MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Bank of America Merrill Lynch

22nd Annual Financials CEO Conference

Marco Morelli, CEO

London - September 2017

Executive summary

1 **Precautionary Recapitalisation process completed:**

- Italian Ministry of Economy & Finance (**MEF**) **stake at c. 52%** (c. 68%* post-retail settlement)
- Post-precautionary recap **TBV** at EUR 11bn, transitional CET1 ratio** at 15.4%**

2 **Comprehensive solution to BMPS asset quality issues** through disposal of EUR 28.6bn gross bad loans

- 1H 17 Asset quality ratios adjusted to include the c. EUR 26bn loan disposal to Atlante II and EUR 2.6 disposal of leasing and small tickets planned for 2018: Gross NPE ratio at 17.6%, bad loans at 18% of total gross NPEs and Texas Ratio*** at 96%

3 Restructuring Plan enhanced focus on operating efficiency, combined with prudent revenue growth and conservative provisioning

- **2021 net income above EUR 1.2bn** (~EUR 1bn excluding DTA reassessment), with a **ROE equal to 10.7%** (~8% excluding DTA reassessment)
- **2021 cost of risk at 58bps** (79bps in 2019) and **gross NPEs at 12.9%**

4 Recovery of direct funding:

- **Commercial funding +EUR 9.4bn as at 30 Jun-17** (EUR 11bn target in 2016-2019)
- Unencumbered counterbalancing capacity at EUR 19.8bn as at 30 Jun-17

* MEF voting rights are 54% and expect to rise to ~70% after retail settlement
**TBV and CET1 transitional including burden sharing and MEF capital increase, excluding DTAs effect and IFRS9 impact (1/1/2018)
***Gross NPEs / tangible equity + provision funds for NPEs. Tangible equity considered in the figure includes the capital increase

❶ Precautionary Recapitalisation process completed

Implementation of MEF Decrees

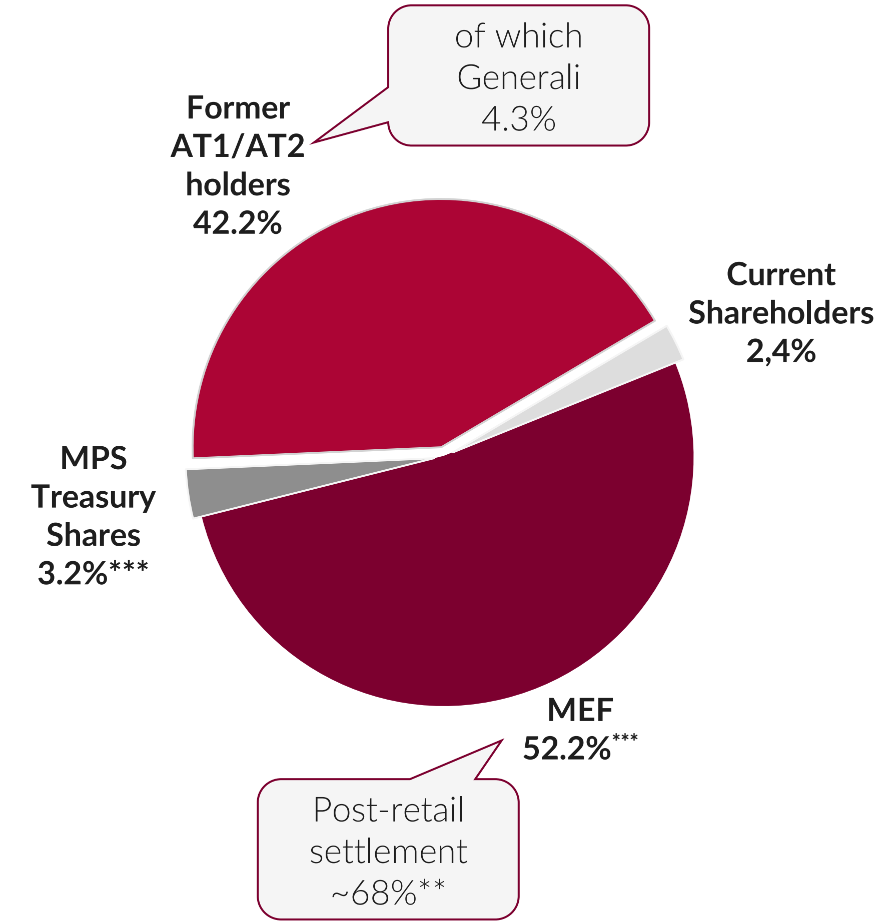
	Capital increases	Share price (calculated according to Decree 237/16)	Shares issued
Burden-sharing	EUR 4,473m	EUR 8.65 PAZN = PAZV* x 50%	517,099,404
Precautionary recapitalisation	EUR 3,854m	EUR 6.49 PAZNMEF = PAZN x (1-0.25)	593,869,870

BMPS Share capital

Total number of shares **1,140,290,072**

(including 29,320,798 pre-capital increase shares)

Post-precautionary recap shareholders



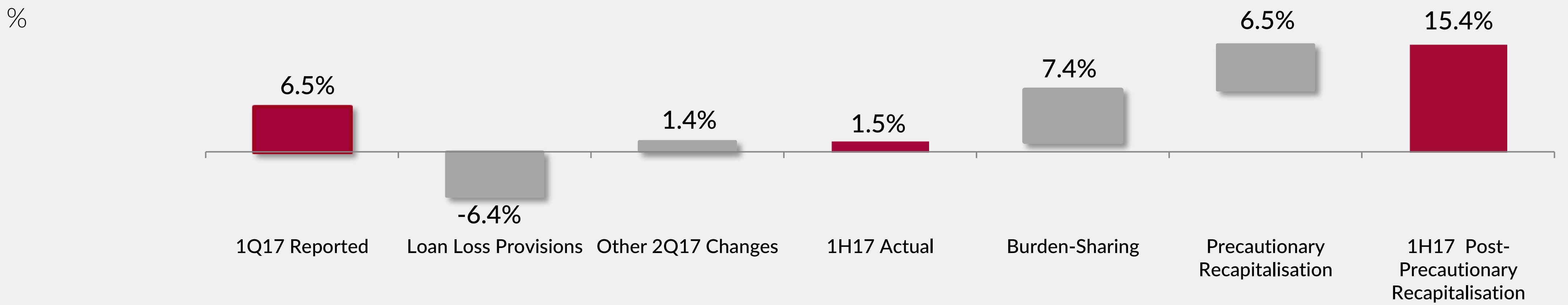
* PAZV= value of existing ordinary shares , set at EUR 17.3 by an independent appraiser (PWC).

** MEF offers to buy shares resulting from the conversion of UT2 2008-2018, in exchange for BMPS senior securities with same maturity (May 2018), provided they meet the following criteria: i) investor classified as Retail under MIFID regulation; ii) securities acquired before 1 Jan 2016; iii) securities acquired through BMPS network; iv) offer price not to exceed investors' carrying value. Eligible retail holders carrying value estimated at EUR 1.5bn (including only BMPS clients), assuming full take-up.

*** MEF voting rights are 54% and expect to rise to ~70% after retail settlement (~36.3m treasury shares).

1 Post-Precautionary Recap Capitalisation structure*

Post-Precautionary Recapitalisation CET1 ratio



TBV	5.7bn	11bn
CET1 Fully loaded (%)	5.8%	14.7%
CET1 Fully loaded (bn)	3.7bn	9.4bn
TC	8.9%	15.6%
RWA	64.5bn	64.4bn

- IFRS 9 accounting standard preliminary estimate of EUR 1.2bn**
  - Fully reflected in the net equity at 1 January 2018 as First Time Adoption
  - CET1 impact spread over 6 years according to a phase-in mechanism: 5% in 2018, 15% in 2019%, 30% in 2020, 50% in 2021, 75% in 2022, 100% in 2023
- Significant **DTA potential upside: EUR 1.7bn off balance sheet** as at 2017YE

* Adjusted for the effects of burden-sharing and precautionary capitalisation

** Estimated on the basis of the project started by the Bank for the implementation of the new accounting principle

2 Bad loans disposal

- Comprehensive solution to BMPS asset quality issues through binding commitment for Atlante II to acquire EUR 26bn of bad loans by 1H18

1 Main portfolio securitisation*

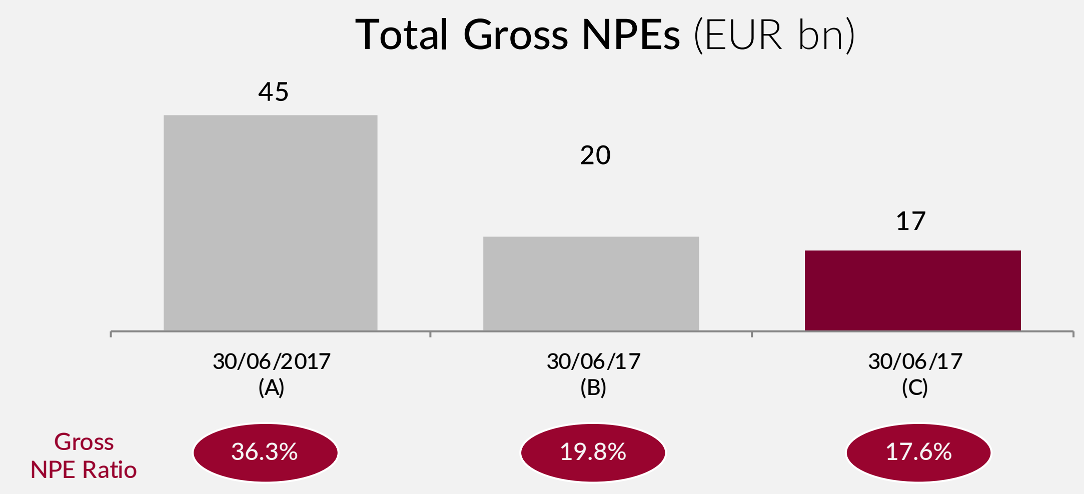
- EUR 26.1bn GBV as of December 2016
- Price 21% of GBV
- Atlante II to acquire mezzanine and junior notes
- Application for GACS scheme
- No bridge financing
- De-recognition in 1H 2018 upon GACS obtainment

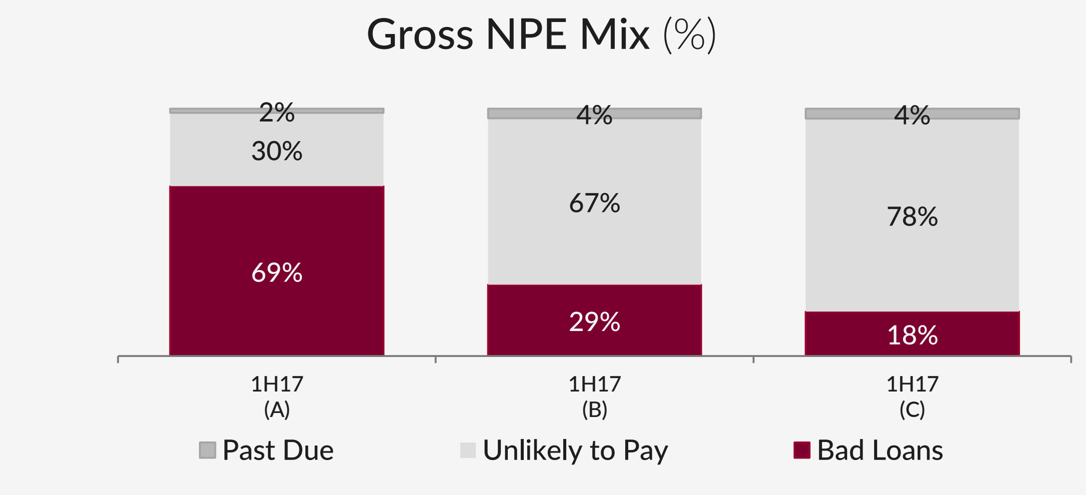
Main portfolio securitisation breakdown

GBV	Total		Secured (RE)		Guaranteed		Unsecured	
	EUR bn	%**	EUR bn	%**	EUR bn	%**	EUR bn	%**
	26.1		**12.5**	**48.0%**	**7.0**	**26.8%**	**6.6**	**25.3%**
Vintage 1-3y	11.4	43.6%	5.8	22.3%	3.1	12.1%	2.4	9.3%
Vintage >3y	14.7	56.4%	6.7	25.7%	3.8	14.7%	4.2	16.0%

2 Remaining portfolio disposal*

- c. EUR 2.5bn leasing and small unsecured tickets (up to c. EUR 150k) to be sold through dedicated processes





Legend for 1H17 data:

(A) = stated

(B) = adjusted to include the c. EUR 26bn loan disposal to Atlante II

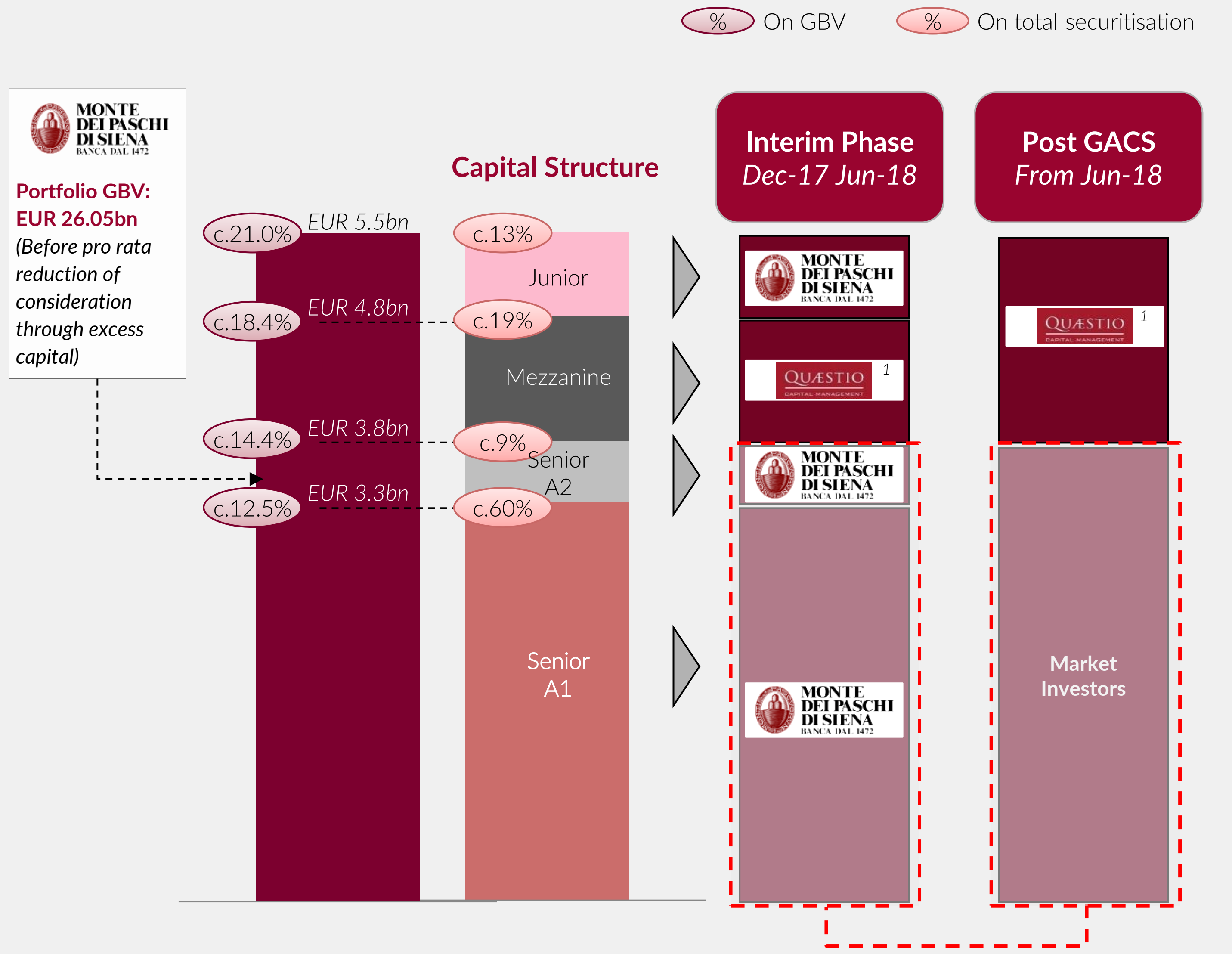
(C) = adjusted to include the c. EUR 26bn loan disposal to Atlante II + ca. EUR 2.6bn disposal of leasing and small tickets planned for 2018

* Excluding EUR 0.8bn of non transferrable bad loans

** % on Total GBV (EUR 26bn)

❷ Securitisation structure

- Portfolio transfer into a vehicle* at a price of 21% of GBV (EUR 5.5bn) with cut off date of 31 Dec -16
- Sec.Co to be financed through:
  - Senior A1 notes (EUR 3,256mln) to be financed with GACS once obtained
  - Senior A2 notes (EUR 500mln/rate 4%) to be funded by BMPS and subsequently sold to potential investors
  - Mezzanine notes (EUR 1,029mln/rate 7%) and Junior notes (EUR 686m) to be sold (for the 95%) to Atlante II
- Key steps of the Securitisation Structure:
  (i) mark to market of the portfolio at 21% GBV transfer price (in 1H17),
  (ii) disposal of 95% Mezzanine notes by Dec-2017
  (iii) disposal of 95% of Senior A2 notes and Junior notes and full deconsolidation by 1H18
- Excess cash at transfer date to be used to reduce consideration and applied pro rata to each tranche
- Earn-out (50% of the upside) in favour of BMPS if IRR on Junior above 12% annual threshold



* Ex. art. 130 ("Sec. Co.")

2 Indicative timeline

2017

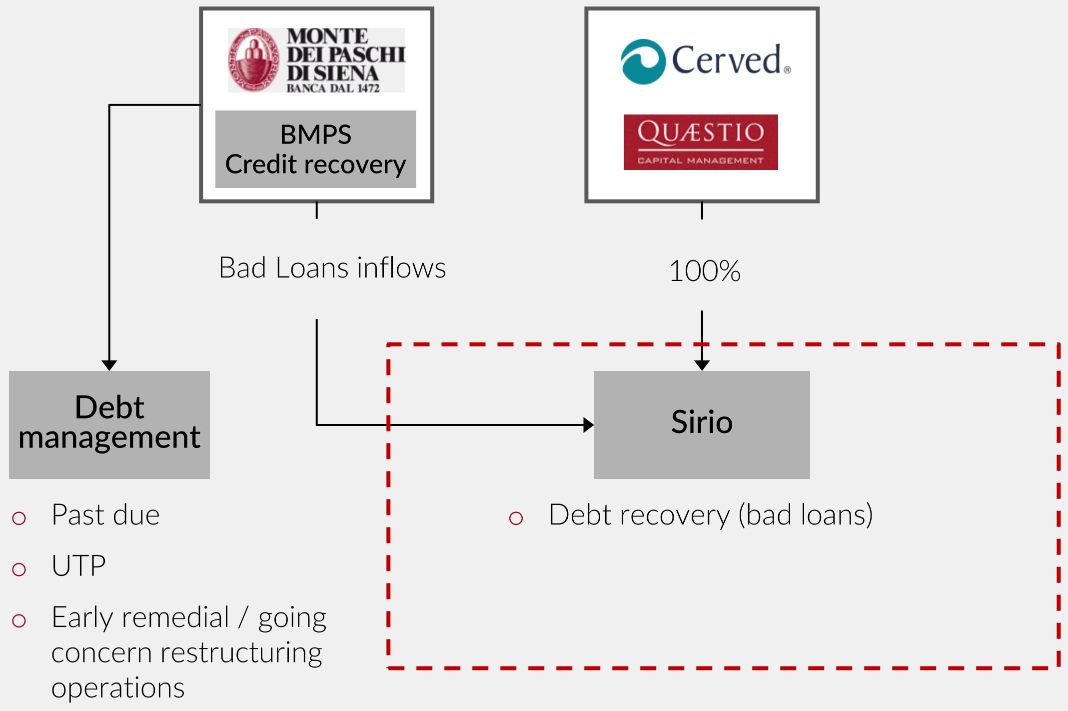
- ✓ Conversion of AT1 and T2 into equity
- ✓ Subscription of the capital increase by MEF
- ✓ Completion of disposal of Merchant Acquiring business and of stake in Bassilichi
- ✓ Mark to market of bad loans to disposal price to Atlante II (21% of GBV)
- ✓ Disposal of bad loan service platform to Cerved and Quaestio
- ✓ Appointment of arrangers, master special servicers and rating agencies

- ❑ Re-admission to listing in the stock exchange
- ❑ Completion of retail settlement exchange offer
- ❑ Finalisation of securitisation structure (e.g. perimeter, tranching, business plans)
- ❑ Transferring of bad loan portfolio to SPV and issuance of Junior, Mezzanine, Senior A1 and A2 notes
- ❑ Sale of Mezzanine notes to Atlante II

2 Partnership with Cerved and Quaestio for the management of bad loans

- Binding agreement with Cerved and Quaestio regarding the sale of 100% of a newly incorporated servicing platform (“**Sirio**”) to be consolidated by Cerved
- Long-term exclusive Servicing Agreement for the management of **BMPS new inflows in Bad Loans**
- The sale price amounts to **EUR 52.5mln**, to which an **earn-out of up to EUR 33.8mln** could be added, based on the achievement of economic results **until 2025**
- **Completion** of the transaction is expected during the **first quarter of 2018**

Transaction structure



Indicative timeline

Next steps

1. 4Q17 - Signing
2. 1Q18 – Closing

Conditions precedent

- Customary approval by the Supervisory Authority
- Successful completion of the Bank’s precautionary recapitalisation process envisaged in the Restructuring Plan and the securitisation of the Bank’s non-performing loans, with subscription of the mezzanine notes by funds managed by Quaestio

❸ Key pillars of the restructuring plan and main initiatives

Refocus on Retail banking activities

- **Refocus on Retail and Small Business** through a new simplified and highly digitized business model enabling value extraction from mass clients
- **Strong push on Wealth Management,** with the creation of a dedicated business line for Private Customers enhancement
- Central role of **Widiba** as innovation and digitization vehicle with exploitation of unexpressed potential

Renew operating model with sustained focus on efficiency

- **Extensive digitisation/automation** of administrative processes and client interaction (with full leverage of the Widiba experience)
- **Streamlining of the domestic network**, with further extensive closure of branches and simplification of network architecture
- **~ 5,500 net headcount reduction** (1,800 headcount reduction already completed)

Radically improve credit risk management

- **Complete re-organisation of the CLO area**, with internalisation of decision mechanisms and direct reporting of territorial credit areas to enhance governance
- Enforcing of **proactive management of the riskiest exposures** with the creation of a central dedicated credit unit within the Credit Division

Strengthen liquidity and capital position

- **Strengthening of the liquidity position** and reimbursement of extraordinary liquidity over the Restructuring Plan horizon
- Capture of **benefits on cost of funding** from expected re-rating

3 Restructuring Plan: Income statement financial projections

Financial projections

EUR bn

	2016A	2019E	2021E	2021E *Norm.* [1]	CAGR 16-21	CAGR 16-21 Norm.
Net Interest Income	2.02	1.72	1.98	1.98	-0.4%	-0.4%
Net Fees and Commission	1.84	1.81	2.01	2.01	1.8%	1.8%
Other Income	0.44	0.22	0.29	0.29	-7.8%	-7.8%
Operating Income	**4.28**	**3.75**	**4.27**	**4.27**	**-0.1%**	**-0.1%**
Personnel Costs	-1.61	-1.45	-1.32	-1.28	-3.9%	-4.4%
Other Administrative Expenses	-0.79	-0.63	-0.59	-0.59	-5.9%	-5.9%
Depreciation & Amortization	-0.22	-0.25	-0.26	-0.26	3.2%	3.2%
Operating Costs	**-2.62**	**-2.33**	**-2.16**	**-2.12**	**-3.8%**	**-4.1%**
LLP	-4.50	-0.72	-0.53	-0.53	-34.7%	-34.7%
Net Operating Results	**-2.84**	**0.71**	**1.58**	**1.61**	**n.m.**	**n.m.**
Pre-tax income	**-3.18**	**0.40**	**1.36**	**1.40**	**n.m.**	**n.m.**
Tax expenses	-0.02	-0.09	-0.41	-0.42	82.0%	82.8%
DTA reassessment	0.00	0.27	0.27	0.27	n.m.	n.m.
Net income	**-3.24**	**0.57**	**1.22**	**1.25**	**n.m.**	**n.m.**

Key ratios

(Bps, %)	2016A	2019E	2021E
Cost/Income (%)	61.2%	62.0%	50.6%
Cost of risk (bps)	419	79	58
ROE (%)	n.m.	5.7%	10.7%
CET1 Ratio (%)	8.2%	12.7%	14.7%
Gross NPE Ratio (%)	34.5%	14.3%	12.9%
L/D Ratio (%)	103%	91%	87%
LCR (%)	108%	153%	154%
NSFR (%)	88%	108%	114%

1. Considering full effect of early retirement of personnel executed throughout 2021

3 Restructuring Plan: Balance sheet financial projections

Financial projections

EUR bn

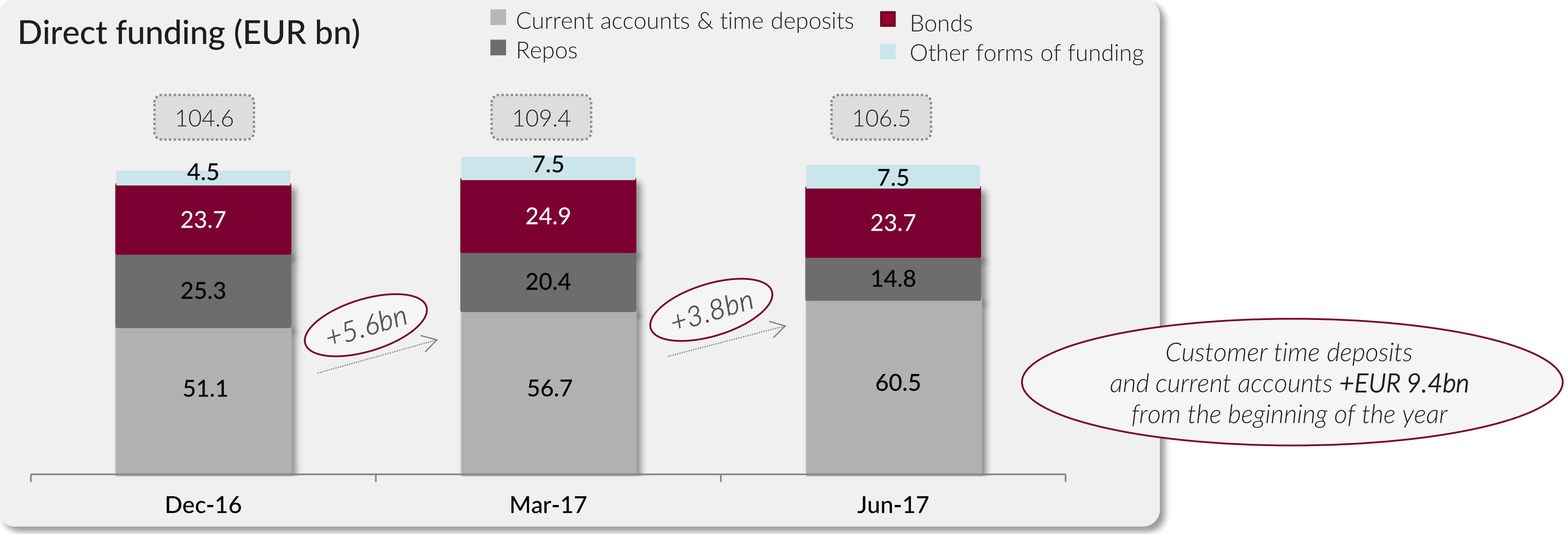
	2016A	2019E	2021E	CAGR '16-21'
Total Assets	**153.2**	**134.0**	**134.2**	**-2.6%**
Of which:				
Loans to Customer	106.7	90.7	91.5	-3.0%
Financial Assets	25.9	23.8	23.6	-1.9%
Total Liabilities	**153.2**	**134.0**	**134.2**	**-2.6%**
Of which:				
Direct Funding	104.7	100.7	105.7	0.2%
Equity[1]	6.5	10.3	11.9	13.1%

NPE evolution

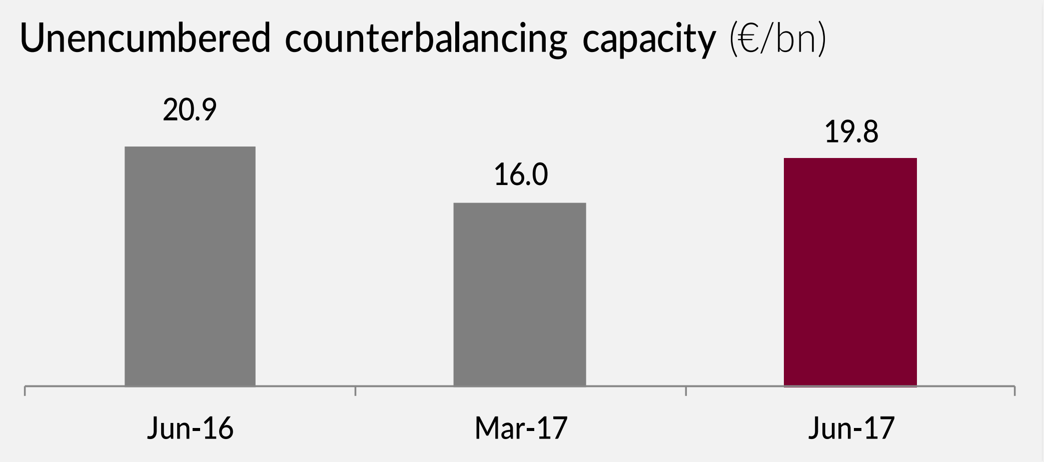
(EUR /m, %)	2016A	2019E	2021E
Bad Loans Coverage Ratio (%)	64.8%	67.4%	67.3%
UTP Coverage Ratio (%)	40.3%	40.7%	41.7%
Past Due Coverage Ratio (%)	23.3%	19.7%	18.7%
Total NPEs (EUR /bn)	45.8	14.3	12.8
Gross NPE Ratio (%)	34.5%	14.3%	12.9%
Texas Ratio (%)[2]	140%	75%	64%

1. Includes minorities
2. Gross NPEs / equity + provision funds for NPEs

4 Recovery of commercial direct funding since December 2016



- **Current accounts and time deposits** (mainly with corporate customers) **up by c. EUR +3.8bn Q/Q**, allowing a **EUR 5.6bn reduction in repos with institutional counterparts**
- **Customer current accounts and time deposits increased by c. EUR 9.4bn** (+18%) **from 2016 year-end**
- **Group's direct funding market share at 3.83%***, up 28bps from 2016 year-end



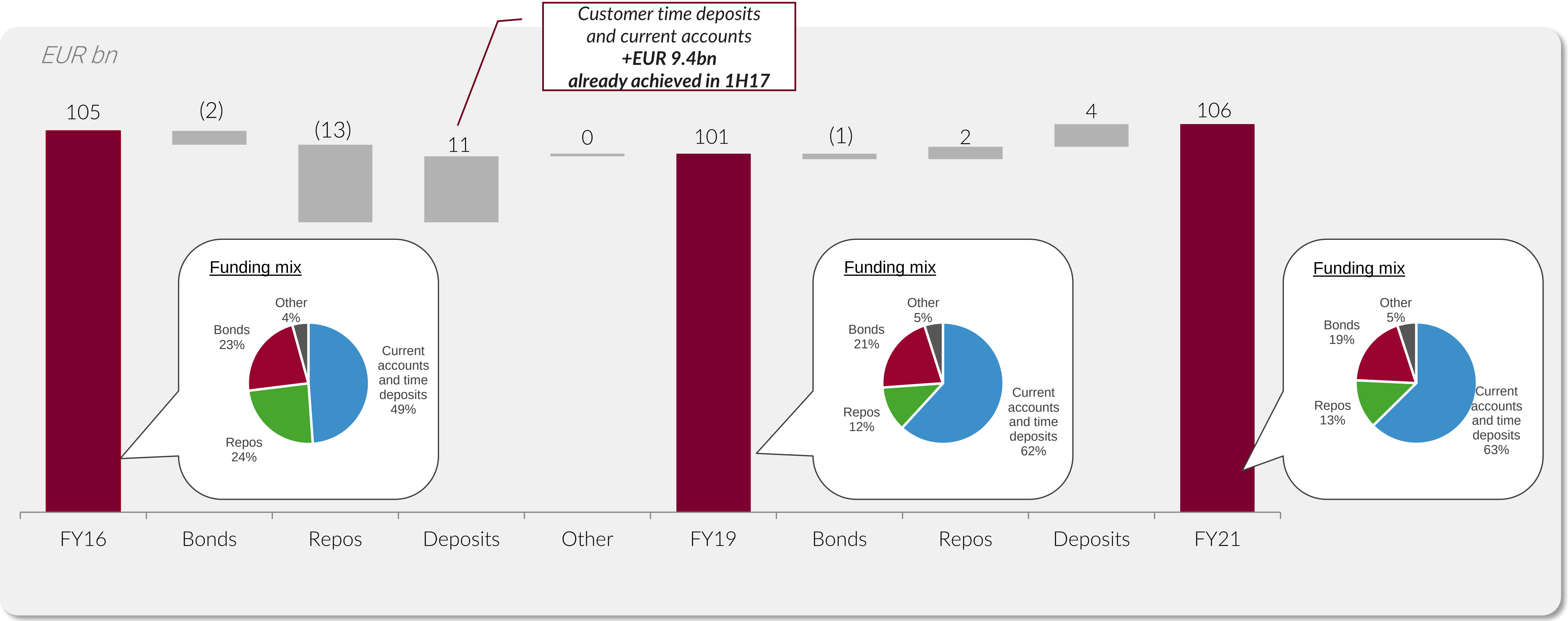
* Latest available data: April 2017

Annex:

2017-2021 Restructuring Plan Details

Direct funding

- Re-balance of funding mix towards higher quality sources such as current accounts vs. repos
- Increase in repos for 2019-2021 in order to match TLTRO/GGB maturities



Gross customer commercial loans

- Improvement of the commercial loan portfolio risk profile by reducing corporate exposures
- For small business and corporate segments, focus on short-term loans (with higher fee margins) rather than on medium/long-term loans

*Gross Commercial Loans + Bad loans - Provisions

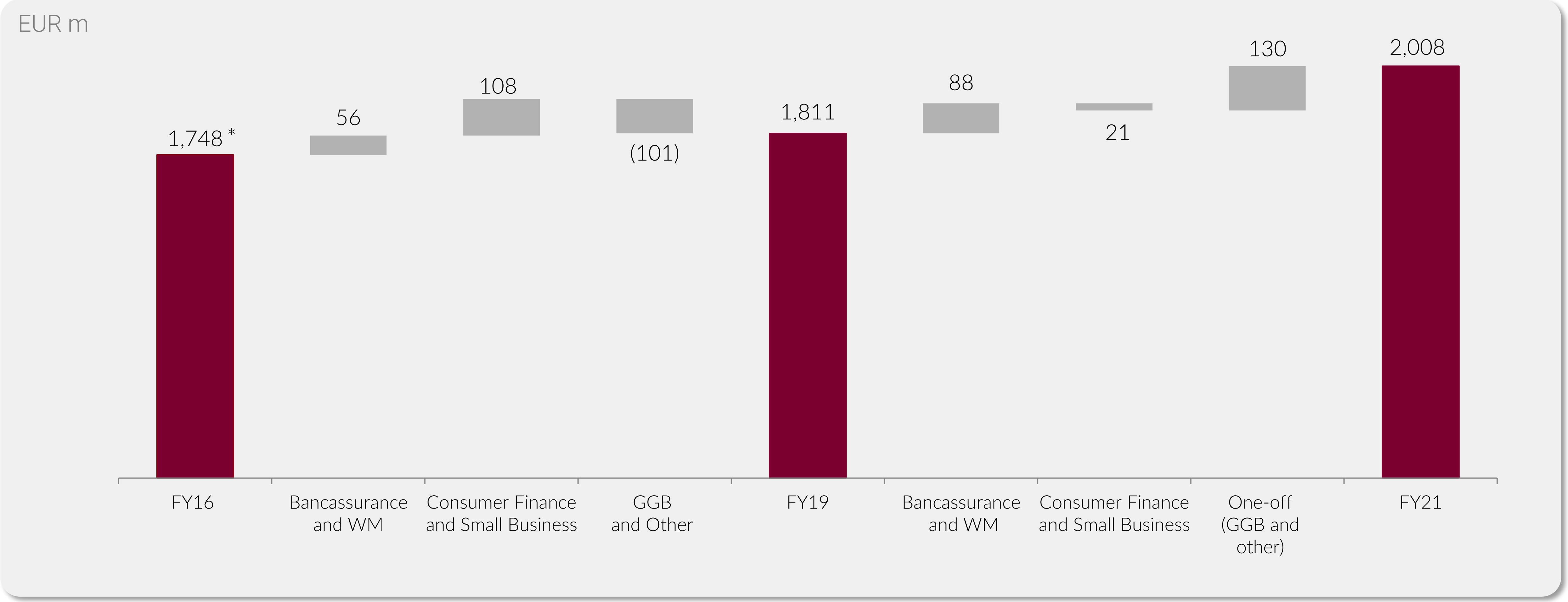
Net interest income

- Negative impact from the de-risking of the loan portfolio, due to the reduced UTP/past-due loan portfolio and to the lower rates on loans to customers (lower PDs), coupled with the reduction of interest rates on the AFS portfolio (short maturities and highly rated issuers)
- Drastic reduction of interest income from NPEs, partially compensated by a decrease in cost of funding, thanks to the improved perception of the Bank by the market
- +100bps in interest rates would increase interest margin by EUR 130-150m (before taxes) per annum

* Includes c. EUR 250mln due to requalification of performing loans
** Includes c. EUR 130mln due to lower cost of subordinated bonds
*** Includes c. EUR 11mln due to requalification of performing loans

Net fees and commissions

- Growth mainly driven by the further development of the wealth management activity and from the increase in small business loans (with higher fee margins)



* Excluding EUR 90m from acquiring business

Operating costs

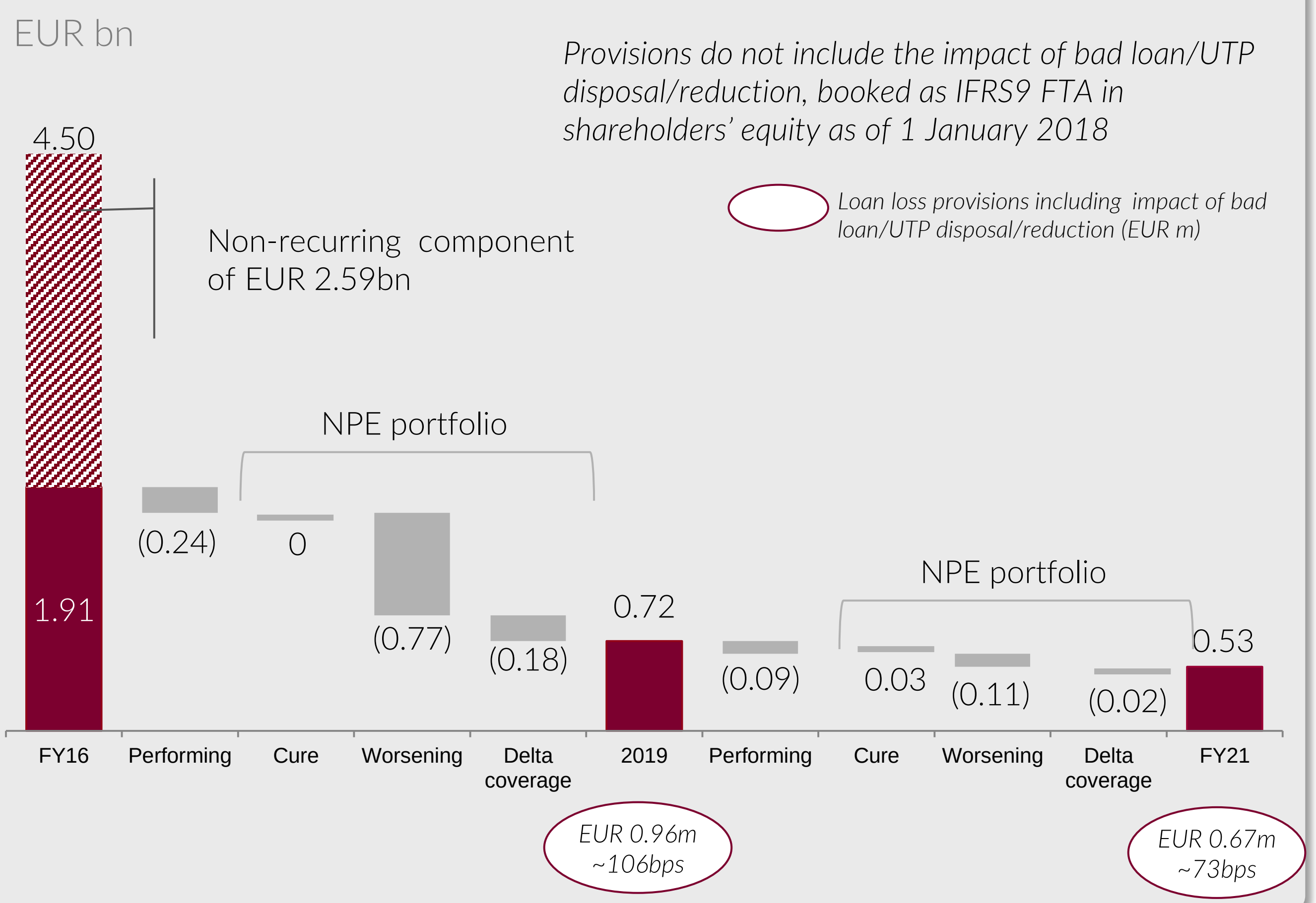
- Strong headcount reduction, with ~4,800 employees to exit through Fondo di Solidarietà and 750 exits from natural turnover (in addition to 450 exits from disposal of foreign banks), for a net headcount reduction of 5,500*
- Further optimisation of other administrative expenses arising from the revision of the operating model (e.g. network rationalisation, decrease of bad loan recovery costs and other cost-saving actions on logistics, security, energy management, IT and real estate)

*Including +500 from hiring

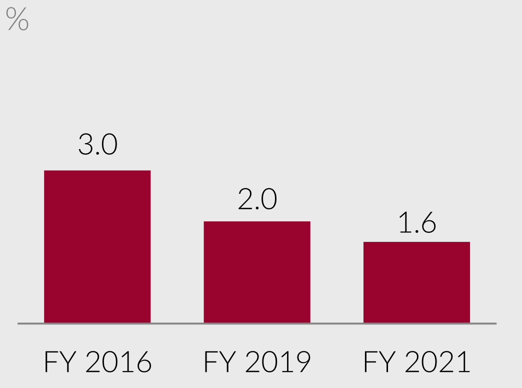
Cost of risk

- LLPs and impact of bad loan/UTP disposal/reduction in 2018-2021 include the outcome of the ECB Inspection concluded in June 2017
- A reduction of -0.10% of the GDP would increase LLPs by EUR 35-45m (before taxes) per annum

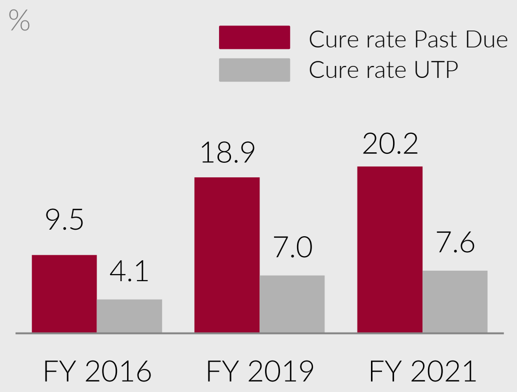
Loan loss provisions



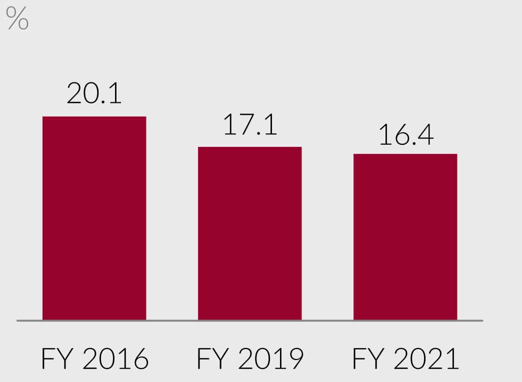
Default rate



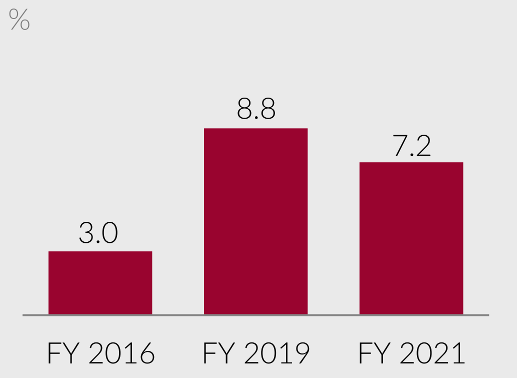
Cure Rate of Past Due and UTP*



UTP danger rate



Recovery rate on Bad Loans



* Excluding sale of UTPs

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Moreover, following the completion of the burden sharing and the precautionary recapitalisation of the Company in August 2017 as a consequence of the enactment of the Ministerial Decrees 27 July 2017 pursuant to Italian Law Decree no. 237/2016 (as amended), the forward-looking statements included herein are based, inter alia, on the assumptions that the announced bad loan transaction with "Atlante II", including the de-recognition of nearly the entire non-performing loan portfolio, will be completed as expected.

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