



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

1Q17 GMPS Results

May 4th, 2017

Agenda

- 1Q17 results

- Annexes

- Details on 1Q17 results
- Details on NPE portfolio



Executive summary

Profitability

- **Net loss for the period at -EUR 169mln**, impacted by EUR -131mln non-operating components (contribution to SRF, DTA fees and one-off risks and charges)
- **Pre-provision profit at EUR 306mln** (+77.4% QoQ), with net interest income -9% QoQ affected by the negative trend on interest-bearing assets, fees -2.4% QoQ mainly due to the cost of the State guarantee on bonds issued in the quarter and ongoing containment of operating costs (-9.3% QoQ)
- **Loan loss provisions at EUR 308mln**, impacted by the increase in NPE coverage (+51bps QoQ)

Asset quality

- **Net NPE stock at c. EUR 20.2bn**, down c. EUR 0.1bn vs Dec-16, reflecting the increase in coverage (56.1% up 51bps vs Dec-16)
- **Default inflows from performing loans* at EUR 0.6bn, down approx. 20% vs 1Q16**; recovery of bad loans at c. EUR 172mln, up 20% vs March 2016

Balance Sheet

- **Loans down EUR 4.3bn QoQ**, mainly due to the decrease in repos with institutional counterparties (down EUR 3.4bn)
- **Direct funding up 4.6% QoQ**, mainly driven by a pickup of the commercial component, with EUR +5.5bn in current accounts and time deposits
- **Unencumbered counterbalancing capacity**: EUR 16bn (EUR +9bn from Dec-16), mainly boosted by the upsurge in commercial funding and by the newly-issued government-guaranteed bonds
- **Transitional CET1** at 6.5% due to the phasing-in mechanism and the 1Q17 loss, partially offset by RWA reduction



Overview of 1Q17 results

| P&L (€ /mln) | 1Q16 | 4Q16 | 1Q17 | Change (QoQ%) | Change (YoY%) |
|----------------------|-------|--------|------|---------------|---------------|
| Net Interest Income | 548 | 503 | 457 | -9.0% | -16.6% |
| Fees and commissions | 457 | 437 | 426 | -2.4% | -6.7% |
| Total revenues | 1,185 | 865 | 933 | 7.9% | -21.3% * |
| Operating Costs | -645 | -692 | -628 | -9.3% | -2.7% |
| Pre-provision profit | 540 | 172 | 306 | 77.4% | -43.4% |
| Loan loss provisions | -346 | -2,445 | -308 | -87.4% | -10.9% |
| Net income (loss) | 93 | -2,392 | -169 | n.m | n.m |

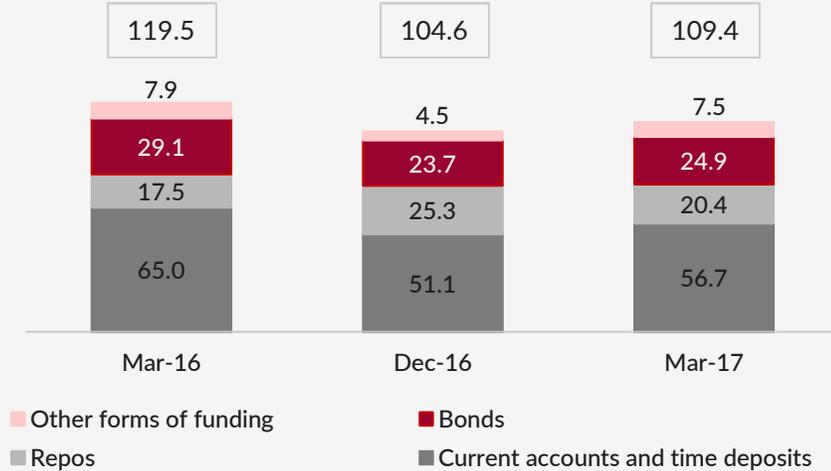
| Balance Sheet (€/bn) | 1Q16 | 4Q16 | 1Q17 | Change (QoQ%) | Change (YoY%) |
|----------------------|-------|-------|-------|---------------|---------------|
| Loans to customers | 113.5 | 106.7 | 102.4 | -4.0% | -9.8% |
| Direct funding | 119.5 | 104.6 | 109.4 | 4.6% | -8.5% |
| Total assets | 173.6 | 153.2 | 148.8 | -2.9% | -14.3% |

| Ratios (%) | 1Q16 | 4Q16 | 1Q17 | Change (QoQ bps) | Change (YoY bps) |
|------------------|------|------|------|------------------|------------------|
| CET1 phased-in | 11.7 | 8.2 | 6.5 | -171 | -525 |
| CET fully-loaded | 11.4 | 6.5 | 5.8 | -72 | -563 |

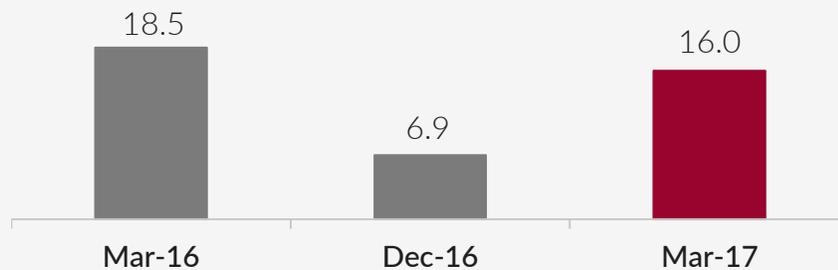


Direct funding and liquidity

Direct funding (€/bn)



Unencumbered counterbalancing capacity (€/bn)



- ❑ **Direct funding** up by approx. EUR 5bn from Dec-16, mainly driven by a pickup of the commercial component:
 - c. EUR +5.5bn increase in current accounts and time deposits, mainly with corporate customers
 - c. EUR +4.2bn increase in bonds and other forms of funding, driven by the newly-issued State-guaranteed bonds* (curtailed by c. EUR 4bn government-guaranteed and commercial bonds reaching maturity in 1Q17), the placement of part of which allowed a marked slowdown in the Bank's reliance on Repos for its funding needs
 - c. EUR -4.9bn in Repos with institutional counterparts

- ❑ **Counterbalancing capacity** equal to EUR 16bn as at 31 March 2017 (EUR +9.1bn from Dec-16), mainly boosted by the upsurge in commercial funding and by the newly-issued government-guaranteed bonds

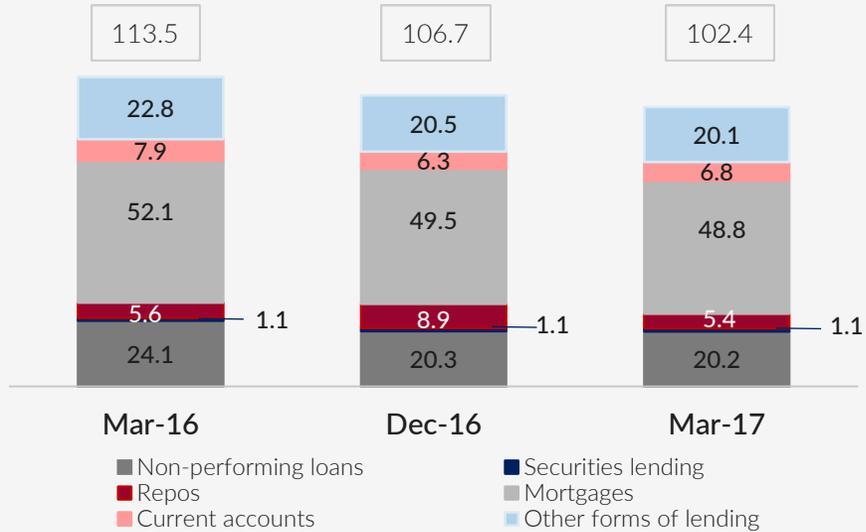
- ❑ **LCR:** ~164% (~108% as at Dec-16)

- ❑ **NSFR:** ~95% (~88% as at Dec-16)

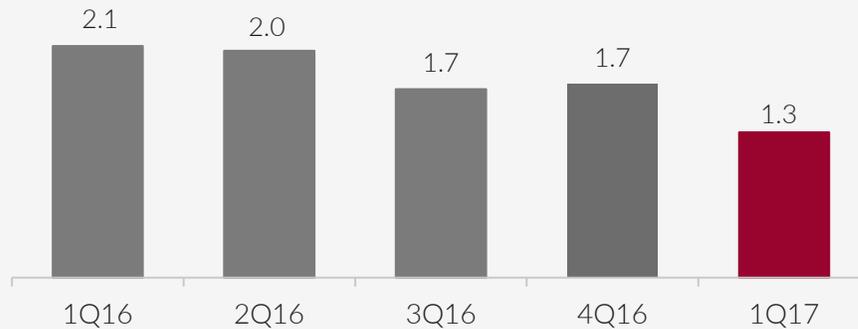


Customer loans

Loans to customers (€/bn)



Medium & long-term lending – new loans (€/bn)

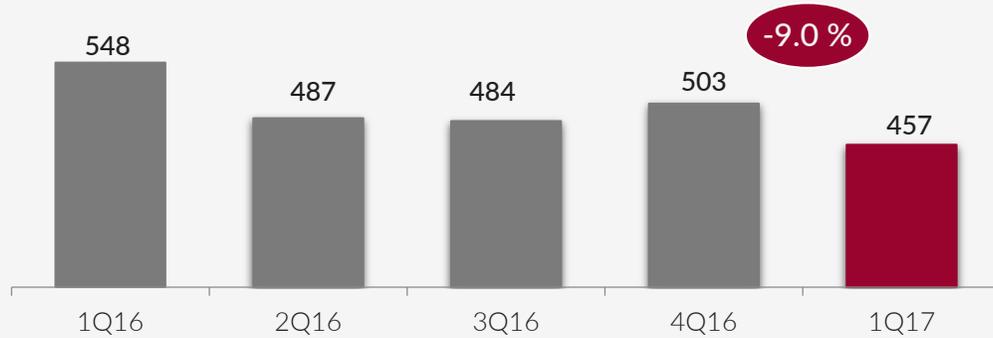


- Customer loans down by approx. EUR 4.3bn QoQ, mainly due to the decrease in Repos (c. EUR -3.4bn) and partly to mortgages, which decrease by c. EUR -0.8bn, maturities not having been completely substituted by new loans. Current accounts are up by EUR 0.5bn
- New mortgages and other medium-term lending flows at EUR 1.3bn in 1Q17, of which EUR 1.2bn mortgages. New lending was more than offset by maturities

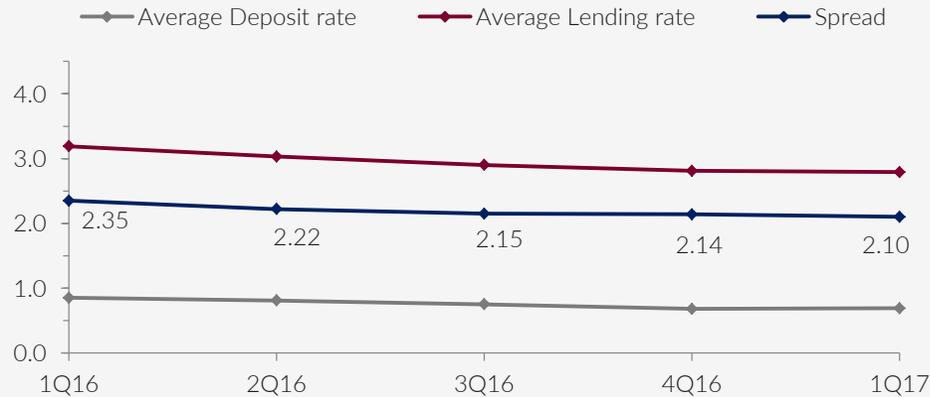


Net interest income

Net Interest Income (€/mln)



Spread (%)



| QoQ | YoY |
|-------|--------|
| -3bps | -41bps |
| -4bps | -25bps |
| +1bps | -16bps |

Net interest income -9% QoQ mainly impacted by decreased interests on interest-earning assets due to a combination of volume and rate effects, by a 2-day calendar effect (c. EUR -11mln) and the run-off of ex-Consumit consumer credit portfolio

Average spread:

- Lending rate slightly decreased QoQ, mainly due to the decline of MLT loan rates
- Cost of funding almost stable vs Dec-16



Fees and commissions income

Fees (€/mln)



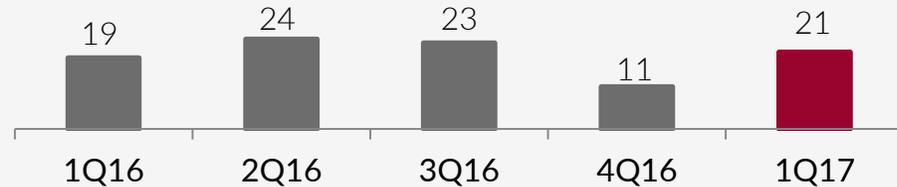
| €/mln | 1Q16 | 4Q16 | 1Q17 | 1Q17 vs. 1Q16 | 1Q17 vs. 4Q16 |
|--|------------|------------|------------|---------------|---------------|
| Wealth Management fees, o/w | 177 | 164 | 182 | 3.3% | 11.0% |
| WM Placement | 76 | 63 | 81 | 7.1% | 29.4% |
| Continuing | 73 | 77 | 79 | 8.0% | 2.5% |
| Bond Placement | 15 | 14 | 11 | -25.4% | -21.7% |
| Protection | 13 | 11 | 11 | -12.9% | 7.1% |
| Traditional Banking fees, o/w | 320 | 295 | 288 | -9.9% | -2.4% |
| Credit facilities | 152 | 129 | 126 | -17.6% | -2.3% |
| Trade finance | 21 | 14 | 17 | -15.9% | 19.6% |
| Payment services and client expense recovery | 147 | 152 | 146 | -1.2% | -4.5% |
| Other | -40 | -23 | -44 | -11.5% | -95.3% |
| Total Net Fees | 457 | 437 | 426 | -6.7% | -2.4% |

- ❑ **Net fees and commissions** decreased by 2.4% QoQ, impacted by the c. EUR -14mln cost of the EUR 11bn State guarantee on bonds issued in the quarter. WM placement fees up by c. 29%, mainly driven by mutual fund/SICAV gross placements
- ❑ **Stock of assets under management** at EUR 57.3bn, essentially stable (EUR +0.1bn) vs. Dec-16
- ❑ **Stock of assets under custody** at EUR 39.7bn (EUR -1.3bn QoQ) due to net outflows for c. EUR 0.6bn

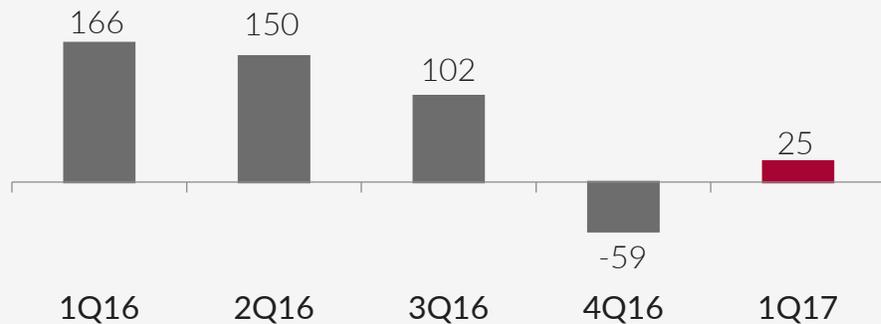


Dividends and Trading Income

Dividends /Income from investments
(€/mln)



Trading/disposal/valuation/hedging of financial assets
(€/mln)



□ Dividends, similar income and gains (losses) on equity investments for EUR 21mln are almost entirely due to the contribution from AXA-MPS

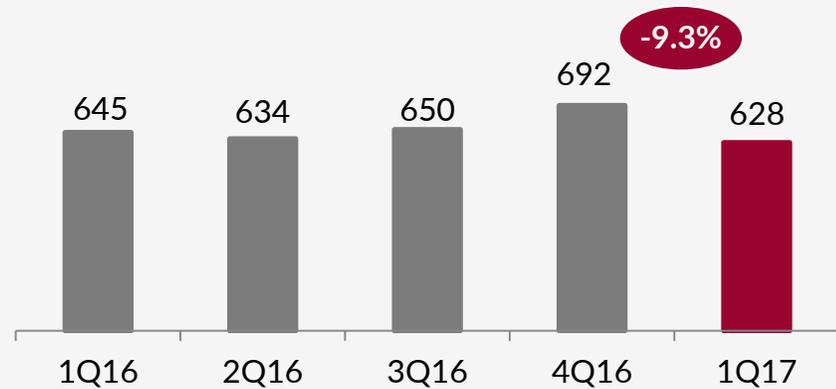
□ Trading/disposal/valuation/hedging of financial assets in 1Q17 at EUR +25mln, vs. EUR -59mln in 4Q16, which was impacted by one-off items. The main components of the 1Q17 results are:

- c. EUR +13mln trading activities
- c. EUR +12mln due to the disposal of financial assets available for sale
- results from financial assets and liabilities designated at fair value in 1Q17 are negative for EUR 0.5mln (BMPS opted for early adoption of IFRS 9 from 1Q17). In 1Q16 the FVO contribution was positive for EUR 83mln



Operating costs

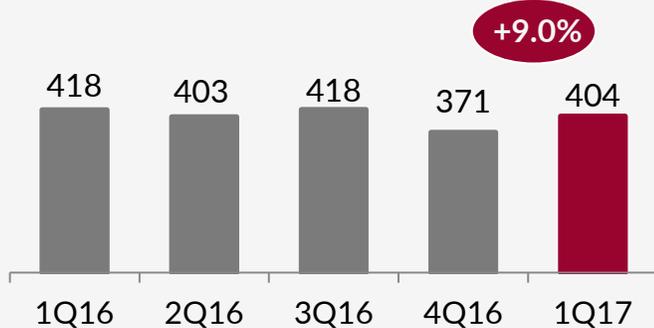
Operating costs (€/mln)



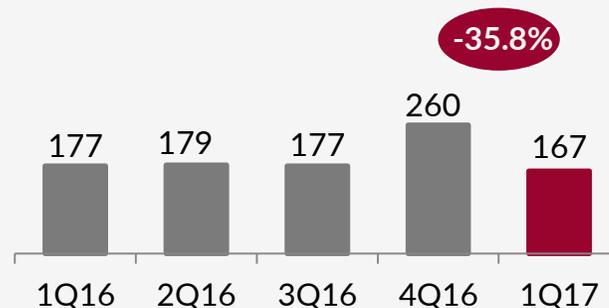
Total operating costs down 9.3% QoQ, with:

- **Personnel expenses** up 9.0% vs. year-end 2016 (4Q16 had benefited from the release of variable compensation provisions recognised in the first three quarters of 2016) but down 3.2% vs. 1Q16, mainly a result of personnel cuts and of lower variable compensation provisions for 2017
- **Other Admin Expenses** down by 35.8% vs. 4Q16, which had been impacted by EUR 37mln extraordinary costs related to the attempted capital strengthening transaction, and down by 6.0% YoY, mainly driven by structural cost-containment initiatives
- **Depreciation and amortisation** down 8.0% QoQ, due to decreased amortisation of intangibles

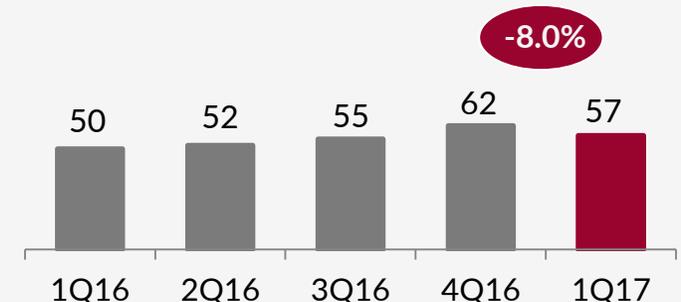
Personnel expenses (€/mln)



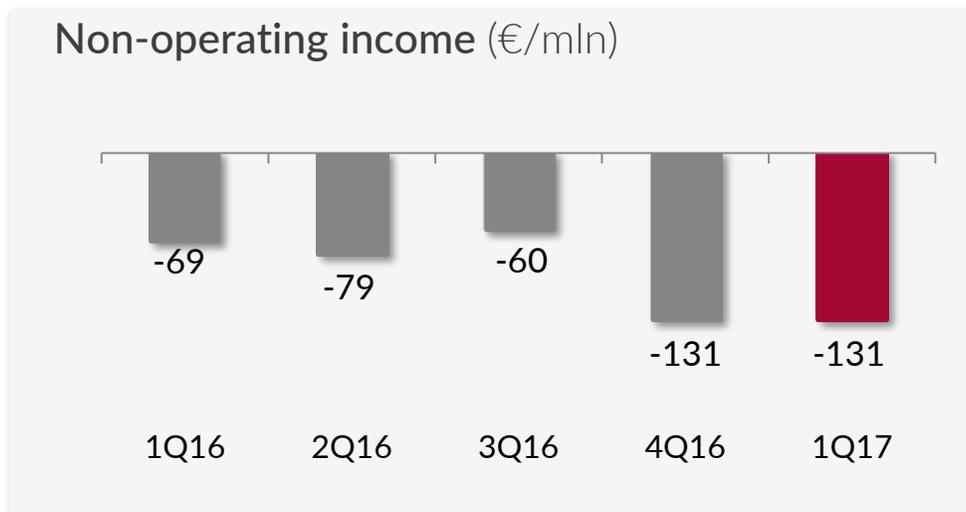
Other admin expenses (€/mln)



Depreciation and amortisation (€/mln)



Non-operating items



| €/mln | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 |
|-----------|------|------|------|------|------|
| DGS & SRF | -71 | - | -31 | -139 | -63 |
| DTA Fees | - | -109 | -16 | 54 | -18 |
| Other* | 2 | 29 | -13 | -46 | -50 |

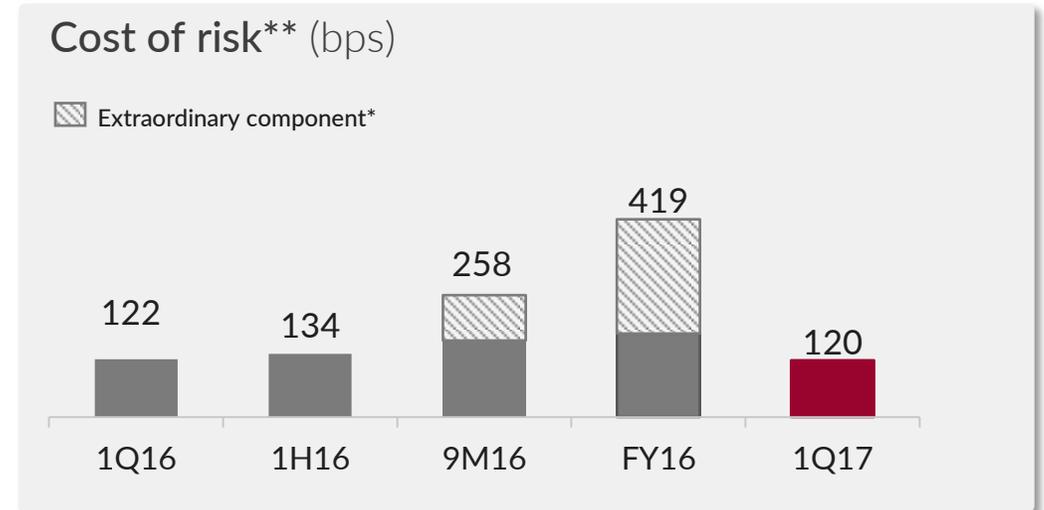
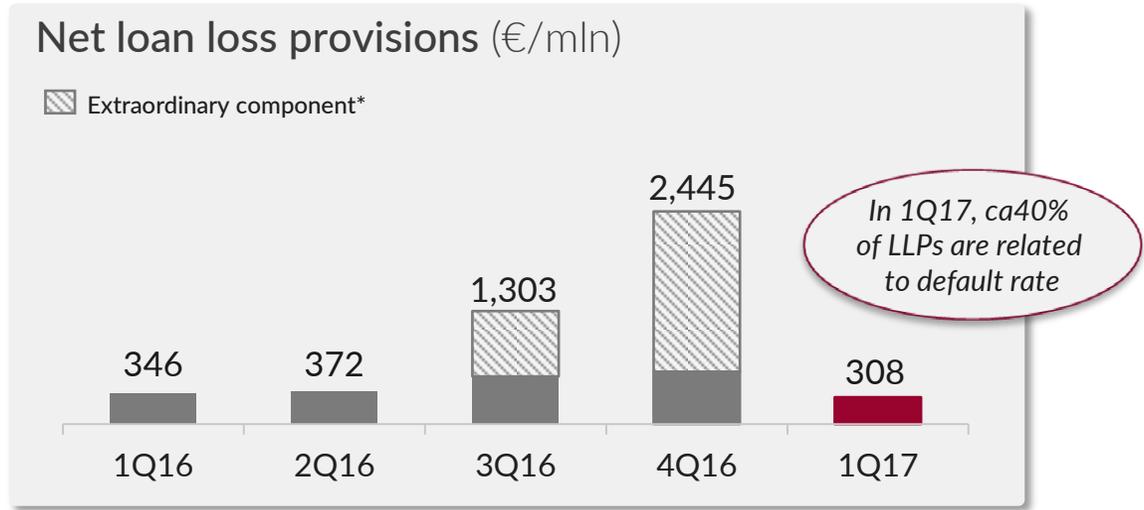
□ Non-operating income (EUR -131mln) includes:

- EUR -63mln for the full year contribution to the SRF fund
- EUR -18mln for the quarterly contribution to the DTA fees introduced by Law Decree 59/2016
- EUR -46mln of provisions for risks and charges, including one-off components associated with legal risk for lawsuits for the capital increase and for the risk of having a sanction imposed following the procedure opened by the Italian Competition Authority regarding the transition to the new SEDA (formerly RID) service
- EUR -4mln for the reduced value of investments



* Net provisions for risks and charges, gains (losses) on investments/disposal and restructuring costs/one-off costs

Focus on asset quality (1/2)



Non-performing exposures coverage (%)

| | Mar-16 | Dec-16 | Mar-17 | QoQ |
|------------------------|-------------|-------------|-------------|----------------|
| Bad Loans (sofferenze) | 63.3 | 64.8 | 64.6 | -20 bps |
| Unlikely to pay | 29.1 | 40.3 | 40.6 | +27 bps |
| Past Due | 27.1 | 23.3 | 23.5 | +13 bps |
| Total NPE | 49.0 | 55.6 | 56.1 | +51 bps |

- ❑ Net loan loss provisions at EUR 308mln, impacted by the 51bps increase of NPE coverage to 56.1%, of which:
 - ~-20bps for bad loans (to 64.6%)
 - ~+30bps for unlikely-to-pay loans (to 40.6%)
 - ~+10bps for past-due loans (to 23.5%)

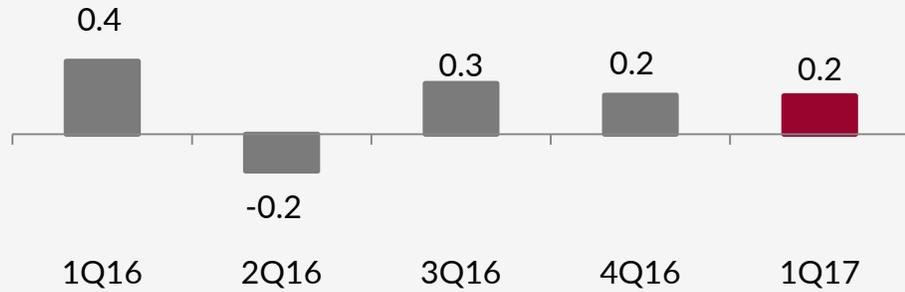


* Change in credit policy to reflect instructions contained in the "Draft guidance to banks on non-performing loans" published by the ECB in September 2016 and internal valuations: in 3Q16, the amendment of the methodology for calculating impairment provisioning of unlikely-to-pay loans and the raising of the threshold for the analytical assessment of unlikely-to-pay loans, in 4Q16, the review of the methodology for real estate collaterals

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

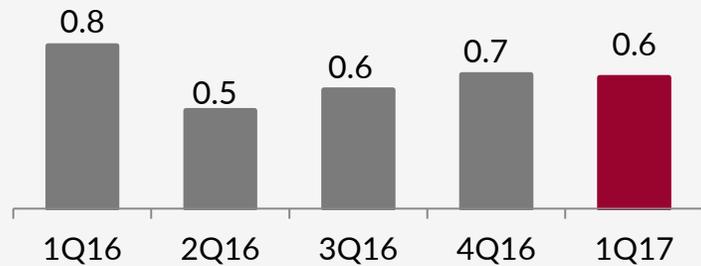
Focus on asset quality (2/2)

Delta gross NPE stock* (€/bn)

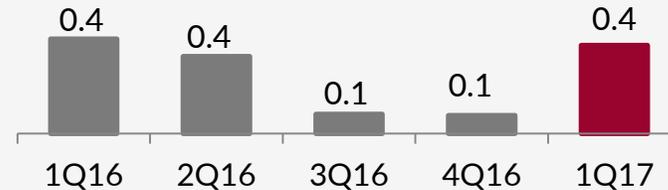


- Slight increase of delta gross NPE stock vs. 4Q16 (EUR 198mln)
 - Inflows** from performing at EUR 647mln (-2.3% QoQ) and outflows** to performing at EUR 418mln
 - EUR 172mln of bad loans recovered
- EUR 0.1bn decrease in net NPEs vs. 4Q16, with a drop of unlikely-to-pay (c. EUR -0.5bn) and past-due loans (c. EUR -0.1bn) and an increase of bad loans (c. EUR +0.4bn)

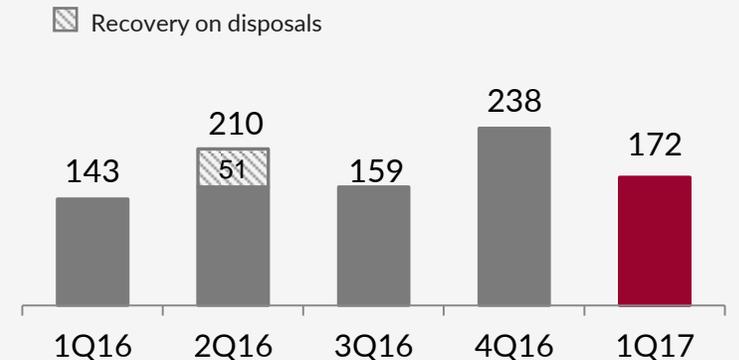
Inflows** from performing (€/bn)



Outflows** to performing (€/bn)



Recovery of bad loans** (€/mln)

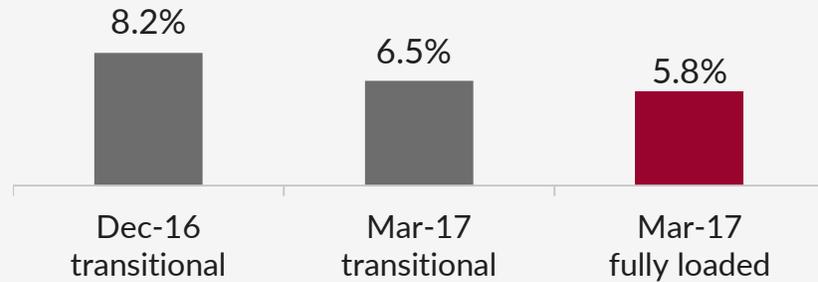


* Figures exclude effects of bad loan disposal

** Data from operational data management system. Figures include signature loans (these are excluded from accounting figures). In 1Q17 a large position of signature loans was cured

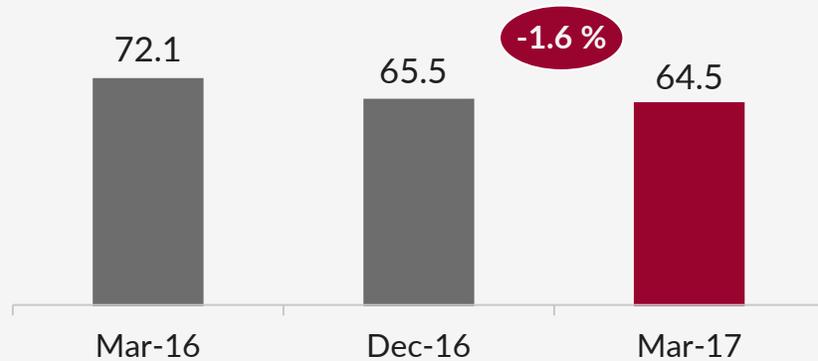
Capital position

CET1 ratio (%)



- Transitional CET1 at 6.5% due to the phasing-in mechanism and the loss of the 1Q17, partially offset by RWA reduction
 - Compared to 31 Dec 2016, CET1 is down by about EUR -1.2bn, mainly (EUR -0.8bn) due to the computation of 40% of the FY2016 loss, which transitional regulations had allowed to temporarily record as Additional Tier1 until 31 Dec 2016
- Transitional CET1 ratio is below the SREP Decision for 2016 of 10.75%
- RWA reduction mainly due to credit risk

RWAs over time (€/bn)



AFS reserve* (€/mln)



* Accounting figures on Italian Government Bonds in AFS portfolio. Figures from operational data management system

Focus on new DTA Law Decree

- ❑ Accounting of deferred tax assets (“DTAs”) is subject to their recoverability, as evidenced by the outcome of the probability test which evaluates whether sufficient taxable profit will be available in future financial years to absorb unused tax losses or unused tax credits
- ❑ On April 12, 2017 the Italian Government announced the release of a Decree which contains a structural modification of the ACE (Allowance for Corporate Equity) rules. The Decree has been in force since April 24
- ❑ The modification concerns the calculation of the net increase in the Eligible Equity employed in the entity (the higher the Eligible Equity, the higher the benefit and the reduction of taxable profits in future years):
 - according to the existing rules, the Eligible Equity of each future year always refers to the increase over the equity as at 31 Dec 2010
 - according to the new Decree, the Eligible Equity of each future year would refer to the increase over the equity of the fifth previous financial year
- ❑ The Decree significantly reduces the estimated ACE benefit and consequently rises the taxable income in coming years
- ❑ As a consequence, based on a preliminary estimate, the probability test would allow to book about EUR 891mln of DTAs arising from tax losses which have not been recognised. Impact will be included in 2Q17, taking into account the final conversion of the Decree into Law



Agenda

- 1Q17 results

- Annexes

- Details on 1Q17 results

- Details on NPE portfolio



1Q17 P&L: Highlights

| € mln | 1Q16 | 4Q16 | 1Q17 | Change (QoQ%) | Change (YoY%) |
|---------------------------------|--------------|---------------|-------------|---------------|---------------|
| Net Interest Income | 548 | 503 | 457 | -9.0% | -16.6% |
| Net Fees | 457 | 437 | 426 | -2.4% | -6.7% |
| Other revenues | 180 | -75 | 50 | n.m. | -72.5%* |
| Total revenues | 1,185 | 865 | 933 | 7.9% | -21.3% |
| Operating Costs | -645 | -692 | -628 | -9.3% | -2.7% |
| Personnel costs | -418 | -371 | -404 | 9.0% | -3.2% |
| Other admin expenses | -177 | -260 | -167 | -35.8% | -6.0% |
| Pre-provision profit | 540 | 172 | 306 | 77.4% | -43.4% |
| Total provisions | -349 | -2,482 | -303 | -87.8% | -13.2% |
| Non-operating items | -69 | -131 | -131 | 0.0% | 90.4% |
| Profit (Loss) before tax | 122 | -2,441 | -129 | -94.7% | n.m |
| Taxes | -21 | 65 | -34 | n.m | 61.8% |
| PPA & Other Items | -8 | -16 | -7 | -55.5% | -15.2% |
| Net profit (loss) | 93 | -2,392 | -169 | n.m | n.m |



Assets & Liabilities – trends

| €/mln | Mar-16 | Dec-16 | Mar-17 | QoQ% | YoY% |
|---------------------------|----------------|----------------|----------------|--------------|---------------|
| Customer loans | 113,544 | 106,693 | 102,407 | -4.0% | -9.8% |
| Loans to banks | 6,856 | 8,936 | 8,451 | -5.4% | 23.3% |
| Financial assets | 40,000 | 25,929 | 26,512 | 2.2% | -33.7% |
| PPE and intangible assets | 3,112 | 2,943 | 2,894 | -1.7% | -7.0% |
| Other assets* | 10,133 | 8,677 | 8,540 | -1.6% | -15.7% |
| Total Assets | 173,646 | 153,179 | 148,805 | -2.9% | -14.3% |

| €/mln | Mar-16 | Dec-16 | Mar-17 | QoQ% | YoY% |
|---|----------------|----------------|----------------|--------------|---------------|
| Deposits from customers and securities issued | 119,508 | 104,574 | 109,390 | 4.6% | -8.5% |
| Deposits from banks | 17,525 | 31,469 | 22,838 | -27.4% | 30.3% |
| Other liabilities** | 26,912 | 10,676 | 10,533 | -1.3% | -60.9% |
| Group equity | 9,675 | 6,425 | 6,042 | -6.0% | -37.6% |
| Minority interests | 26 | 35 | 2 | -93.1% | -90.7% |
| Total Liabilities | 173,646 | 153,179 | 148,805 | -2.9% | -14.3% |



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

** Financial liabilities held for trading, provision for specific use, other liabilities

Lending & Direct Funding

Total Lending (€/mln)

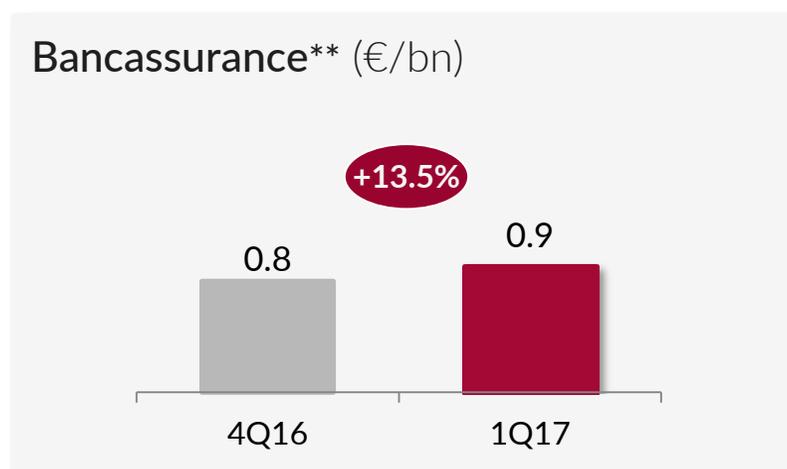
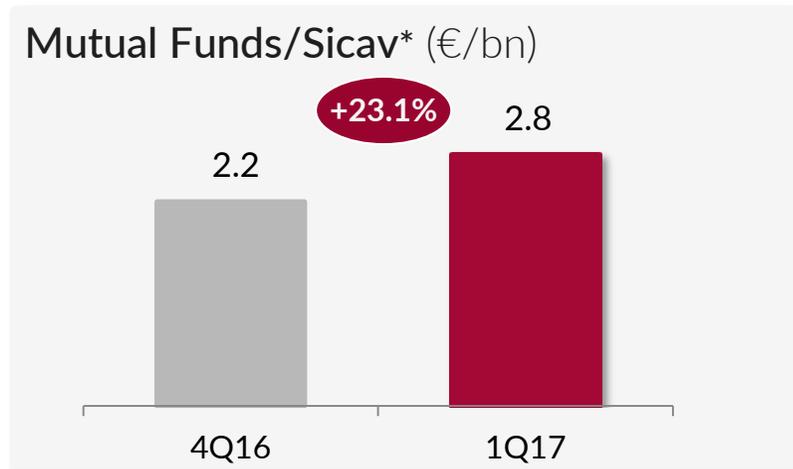
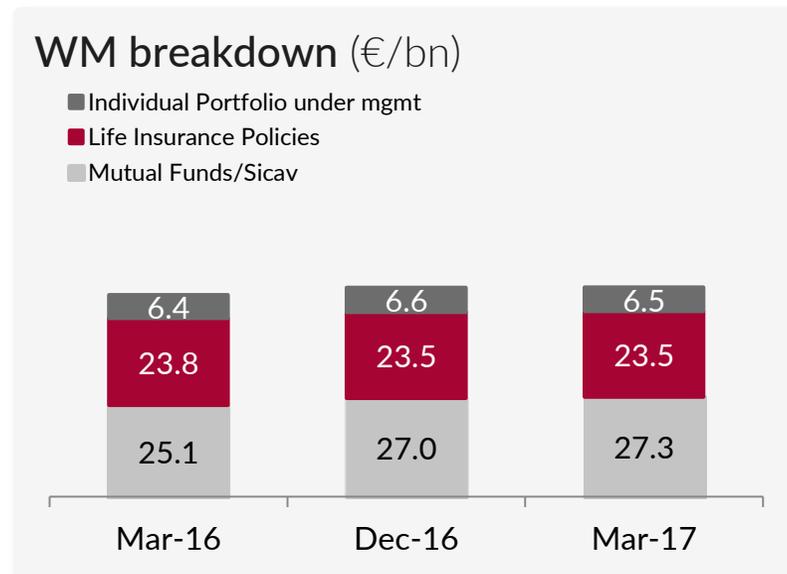
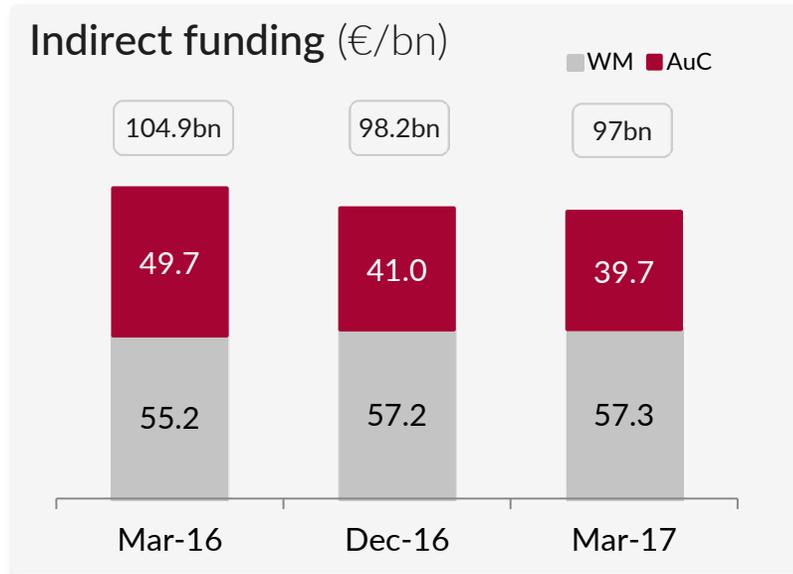
| | Mar-16 | Dec-16 | Mar-17 | QoQ% | YoY% |
|---------------------------------|----------------|----------------|----------------|--------------|--------------|
| Current accounts | 7,922 | 6,313 | 6,808 | 7.8% | -14.1% |
| Mortgages | 52,069 | 49,533 | 48,758 | -1.6% | -6.4% |
| Other forms of lending | 22,848 | 20,542 | 20,108 | -2.1% | -12.0% |
| Reverse repurchase agreements | 5,577 | 8,855 | 5,429 | -38.7% | -2.6% |
| Loans represented by securities | 1,060 | 1,130 | 1,131 | 0.0% | 6.6% |
| Impaired loans | 24,069 | 20,320 | 20,173 | -0.7% | -16.2% |
| Total | 113,544 | 106,693 | 102,407 | -4.0% | -9.8% |

Direct funding (€/mln)

| | Mar-16 | Dec-16 | Mar-17 | QoQ% | YoY% |
|-------------------------------|----------------|----------------|----------------|-------------|--------------|
| Current accounts | 51,509 | 40,973 | 46,112 | 12.5% | -10.5% |
| Time deposits | 13,520 | 10,134 | 10,542 | 4.0% | -22.0% |
| Repos | 17,501 | 25,296 | 20,399 | -19.4% | 16.6% |
| Bonds | 29,089 | 23,676 | 24,865 | 5.0% | -14.5% |
| Other types of direct funding | 7,889 | 4,495 | 7,473 | 66.2% | -5.3% |
| Total | 119,508 | 104,574 | 109,390 | 4.6% | -8.5% |



Indirect funding



* Placement of gross Mutual Fund and Sicav products in 1Q17

** Placement of AXA-MPS Saving products (gross amount) in 1Q17

Financial assets: focus on Italian Govies portfolio

Financial Assets (€/mln)

| | Mar-17 | QoQ% | YoY% |
|--------------|---------------|-------------|---------------|
| HFT | 10,707 | 15.6% | -52.4% |
| AFS | 15,804 | -5.2% | -9.7% |
| Total | 26,512 | 2.2% | -33.7% |

- Total Italian Government Bond portfolio duration 3.9 years as at Mar-17 (4.3 years as at Dec-16)
- Total AFS Italian Government Bond portfolio duration 4.6 years as at Mar-17 (4.9 years as at Dec-16)

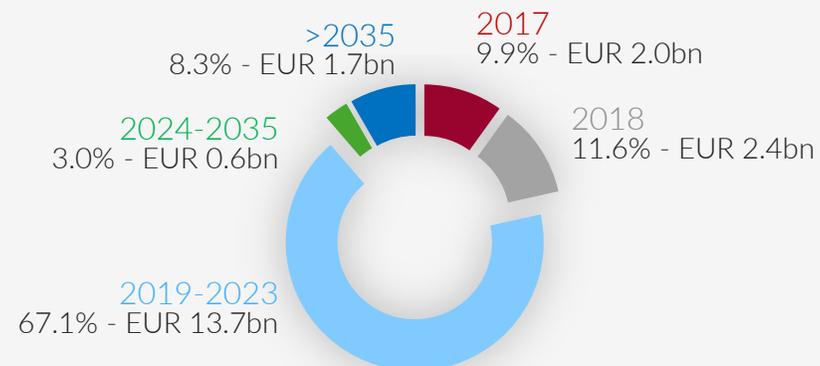
Italian Government Bonds:

~EUR 20bn* (Market Value)

Breakdown by IAS category



Breakdown by maturity



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- Annexes
 - Details on 1Q17 results

- Details on NPE portfolio



Asset Quality

Non-Performing Exposures – NPEs (€ mln)

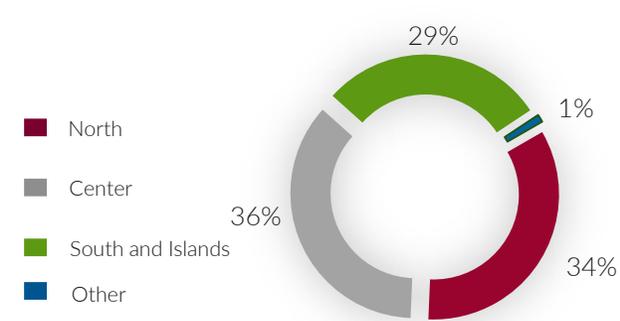
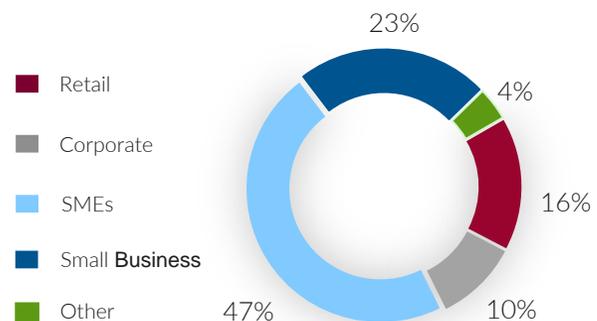
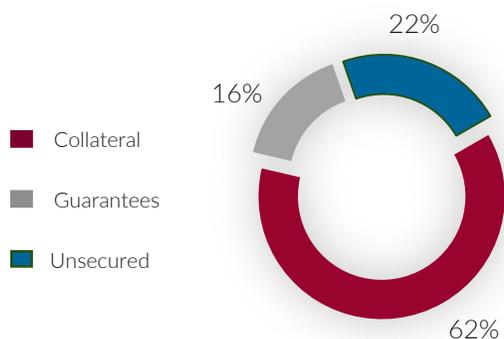
| | Net Mar-17 | QoQ (%) | YoY (%) | Net NPE Ratio* (%) | Gross Mar-17 | QoQ (%) | YoY (%) | Coverage (%) | Gross NPE Ratio ** (%) |
|---------------------------------|---------------|--------------|---------------|-----------------------|-----------------|-------------|--------------|--------------|---------------------------|
| Bad loans (<i>sofferenze</i>) | 10,801 | 4.2% | 6.1% | 10.5% | 30,490 | 3.6% | 9.9% | 64.6% | 23.7% |
| Unlikely-to-Pay | 8,629 | -5.2% | -28.0% | 8.4% | 14,523 | -4.7% | -14.1% | 40.6% | 11.3% |
| Past due / overdue exposures | 743 | -13.1% | -60.9% | 0.7% | 971 | -12.9% | -62.8% | 23.5% | 0.8% |
| Total NPEs | 20,173 | -0.7% | -16.2% | 19.7% | 45,983 | 0.4% | -2.7% | 56.1% | 35.7% |



Asset Quality: Overview on net NPE Portfolio at 31.12.2016

| | Total NPEs | Bad Loans | Unlikely-to-Pay | Past Due |
|-------------------------------|------------|-----------|-----------------|----------|
| GBV (€b) | 45.8 | 29.4 | 15.2 | 1.1 |
| NBV (€b) | 20.3 | 10.4 | 9.1 | 0.9 |
| Coverage (%) | 55.6% | 64.8% | 40.3% | 23.3% |
| # tickets (k) | 346 | 141 | 89 | 117 |
| Average ticket size (GBV, €k) | 58.6 | 73.3 | 101.7 | 7.1 |

Total NPEs 20.3bn (NBV)



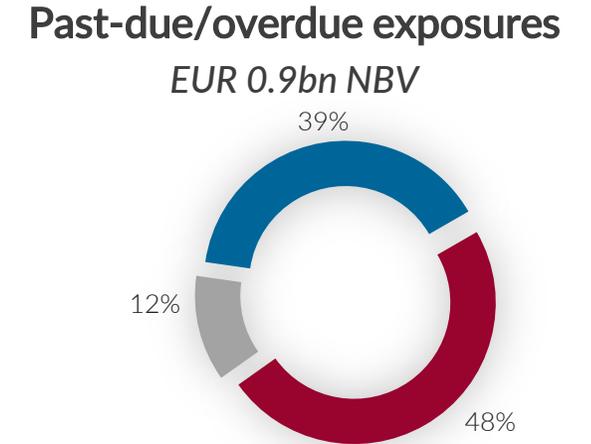
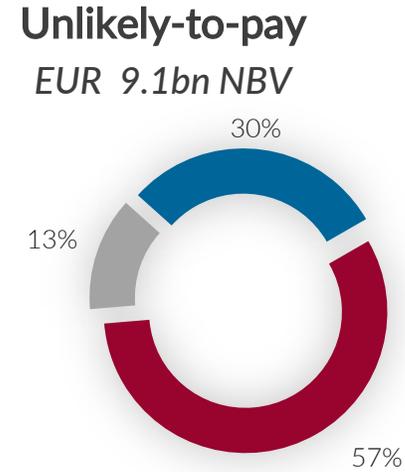
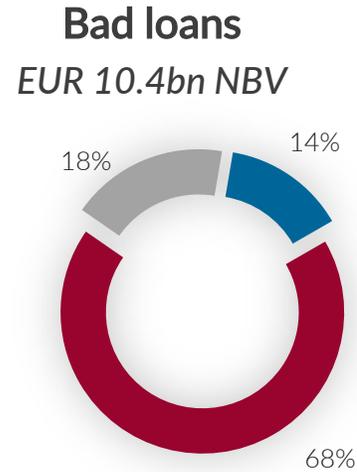
Details on net NPE portfolio at 31.12.2016 (1/2)

86% / 70% of net bad loans and unlikely-to-pay loans were covered by real estate collateral / personal guarantee

BMPS implemented new underwriting policies for SMEs and small businesses which represented c. 80% of net bad loans

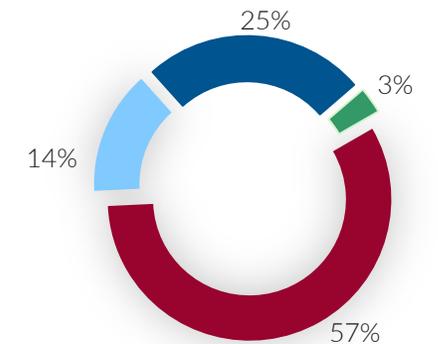
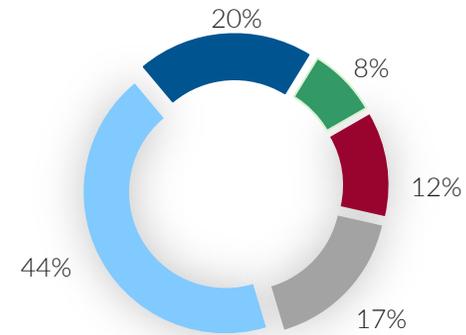
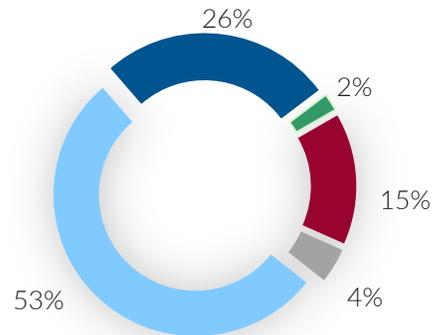
Breakdown by guarantees

- Collateral
- Guarantees
- Unsecured



Breakdown by customer segment

- Retail
- Corporate
- SMEs
- Small Businesses
- Other



Details on net NPE portfolio at 31.12.2016 (2/2)

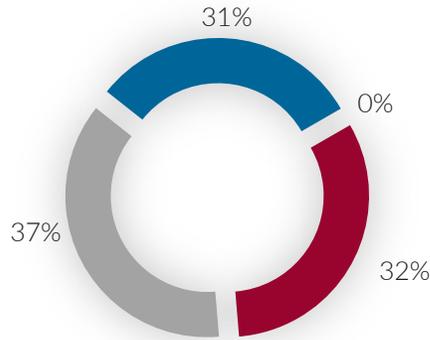
NPE portfolio not concentrated in terms of geographical area and ticket size

Concentration in unlikely-to-pay loans due to some large customers shared with other banks

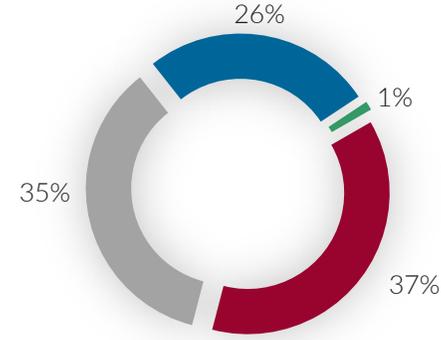
Breakdown by geography

- North
- Centre
- South and Islands
- Other

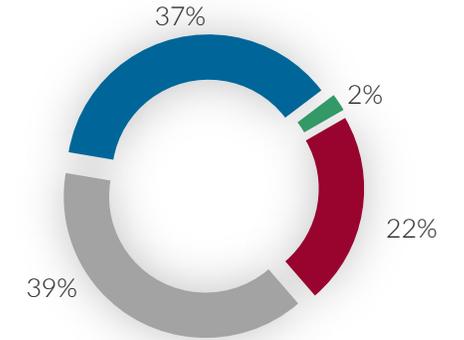
Bad loans
EUR 10.4bn NBV



Unlikely-to-pay
EUR 9.1bn NBV

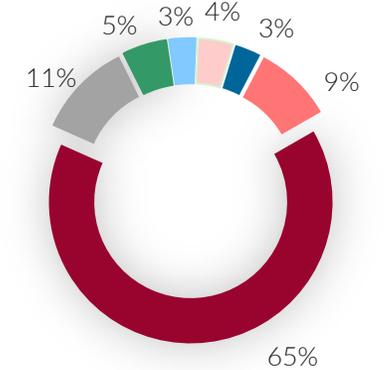
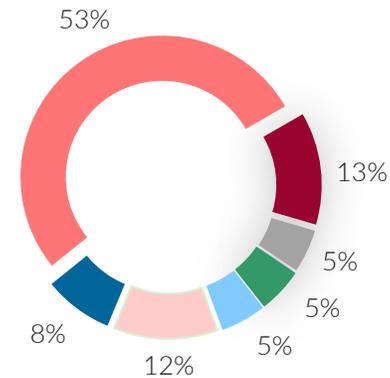
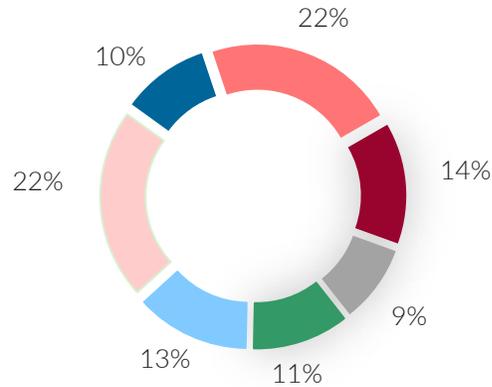


Past-due/overdue exposures
EUR 0.9bn NBV



Breakdown by ticket size

- 0 - 150K
- 150K - 250K
- 250K - 500K
- 500K - 1,000K
- 1,000K - 3,000K
- 3,000K - 5,000K
- > 5000K



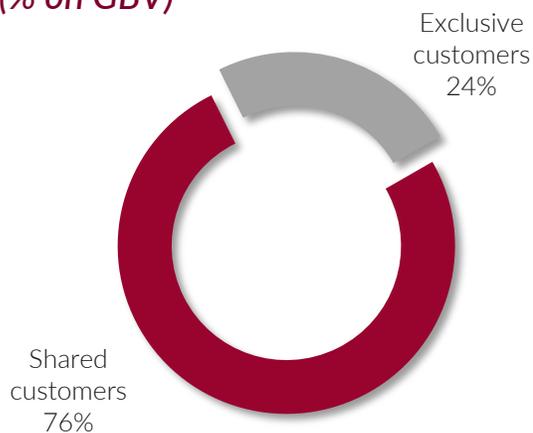
First 100 NPEs* at 31.12.2016

76% of the first 100 NPEs* are customers shared with other banks.

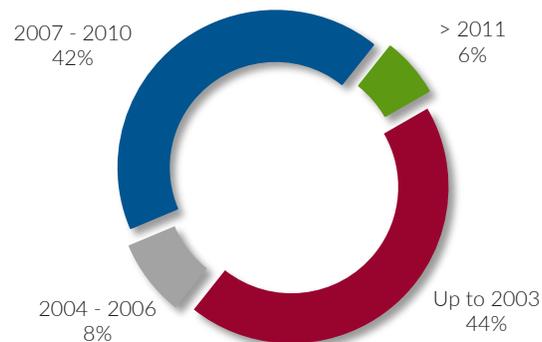
94% of the first 100 NPEs* received the first disbursement before 2010

| | #tickets | GBV (€/mln) | NBV (€/mln) | Coverage (%) | % GBV on Total NPE* |
|--------------------------|----------|-------------|-------------|--------------|---------------------|
| Top 100 | 100 | 5,687 | 2,766 | 51% | 12.8% |
| of which Bad Loans | 34 | 1,509 | 399 | 74% | 3.4% |
| of which Unlikely to Pay | 66 | 4,178 | 2,367 | 43% | 9.4% |

Customers shared with other banks
(% on GBV)



Breakdown by vintage (first disbursement)**
(% on GBV)



Breakdown by activity
(% on GBV)



* Bad and unlikely-to-pay loans

** Year in which any bank belonging to the MPS Group disbursed the first loan to the customer

*** Ateco 2007 (and NACE Rev. 2) codes included in sections «F - Construction» and «L - Real Estate Activities»

Figures from operational data management system

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