3Q18 BMPS Results

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

9 November 2018

Highlights of 3Q18 and 9M18 Results

Pre-provision profit

EUR 803mln
for 9M18
(stable vs. 9M17 net of one-offs)

EUR 248mln
for 3Q18
(c. EUR +60mln vs. 3Q17 net of one-offs)

Cost of risk

Cost of risk at 55bps

2018 guidance of c. 60bps confirmed

Net income

EUR 379mln
for 9M18

EUR 91mln
for 3Q18

Gross NPE ratio*

c. 16%

Net NPE ratio*

c. 9%

Transitional CET1**

12.8%

Fully-loaded CET1**

11.2%

- c. 340bps buffer vs. 2018 SREP requirement of 9.44% (c. 190bps considering 1.5% P2G)

* Pro forma, including ongoing EUR 3.3bn bad loans disposals and binding offers received for EUR 0.4bn UTPs. Excluding these disposals: Gross NPE ratio at 19.4% and net NPE ratio at 9.6%.

** Pro forma ratios. Transitional CET1 includes 2Q18 and 3Q18 net income. Fully-loaded CET1 includes 2Q18 and 3Q18 net income, the effects on CET1 of expected reversals, until the end of the transitional period, of DTAs on tax losses, ACE and convertible DTAs under the same assumptions applied for the "probability test". Excluding all these components, transitional CET1 is 12.5% and fully-loaded CET1 is 10.3%.

3Q18 Results

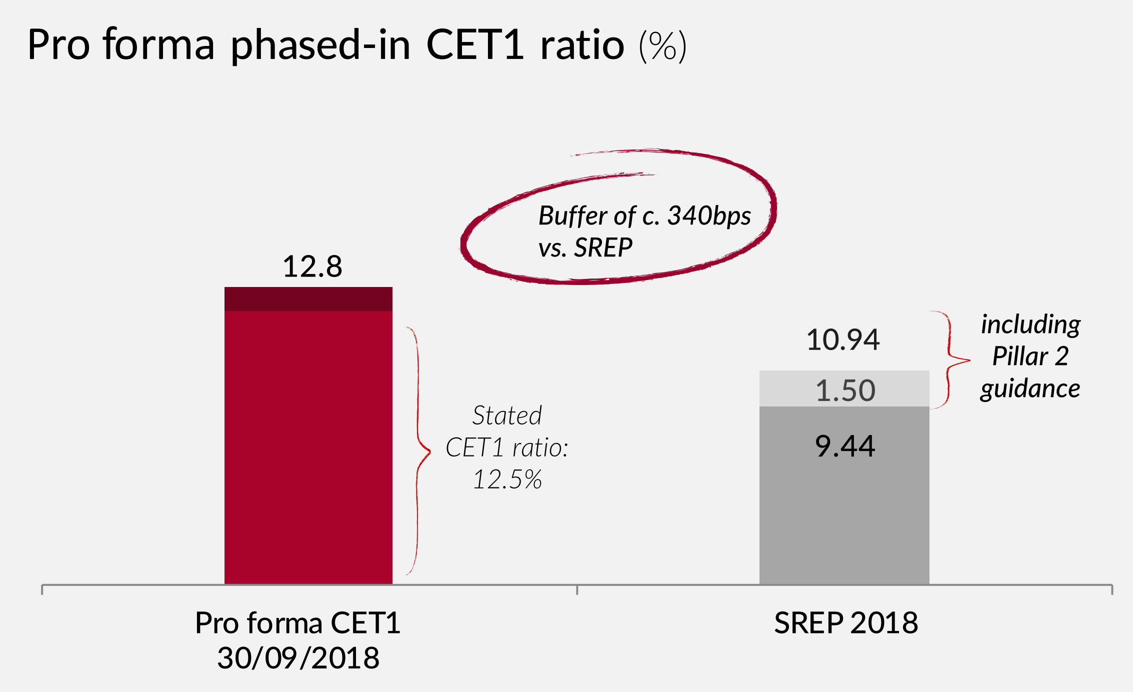
P&L (€ /mln)	1Q18	2Q18	3Q18	9M18
Net Interest Income	421	449	442	1,312
Fees and commissions	407	403	353	1,163
Other revenues*	49	-19	14	44
Total revenues	877	832	809	2,518
Operating costs	-573	-581	-561	-1,715
Pre-provision profit	**304**	**251**	**248**	**803**
Net impairment losses	-138	-109	-121	-368
Net operating result	166	142	127	435
Non-operating items	-55	-62	-86	-202
Profit (Loss) before tax	111	80	41	233
Net income (loss)	**188**	**101**	**91**	**379**

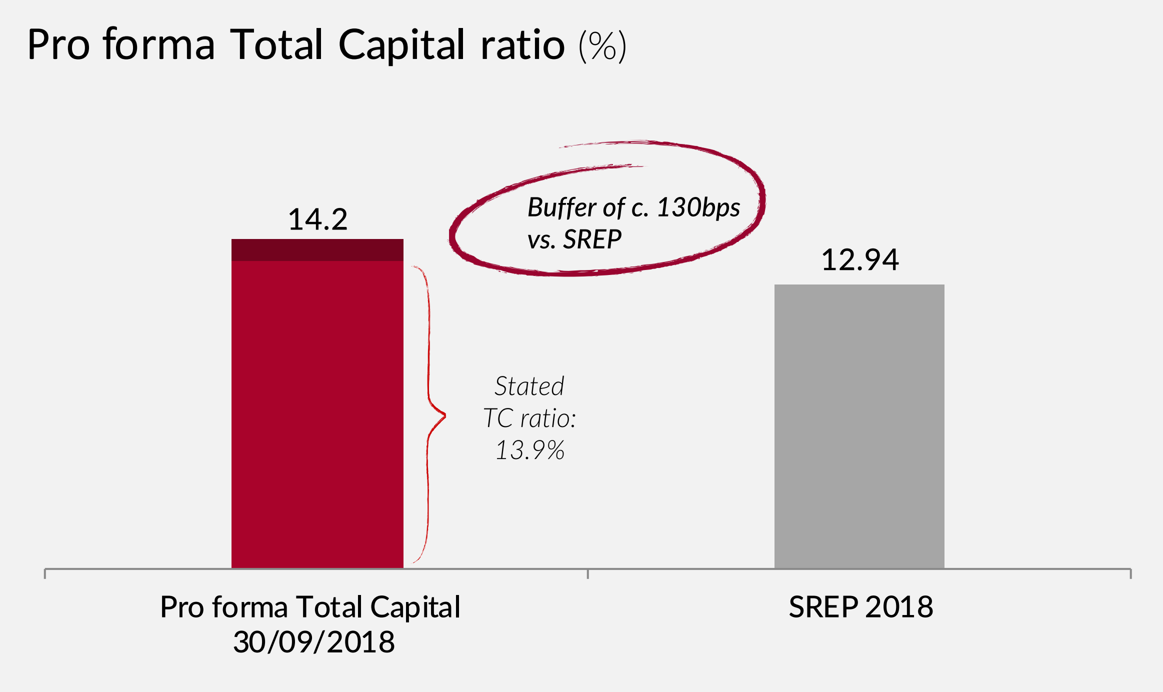
Balance Sheet (€/bn)	1Q18	2Q18	3Q18	9M18
Loans to customers	89.3	87.0	87.5	87.5
Direct funding	97.9	96.8	93.9	93.9
Total assets	136.8	135.7	132.2	132.2

- Pre-provision profit stabilised at c. EUR 250mln, with cost of risk at c. 55bps, in line with 2018 guidance (c. 60bps)
- 3Q18 includes non-operating items for EUR 86mln, mainly related to:
  - commitments undertaken with DG Comp (cost of the disposal/unwinding of foreign banks and foreign branches)
  - contribution to the DGS (Deposit Guarantee Scheme)
  - DTA fees

* Other revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets and other operating income (expenses)

Capital position*





- Bad loan/UTP reduction: EUR 0.8bn UTP reduction already achieved in 9M. Ongoing EUR 3.3bn bad loans disposals and binding offers received for EUR 0.4bn UTPs: pro forma Gross NPE ratio at c. 16%**
- Italian Govies portfolio (FVTOCI): sensitivity*** reduced to 3.3mln from 5.6mln in 2017 and duration to 2.4Y from 3.6Y
- RWAs: net of add-on for UTP and bad loan portfolios (+c. EUR 4bn), RWA optimisation since December 2017 (c. EUR -1.4bn)
- Pre-provision profit: >EUR 250mln per quarter in the first 9M

* Pro forma ratios. Transitional CET1 includes 2Q18 and 3Q18 net income. Excluding these components, transitional CET1 is 12.5%.

** Pro forma, including ongoing bad loan disposals (EUR 3.3bn) and UTP reduction (EUR 0.4bn binding offers received). Excluding disposals/reduction: Gross NPE ratio at 19.4%.

***Credit spread sensitivity (€/mln before tax for 1bp change).

Commercial strategy

FOCUS ON RETAIL CUSTOMERS AND SMEs

- ✓ Increase in new mortgages (new retail mortgages* c. +13% QoQ; c. +124% 3Q18 vs. 3Q17)
- ✓ Successfully completed migration of 150,000 mass-market clients to Widiba, to re-activate business and interaction

SELECTIVE ON CORPORATE / PUBLIC ENTITIES

- ✓ Already reached the 2018 target for new corporate mortgages
- ✓ More selective lending to creditworthy corporate customers, with particular focus on lending spreads

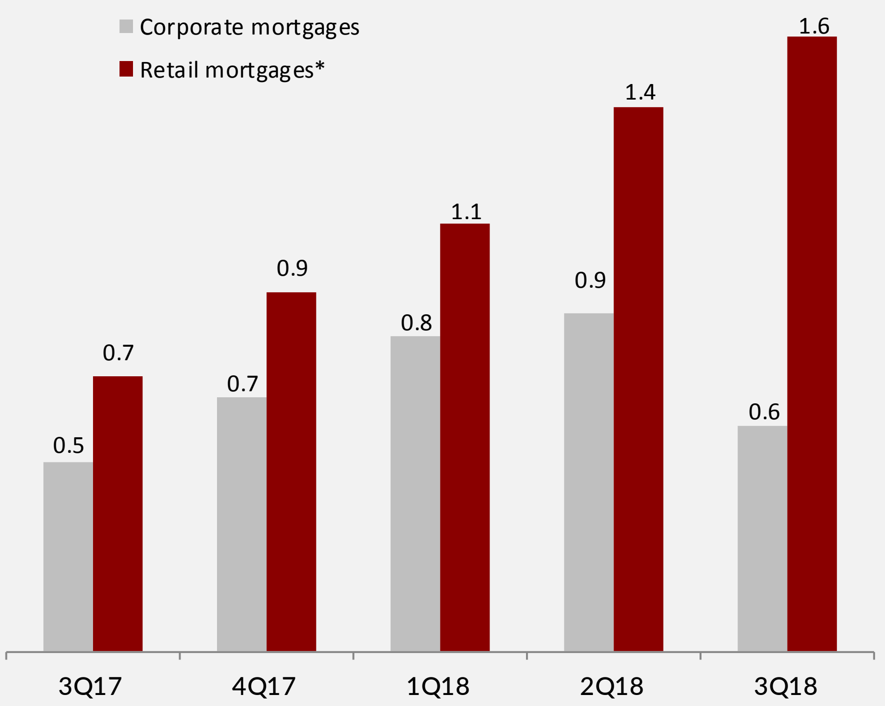
REDUCTION IN COST OF FUNDING

- ✓ Cost of funding continues to decrease, although at a slower rate compared to previous quarters

FRANCHISE STABILITY

- ✓ ~ 9%/6% attrition in terms of lending/funding (435 branches closed since January 2017), with decrease in both customer loans and in funding estimated at c. EUR 0.4bn
- ✓ ~ 60 branches to be closed by the end of 2018

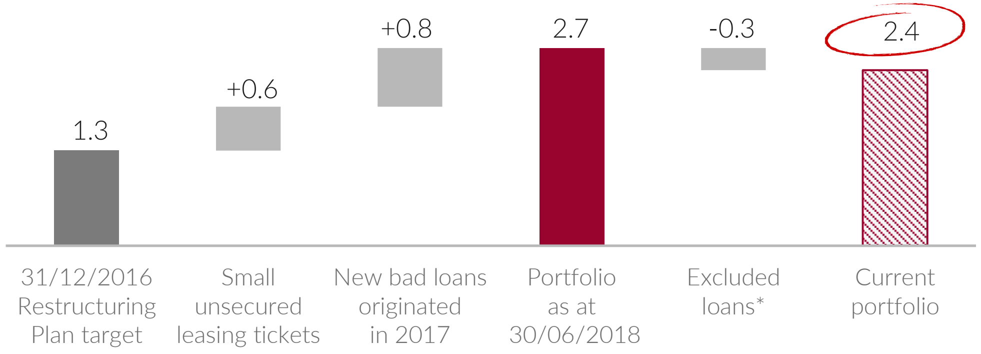
New Retail and Corporate mortgages (€/bn)



* Including small-business mortgages.

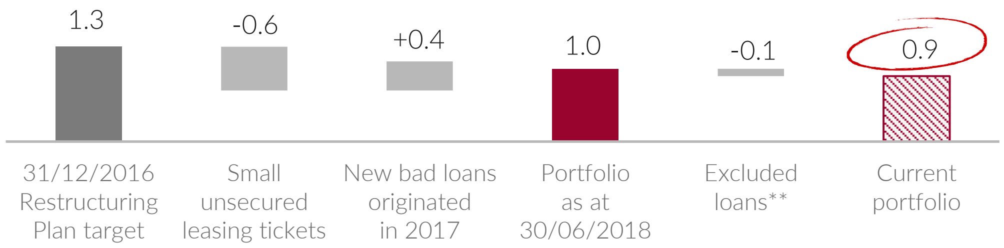
Ongoing bad loan disposals of up to EUR 3.3bn

Small Tickets



- ❑ **Up to EUR 2.4bn for ~100k borrowers:**
  - c. EUR 2.2bn unsecured bad loans portfolio, for ~74k borrowers composed of 3 sub-portfolios: c. EUR 1.0bn small tickets, c. EUR 0.8bn mid tickets, c. EUR 0.4bn large tickets***
  - c. EUR 0.2bn consumer credit, for ~26k borrowers

Leasing

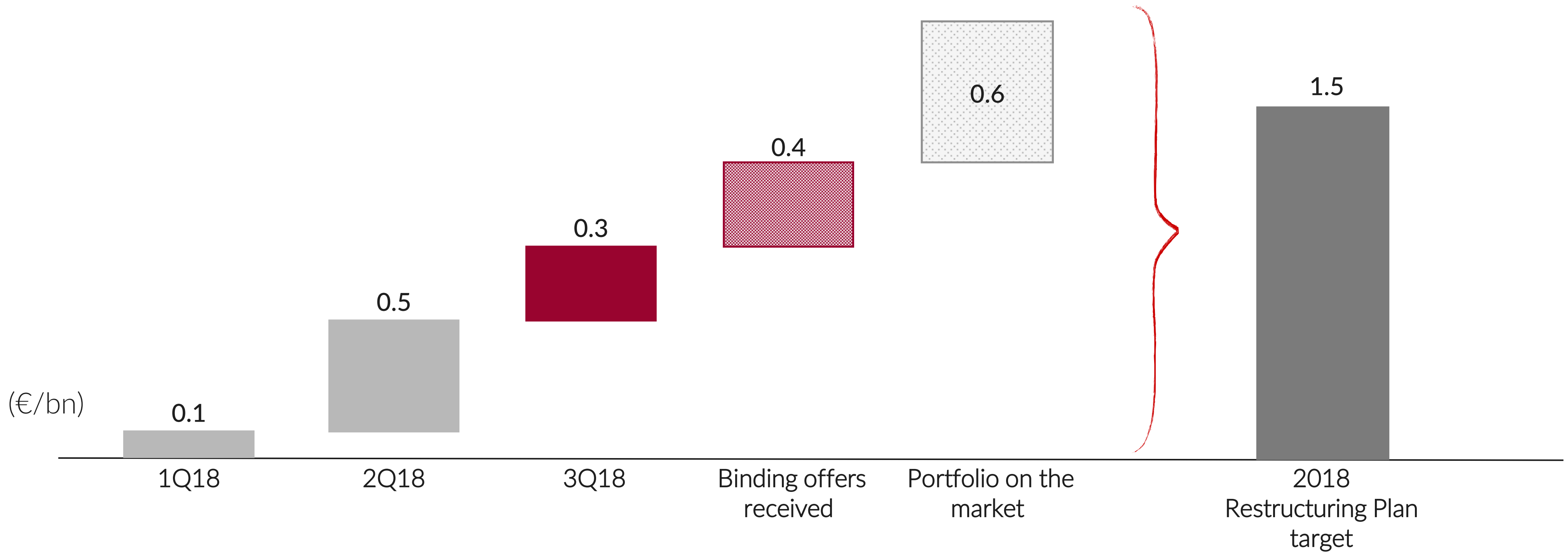


- ❑ **Up to EUR 0.9bn, for ~3k borrowers:**
  - c. EUR 0.6bn real estate, for ~0.6k borrowers
  - c. EUR 0.3bn equipment, for ~2.4k borrowers

- ❑ Binding phase in progress and signing expected by 2018 YE
- ❑ Estimated impact of disposals already included in IFRS 9 FTA

* Mainly tickets covered by real estate collateral or with ongoing legal proceedings.
** Mainly tickets with underlying specific guarantees (Confidi, Cassa Depositi e Prestiti S.p.A.), tickets related to central or local/regional government incentives and tickets with collateral already sold or covered by preliminary sale contract .
*** Size of tickets: small <EUR 50k; EUR 50k< mid <EUR 250k; large >EUR 250k.

9M18: EUR 0.8bn UTP reduction completed, well on track to beat 2018 target*



- EUR 0.8bn UTP reduction completed (of which c. EUR 0.7bn disposals, mainly real estate) with no significant P&L impact
- Already received binding offers for EUR 0.4bn
- Ongoing strategic analysis on the UTP portfolio in order to achieve 2019 target for UTP reduction (EUR 2.0bn)

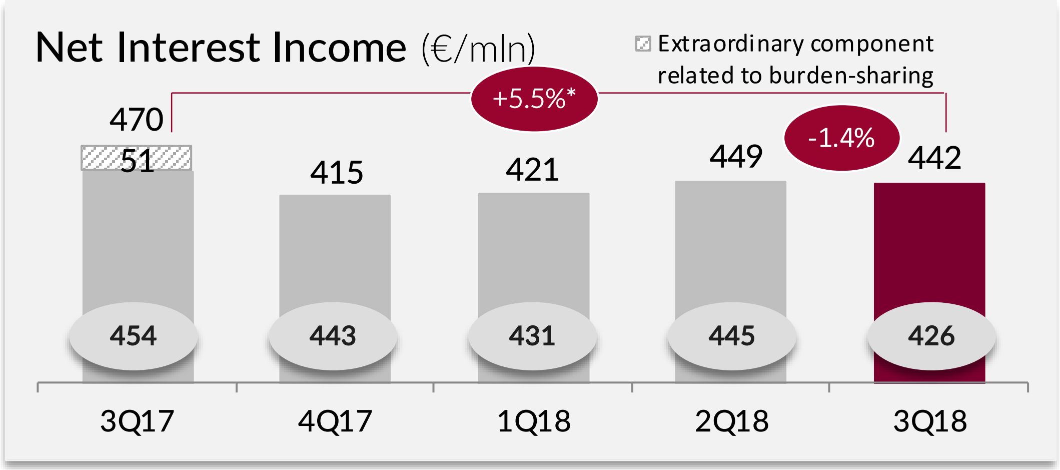
* Figures from operational data management system.

Agenda

- 3Q18 Results
- Conclusion
- Annexes
  - Details on NPE Stock
  - Details on 3Q18 Results

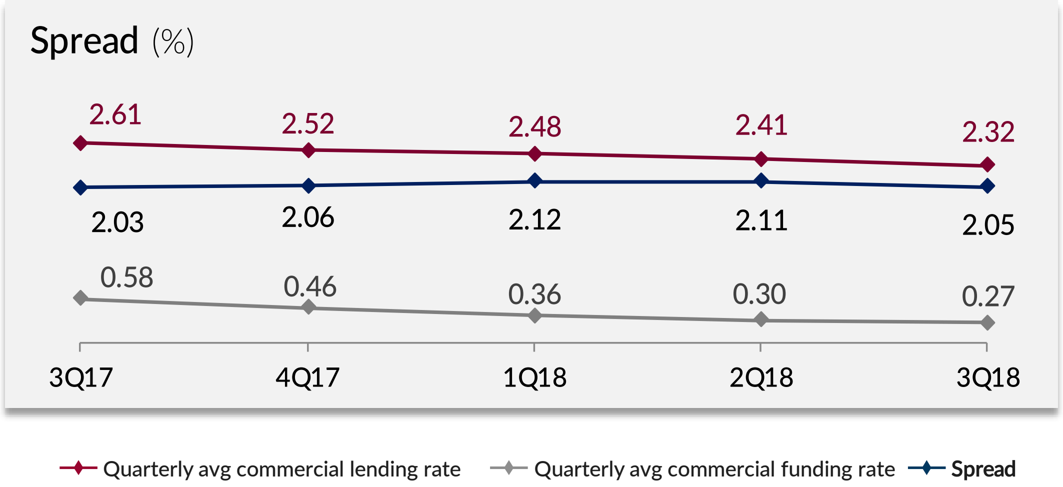
Net Interest Income

Commercial NII** (€/mln):



of which interests from NPEs (€/mln):	3Q17	4Q17	1Q18	2Q18	3Q18
	105	91	*81*	*66*	*63*

2018 quarterly net contribution from NPEs calculated according to IFRS9 accounting rules, including time value on bad loans



- **Net interest income** down 1.4% QoQ, with commercial component impacted by lower lending volumes and competitive pressure on rates, only partially offset by the decrease in cost of funding
- EUR 10mln contribution from the securitisation senior notes which were retained by the Bank and EUR 7mln from non-recurring components

- **Cost of funding gap vs. the market:** +13bps in September 2018 (+25bps gap in December 2017)

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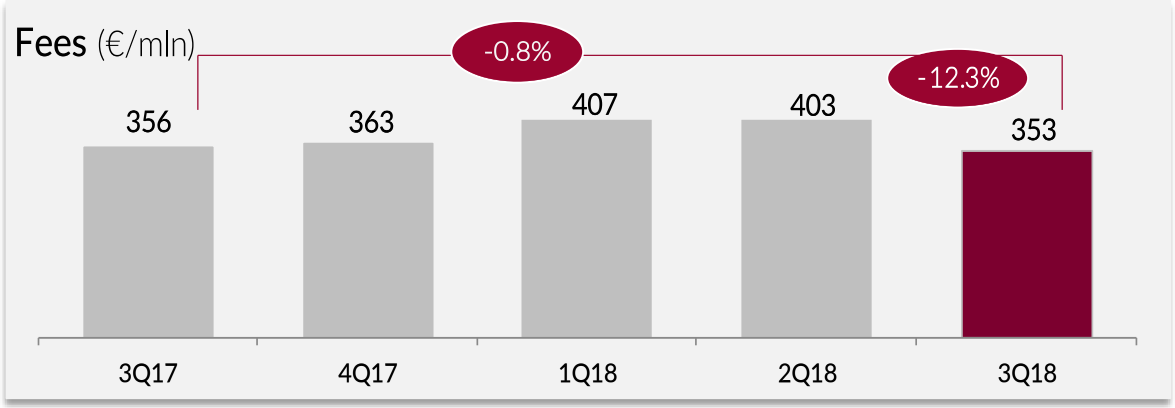
* Net of extraordinary components in 3Q17 related to burden-sharing.
** Net interest income on commercial loans to customers and on commercial direct funding.

Fee and Commission Income



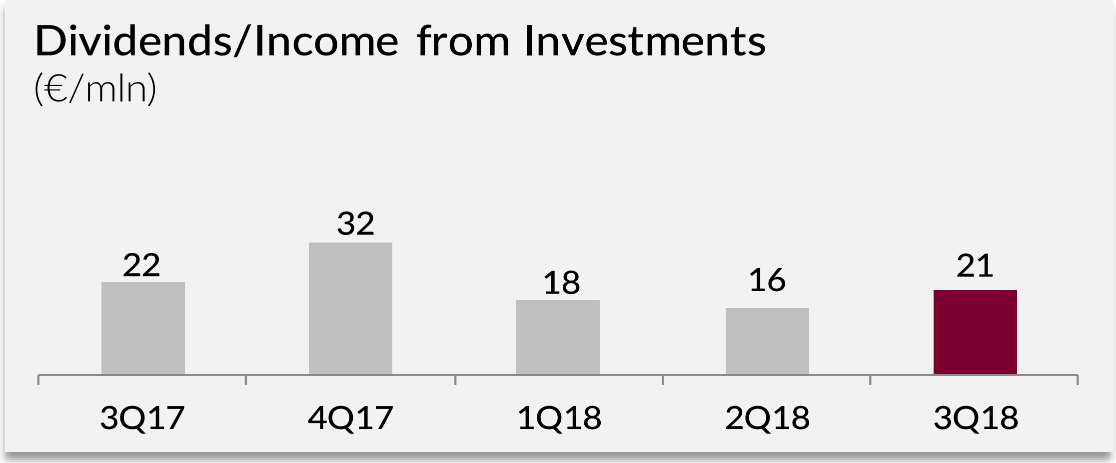
of which
GGB commissions:

3Q17	4Q17	1Q18	2Q18	3Q18
-31	-31	-25	-24	-24

€/mln	2Q18	3Q18	*3Q18 vs. 2Q18*	9M17	9M18	*9M18 vs. 9M17*
Wealth Management fees, o/w	178	151	-15.5%	549	509	-7.2%
WM Placement	67	43	-36.4%	246	181	-26.4%
Continuing	89	89	0.6%	245	266	8.7%
Securities	12	8	-29.9%	30	30	-0.7%
Protection	11	10	-3.0%	28	32	15.6%
Traditional Banking fees, o/w	271	247	-9.0%	833	793	-4.8%
Credit facilities	139	117	-15.3%	374	399	6.8%
Trade finance	14	14	-0.4%	46	42	-10.6%
Payment services and client expense recovery	119	116	-2.6%	413	352	-14.7%
Other	-46	-44	-5.1%	-169	-140	-17.4%
Total Net Fees	403	353	-12.3%	1,213	1,163	-4.1%

- 3Q18 net fees and commissions affected by seasonality and market volatility, mainly for WM product placement. Credit facility fees also impacted by lower contribution from Compass
- Increasing stability and better quality of fees, with continuing fees up 8.7% YoY and decreasing contribution from WM upfront fees (16% 9M18 vs. 20% 9M17); payment services fees trend impacted by the sale of merchant acquiring business in June 2017
- Stock of assets under management at EUR 58.5bn, EUR +0.3bn QoQ on mutual funds/SICAV and bancassurance components
- Stock of assets under custody stable QoQ at EUR 40.9bn

Dividend and Trading Income



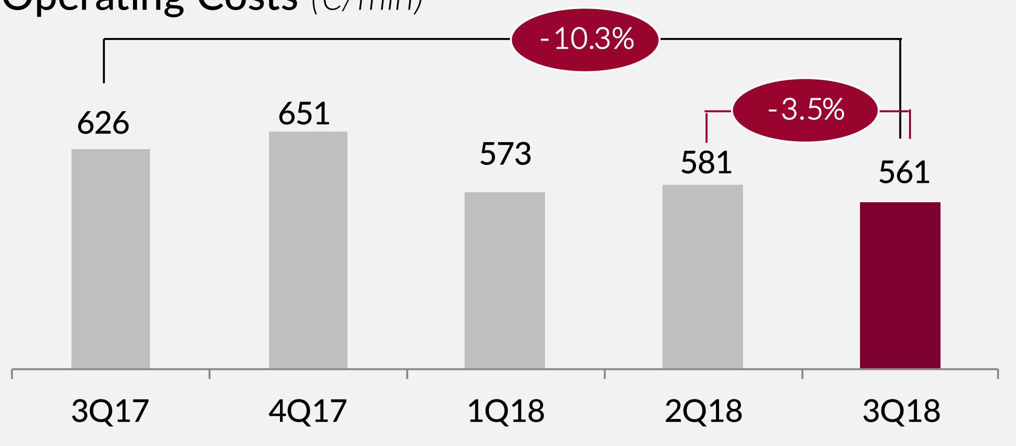
Trading/Disposal/Valuation Hedging of Financial Assets (€/mln)	3Q17	4Q17	1Q18	2Q18	3Q18
Net result from trading / hedging	-6	-20	15	-11	5
Gains on disposals / repurchases	533	26	39	13	7
Net result from financial asset/liabilities at FVTPL	-1	-2	-16	-33	-16
Total	526	4	38	-30	-3

- Dividends, similar income and gains (losses) on equity investments mainly related to the contribution from the joint venture with AXA

- Trading/disposal/valuation/hedging of financial assets/ others:
  - EUR +5mln for trading result and net profit from hedging; improved quarterly results from MPS Capital Services (EUR -4mln vs. EUR -20mln in Q2) due to lower impact of the BTP-Bund spread volatility on the trading portfolio and hedging activity
  - EUR +7mln for capital gains on disposals, mainly of FVTOCI bonds
  - EUR -16mln due to losses from financial assets and liabilities designated at FVTPL (IFRS9), of which EUR -22mln on loans

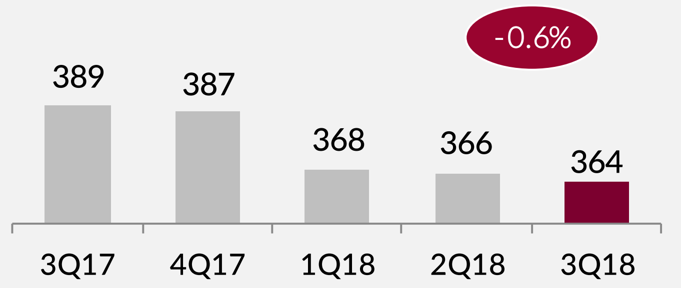
Operating Costs

Operating Costs *(€/mln)*

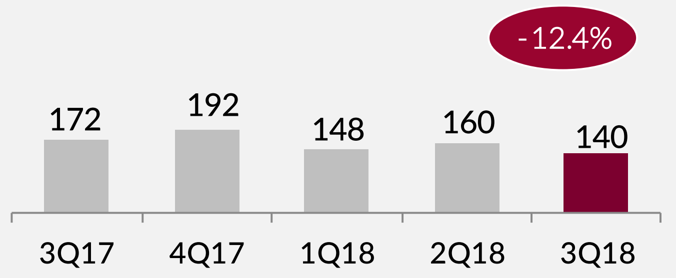


- Personnel expenses almost stable QoQ but significantly decreasing YoY (-7.6%). Further benefits expected from new Solidarity Fund exits, postponed to year-end or to 2019, pending the new national regulatory framework
- Other admin expenses down QoQ and YoY thanks to structural cost containment actions

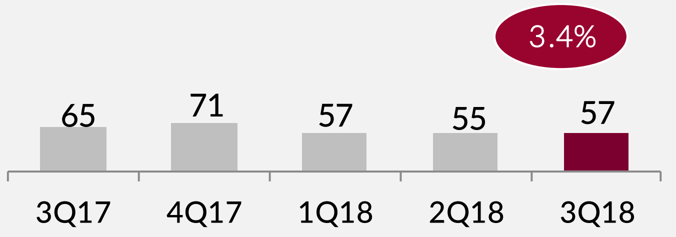
Personnel Expenses *(€/mln)*



Other Admin Expenses *(€/mln)*



Depreciation & Amortisation *(€/mln)*



FTEs*	24.7K	23.5K	23.4K	23.3K	23.2K
Branches	1,860	1,745	1,597	1,597	1,597

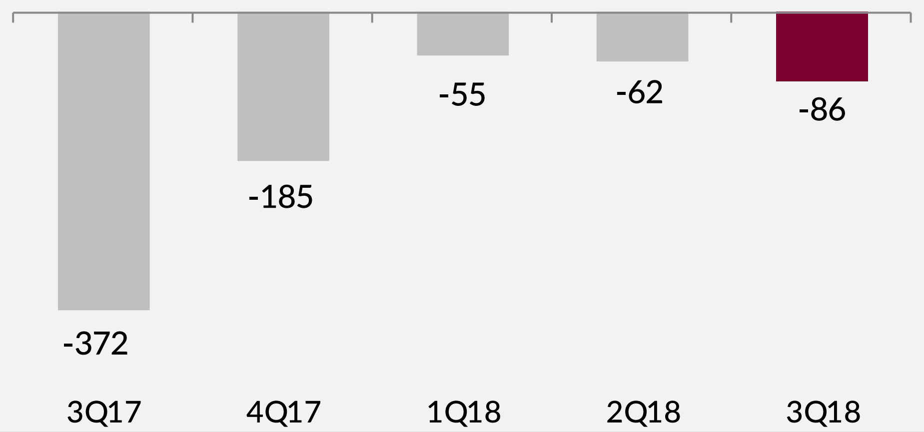
FTEs: - 6.2% YoY

Branches: -14% YoY

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

Non-Operating Items and Taxes

Non-operating Items* (€/mln)



	3Q17	4Q17	1Q18	2Q18	3Q18
DGS, NRF & SRF	-31	2	-69	-26	-29
DTA Fees	-18	-18	-18	-18	-18
Other	-323	-170	32	-18	-39
Total	-372	-185	-55	-62	-86

- Non-operating items (EUR -86mln) include:
  - EUR -29mln for the annual contribution to the DGS (Deposit Guarantee Scheme)
  - EUR -18mln for quarterly DTA fees introduced by Law Decree 59/2016
  - Other EUR -39mln of which:
    - EUR -28mln for extraordinary costs stemming from commitments undertaken with DG Comp, mainly related to the disposal of MP Belgio
    - EUR -11mln for other provisions for risk and charges and gains on equity stakes

- Taxes for the quarter at EUR +55mln, benefitted by the DTA reassessment

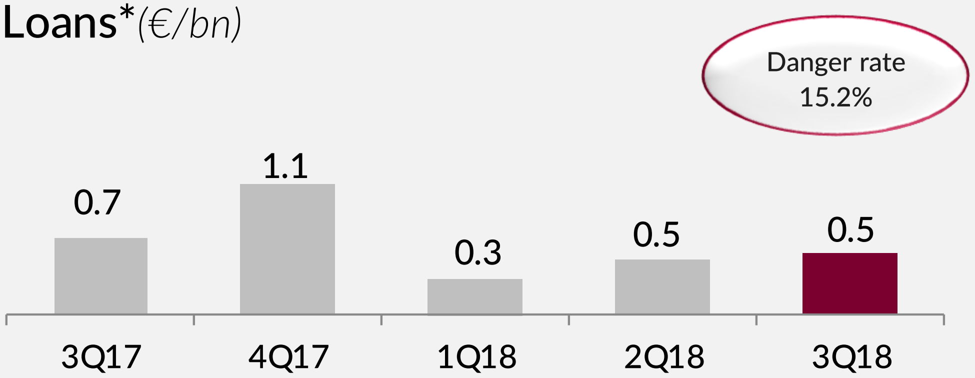
* 2017 figures restated according to the new criteria set out in the updated version of Bank of Italy's Circular no. 262 on banks' financial statements.

Focus on Asset Quality (1/2)

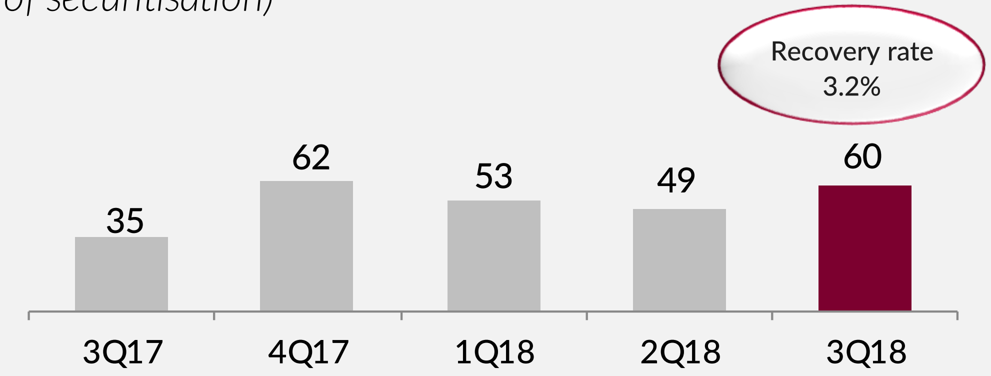
NPE Inflows from Performing* *(€/bn)*

NPE Outflows to Performing* *(€/bn)*

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



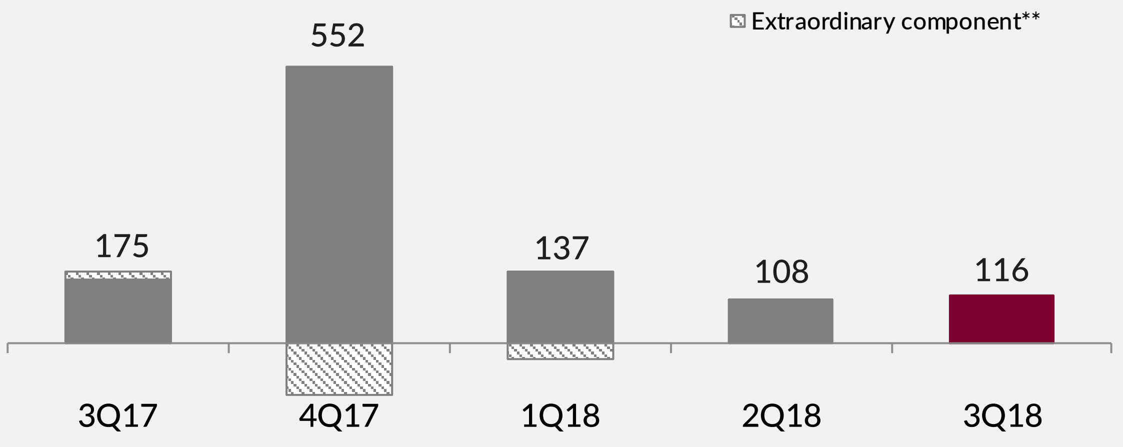
Cash recovery of Bad Loans* *(€/mln, net of securitisation)*



* Data from operational data management system. Figures include signature loans (excluded in accounting figures). Ratios are calculated as annualised 9M18 net flows/stock at the beginning of the period adjusted for an interpolation factor to take into account the seasonality in the net flows.

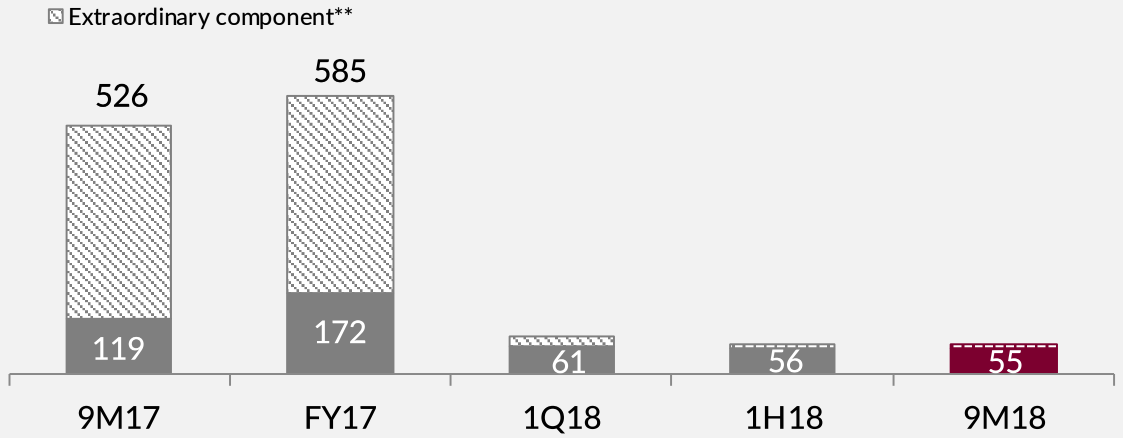
Focus on Asset Quality (2/2)

Net Loan Loss Provisions *(€/mn)*



Net impairment losses (including financial assets at FVTOCI)	138	109	121

Cost of Risk* *(bps)*



Non-performing Exposures Coverage *(%)*

	Sep-17***	Jun-18	Sep-18
Bad Loans *(sofferenze)*	75.8	69.1	68.6
Unlikely-to-Pay Loans	40.0	45.0	44.9
Past Due Loans	22.0	32.8	30.3
Total NPEs	**64.7**	**56.0**	**56.4**

- Cost of risk at 55bps; 2018 guidance confirmed at c. 60bps
- Loan loss provisions impacted by the increased default rate (at 1.7%) and UTP danger rate (at 15.2%), mainly due to a few large tickets

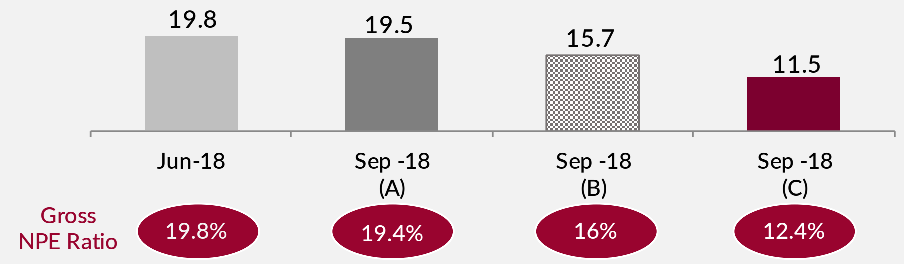
* Net loan loss provisions since the beginning of the period (annualised)/end-of-period loans.

** In 2Q17 and 3Q17 provisions related to the NPL portfolio to be securitised, in 4Q17 and in 1Q18 write-backs related to securitisation, respectively for EUR 124mln and EUR 39mln.

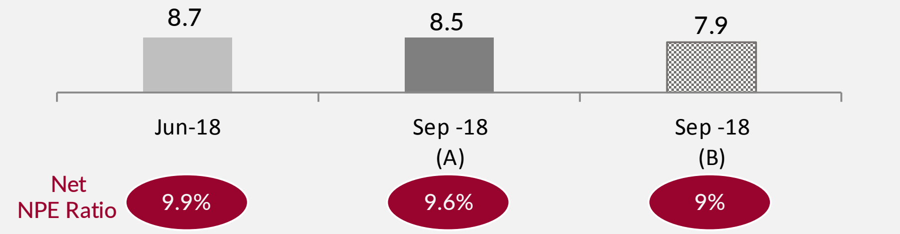
*** Net of interest in arrears to allow comparison with 2018 figures.

Pro forma Asset Quality Key Metrics

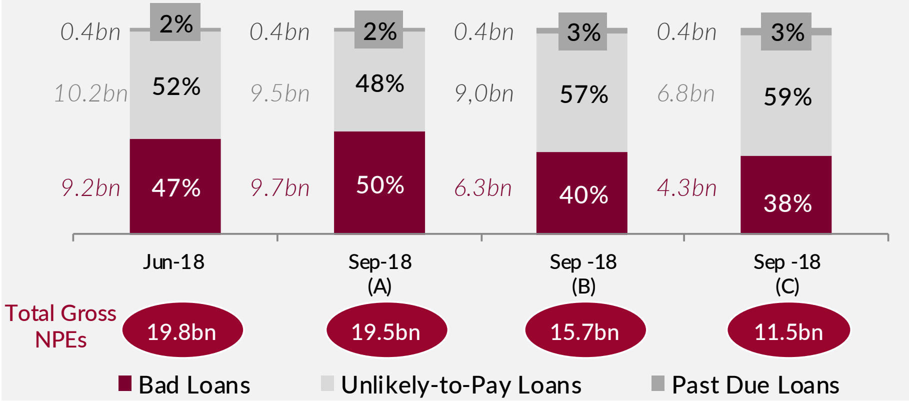
Gross NPEs* (€/bn)



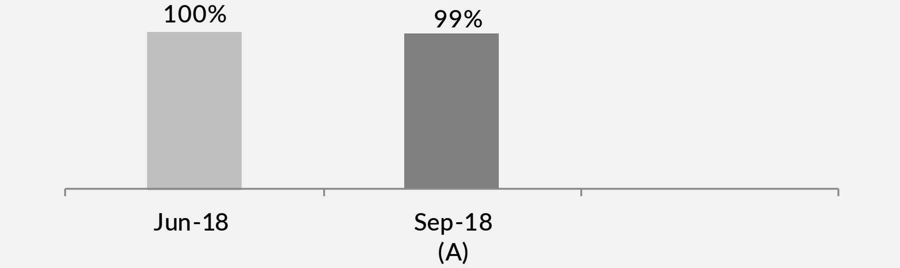
Net NPEs (€/bn)



Gross NPE Mix* (%)



Texas Ratio** (%)



Legend for 2018 data:

(A)= Stated

(B)= pro forma, including ongoing EUR 3.3bn bad loan disposals and binding offers received for EUR 0.4bn UTPs

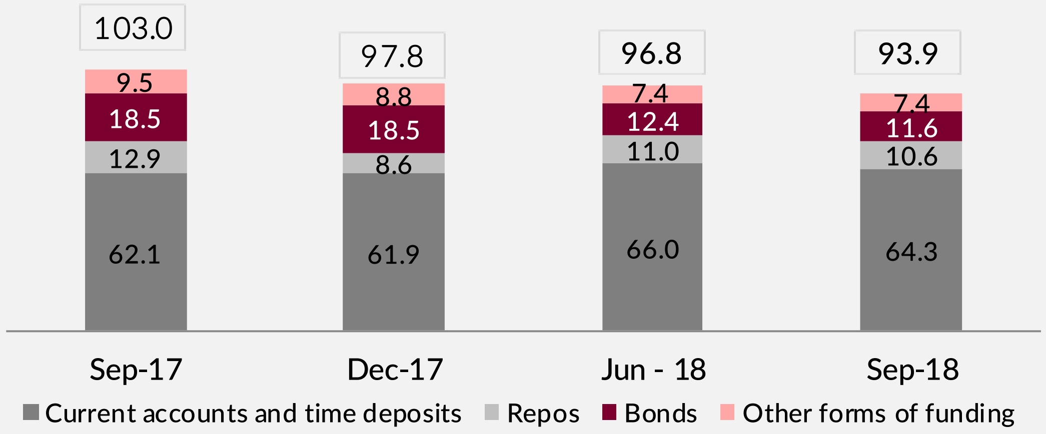
(C)= Illustrative. September 2018 figures adjusted only for the estimated impact of the additional NPE disposals planned by 2021 under IFRS9. Loan book evolution not included in the figures

* Gross bad loans adjusted excluding arrears on defaulted assets..

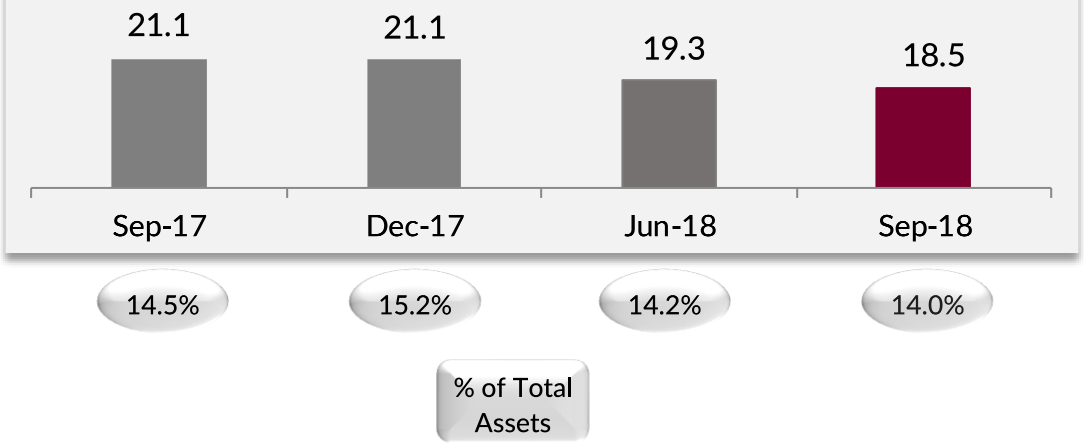
** Gross NPEs / (tangible equity + provision funds for NPEs).

Direct Funding and Liquidity

Direct Funding *(€/bn)*



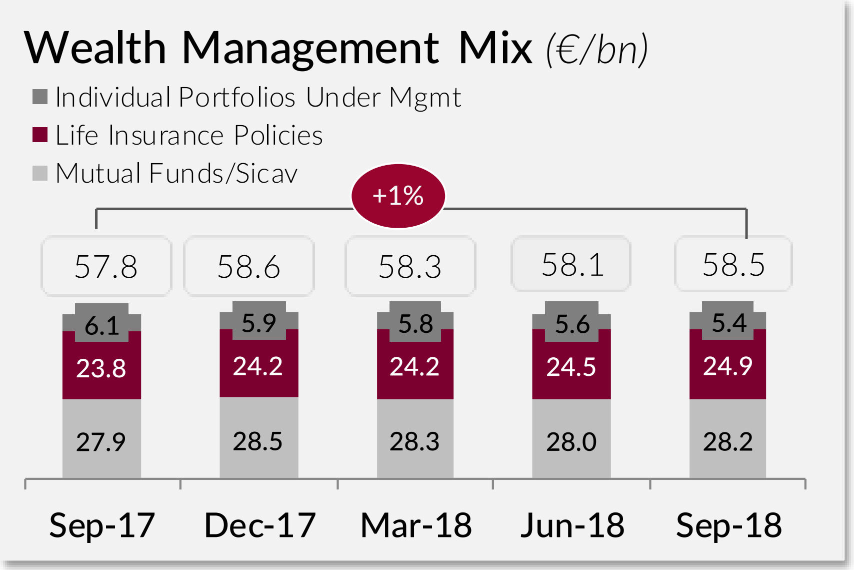
Unencumbered Counterbalancing Capacity
(€/bn)

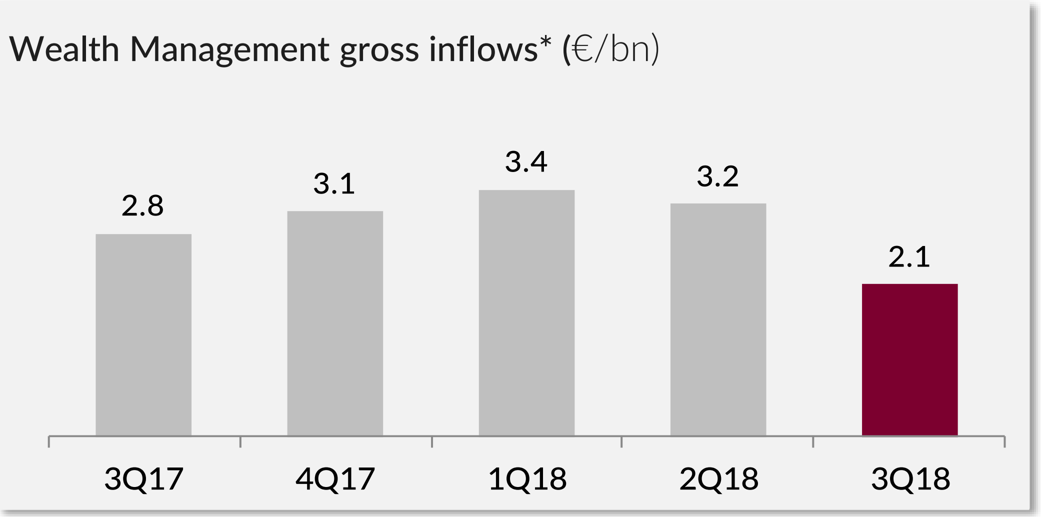


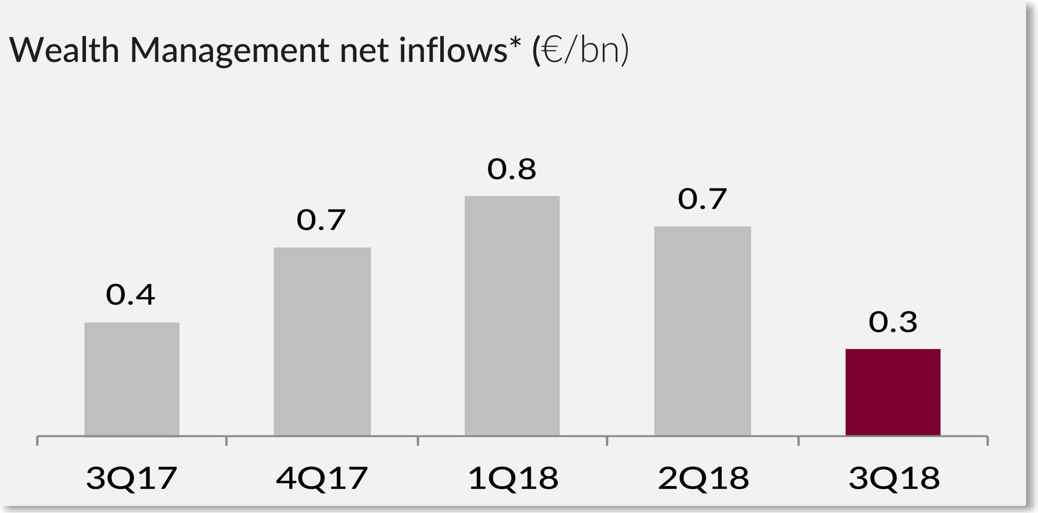
- **Total direct funding** down by c. EUR 2.9bn vs. 2Q18:
  - **EUR -1.8bn** in commercial funding, mainly on corporate customers (EUR -1.2bn) due to a funding strategy based on greater attention to cost of funding and to retail funding (EUR -0.6bn, mainly due to retail bonds expired in the quarter)
  - **EUR -0.8bn** in the current account deposit held by an institutional client
  - **EUR -0.4bn** reduction in repos with institutional counterparties
- **Group's customer deposits market share at 3.84%*** in July 2018, down by 11bps YoY
- In 2018-2019 **manageable maturities:**
  - **2018:** c. EUR 0.5bn Retail
  - **2019:** c. EUR 1.0bn Retail + c. EUR 0.7bn Wholesale
- **LCR:** c. 186% (c. 178% in June-18)
- **NSFR:** c. 111% (c. 109% in June-18)

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

Focus on Wealth Management (WM)







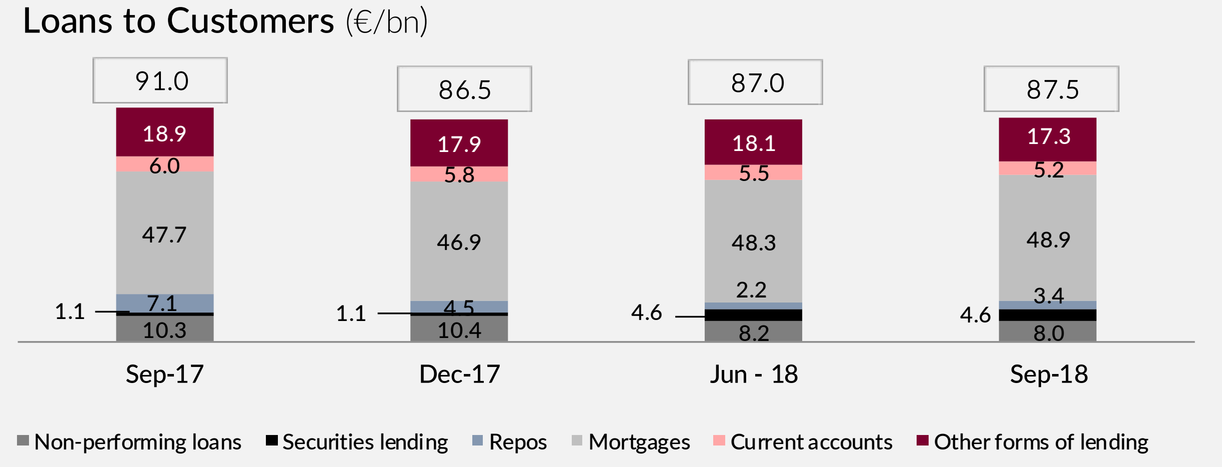
Mutual funds stock market share: 2.84%** (stable YoY)

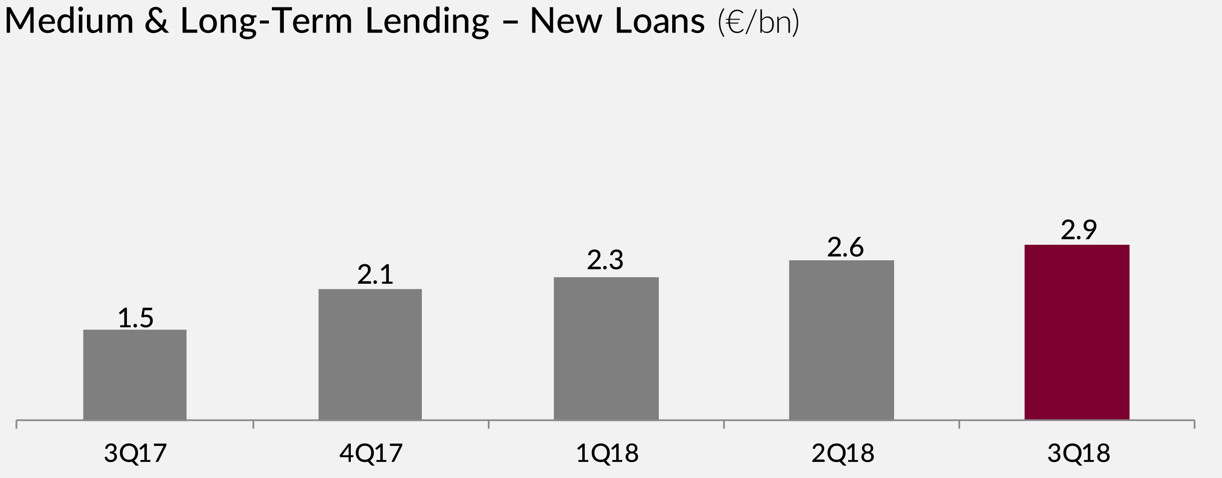
Bancassurance new business market share: 4.26%** (+49 bps YoY)

* Bancassurance + Mutual Fund/Sicav flows.

** Market share as at July 2018.

Customer Loans

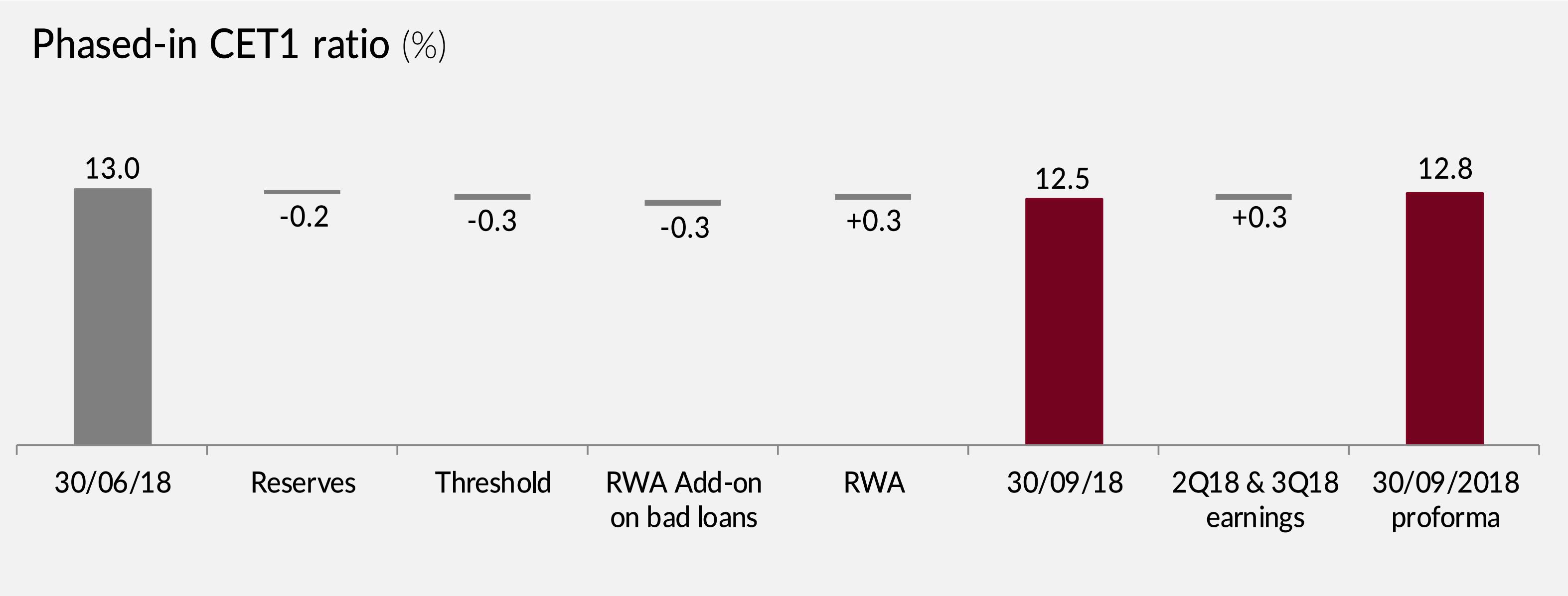




- Customer loans up approx. EUR 0.5bn QoQ:
  - EUR +0.5bn increase in mortgages, driven by strong inflows, mainly retail
  - EUR +1.1bn increase in repos due to market-making business of MPS Capital Services
  - EUR -0.3bn reduction in current accounts and EUR -0.8bn other forms of lending
  - EUR -0.2bn reduction in non-performing loans
- Group's loan market share at 5.06%* as at July 2018, down by 29bps YoY

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

Capital Structure



	2Q18	3Q18
TBV (€/bn)	8.7	8.7
Transitional CET1 (€/bn)	8.4	7.9
RWA (€/bn)	64.3	63.2

	30/06/18	30/09/18	30/09/2018 proforma
Fully-loaded CET1* (%)	10.6	10.3	11.2%**
Total Capital (%)	14.4	13.9	14.2

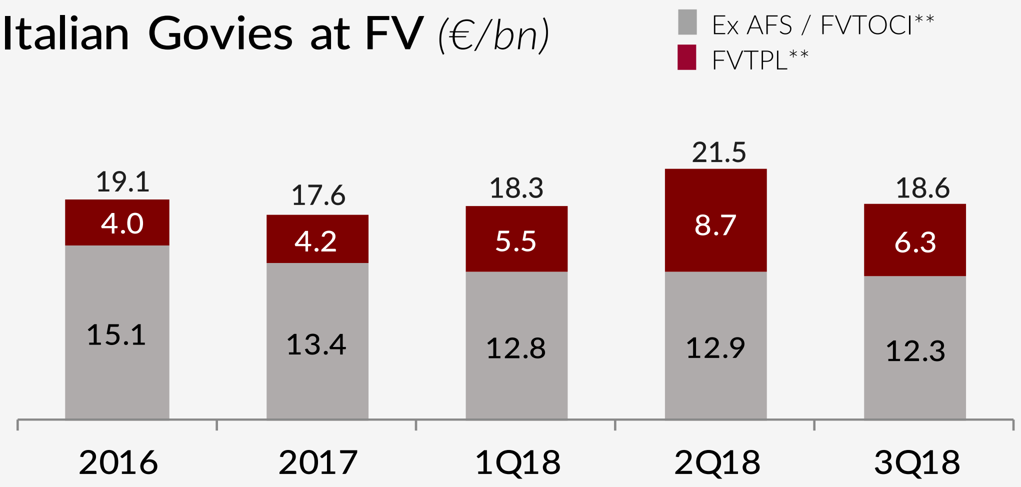
- Phased-in CET1 at 12.5%, prudentially excluding 2Q18 & 3Q18 net income (**12.8% pro forma including these earnings**)
- CET1 quarterly evolution impacted by:
  - **Reserves decrease** (-EUR 0.1bn), due to the negative impact of the widened BTP-Bund spread
  - **Higher deductions** for -EUR 0.3bn, o.w. -EUR 0.2bn for the exclusion from threshold calculation of the IFRS9 transitional adjustment (EBA FAQ)
  - **RWA decrease:** add-on on bad loan portfolio (+EUR 1.4bn) more than offset by decreased credit risk (-EUR 1.0bn) and market risk/ operational risk (–EUR 0.3bn each); decrease in RWAs from capital for about EUR -0.8bn

* Including EUR 1.4bn full impact of IFRS9 FTA.

** Including 2Q18 and 3Q18 net income (+ c. 30bps), the effects on CET1 of expected reversal, until the end of the transitional period, of DTA on tax losses, ACE and convertible DTA under the same assumptions applied for the "probability test" (+c.60bps).

Focus on Italian Govies Portfolio*

Italian Govies at FV *(€/bn)*



Italian Govies at amortised cost *(€/bn)*:	1Q18	2Q18	3Q18
	0.7	0.7	1.1

Portfolio Ex AFS / FVTOCI**:

	2016	2017	1Q18	2Q18	3Q18
Duration years	~4.9	~3.6	~2.9	~2.7	~2.4
Credit spread sensitivity (€/mln, before tax, for 1bp change)	-8.9	-5.6	-4.1	-3.7	-3.3

- FVTOCI (Ex AFS) portfolio decreases to EUR 12.3bn (-EUR 0.6bn QoQ) due to disposals
  - Reduction of duration and sensitivity continues
  - Gross FVTOCI reserves at c. EUR -0.4bn (c. EUR -0.3bn in June 2018), impacted by further widening of BTP-Bund spread***
- FVTPL (Trading) portfolio decreases to EUR 6.3bn (-EUR 2.4bn QoQ), due to MPS Capital Services' reduced primary dealer business
  - Exposures net of short positions at EUR 5.1bn
  - Duration: ~1 year (stable vs. June 2018)
  - Credit spread sensitivity: c. EUR -0.3mln, before tax, for 1bp change

* Figures from operational data management system. Nominal values for Italian govies at amortised cost.
** FVTPL: Fair Value Through Profit and Loss; FVTOCI: Fair Value Through Other Comprehensive Income.
*** Net FVTOCI reserve deducted from capital for regulatory purposes: EUR -0.3bn in Sept 18 (EUR -0.2bn in June).

Focus on DTAs

	Definition	As at 3Q18
1 **Convertible DTAs**	○ DTAs related to write-downs of loans, goodwill and other intangible assets are convertible into tax credits (under Law 214/2011)*	**EUR 1.0bn** (stable vs. 2Q)
2 **Non-convertible losses**	○ DTAs on non-convertible fiscal losses and DTAs on ACE (Allowance for Corporate Equity) deductions ○ May be recovered in subsequent years only if there is positive taxable income, but may both be carried forward indefinitely	**EUR 1.3bn** (EUR 1.2bn in 2Q)
3 **Other non-convertible DTAs**	○ 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) ○ May only be used in case of tax gains**, and therefore carry an average recoverability risk	**EUR 0.6bn** (stable vs. 2Q)
4 **DTAs not recorded in balance sheet**	○ DTAs generated from income losses and not recorded in balance sheet due to the probability test	**EUR 2.0bn** (stable vs. 2Q)

- From an accounting point of view, DTAs related to fiscal losses (and, in general, to all temporarily non-deductible negative income components) matured at the balance sheet date may be recognised in the balance sheet only to the extent that it is deemed probable that future taxable profits will be available against which the DTAs can be utilised

- From a regulatory point of view, current Italian fiscal regulations do not set any time limit for the use of fiscal losses against taxable income of subsequent years. Therefore, DTAs that cannot be recognised at a certain date may be booked in the future if earning prospects improve, and thus represent an unexpressed potential benefit that is not subject to expiry

* 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.

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Conclusion

9M18

PRE-PROVISION PROFIT stabilisation despite market volatility (EUR 800mln in 9M18)

Ongoing reduction of **GROSS and NET NPE ratios**

EUR 0.8bn UTP reduction achieved in 9M18. Ongoing EUR 3.3bn bad loan disposal and binding offers received for EUR 0.4bn UTPs

Transitional CET1 at 12.8%*

Fully-loaded CET1 at 11.2%*

2018YE

2018 **COST OF CREDIT** guidance of **c. 60bps confirmed**

4Q18 cost of credit impacted by seasonality and the incorporation of new macroeconomic forecasts in credit models

RESTRUCTURING COSTS for staff exits through Solidarity Fund postponed to year-end or to 2019, pending the new national regulatory framework

Slight RWA reduction expected, due to lower probability of default of new loans vs. existing stock

2018YE capital ratios expected roughly in line vs. 9M18,
in a stable macroeconomic scenario (BTP-Bund spread around 280bps)

* Pro forma ratios. Transitional CET1 includes 2Q18 and 3Q18 net income. Fully-loaded CET1 includes 2Q18 and 3Q18 net income, the effects on CET1 of expected reversal, until the end of the transitional period, of DTAs on tax losses, ACE and convertible DTAs under the same assumptions applied for the "probability test". Excluding all these components, transitional CET1 is 12.5% and fully-loaded CET1 is 10.3%.

Update on Restructuring Plan Commitments

De-risking	AHEAD OF PLAN ✔✔	❑ **Securitisation & deconsolidation of a bad loan portfolio** of c. EUR 24.1bn completed in June 2018 ❑ **EUR 0.8bn UTP reduction in 9M18.** Ongoing: binding offers received for EUR 0.4bn UTPs and EUR 3.3bn bad loan disposals ❑ Full compliance with all Risk Management & Credit Policy **reporting and control requirements** already achieved
Unwinding of foreign network	✔ ON TRACK	❑ **Banca Monte Paschi Belgio:** agreement with buyer reached in October; closing expected in 1H19 ❑ **Monte Paschi Banque:** orderly winding-down strategy ❑ **New York, London & Hong Kong branches:** ongoing closure
Cost Reduction Measures	✔ ON TRACK	❑ Annualised **total operating costs** already lower than 2018 target ❑ **Headcount reduction** of c.1,800 FTEs through the Solidarity Fund; further actions expected in 2019 ❑ 73% of the 2021 target for **branch closures** already achieved (82% by 2018YE considering c.60 branches closure in 4Q)
Disposal participations & non-core equity holdings	✔ ON TRACK	❑ Disposal of stakes held in **Consorzio Triveneto, Bassilichi, COEM, Intermonte, Juliet** and 18 other minority participations completed ❑ **Merchant acquiring business**: disposed in 1H17 ❑ **Deleverage of leasing business**: ongoing
Disposal of Real Estate	✔ ON TRACK	❑ A perimeter of c. 90 **real estate properties**, located in the most important Italian cities, identified as available for sale ❑ **Unwinding of Casaforte/Perimetro**: ongoing

Ongoing Restructuring Plan (1/2)

(€/bn)	9M18	2019 Restructuring Plan	Percentage of 2019 Plan	Comments
Net Interest Income	1.3	1.7	~76%	❑ Resilient net interest income in a tough environment ❑ Cost of funding reduction
Fees & commissions	1.2	1.8	~ 67%	❑ Lower than expected placement fees ❑ AUM growth lower than expected due to market volatility
Total revenues	2.5	3.7	~ 68%	❑ Mainly impacted by lower fees
Operating costs	-1.7	-2.3	~ 74%	❑ Further benefits expected in 2019 due to Solidarity Fund initiatives ❑ Well on track on other admin expenses
Pre-provision profit	0.8	1.4	~57%	❑ Impacted by lower revenues

Ongoing Restructuring Plan (2/2)

(€/bn)	9M18	2019 Restructuring Plan	Delta vs. 2019 Plan	Comments
Customers Loans (€/bn)	87.5	90.7	~ -3.2	❑ Strong commercial focus on retail clients and small businesses; more opportunistic approach to corporates, with greater attention to cost of funding
Direct Funding (€/bn)	93.9	100.7	~ -6.8	❑ Focus on cost of funding reduction
Gross NPE ratio (%)	19.4	14.3	~ -5.1%	❑ Securitisation of EUR 24bn bad loans completed ❑ Well on track on UTP and bad loan reduction
Cost of risk (bps)	55	79	-24	❑ Cost of credit expected at c. 60bps in 2018 ❑ On track to reach 2019 target
Default rate* (%)	1.7	2.0	~ -0.3%	❑ Progress towards 2019 target ❑ 3Q default rate impacted by a few large positions

* Data from operational data management system. Figures include signature loans (these are excluded from accounting figures). Default rate calculated on annualised figures, factoring in seasonality.

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Focus on Asset Quality

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

	Gross Book Value excluding interest in arrears on defaulted assets		Net Book Value		Coverage	
	Jun-18	*Sep-18*	*Jun-18*	*Sep-18*	*Jun-18*	*Sep-18*
Bad loans *(sofferenze)*	9,211	9,686	2,851	3,040	69.1%	68.6%
Unlikely-to-Pay loans	10,194	9,459	5,605	5,211	45.0%	44.9%
Past due/overdue exposures	384	372	258	260	32.8%	30.3%
Total NPEs	19,789	19,517	8,714	8,511	56.0%	56.4%

Restructured unlikely-to-pay loans*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	248	1.3	41.2%	0.7	33.8%
Personal guarantees	179	0.4	55.0%	0.2	8.8%
Unsecured	537	2.4	47.6%	1.3	57.4%
Total	**964**	**4.1**	**46.4%**	**2.2**	**100.0%**
of which Pool other banks		*3.4*		*1.9*	*85.6%*

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	1.3	34.3%	65.7%
Personal guarantees	0.4	49.6%	50.4%
Unsecured	2.4	32.3%	67.7%
Total	**4.1**	**34.7%**	**65.3%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.5	0.3	12.3%
Real estate	0.8	0.4	18.5%
Holdings	0.1	0.1	2.4%
Transportation and logistics	0.3	0.2	8.2%
Other industrial**	1.6	1.0	43.3%
Households	0.0	0.0	1.1%
Other	0.7	0.3	14.1%
Total	**4.1**	**2.2**	**100.0%**

- Average coverage of 46.4%, above Italian average. Net book value EUR 2.2bn (34% secured)
- Corporate and PMI sectors > 83% of total restructured UTPs
- Positions with GBV > EUR 1m represent >97% of total restructured UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 31% of total net restructured UTPs

* Figures from operational data management system.

** Other Manufacturing (excluding Construction, Real Estate and Transportation).

Other Unlikely-to-Pay*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	8,770	2.3	32.9%	1.6	51.7%
Personal guarantees	12,433	0.9	51.0%	0.4	14.2%
Unsecured	110,112	2.2	52.5%	1.0	34.1%
Total	**131,315**	**5.4**	**43.8%**	**3.0**	**100.0%**
of which Pool other banks		***2.9***		***1.6***	***53.8%***

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	2.3	70.2%	29.8%
Personal guarantees	0.9	68.9%	31.1%
Unsecured	2.2	68.3%	31.7%
Total	**5.4**	**69.2%**	**30.8%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.9	0.5	16.9%
Real estate	0.6	0.4	12.4%
Holdings	0.0	0.0	0.3%
Transportation and logistics	0.1	0.1	1.7%
Other industrial**	1.5	0.8	25.0%
Households	0.9	0.6	18.9%
Other	1.3	0.7	24.8%
Total	**5.4**	**3.0**	**100.0%**

- Average coverage of 43.8, above Italian average. Net book value EUR 3bn (c. 52% secured)
- PMI and Small Business sectors represent over 72% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 53% 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.

** Other Manufacturing (excluding Construction, Real Estate and Transportation).

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3Q18 P&L: Highlights

€ mln	2Q18	3Q18	Change (QoQ%)	9M17	9M18	Change (YoY%)
Net Interest Income	449	442	-1.4%	1,374	1,312	-4.5%
Net Fees	403	353	-12.3%	1,213	1,163	-4.1%
Other revenues	-19	14	n.m.	636	44	-93.2%
Total revenues	**832**	**809**	**-2.7%**	**3,223**	**2,518**	**-21.9%**
Operating Costs	**-581**	**-561**	**-3.5%**	**-1,893**	**-1,715**	**-9.4%**
of which Personnel costs	-366	-364	-0.6%	-1,188	-1,098	-7.6%
of which other admin expenses	-160	-140	-12.4%	-512	-448	-12.4%
Pre-provision profit	**251**	**248**	**-1.0%**	**1,331**	**803**	**-39.6%**
Total provisions	**-109**	**-121**	**11.6%**	**-4,835**	**-368**	**-92.4%**
Net Operating Result	**142**	**127**	**-10.6%**	**-3,505**	**435**	**n.m.**
Non-operating items*	-62	-86	38.9%	-66	-202	n.m.
Profit (Loss) before tax	**80**	**41**	**-48.5%**	**-3,571**	**233**	**n.m.**
Taxes	26	55	n.m.	590	164	-72.1%
PPA & Other Items	-6	-5	-3.6%	-20	-18	-8.2%
Net profit (loss)	**101**	**91**	**-10.0%**	**-3,001**	**379**	**n.m.**

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

P&L pro forma, net of one-offs

€ /mln	9M18	one-offs	9M18 net of one-offs	9M17	one-offs	9M17 net of one-offs
Net Interest Income	1,312	4	1,308	1,374	51	1,323
Fees and commissions	1,163	15	1,148	1,213		1,213
Other revenues*	44		44	636	519	117
Total revenues	2,518	19	2,499	3,223	570	2,653
Personnel expenses	-1,098		-1,098	-1,188		-1,188
Other administrative expenses	-448	7	-456	-512		-512
Depreciation & Amortisation	-169	-11	-158	-192	-27	-166
Operating costs	-1,715	-4	-1,711	-1,893	-27	-1,866
Pre-provision profit	803	15	788	1,331	544	787

+0.1% YoY

€ /mln	3Q18	one-offs	3Q18 net of one-offs	3Q17	one-offs	3Q17 net of one-offs
Net Interest Income	442	3	440	470	51	419
Fees and commissions	353		353	356		356
Other revenues*	14		14	544	519	25
Total revenues	809	3	807	1,370	570	800
Personnel expenses	-364		-364	-389		-389
Other administrative expenses	-140	7	-148	-172		-172
Depreciation & Amortisation	-57	-3	-54	-65	-8	-56
Operating costs	-561	4	-565	-626	-8	-617
Pre-provision profit	248	7	242	745	562	183

+32.4% QoQ

- Main one-off items in 2018:
  - Benefit from renewal of the distribution agreement with Compass (EUR +15mln on fees and commissions in 1Q18)
  - Impairment on intangibles and PPEs (EUR -11mln, of which EUR -3mln in 3Q18)
- Main one-off items in 2017:
  - Impact of burden-sharing (EUR +51mln on NII and EUR +503mln on other revenues)
  - Capital gains on equity stakes (EUR +16mln in other revenues)
  - Impairment on intangibles and PPEs (EUR -27mln, of which EUR -8mln in 3Q17)

* Other revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets and other operating income (expenses)

Balance Sheet

Total Assets *(€/mln)*

	Sep-17*	Dec-17*	Jun-18	Sep-18	QoQ%
Customer loans	91,041	86,456	87,010	87,465	0.5%
Loans to banks	12,897	9,966	8,636	8,724	1.0%
Financial assets	25,403	24,168	29,257	25,430	-13.1%
PPE and intangible assets	2,834	2,854	2,790	2,747	-1.5%
Other assets**	12,924	15,709	8,029	7,819	-2.6%
Total Assets	**145,099**	**139,154**	**135,723**	**132,185**	**-2.6%**

Total Liabilities *(€/mln)*

	Sep-17*	Dec-17*	Jun-18	Sep-18	QoQ%
Deposits from customers and securities issued	102,968	97,802	96,834	93,906	-3.0%
Deposits from banks	21,566	21,085	20,795	20,839	0.2%
Other liabilities***	9,618	9,836	9,097	8,469	-6.9%
Group equity	10,945	10,429	8,995	8,969	-0.3%
Minority interests	2	2	2	2	0.0%
Total Liabilities	**145,099**	**139,154**	**135,723**	**132,185**	**-2.6%**

* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, FY17 values, determined in accordance with IAS39, 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-17*	Dec-17*	Jun - 18	Sep-18	QoQ%
Current accounts	6,033	5,758	5,473	5,239	-4.3%
Mortgages	47,682	46,868	48,347	48,881	1.1%
Other forms of lending	18,907	17,904	18,117	17,341	-4.3%
Reverse repurchase agreements	7,064	4,525	2,244	3,381	50.7%
Loans represented by securities	1,072	1,050	4,636	4,636	0.0%
Impaired loans	10,283	10,352	8,193	7,987	-2.5%
Total	**91,041**	**86,456**	**87,010**	**87,465**	**0.5%**

Direct Funding *(€/mln)*

	Sep-17*	Dec-17*	Jun - 18	Sep-18	QoQ%
Current accounts	50,561	51,466	57,122	55,739	-2.4%
Time deposits	11,557	10,469	8,927	8,528	-4.5%
Repos	12,875	8,572	10,956	10,595	-3.3%
Bonds	18,469	18,522	12,390	11,616	-6.2%
Other types of direct funding	9,507	8,773	7,439	7,428	-0.2%
Total	**102,968**	**97,802**	**96,834**	**93,906**	**-3.0%**

* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, FY17 values, determined in accordance with IAS39, are not fully comparable.

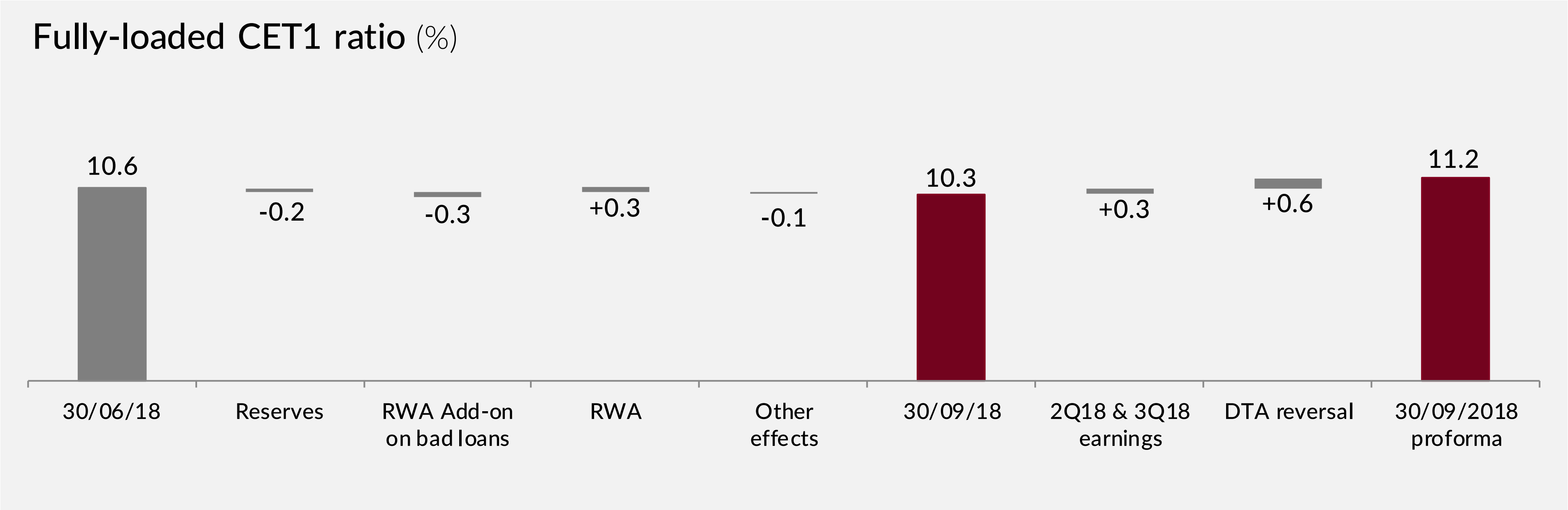
Focus on Commercial Net Interest Income*

Net interest income (€/mln)	3Q17 average volume	3Q17 average rate	4Q17 average volume	4Q17 average rate	1Q18 average volume	1Q18 average rate	2Q18 average volume	2Q18 average rate	3Q18 average volume	3Q18 average rate
Commercial Loans	81.4	2.6%	79.8	2.5%	78.4	2.5%	78.7	2.4%	77.9	2.3%
Retail (including small businesses)	40.5	2.8%	40.1	2.7%	39.7	2.7%	39.8	2.6%	39.6	2.5%
Corporate	33.9	2.2%	33.2	2.2%	32.4	2.1%	33.0	2.1%	32.7	2.0%
Non-Performing	7.1	3.4%	6.5	3.1%	6.2	3.1%	5.9	3.0%	5.5	3.0%
Commercial Direct funding	72.0	-0.6%	72.8	-0.5%	73.1	-0.4%	73.5	-0.3%	71.8	-0.3%
Retail (including small businesses)	46.6	-0.6%	47.0	-0.5%	47.1	-0.4%	46.9	-0.4%	45.9	-0.3%
Corporate	17.7	-0.6%	19.6	-0.4%	20.5	-0.3%	20.7	-0.2%	19.5	-0.2%
Non-Performing	0.6	-0.1%	0.5	-0.1%	0.3	-0.1%	0.3	-0.1%	0.3	-0.1%
Other Customers	7.2	-0.8%	5.7	-0.8%	5.1	-0.8%	5.6	-0.8%	6.1	-0.8%
Commercial NII	454.3		443.3		430.6		445.3		426.3	
Non-Commercial NII**	16.1		-28.7		-9.1		3.2		15.8	
Total Interest Income	470.4		414.6		421.5		448.5		442.1	

* Figures from operational data management system.

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

Capital Structure: fully loaded CET1 ratio*



30/06/18
Transitional CET1: 13%
IFRS9 transitional adjustment: -2.4%

30/09/18
Transitional CET1: 12.5%
IFRS9 transitional adjustment: -2.2%

The worsening of the impact of IFRS 9 on transitional CET1 between 30/06 and 30/09 is due to the exclusion from the threshold calculation of the transitional adjustment (95% of the impairment component). As at 30/06, the negative effect of IFRS 9 on equity was offset in CET1 by the positive transitional adjustment and by the connected increase of thresholds (which is not included in CET1 as at 30/09).

* Including: full impact of IFRS9 FTA, 2Q18 and 3Q18 net income (+ c.30bps), the effects on CET1 of expected reversal, until the end of the transitional period, of DTA on tax losses, ACE and convertible DTA under the same assumptions applied for the "probability test" (+c.60bps).

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