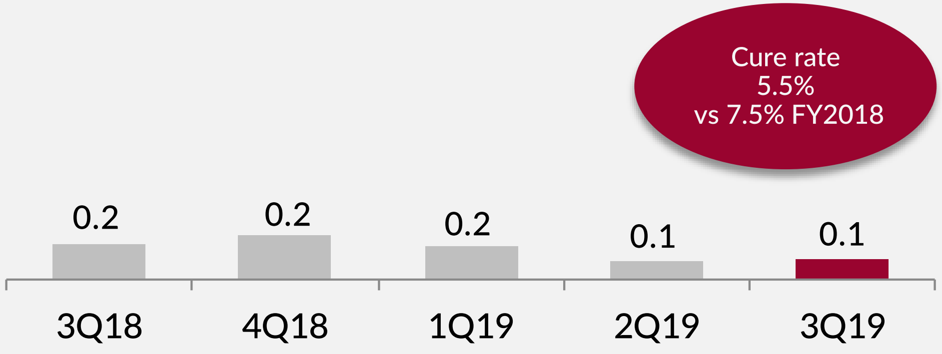
* Net loan loss provisions since the beginning of the period (annualised)/end-of-period loans.

Asset Quality Migration Matrix

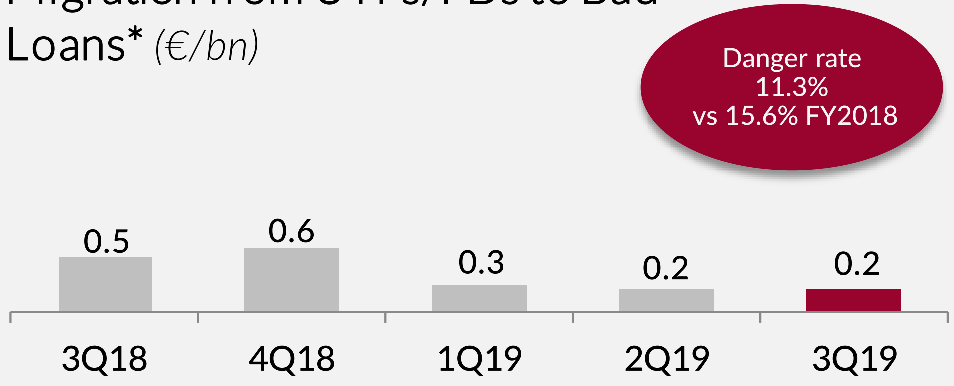
NPE Inflows from Performing* *(€/bn)*



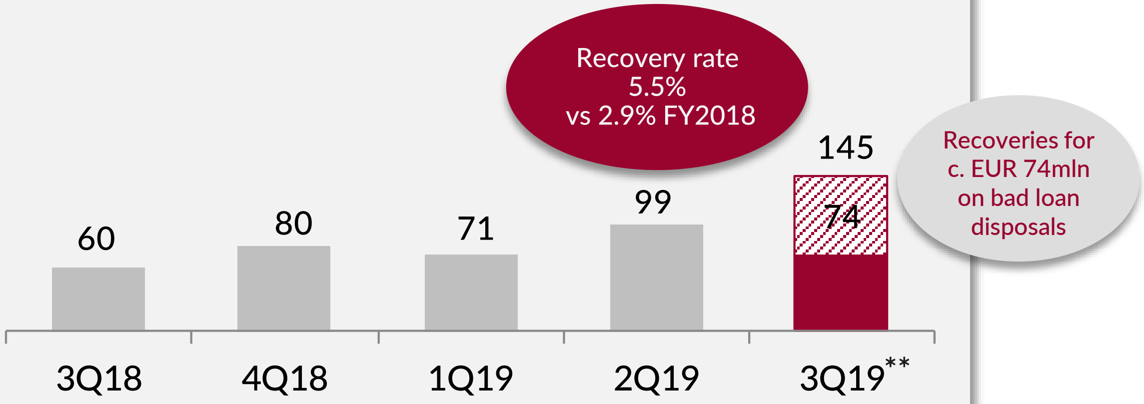
NPE Outflows to Performing* *(€/bn)*



Migration from UTPs/PDs to Bad Loans* *(€/bn)*



Cash recovery of Bad Loans* *(€/mln)*



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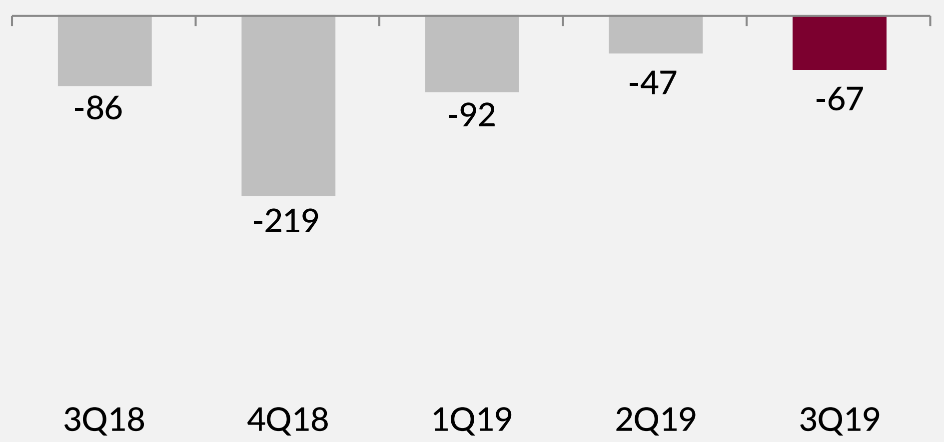
* Data from operational data management system. Figures include signature loans (excluded in accounting figures). Ratios are calculated as annualised 9M19 net flows/stock at the beginning of the period.

**Including recoveries on bad loan disposals.

Non-Operating Items and Taxes

Non-operating Items* (€/mln)



	3Q18	4Q18	1Q19	2Q19	3Q19
DGS, NRF & SRF	-29	-8	-61	-27	-36
DTA Fees	-18	-18	-18	-17	-18
Other	-39	-194	-14	-3	-13
Total	-86	-219	-92	-47	-67

- Non-operating items at EUR -67mln including:
  - EUR -36mln for the estimated annual contribution to the Deposit Guarantee Scheme (DGS)
  - EUR -18mln for quarterly DTA fees introduced by Law Decree 59/2016
  - EUR -13mln for risks and charges (including c. EUR -8mln provisions for new customer filings related to diamonds**) and for restructuring costs, mainly related to MP Belgio price adjustment

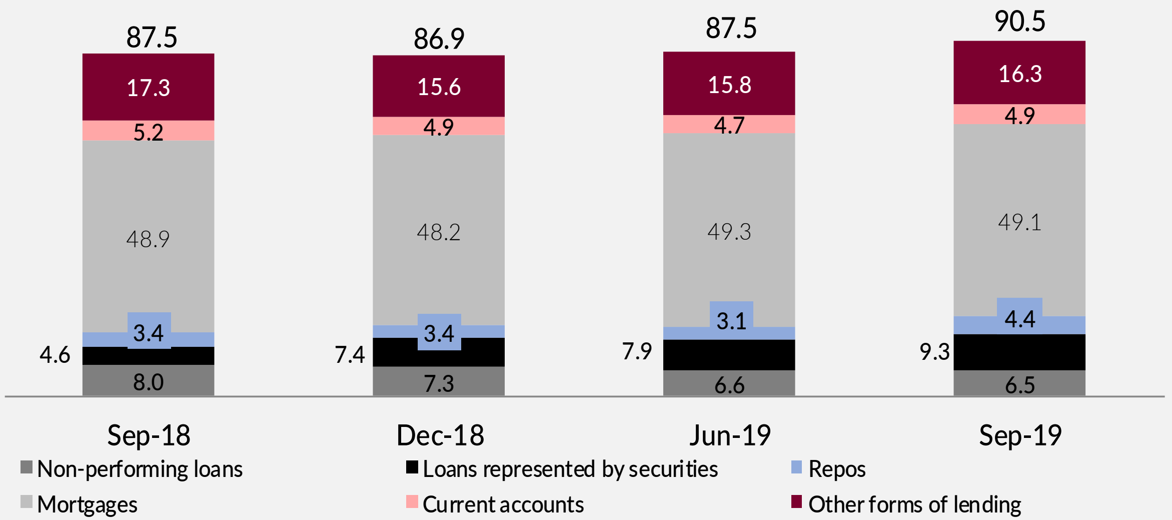
- Taxes for the quarter at EUR +13mln, with no contribution from DTA reassessment:
  - as a prudential measure, in 3Q the reassessment of DTAs from tax losses was not posted, in order to take into account the variability of taxable income related to the potential reintroduction of the ACE scheme (within Italy's 2020 Draft Budget) and the worsening of the macroeconomic scenario

* Net provisions for risks and charges, gains (losses) on investments/disposals, restructuring costs/one-off costs, DTA fees and SRF, NRF & DGS and gains (losses) on disposal of investments.

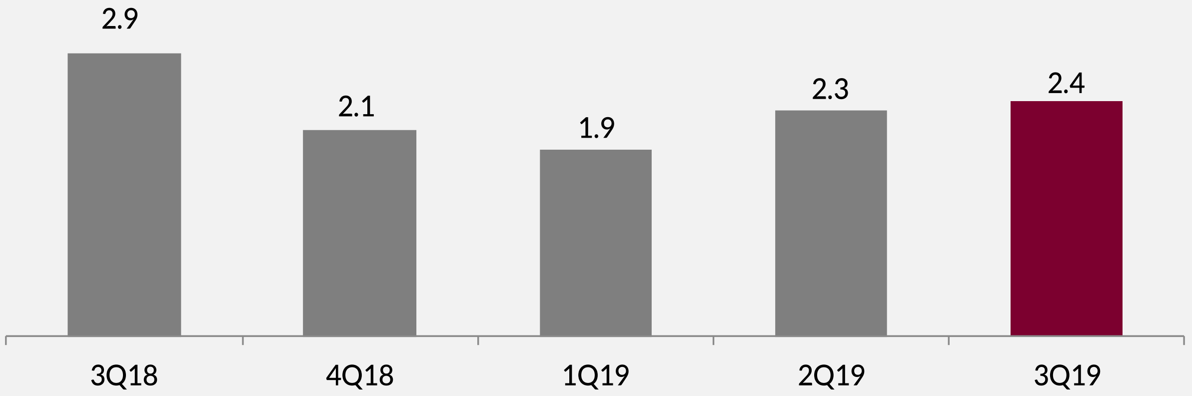
** In 3Q19 estimated total claims by June 2020 increased to 91% of total purchased diamonds (from c. 86% in 2Q19). As a consequence, further provisions for EUR 8mln were booked in the quarter.

Customer Loans

Loans to Customers *(€/bn)*



Medium & Long-Term Lending – New Loans *(€/bn)***

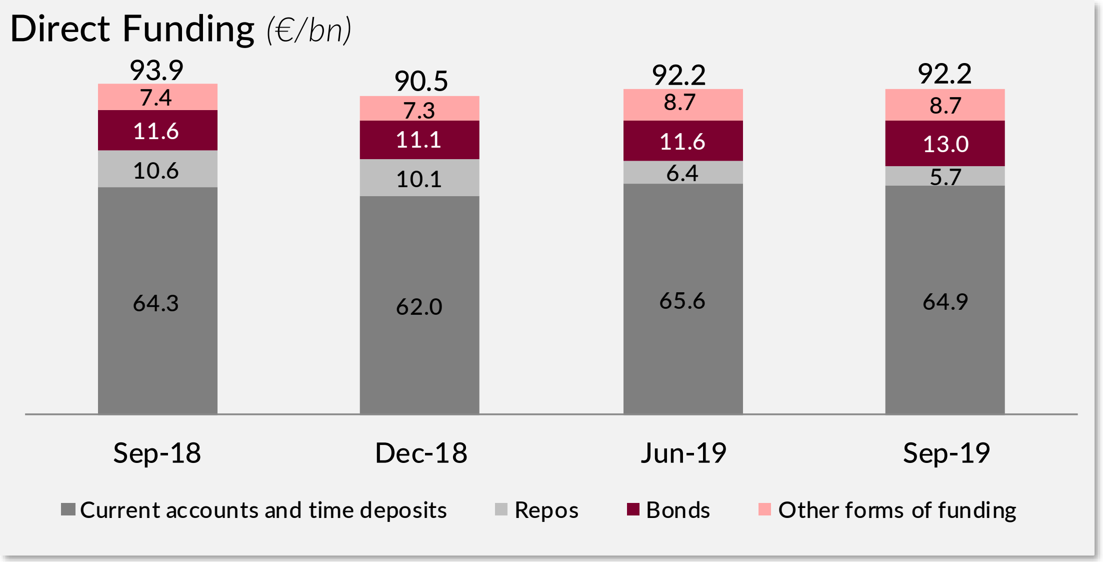


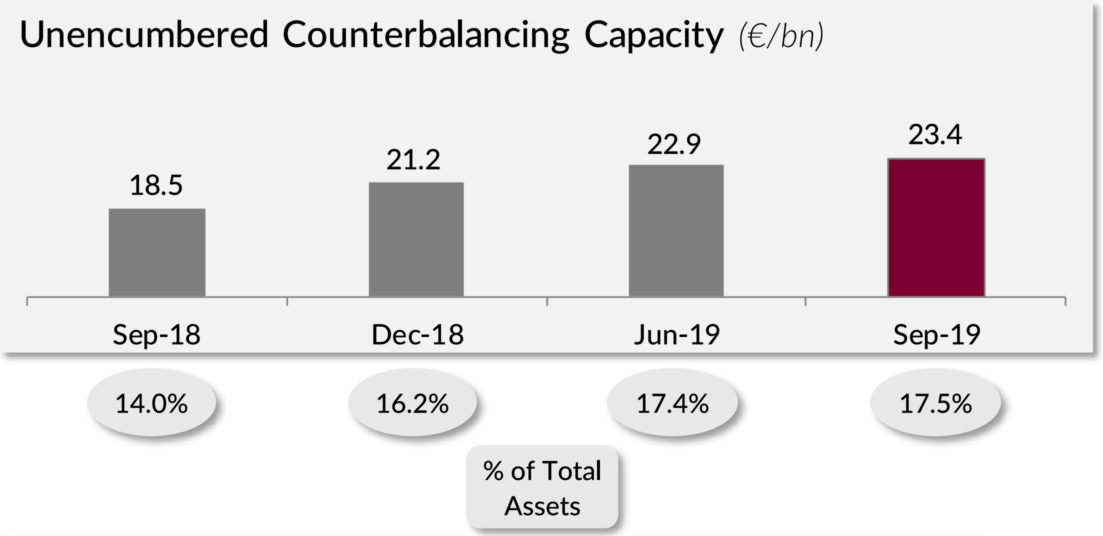
- Customer loans up by c. EUR 3bn QoQ:
  - EUR -0.2bn decrease in mortgages, with new mortgage flows more than offset by maturities
  - EUR +0.6bn increase in current accounts and other forms of lending
  - EUR +1.3bn increase in short-term repos with institutional counterparties
  - EUR +1.4bn increase in loans represented by securities for the purchases of govies classified at amortised cost
  - EUR -0.1bn reduction in net non-performing loans
- Average commercial loans: EUR 73.5bn in 3Q19, decreased by EUR 1.4bn vs. 2Q19 (-1.9% QoQ), mainly on corporate customers (impacted by MP Belgio disposal) and on non-performing segment (impacted by NPE disposals)
- Group's loan market share at 4.78%* as at July 2019, down by 29bps YoY

* Lending to domestic customers, comprehensive of non-performing exposures (net of bad loans) and net of institutional repos.

** Figures from operational data management system.

Direct Funding and Liquidity





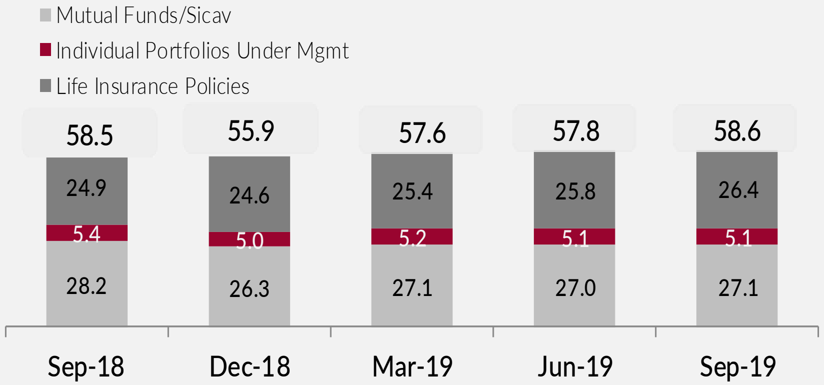
- Total direct funding essentially stable QoQ:
  - EUR -0.7bn in current accounts and time deposits, negatively impacted by the seasonal movements of an institutional client's deposits
  - EUR +1.4bn in bonds, mainly due to issues completed in 3Q: EUR 0.3bn Tier 2 and EUR 1bn senior unsecured
  - EUR -0.7bn in repos
- Average commercial direct funding: EUR 69.9bn in 3Q19, increased by EUR 0.9bn vs. 2Q19 (+1.3% QoQ), mainly on retail customers
- Group's direct funding market share at 3.67%* in July 2019, a 17bps YoY decrease

- Unencumbered Counterbalancing Capacity at EUR 23.4bn, 17.5% of total assets (vs. 14.0% in Sep-18), consisting almost entirely of cash deposited with ECB (EUR 7.1bn) and unencumbered BTPs (EUR 16bn)
- LCR: >200%
- NSFR: >100%

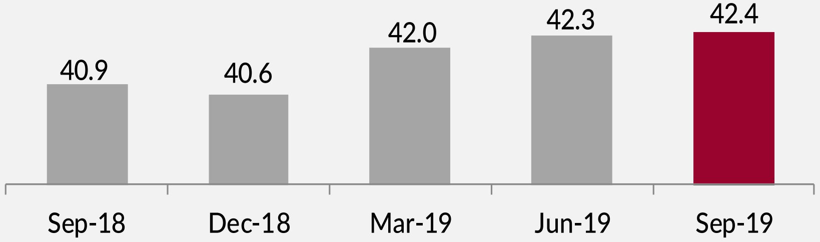
* Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident clients and bonds, net of repurchases, placed with resident clients as first-instance borrowers.

Wealth Management and Assets Under Custody

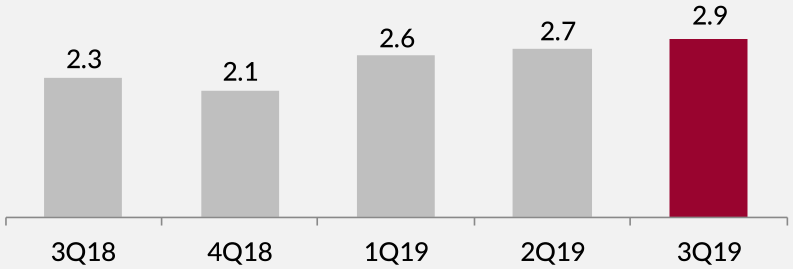
Wealth Management Mix *(€/bn)*



Assets Under Custody *(€/bn)*

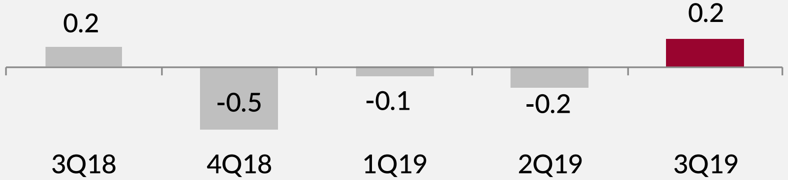


Wealth Management gross inflows* *(€/bn)*



of which Bancassurance (€/bn): 0.9 | 0.8 | 1.2 | 1.2 | 1.2

Wealth Management net inflows* *(€/bn)*



of which Bancassurance (€/bn): 0.3 | 0.2 | 0.3 | 0.3 | 0.4

- Wealth Management stock up by EUR 0.8bn, mainly due to positive market effect (EUR +0.5bn) and net inflows (EUR +0.2bn)

Mutual funds stock market share: 2.61%**

Bancassurance savings market share: 6.42%**

(+44bps YoY)

Bancassurance protection market share: 5.85%*** (motor market share 9.48%***)

* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.

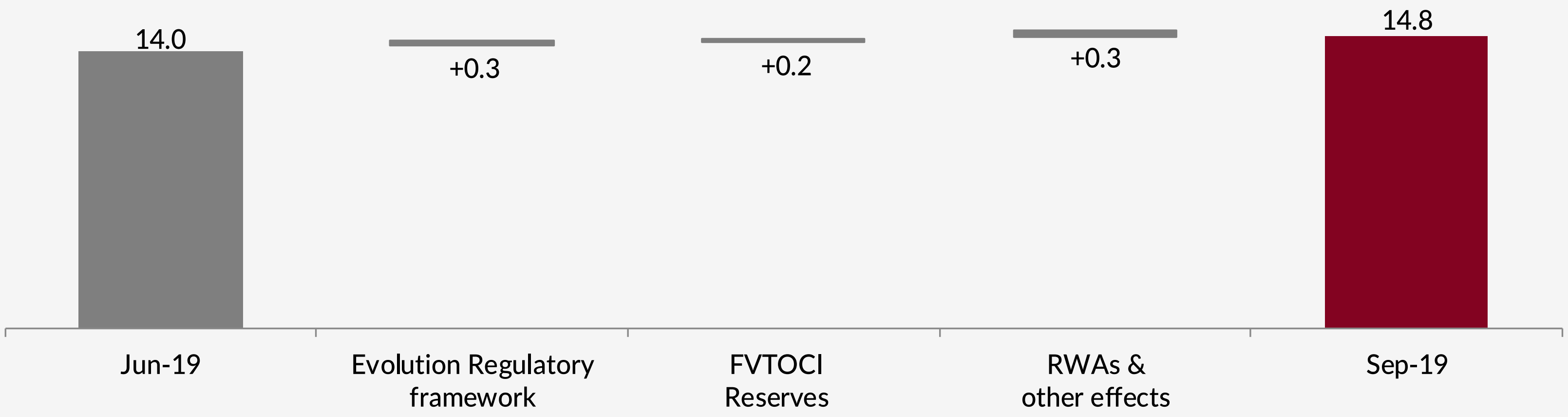
** Market share related to mutual funds and bancassurance savings products as at July 2019. Latest available data.

*** Market share related to AXA products as at June 2019. Latest available data.

Capital Structure

(€/bn)	2Q19	3Q19
TBV	9.2	9.4
Transitional CET1	8.2	8.6
Fully loaded CET1*	7.0	7.3
RWAs	58.5	58.2

Phased-in CET1 ratio *(%)*



	Jun-19	Sep-19	Proforma fully loaded ratios **(%)
Fully loaded CET1* (%)	11.9	12.6	13.1
Total Capital (%)	15.5	16.7	
Fully loaded Total Capital* (%)	13.4	14.6	15.1

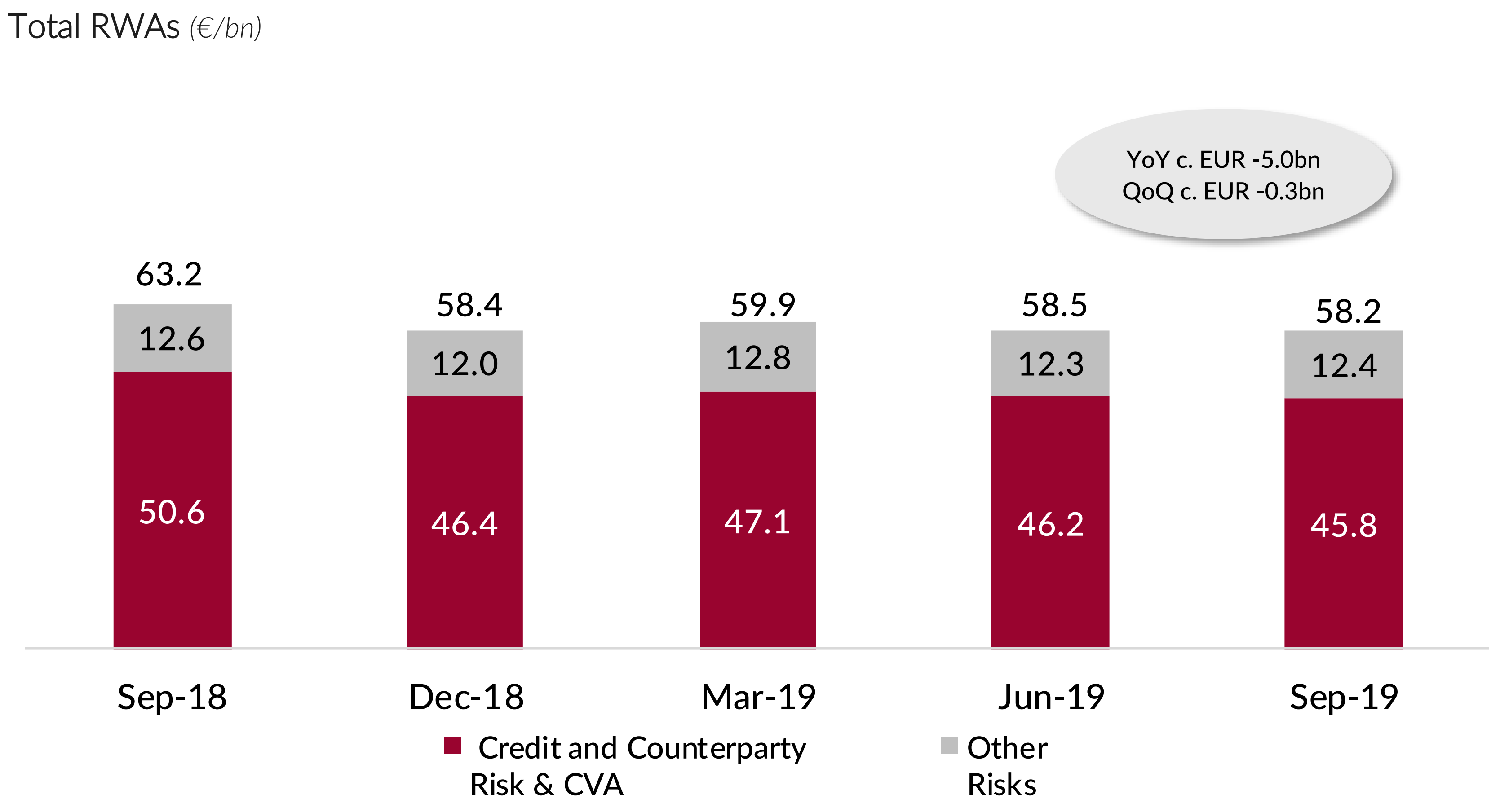
- Phased-in CET1 at 14.8% (c. +80bps vs. 2Q19). Total Capital at 16.7%. Ratios prudentially do not include 3Q19 net income
- Quarterly phased-in CET1 evolution affected by:
  - the evolution of the regulatory framework: removal of the negative filter for convertible DTAs related to multiple goodwill redemption
  - improved of FVTOCI reserve
  - RWA reduction due to the NPE disposals completed in the quarter
- Potential volatility of capital from govies reduced thanks to portfolio optimisation (credit spread sensitivity*** of the FVTOCI component down to EUR -1.7mln from EUR -2.4mln in 2Q19)

* Including EUR 1.4bn full impact of IFRS9 FTA.

** Including 3Q19 net income, the effects of expected reversal, until the end of the transitional period, of DTAs on tax losses, ACE, IFRS9 adjustments and of convertible DTAs, under the same assumptions applied for the "probability test".

*** Credit spread sensitivity: EUR/mln before tax for 1bp change in the BTP/Bund spread.

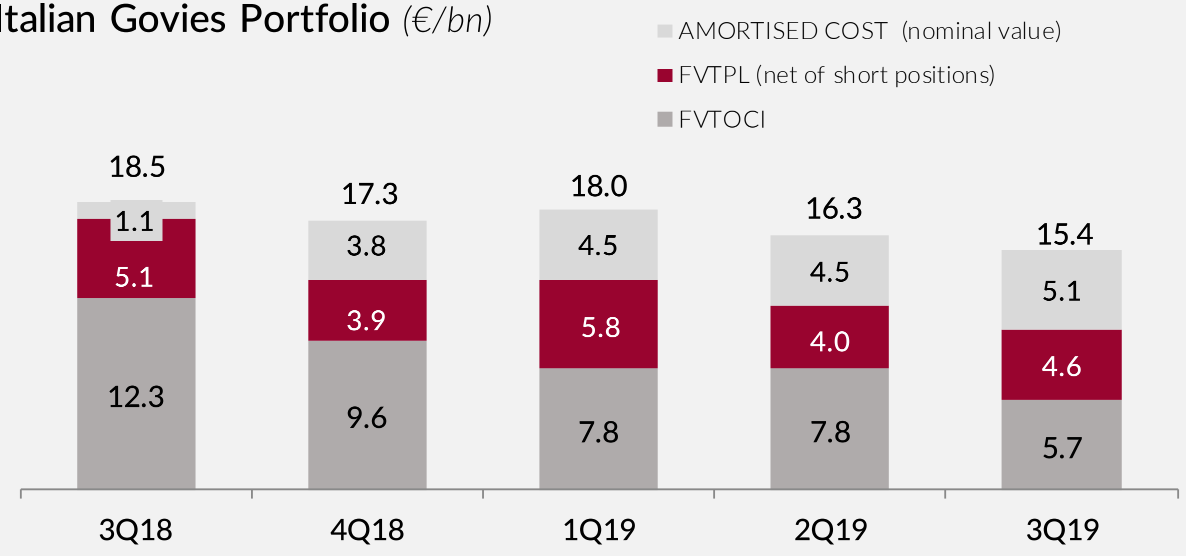
RWA dynamics confirm improvement & derisking activity



- RWA quarterly reduction (c. EUR -0.3bn) due to the NPE disposals completed in the quarter
- RWA yearly reduction (c. EUR -5bn, including EUR +1.4bn for the 3Q18 add-on on bad loans) driven by derisking activities

Focus on Italian Govies Portfolio*

Italian Govies Portfolio *(€/bn)*



Portfolio FVTOCI (ex-AFS):

	3Q18	4Q18	1Q19	2Q19	3Q19
Duration *(years)*	~2.4	~2.8	~2.8	~2.8	~2.5
Credit spread sensitivity *(€/mln, before tax, for 1bp change)*	-3.3	-2.9	-2.5	-2.4	-1.7

- **Decreased portfolio, mainly on the FVTOCI component, for the sale of government bonds thanks to positive market conditions**
- **Positive contribution to P&L, marginal impact on NII:** portfolio recomposition impacted for c. EUR +90mln on Q3 results; capital gain booked in the quarter more than offset the expected future impact on NII, as the reduction in the FVTOCI component was partially compensated by the increase of the AC component, at higher rates and longer maturities (although on smaller nominal amounts)
- **FVTPL (trading) portfolio slightly increases**, due to the cyclical nature of MPS Capital Services' activity as primary dealer for Italian government bonds
  - Average portfolio duration: ~0.7 years
  - Credit spread sensitivity: almost neutral at c. EUR –50k, before tax, for 1bp change (c. EUR -100k in Jun-19)
- **FVTOCI decreases QoQ to EUR 5.7bn (EUR -2.1bn)**
  - Gross FVTOCI** reserves slightly positive (c. EUR +25mln) and improved vs. Jun-19 (c. EUR -0.1bn)
  - Average portfolio duration: ~2.5 years, decreased vs. 2Q19
  - Credit spread sensitivity: c. EUR -1.7mln, before tax, for 1bp change (c. EUR -2.4mln in 2Q19), significantly reduced YoY
- **AC portfolio increases QoQ to EUR 5.1bn (EUR +0.6bn)**
  - Average portfolio duration: 8.4 years (7.8 years in 2Q19)

* Figures from operational data management system. Nominal values for Italian govies at amortised cost.

** Net FVTOCI reserve deducted from capital for regulatory purposes: c. EUR +17mln in Sep-19 (c. EUR -74mln in Jun-19).

Key events

- ✓ On 2 July BMPS completed the securitisation of a c. EUR 2.3bn performing loan portfolio
- ✓ On 4 July BMPS issued a EUR 500mln fixed-rate senior preferred unsecured bond
- ✓ On 12 July Fitch Ratings confirmed all ratings assigned to BMPS
- ✓ On 12 July BMPS launched a competitive procedure for the sale of a real estate portfolio, receiving, from national and international players, more than 80 expressions of interest (on entire portfolio or on selected properties); the real estate selling process is now entering in the final phase, awaiting for the formalisation of binding offers from a selected number of participants, due by the end of November; closure expected by 2019 results presentation
- ✓ On 16 July BMPS issued a EUR 300mln fixed-rate Tier 2 subordinated bond
- ✓ On 17 September BMPS issued EUR 500mln fixed-rate senior preferred unsecured bond
- ✓ On 1 October BMPS issued EUR 1bn covered bond
- ✓ In the month of October BMPS closed 84 branches, substantially reaching the 2021 target. Since 2017 BMPS also reduced headcount by c. 2,550 FTEs through the Solidarity Fund (53% of the 2021 target)

Agenda

- 3Q19 Results
- Details on 3Q19 Results
- Focus on Asset Quality

3Q19 P&L: Highlights

€ mln	2Q19	3Q19	Change (QoQ%)	9M18	9M19	Change (YoY%)
Net Interest Income	404	355	-12.3%	1,312	1,168	-11.0%
Net Fees	364	356	-2.1%	1,163	1,078	-7.3%
Financial revenues*	42	112	n.m.	60	196	n.m.
Other operating income/expenses	-63	-11	n.m.	-16	-82	n.m.
Total revenues	747	811	+8.6%	2,518	2,360	-6.3%
Operating Costs	-577	-549	-4.9%	-1,715	-1,696	-1.1%
of which personnel costs	-357	-354	-0.8%	-1,098	-1,081	-1.6%
of which other admin expenses	-152	-137	-9.8%	-448	-429	-4.2%
Pre-provision profit	169	262	+54.6%	803	665	-17.2%
Total provisions**	-88	-113	+29.5%	-368	-365	-0.8%
of which net impairment losses	-87	-112	+29.3%	-361	-363	+0.5%
Net Operating Result	82	149	+81.5%	435	300	-31.1%
Non-operating items***	-47	-67	+41.5%	-202	-207	+2.3%
Profit (Loss) before tax	35	82	n.m.	233	93	-60.1%
Taxes	34	13	-61.4%	164	104	-36.5%
PPA & Other Items	-4	-1	-69.5%	-18	-11	-42.1%
Net profit (loss)	65	94	+43.9%	379	187	-50.7%

N.B.: The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16. Therefore, 2019 & 2018 values are not fully comparable.

* Financial revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets.

** Include net impairment losses on financial assets measured at amortised cost and on financial assets at FVTOCI.

*** Net provisions for risks and charges, gains (losses) on investments/disposals, restructuring costs/one-off costs, DTA fees and SRF, NRF & DGS and gains (losses) on disposal of investments.

Balance Sheet

Total Assets *(€/mln)*

	Sep-18	Dec-18	Jun-19	Sep-19	QoQ%	YoY%
Customer loans	87,465	86,856	87,484	90,471	3.4%	3.4%
Loans to banks	8,724	12,504	12,474	13,652	9.4%	56.5%
Financial assets	25,430	20,296	19,892	18,195	-8.5%	-28.5%
PPE and intangible assets	2,747	2,727	2,921	2,891	-1.0%	5.2%
Other assets*	7,819	8,098	8,767	8,667	-1.1%	10.8%
Total Assets	**132,185**	**130,481**	**131,539**	**133,875**	**1.8%**	**1.3%**

Total Liabilities *(€/mln)*

	Sep-18	Dec-18	Jun-19	Sep-19	QoQ%	YoY%
Deposits from customers and securities issued	93,906	90,472	92,216	92,246	0.0%	-1.8%
Deposits from banks	20,839	21,986	21,137	21,047	-0.4%	1.0%
Other liabilities**	8,469	9,029	8,847	10,993	24.3%	29.8%
Group equity	8,969	8,992	9,336	9,587	2.7%	6.9%
Minority interests	2	2	2	2	-5.0%	-13.6%
Total Liabilities	**132,185**	**130,481**	**131,539**	**133,875**	**1.8%**	**1.3%**

N.B.: The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16. Therefore, 2019 & 2018 values are not fully comparable.

* Cash, cash equivalents, equity investments, DTAs and other assets.

** Financial liabilities held for trading, provisions for specific use, other liabilities.

Lending & Direct Funding

Total Lending *(€/mln)*

	Sep-18	Dec-18	Jun-19	Sep-19	QoQ%	YoY%
Current accounts	5,239	4,941	4,710	4,946	5.0%	-5.6%
Mortgages	48,881	48,217	49,328	49,089	-0.5%	0.4%
Other forms of lending	17,341	15,615	15,828	16,251	2.7%	-6.3%
Reverse repurchase agreements	3,381	3,395	3,121	4,418	41.5%	30.7%
Loans represented by securities	4,636	7,386	7,944	9,304	17.1%	n.m.
Impaired loans	7,987	7,302	6,552	6,463	-1.4%	-19.1%
Total	**87,465**	**86,856**	**87,484**	**90,471**	**3.4%**	**3.4%**

Direct Funding *(€/mln)*

	Sep-18	Dec-18	Jun-19	Sep-19	QoQ%	YoY%
Current accounts	55,739	53,156	56,150	55,267	-1.6%	-0.8%
Time deposits	8,528	8,871	9,439	9,622	1.9%	12.8%
Repos	10,595	10,137	6,355	5,701	-10.3%	-46.2%
Bonds	11,616	11,052	11,576	12,983	12.2%	11.8%
Other types of direct funding	7,428	7,255	8,696	8,673	-0.3%	16.8%
Total	**93,906**	**90,472**	**92,216**	**92,246**	**0.0%**	**-1.8%**

Focus on Commercial Net Interest Income* and average rate on new mortgage flows

Net interest income (€/mln, %)	3Q18 average volumes	3Q18 average rates	4Q18 average volumes	4Q18 average rates	1Q19 average volumes	1Q19 average rates	2Q19 average volumes	2Q19 average rates	3Q19 average volumes	3Q19 average rates
Commercial Loans	77.9	2.33%	77.2	2.32%	74.6	2.31%	74.9	2.25%	73.5	2.17%
Retail (including small businesses)	39.6	2.54%	39.8	2.50%	39.5	2.49%	39.7	2.45%	39.8	2.38%
Corporate	32.7	1.97%	31.9	1.99%	30.3	2.01%	30.7	1.94%	29.6	1.87%
Non-performing	5.5	2.97%	5.5	2.98%	4.8	2.80%	4.5	2.65%	4.1	2.28%
Commercial Direct funding	71.8	-0.32%	69.4	-0.31%	67.8	-0.32%	69.0	-0.32%	69.9	-0.31%
Retail (including small businesses)	45.9	-0.32%	45.6	-0.31%	45.6	-0.31%	46.5	-0.31%	47.9	-0.31%
Corporate	19.5	-0.17%	18.9	-0.19%	18.2	-0.27%	18.3	-0.25%	17.7	-0.21%
Non-performing	0.3	-0.08%	0.3	-0.08%	0.3	-0.07%	0.3	-0.04%	0.3	-0.02%
Other customers	6.1	-0.81%	4.5	-0.80%	3.7	-0.72%	4.0	-0.75%	4.0	-0.75%
Other commercial components**	27		32		19		17		14	
Commercial NII	426		431		391		383		361	
Non-commercial NII***	16		0		18		22		-7	
Total Interest Income	**442**		**431**		**409**		**404**		**355**	

Average rates on new mortgage flows

	2H18	1H19	3Q19
Households	2.0%	2.1%	1.6%
Small businesses	2.6%	3.0%	2.8%
Corporate	1.5%	1.9%	2.1%
Total	2.0%	2.2%	1.8%

* Figures from operational data management system.

** Including commissions on advances, mortgages at amortised cost, interest on arrears, interest adjustments

*** Positive contribution mainly from govies portfolio and, starting from 2Q18, from the securitised senior notes retained by the Bank. Negative contribution from cost of institutional funding.

Funding strategy implementation: Institutional bonds and TLTROs

2019-2021 Expected/planned

- 2019-2021 Institutional Bond and TLTRO maturities:
  - 2019: c. EUR 0.75bn senior unsecured
  - 2020: c. EUR 8bn GGBs* + EUR 16.5bn TLTROs
  - 2021: c. EUR 1bn covered bonds
- 2019-2021 Planned Bond Issues:
  - Senior unsecured: c. EUR 1.5/1.75bn per year
  - Covered: c. EUR 1.5/1.75bn per year
  - Subordinated Tier 2: c. EUR 0.7bn
- New TLTRO III not included in the Plan (which prudentially estimated no renewal of TLTROs by the ECB), to be integrated over the next few months

3Q 2019 – actual

- Matured Institutional bonds :
  - ✓ EUR 0.75bn senior unsecured reimbursed on 1 April 2019
- Successfully completed new issues:
  - ✓ EUR 1bn covered bond issued on 23 January 2019
  - ✓ EUR 500mln senior bond issued on 4 July 2019
  - ✓ EUR 300mln T2 bond issued on 16 July 2019
  - ✓ EUR 500mln senior bond issued on 17 September 2019
  - ✓ EUR 1bn covered bond issued on 1 October 2019
  - ✓ EUR 250mln senior bond issued on 3 October 2019
- Reimbursement of outstanding TLTRO II and participation to the new TLTRO III programme will be defined in 4Q19, within the 2020 Funding Plan preparation process
- Reimbursement of maturing GGBs (EUR 8bn) planned using available cash (EUR 7.1bn at Sep-19) or funding on the market part of unencumbered BTPs (EUR 16bn at Sep-19)

* Government Guaranteed Bonds issued in Jan/Mar 2017, of which EUR 3.2bn sold and EUR 4.8bn retained and used as collateral for funding.

Focus on DTAs

Current Italian fiscal regulations do not set any time limit to the use of fiscal losses against the taxable income of subsequent years.

	Definition	Regulatory treatment	9M19
1 Convertible DTAs	o DTAs related to write-downs of loans, goodwill and other intangible assets are convertible into tax credits (under Law 214/2011)*	➢ 100% included in Risk-Weighted Assets like any credit	EUR 1.0bn (stable vs. 1H19)
2 Non-convertible losses	o DTAs on non-convertible fiscal losses and DTAs on ACE (Allowance for Corporate Equity) deductions o May be recovered in subsequent years only if there is positive taxable income, but may both be carried forward indefinitely	➢ 100% deducted from shareholders' equity (CET1)	EUR 1.4bn (stable vs. 1H19)
3 Other non-convertible DTAs	o DTAs generated as a result of negative valuation reserves, provisions for risks and charges, capital increase costs and temporary differences primarily relating to provisions for guarantees and commitments, provisions for doubtful debts vs. Banks, impairments on property, plant and equipment and personnel costs (pension funds and provisions for staff severance indemnities) o May only be used in case of tax gains**, and therefore carry an average recoverability risk	➢ Deducted from CET1 if they exceed 10% of adjusted CET1 and if, added to significant holdings, they exceed 17.65% of adjusted CET1. Amounts in excess of the two thresholds are deducted from CET1. Amounts equal to the thresholds 250% included in Risk-Weighted Assets	EUR 0.7bn (stable vs. 1H19)
4 DTAs not recorded in balance sheet	o DTAs not recorded in balance sheet due to the probability test	➢ N.A.	EUR 1.8bn (stable vs. 1H19)

* Their recovery is certain regardless of the presence of future taxable income.

** In the case of IRES DTAs, the part that is not absorbed by taxable profit before reversal of convertible DTAs is transformed into non-convertible losses DTAs; in the case of IRAP DTAs, the part that is not absorbed by taxable profit before reversal of convertible DTAs is not recoverable.

Focus on legal risks and provisions for diamonds claims

Legal risks at 30/09/19

EUR 4.7bn total *petitum*, classified by disbursement risk profile:

- **Probable:** c. EUR 2.3bn (for which provisions of 0.5bn have been allocated)
- **Possible:** c. EUR 1.4bn (no provisions are allocated for such disputes: as required by accounting standards, significant amounts are disclosed)
- **Remote:** c. EUR 1.0bn (no provisions are allocated and no disclosures are provided for such disputes)

Legal risks from financial information

- Overall claims connected to litigations arising from the financial information disclosed by the Bank to the market in the period between 2008 and 2015 are estimated in EUR 2.0bn at the end of September 2019
- The Bank deems the risk of disbursement "probable" for claims regarding the 2008-2011 period (legal, proceeding n° 29634/14, threatened litigations) and thus recognises provisions, while deems risk "not probable" for claims (legal, proceeding n° 955/16, threatened litigations) relating to the 2012-2015 period, for which no provisioning has been booked
- The Bank does not disclose booked provisions, inasmuch this information could seriously affect its position in the existing litigations and in the negotiations of potential out-of-court settlement agreements

Claims related to disclosed financial information (2008-2015) *€/mln*	30/09/19	30/06/19
Civil litigations brought by the shareholders	882	896
Threatened litigations*	858	846
Admitted civil parties proceeding n° 29634/14**	137	191
Admitted civil parties proceeding n° 955/16**	95	76
Total	1.972	2.009

Diamonds claims*

Current situation *€/mln*

Total amount of purchased diamonds	344
Total estimated diamond claims (by June 2020)	312

Estimated total potential claims stand at EUR 312mln, corresponding to c. 91% of total purchased diamonds, from c. 86% in 2Q19

GMPS Provisions *€/mln*

Total provisions at 31/12/2018	134
Net provisions in 1H19	88
New provisions in 3Q19	8
Total provisions for diamond claims at 30/09/2019 (gross of reimbursement)	231

* Neither threatened litigations nor diamonds claims are included in the total *Petitum* Amount

** Not all claiming parties have quantified damages.

Agenda

- 3Q19 Results
- Details on 3Q19 Results
- Focus on Asset Quality

Focus on Loan Loss Provisions: 1H19 main components

	1Q19	2Q19	1H19
Full coverage on small-ticket portfolios	-21		-21
Updated macroeconomic scenario	-37		-37
Unwinding of Juliet agreement		457	457
Revised NPE strategy		-248	-248
Specialised lending rating attribution		34	34
Changed threshold for analytical/collective provisioning		19	19
Annual update of LGD models		-106	-106
Coverage increase	-19	-121	-140
Other effects	-87	-122	-209
Total loan loss provisions	-164	-87	-251

	FY18	1Q19	2Q19
Coverage of NPE portfolio	53.1%	53.1%	53.8%

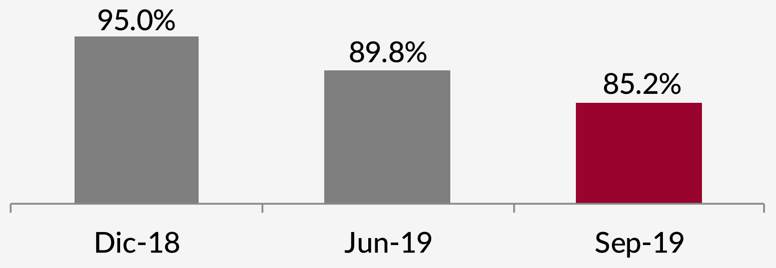
Increased NPE coverage:
c. +70bps Jun-19 vs. Mar-19

Focus on Asset Quality

Non-Performing Exposures - NPEs *(€/mln)*

	Gross Book Value excluding interest in arrears on defaulted assets		Net Book Value		Coverage	
	1H19	*9M19*	*1H19*	*9M19*	*1H19*	*9M19*
Bad loans *(sofferenze)*	8,307	8,121	3,169	3,113	61.9%	61.7%
Unlikely-to-Pay loans	7,434	6,201	4,053	3,617	45.5%	41.7%
Past due/overdue exposures	160	203	120	155	25.2%	23.4%
Total NPEs	15,902	14,525	7,342	6,885	53.8%	52.6%

Texas Ratio* *(%)*



* Gross NPEs / (tangible equity + provision funds for NPEs).

Restructured unlikely-to-pay loans*

Breakdown by Guarantees (€/bn)

	# Tickets**	GBV	Coverage	NBV	% NBV
Secured	175	0.5	34.4%	0.3	21.6%
Personal guarantees	154	0.3	53.1%	0.2	9.7%
Unsecured	429	2.0	45.3%	1.1	68.8%
Total	**758**	**2.8**	**44.2%**	**1.6**	**100.0%**
of which Pool other banks		*2.4*		*1.4*	*87.4%*

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	0.5	19.9%	80.1%
Personal guarantees	0.3	31.9%	68.1%
Unsecured	2.0	32.3%	67.7%
Total	**2.8**	**30.0%**	**70.0%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.4	0.2	10.6%
Real estate	0.4	0.1	9.4%
Holdings	0.1	0.0	1.4%
Transportation and logistics	0.2	0.1	8.6%
Other industrial**	1.3	0.8	51.5%
Households	0.0	0.0	1.4%
Other	0.5	0.3	17.2%
Total	**2.8**	**1.6**	**100.0%**

- Average coverage of 44.2%, above Italian average. Net book value EUR 1.6bn (21.6% secured)
- Corporate and SME sectors = 84% of total restructured UTPs
- Positions with GBV > EUR 1m represent >96% of total restructured UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 20% of total net restructured UTPs

* Figures from operational data management system.
** The Borrower's exposures may have been tranched based on the underlying collateral
***Other Manufacturing (excluding Construction, Real Estate and Transportation).

Other Unlikely-to-Pay*

Breakdown by Guarantees *(€/bn)*

	# Tickets**	GBV	Coverage	NBV	% NBV
Secured	7,944	1.5	21.6%	1.2	58.9%
Personal guarantees	9,314	0.6	50.3%	0.3	14.6%
Unsecured	97,132	1.2	56.6%	0.5	26.5%
Total	**114,390**	**3.4**	**39.6%**	**2.0**	**100.0%**
of which Pool other banks		***1.8***		***1.1***	***54.0%***

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	1.5	63.5%	36.5%
Personal guarantees	0.6	70.4%	29.6%
Unsecured	1.2	57.1%	42.9%
Total	**3.4**	**62.4%**	**37.6%**

Breakdown by Industry *(€/bn)*

	GBV	NBV	% on NBV
Construction	0.5	0.3	15.5%
Real estate	0.4	0.3	13.3%
Holdings	0.0	0.0	0.3%
Transportation and logistics	0.1	0.0	1.1%
Other industrial**	0.9	0.5	23.3%
Households	0.7	0.5	23.2%
Other	0.8	0.5	23.3%
Total	**3.4**	**2.0**	**100.0%**

- Average coverage of 39.6%, above Italian average. Net book value EUR 2.0bn (c. 59% secured)
- SME and small-business sectors represent about 72% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 49% of total other UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 29% of total net other UTPs

* Figures from operational data management system.
** The Borrower's exposures may have been tranched based on the underlying collateral
***Other Manufacturing (excluding Construction, Real Estate and Transportation).

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