MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

3Q17 GMPS Results

07 November 2017

Agenda

- ❑ Executive Summary
- ❑ 3Q17 Results
- ❑ Annexes
  - Details on 3Q17 Results
  - Details on NPE Stock

Highlights of 3Q17 Results

P&L	o **Net profit for the quarter at EUR 242mln** which includes several one-offs: effects of burden-sharing measures for c. EUR +554mln (mainly included in other revenues), the costs for the exit of 1,200 employees (c. EUR -280mln) and costs in connection with the FITD Voluntary Scheme for Caricesena/Carim/Carismi (c. EUR -46mln) o **Net interest income at EUR 470mln** (+5.5% QoQ), due to the lower interest expenses from subordinated bonds converted into shares in line with burden-sharing requirements o **Commissions at EUR 356mln** (-17.5% QoQ), impacted by lower credit commissions, the sale of the merchant acquiring business and seasonality in WM placement o **Costs at EUR 626mln** (-2.1% QoQ), not including the savings from 1,200 staff exits effective from November (1,800 exits out of the 4,800 planned by 2021 already achieved in 2017)
Asset quality *(Pro-forma for the c. EUR 26bn bad loans securitisation)*	o **Gross NPE ratio 19.4%** (19.8% in Jun-17), **Net NPE ratio 11.3%** (11.7% in Jun-17), **Texas ratio* 98%** (flat vs. Jun-17) o **Gross bad loans at EUR 6.4bn** (EUR 3.8bn adjusted for EUR 2.6bn to be sold in 2018), **net bad loans at EUR 2.4bn (EUR +0.4mln QoQ)** o **Gross UTPs at EUR 12.4bn (EUR -1.1bn QoQ), net UTPs at EUR 7.3bn (EUR -0.7mln QoQ)** o **EUR 1.1bn UTP disposal/reduction ahead of Restructuring Plan targets**
Balance Sheet	o **Current accounts and time deposits** up by EUR 1.6bn QoQ and EUR 11bn since Dec-16, due to corporate and retail customers, with ongoing rebalancing towards cheapest forms of funding o **Unencumbered counterbalancing capacity at EUR 21.1bn** (EUR +1.3bn from Jun-17), 14.5% of total assets o **Transitional CET1** ratio at 15.2%; fully-loaded at 14.5%

* Gross NPEs / tangible equity + provision funds for NPEs

3Q17 and 9M17 Results

P&L (€ /mln)	2Q17	3Q17	Change (QoQ%)	9M16	9M17	Change (YoY%)
Net Interest Income	446	470	5.5%	1,519	1,374	-9.5%
Fees and commissions	431	356	-17.5%	1,402	1,213	-13.5%
Total revenues	920	1,370	49.0%	3,418	3,223	-5.7%
Operating Costs	-639	-626	-2.1%	-1,929	-1,893	-1.9%
Pre-provision profit	280	745	n.m.	1,488	1,331	-10.6%
Loan loss provisions	-4,289	-175	n.m.	-2,022	-4,772	n.m.
Net income (loss)	-3,073	242	n.m.	-849	-3,001	n.m.

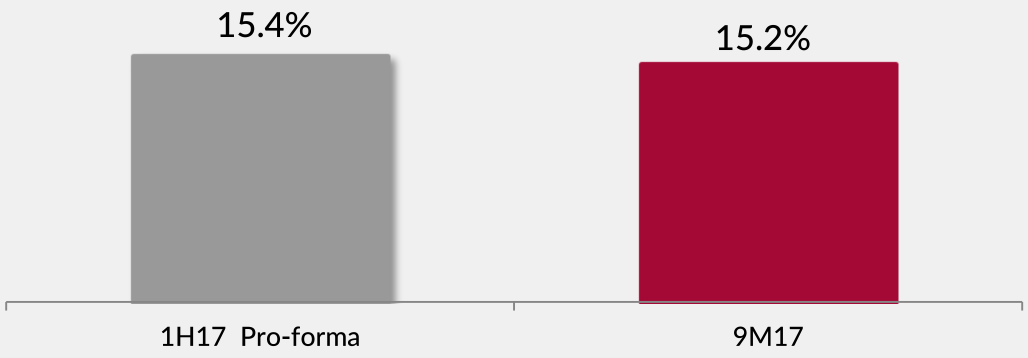
Balance Sheet (€/bn)	2Q17	3Q17	Change (QoQ%)	9M16	9M17	Change (YoY%)
Loans to customers	89.7	91.0	1.5%	104.6	91.0	-13.0%
Direct funding	106.5	103.0	-3.4%	105.5	103.0	-2.4%
Total assets	143.6	145.1	1.1%	160.1	145.1	-9.4%

Ratios (%)	2Q17	3Q17	Change (QoQ bps)	9M16	9M17	Change (YoY bps)
CET1 phased-in	15.4*	15.2	-21	11.5	15.2	368
CET1 fully-loaded	14.7*	14.5	-26	10.7	14.5	376

*Pro-forma for precautionary recapitalisation and burden-sharing. The phased-in CET1 reported figure is 1.5%

Capital Structure

Phased-in CET1 ratio *(%)*



	1H17 Pro-forma	9M17
TBV *(€/bn)*	11*bn*	10.6*bn*
Fully loaded CET1 *(%)*	14.7*%*	14.5*%*
Fully loaded CET1 *(€/bn)*	9.4*bn*	9.1*bn*
TC *(%)*	15.6*%*	15.4*%*
RWA *(€/bn)*	64.4*bn*	63.3*bn*
AFS Reserve *(€/bn)*	-0.2*bn*	-0.1*bn*
Credit Spread Sensitivity *(€/mln)*	-6.2*mln*	-5.8*mln*

3Q results

- **CET1 reduction QoQ (-21bps)**, mainly due to the result of the period, net of the contribution of burden-sharing measures (included in pro-forma 1H17, c. -55bps), partially offset by RWA decrease (c. +28 bps)
- **RWAs decrease by EUR 1.2bn** mainly due to credit risk (EUR -2.2bn), partially offset by an increase in market (EUR +0.7bn) and operational risks (EUR +0.2bn)
- **AFS reserve** as at Sep-17: EUR -0.1bn (EUR -7mln at the end of October). Credit spread sensitivity: EUR -5.8mln before tax for 1bp change

IFRS 9 and off-balance sheet DTAs

- **IFRS 9 accounting standard preliminary estimate of EUR 1.2bn***
  - Fully reflected in net equity at 1 January 2018 as First Time Adoption
  - CET1 impact spread over 5 years according to the phase-in mechanism proposed by the Council of the European Union
- Significant **DTA potential upside: EUR 1.7bn off-balance sheet** as at 2017YE

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

UT2 Retail Settlement and Fresh 2008

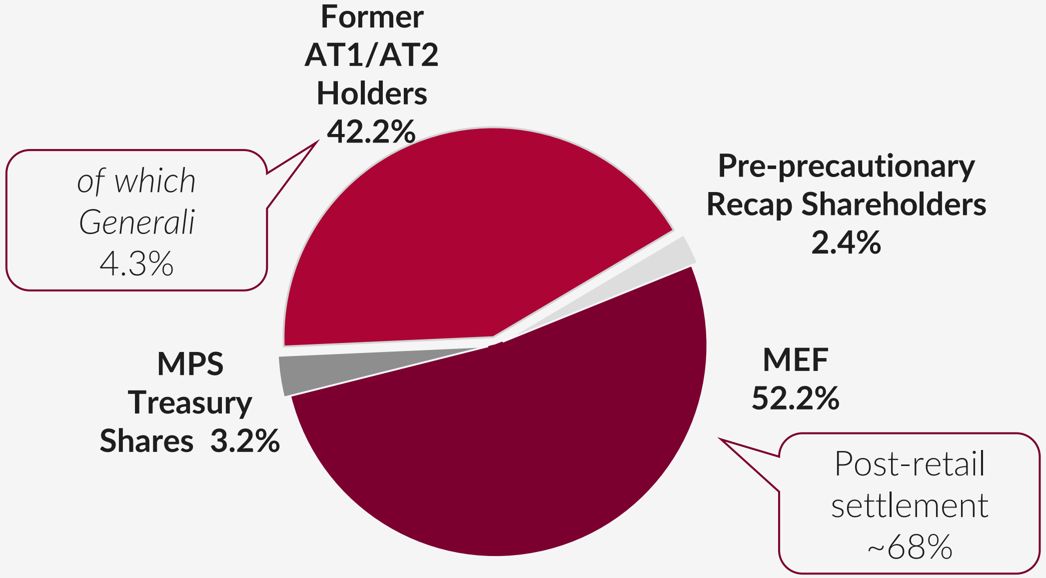
Retail settlement

- Offer on behalf of MEF to buy shares resulting from the conversion of UT2 2008-2018, in exchange for BMPS senior securities with same maturity (May 2018), provided investors 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. Offer price not to exceed investors' carrying value
- EUR 1,536mln maximum amount to be acquired by MEF. If the tendered shares exceed that amount, UT2 shares tendered into the offering shall be allocated on a pro-rata basis
- Tender offer period from 31/10/2017 to 20/11/2017

Fresh 2008

- Payment obligations in connection with both usufruct and company swap agreements declared ineffective as per Article 22, Paragraph 4 of Decree no. 237/2016
- Capital deficiency event triggered by reported capital ratios as at 30 June 2017

Currrent shareholders



Restructuring Plan Update

In line with Restructuring Plan

Headcount reduction	○ **1,800 staff exits** (out of the 4,800 planned by 2021) already achieved in 2017 **(~38% of the Restructuring Plan target)** ○ **One-off costs for c. EUR 280mln** booked in 3Q17 for 1,200 exits on top of EUR 117mln booked in 4Q16 for 600 exits (total 2016-2021 restructuring costs amounting to EUR 1,155mln) ○ **Annual run-rate cost savings for c. EUR 135mln** stemming from the 1,800 staff exits	✓
Branch network optimisation	○ **600 branches** to be closed by 2021: ▪ **172** branches already closed in 9M17 (~29% of total target) ▪ **115** to be closed by November 2017 (~48% of total target) ▪ 152 branches to be closed by January 2018 (~73% of total target) ▪ 161 branches to be closed by 2H2018 (100% of total target) ○ **Attrition rate for closed branches (172):** ~5% of customers, ~4% of total funding	✓
NPE disposals	○ **c. EUR 26bn securitisation structure:** activities progressing in line with expected timeline ○ Activities in connection with disposal of NPE servicing platform to Cerved/Quaestio in progress ○ **EUR 1.1bn of unlikely-to-pay disposal/reduction in 9M17** (out of EUR 4.5bn expected by 2019), with limited P&L cost (c. 5% GBV) ○ **c. EUR 2.6bn small ticket and leasing loans to be sold in 2018:** ongoing preparation	✓
Non core asset disposal	○ **Disposal of non-core real estate (EUR 500mln) to start in 2018** ○ **Coordination with city plans** in main cities to optimise reorganisation and headcount reduction ○ Ongoing disposal of non-core equity stakes	✓

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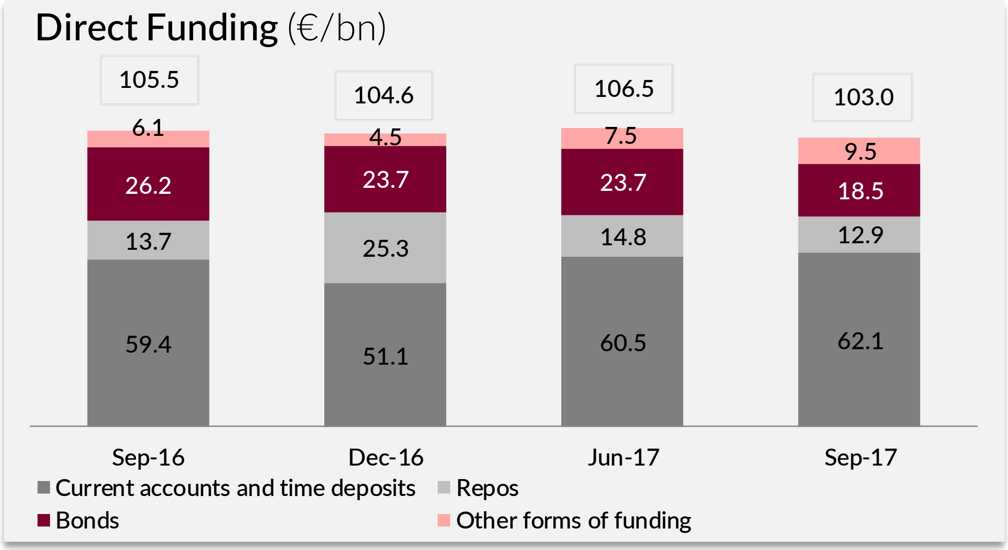
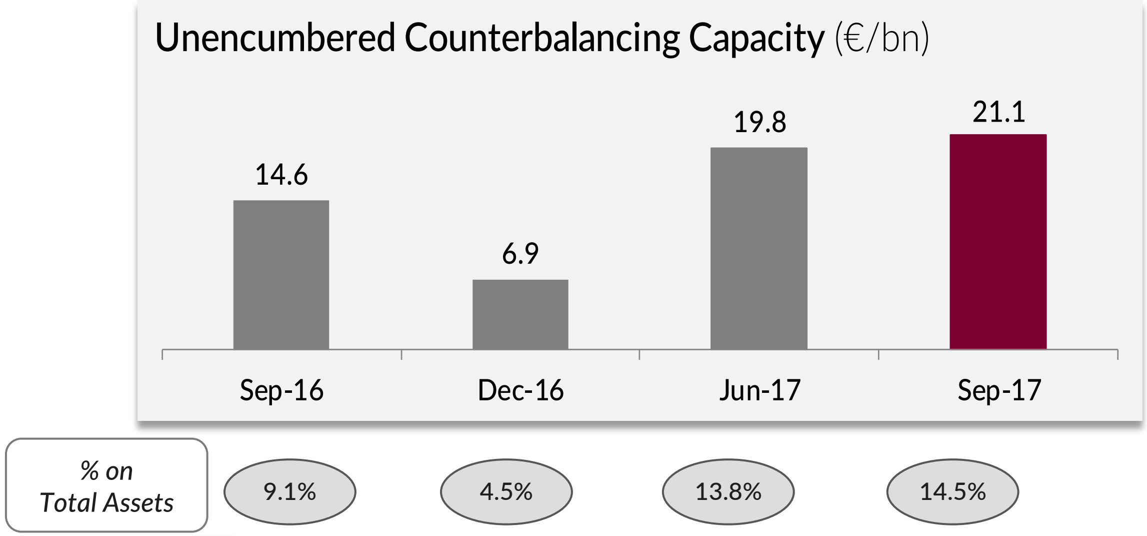
Direct Funding and Liquidity

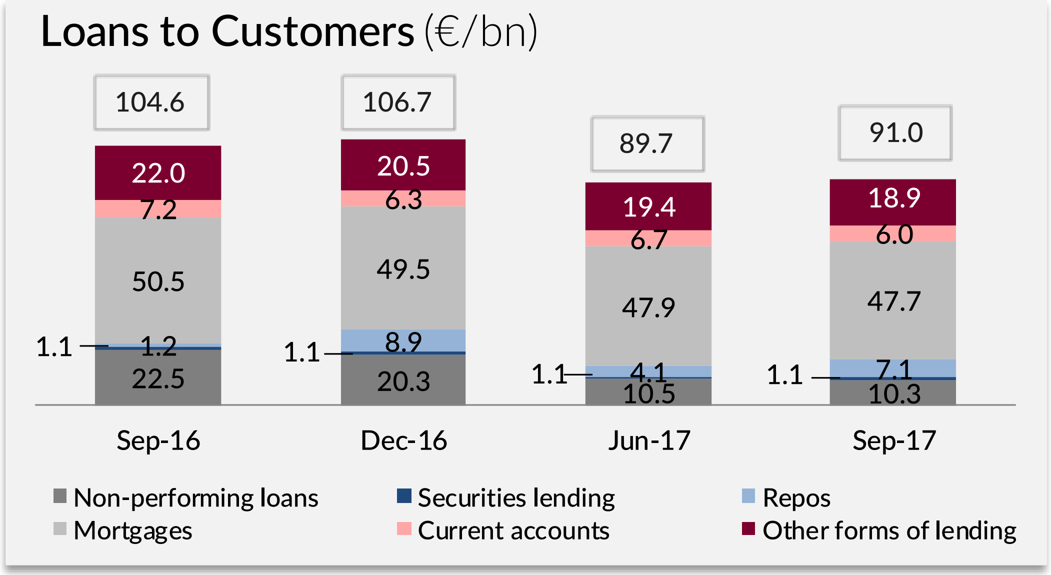


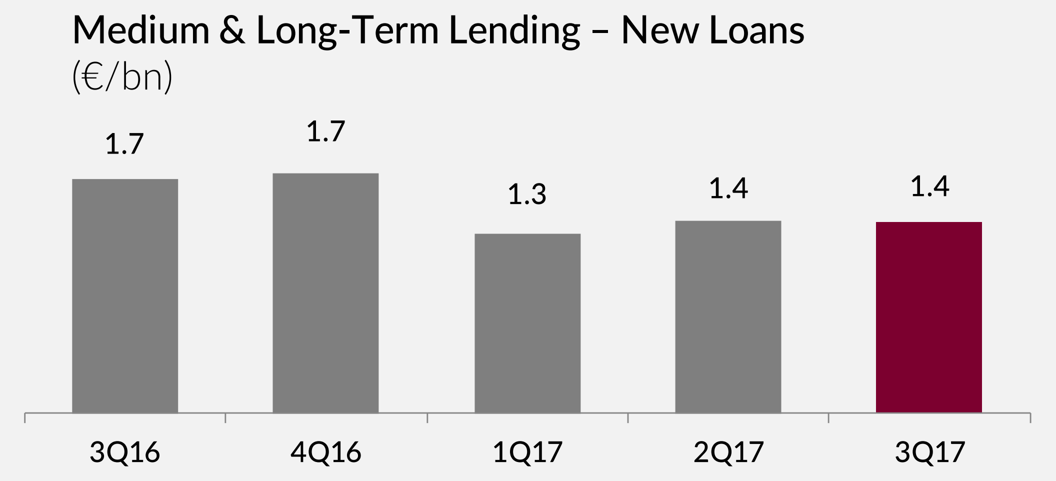


- **Commercial funding continues to increase: current accounts and time deposits up by approx. EUR 11bn** (+21.5%) **from 2016 year-end and by EUR 1.6bn QoQ**
- **Direct funding evolution:**
  - EUR -5.2bn in bonds due to burden-sharing measures (EUR -4.3bn) and maturities in 3Q17 (EUR -0.9bn)
  - EUR +1.6bn in current accounts and time deposits
  - EUR +2.0bn in other forms of funding with corporates and key clients
  - EUR -2.0bn in repos with institutional counterparts to optimise cost of funding
- **Group's direct funding market share at 3.96%*,** up 41bps from 2016 year-end
- **Counterbalancing capacity** equal to EUR 21.1bn at 30 September 2017 (EUR +1.3bn from Jun-17), due to the upturn in commercial funding
- **LCR:** ~234% (~226% in Jun-17)
- **NSFR:** ~107% (~98% vs. Jun-17)

* Latest available data: July 2017

Customer Loans



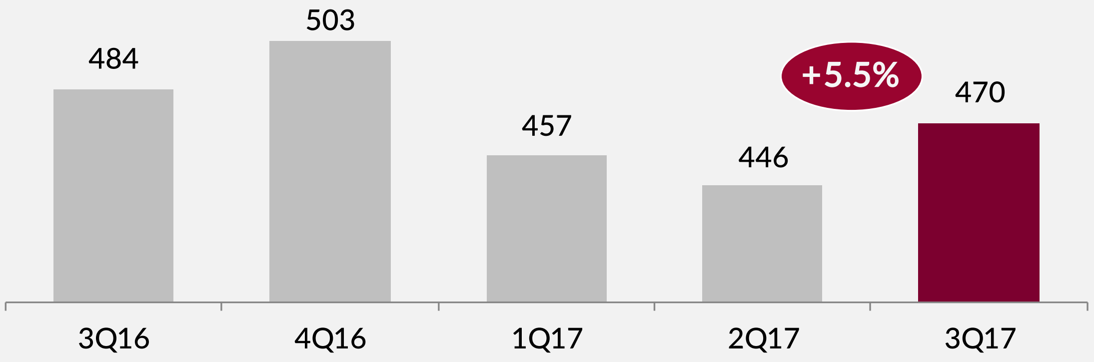


- **Customer loans evolution (EUR +1.3bn QoQ):**
  - EUR +3bn QoQ due to the increase in repos for a temporary investment of liquidity coming from capital increase and commercial funding
  - EUR -1.3bn in current accounts, mortgages and other forms of lending, due to maturities not completely substituted by new loans
  - EUR 0.2bn decrease in net NPEs
- **New medium-term lending flows** for EUR 1.4bn in 3Q17, of which EUR 1.1bn mortgages
  - As set out in the restructuring plan, automatic credit decisions on mortgages for individuals increased to ~31% vs. ~20% in 2016 (c. 70% 2021 target)
- **Group's loans market share at 6.59%***, flat vs. 2016 year-end

* Latest available data: July 2017

Net Interest Income

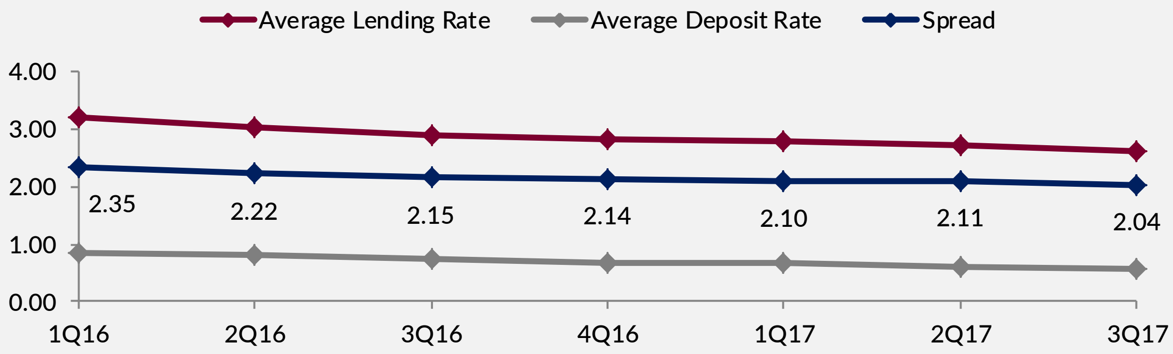
Net Interest Income (€/mln)



Of which interest from NPE:

3Q16	4Q16	1Q17	2Q17	3Q17
149	133	127	125	105

Spread (%)

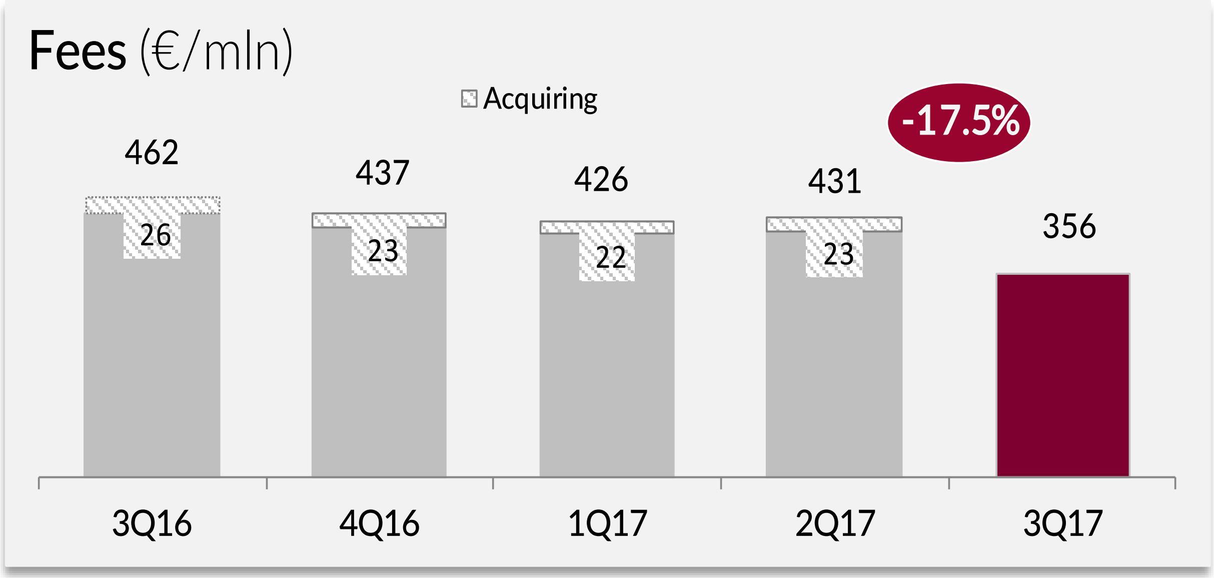


QoQ	YoY
-9bps	-34bps
-7bps	-16bps
-3bps	-18bps

- **Net interest income** +5.5% QoQ, positively impacted by effects of the conversion of subordinated bonds (+EUR 51mln for write-off of interest accrued since last coupon)
- The conversion of the subordinated bonds leads to a c. EUR 30mln reduction in cost of funding for each quarter including estimated costs of new subordinated bonds to be issued
- In line with the Restructuring Plan target, **interest from NPE portfolio** (mainly UTP loans) decreased by EUR 20mln QoQ

- **Average spread:**
  - Lending rate decreased QoQ and YoY mainly due to the run-off of the ex-Consumit portfolio and the decline in rates
  - Cost of funding decreased QoQ and YoY thanks to maturities of more expensive funding and burden-sharing effects
- Potential upside from the closure of the cost of funding gap vs. the market (+37bps) expected in coming quarters

Fees and Commissions Income

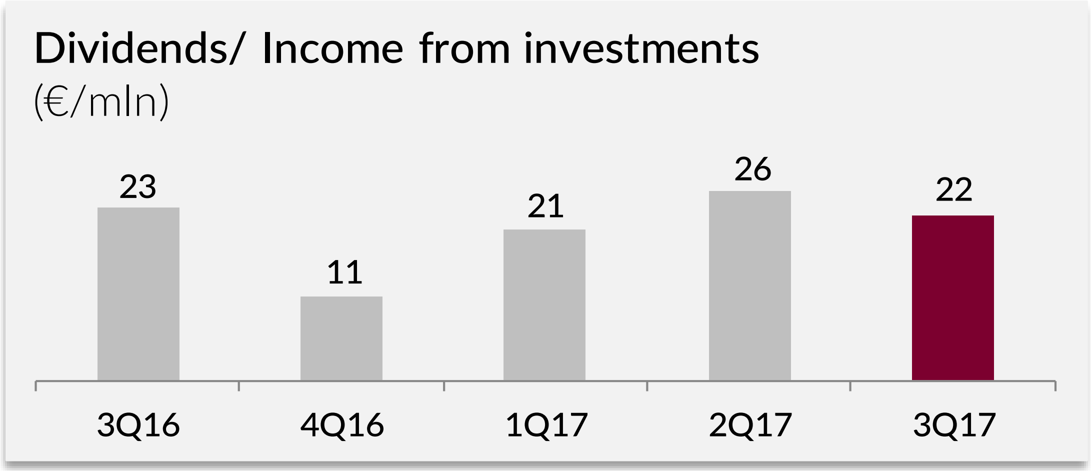


Of which: GGB commissions: -22 -30 -31

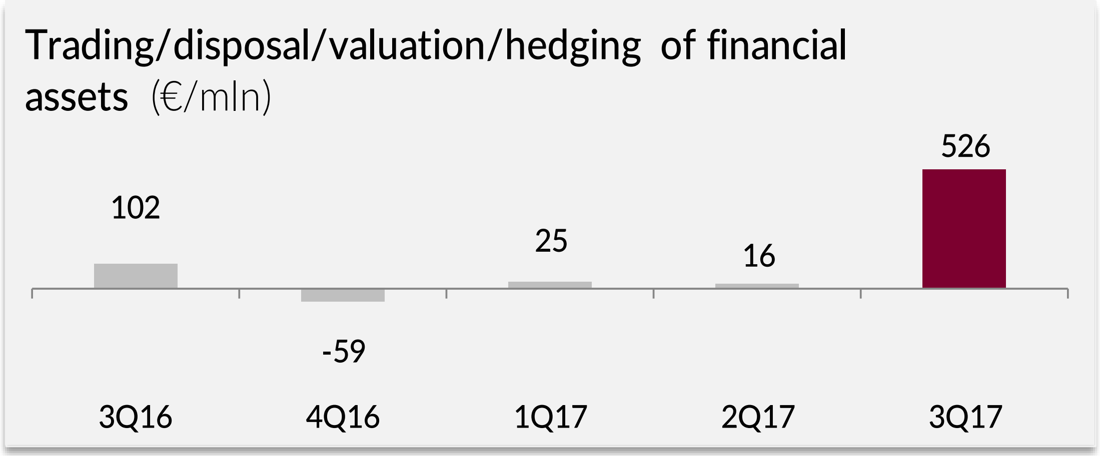
€/mln	3Q16	2Q17	3Q17	3Q17 vs. 3Q16	3Q17 vs. 2Q17
Wealth Management fees, o/w	180	197	169	-5.7%	-14.1%
WM Placement	81	93	70	-14.4%	-25.5%
Continuing	78	84	83	5.8%	-1.0%
Bond Placement	12	11	8	-31.0%	-22.0%
Protection	8	9	9	8.0%	-8.9%
Traditional Banking fees, o/w	301	298	246	-18.0%	-17.4%
Credit facilities	131	136	112	-14.7%	-18.1%
Trade finance	17	15	14	-16.4%	-1.8%
Payment services and client expense recovery	152	147	120	-21.0%	-18.4%
Other	-19	-64	-60	n.m.	-6.6%
Total Net Fees	462	431	356	-22.9%	-17.5%

- **Net fees and commissions** decreased by 17.5% QoQ, impacted by lower fees from credit (EUR -24mln) and from payment services as a result of the sale of the merchant acquiring business (EUR -23mln) and seasonality in WM placement (EUR -23mln)
- **Stock of assets under management** at EUR 57.8bn (EUR +0.2bn QoQ)
- **Stock of assets under custody** at EUR 40.4bn (EUR +1.4bn QoQ) mainly impacted by the effects of burden-sharing (deposits of shares coming from the conversion of UT2 2008-2018)

Dividends and Trading Income



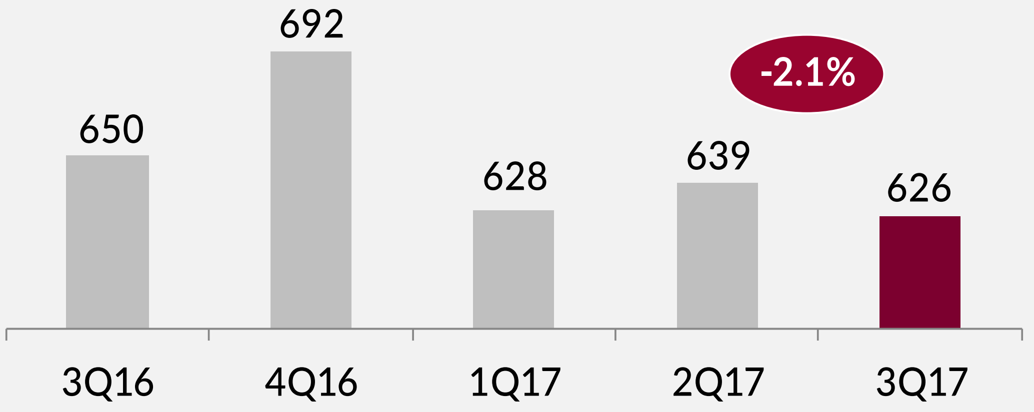
- **Dividends, similar income and gains (losses) on equity investments** equal c. EUR 22mln in 3Q17, fully ascribable to the AXA contribution



- **Trading/disposal/valuation/hedging of financial assets** in 3Q17 at EUR +526mln. The main components:
  - c. EUR - 4mln from trading activities
  - c. EUR +533mln from gain/losses from disposal/repurchase, of which EUR 505mln due to the impacts of burden-sharing
  - c. EUR -1mln from financial assets and liabilities designated at fair value
  - c. EUR -2mln hedging of financial assets

Operating Costs

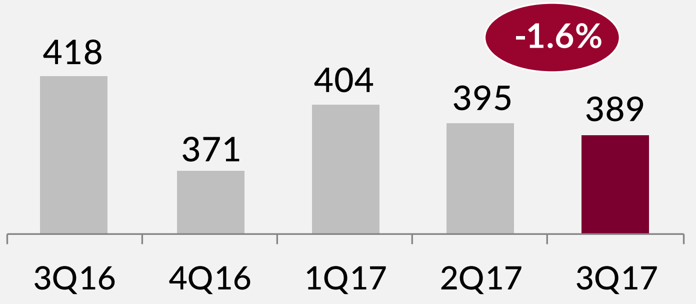
Operating Costs (€/mln)



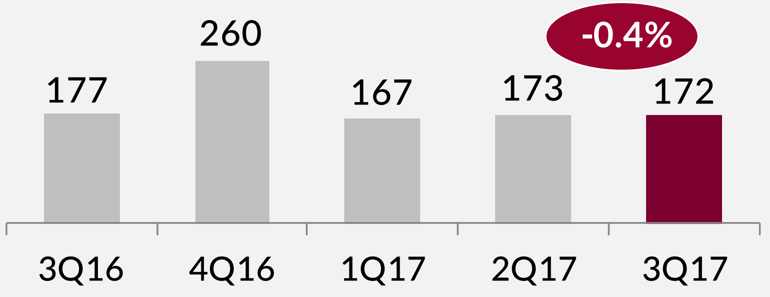
Total operating costs down 2.1% QoQ, with:

- **Personnel expenses** down 1.6% QoQ mainly due to the c. 600 exits in May 2017; further 1,200 exits in November 2017, reaching ~38% of the Restructuring Plan target (1,800 out of 4,800 exits through the Solidarity Fund in 2017-2021)
- **Other admin expenses** stable QoQ (-0.4%)
- **Depreciation and amortisation** down by EUR 6mln QoQ (-8.8%), mainly due to the impairment of a significant software license contract booked in 2Q17

Personnel Expenses (€/mln)

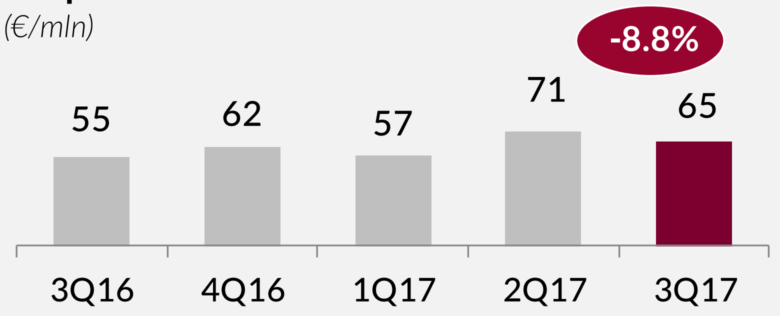


Other Admin Expenses *(€/mln)*

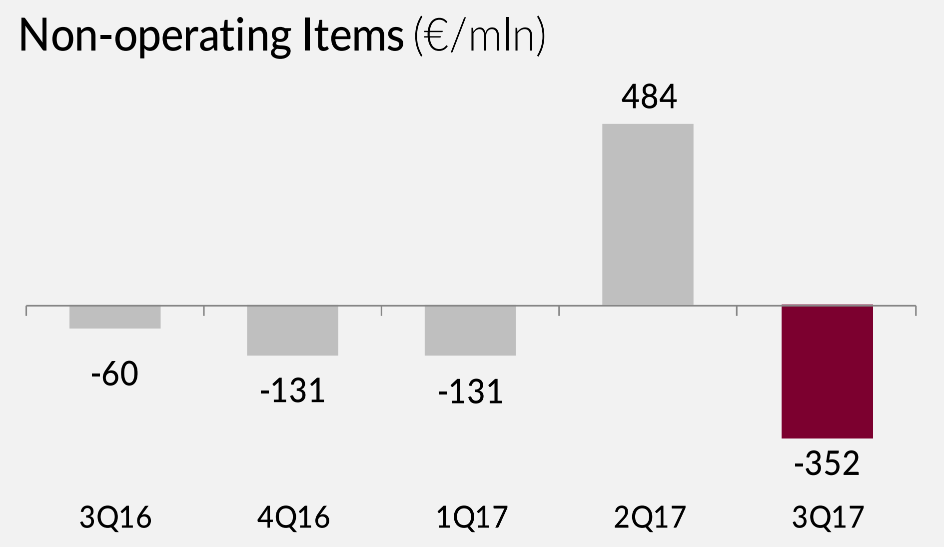


Depreciation and Amortisation

(€/mln)



Non-Operating Items and Taxes



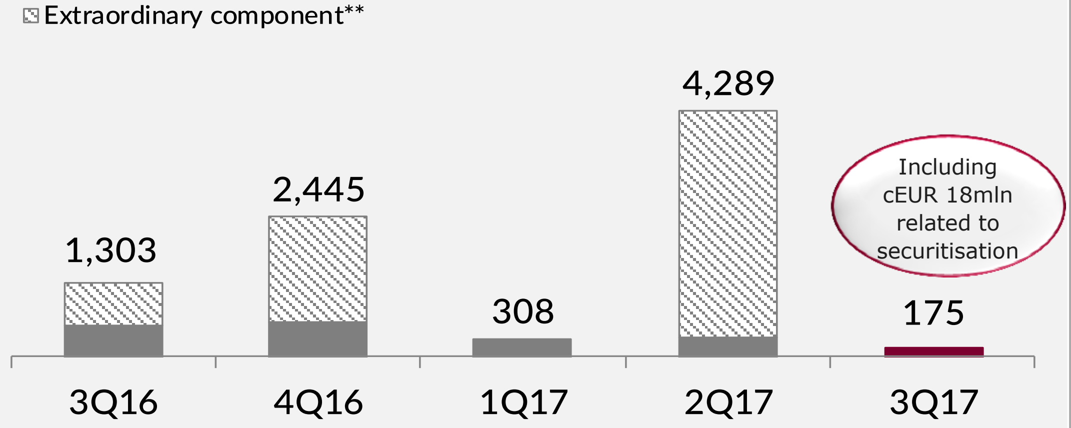
€/mln	3Q16	4Q16	1Q17	2Q17	3Q17
DGS & SRF	-31	-139	-63	0	-31
DTA Fees	-16	54	-18	-18	-18
Other*	-13	-46	-50	501	-303

- **Non-operating income** (EUR -352mln) includes:
  - **EUR -31mln** for the full year contribution to the DGS Fund
  - **EUR -18mln** for the quarterly contribution to DTA fees introduced by Law Decree 59/2016
  - **EUR -17mln** for write-off of equity stakes
  - **EUR -8mln** for provisions for risks and charges
  - **EUR -278mln** extraordinary costs mainly related to provisions for 1,200 employees exited in November 2017 through the Solidarity Fund (EUR -280mln), with release of provisions on branch closures booked in 2Q17 (EUR +2mln)
- **Taxes for the quarter +EUR 80mln**, positively impacted by the greater ACE benefit due to the share capital increase

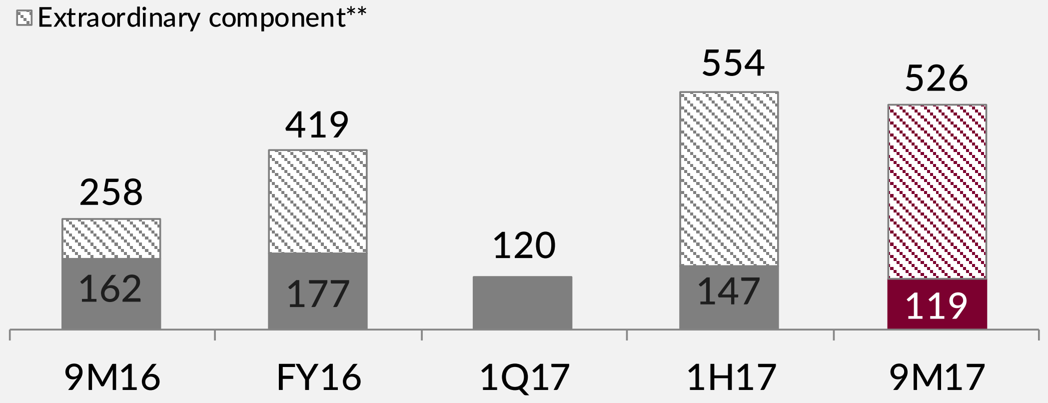
* Net provisions for risks and charges, gains (losses) on investments/disposals and restructuring costs/one-off costs

Focus on Asset Quality (1/3)

Net Loan Loss Provisions (€/mln)



Cost of Risk* (bps)



Non-performing Exposures Coverage (%)

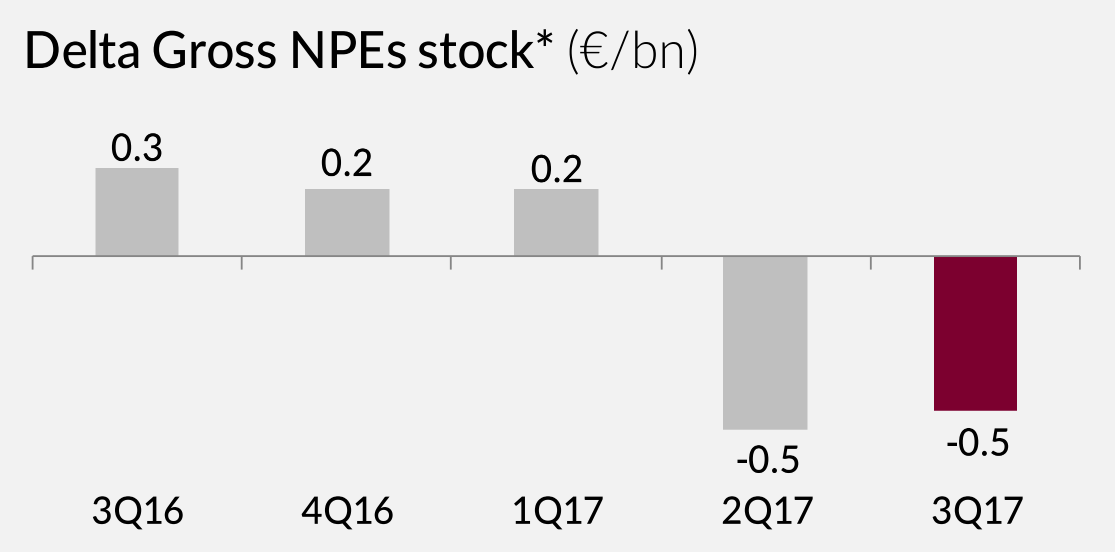
	Sep-16	Jun-17	Sep-17	QoQ
Bad Loans *(sofferenze)*	61.4	77.5	77.2	*-33bps*
Unlikely to Pay	34.5	40.8	41.2	*+41bps*
Past Due	22.8	24.8	24.8	*-2bps*
Total NPE	**50.6**	**65.7**	**66.4**	*+63bps*

- **Net loan loss provisions at EUR 175mln**, due to lower NPE inflows from performing loans and lower migration to bad loans. The amount also includes provisions for the FITD Voluntary Scheme for Caricesena/Carim/Carismi for EUR 27mln; further provisions for EUR 19mln are booked as provisions on AFS
- **Ordinary annualised cost of risk at 119bps** (526bps including cost of securitisation of bad loans)

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

** In 3Q16 and 4Q16: 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 2Q17: provisions related to the disposal of c. EUR 26bn loans.

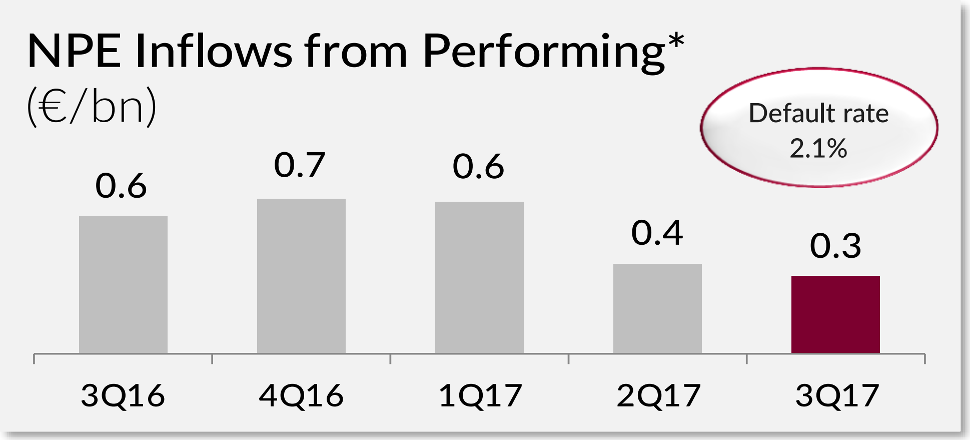
Focus on Asset Quality (2/3)

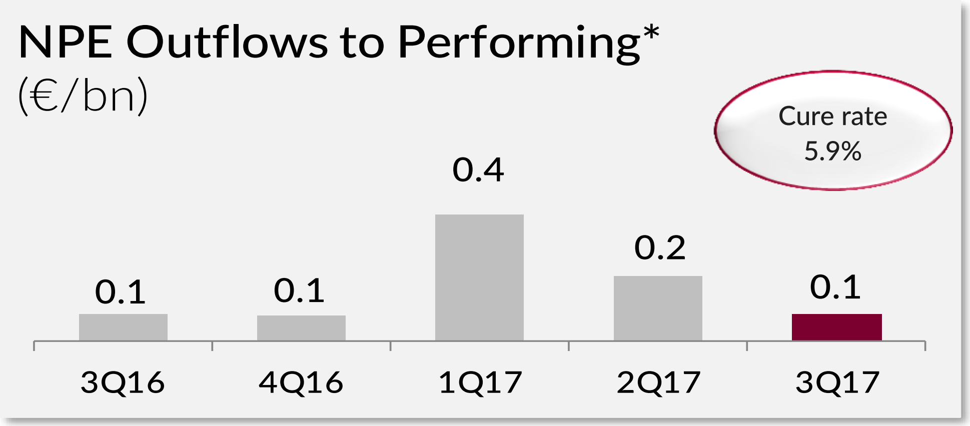


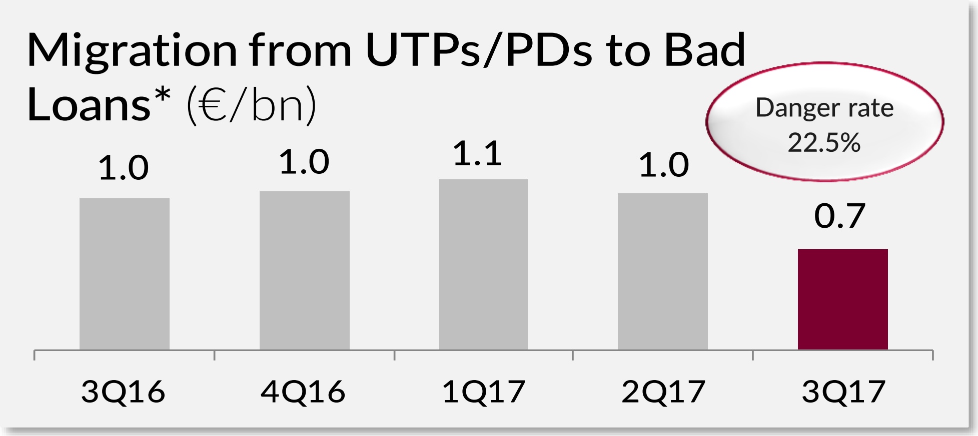
- **Gross NPE stock at EUR 45bn, reduced by EUR 0.5bn from Jun-17**
  - Inflows* from performing at EUR 0.3bn
  - Outflows* to performing at EUR 0.1bn
  - Bad loans recovered for EUR 0.2bn* (EUR 0.6bn in 9M17 vs. EUR 0.5bn in 9M16)
  - UTP disposals and positions closed for EUR 0.6bn
- **Adjusted for the c. EUR 26bn bad loans securitisation, Gross NPEs amount to EUR 19.6bn**

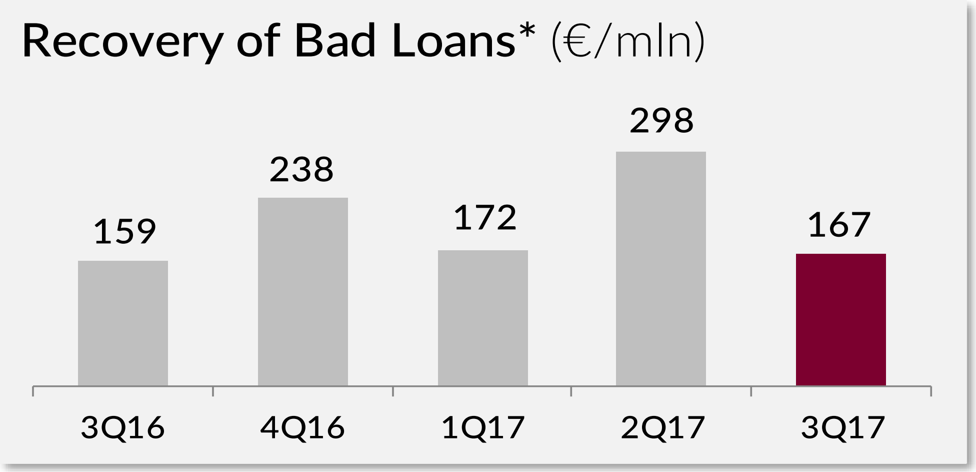
* Data from operational data management system. Figures include signature loans (these are excluded from accounting figures)

Focus on Asset Quality (3/3)





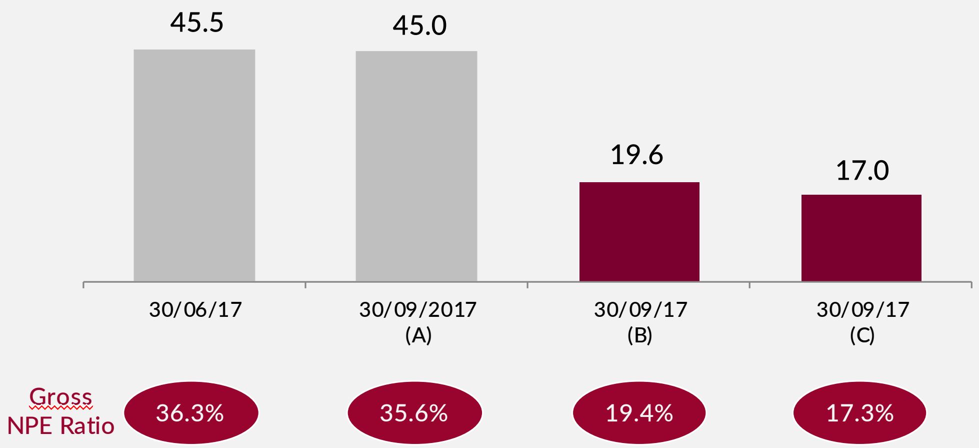




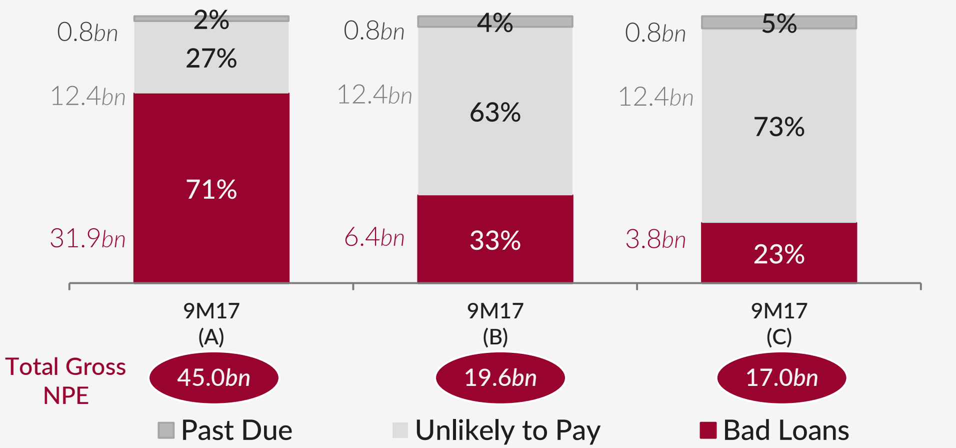
* Data from operational data management system. Figures include signature loans (these are excluded from accounting figures)

Pro-Forma Asset Quality Key Metrics

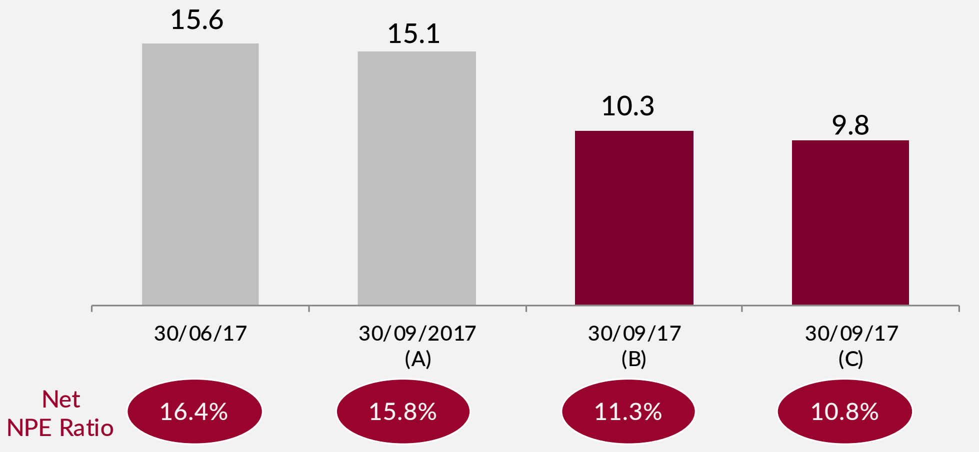
Gross NPEs (€/bn)



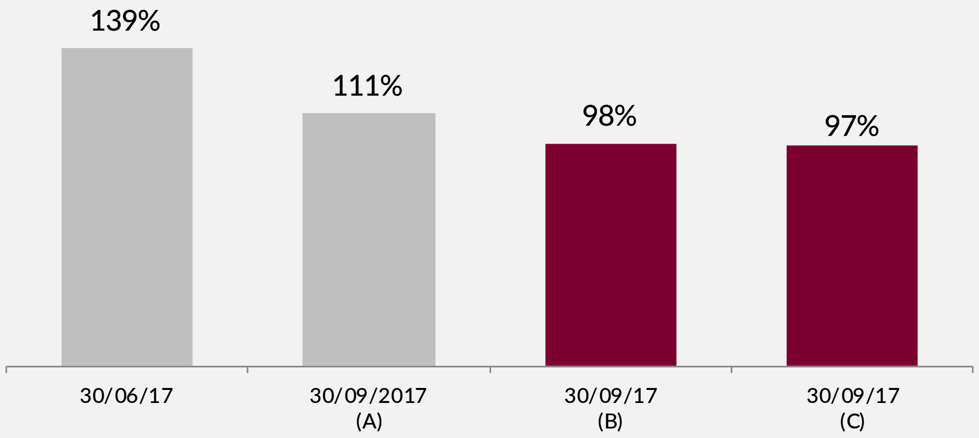
Gross NPE Mix (%)



Net NPEs (€/bn)



Texas Ratio* (%)



Legend for 9M17 data:

(A) = stated

(B) = adjusted to include the c. EUR 26bn bad loans securitisation

(C) = adjusted to include the c. EUR 26bn bad loans securitisation + the estimated impact of the c. EUR 2.6bn disposal of leasing and small ticket loans planned for 2018

* Gross NPEs / tangible equity + provision funds for NPEs. Tangible equity as at 30 Jun 2017 pro-forma for the capital increase and burden-sharing

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3Q17 and 9M17 P&L: Highlights

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Net Interest Income	446	470	5.5%
Net Fees	431	356	-17.5%
Other revenues	42	544	n.m.
Total revenues	**920**	**1,370**	**49.0%**
Operating Costs	**-639**	**-626**	**-2.1%**
Personnel costs	-395	-389	-1.6%
Other admin expenses	-173	-172	-0.4%
Pre-provision profit	**280**	**745**	**n.m.**
Total provisions	**-4,375**	**-225**	**n.m.**
Non-operating items	484	-352	n.m.
Profit (Loss) before tax	**-3,610**	**168**	**n.m.**
Taxes	544	80	n.m.
PPA & Other Items	-6	-6	-2.1%
Net profit (loss)	**-3,073**	**242**	**n.m.**

9M16	9M17	Change (YoY%)
1,519	1,374	-9.5%
1,402	1,213	-13.5%
496	636	28.2%
3,418	**3,223**	**-5.7%**
-1,929	**-1,893**	**-1.9%**
-1,239	-1,188	-4.1%
-533	-512	-3.9%
1,488	**1,331**	**-10.6%**
-2,019	**-4,902**	**n.m.**
-208	1	n.m.
-738	**-3,571**	**n.m.**
-85	590	n.m.
-25	-20	-21.8%
-849	**-3,001**	**n.m.**

Balance Sheet

Total Assets (€/mln)

	Sep-16	Jun-17	Sep-17	QoQ%	YoY%
Customer loans	104,612	89,713	91,041	1.5%	-13.0%
Loans to banks	7,669	13,116	12,897	-1.7%	68.2%
Financial assets	35,748	24,090	25,403	5.5%	-28.9%
PPE and intangible assets	3,017	2,845	2,834	-0.4%	-6.1%
Other assets*	9,082	13,826	12,924	-6.5%	42.3%
Total Assets	**160,129**	**143,590**	**145,099**	**1.1%**	**-9.4%**

Total Liabilities (€/mln)

	Sep-16	Jun-17	Sep-17	QoQ%	YoY%
Deposits from customers and securities issued	105,461	106,544	102,968	-3.4%	-2.4%
Deposits from banks	25,282	22,803	21,566	-5.4%	-14.7%
Other liabilities**	20,613	11,193	9,617	-14.1%	-53.3%
Group equity	8,746	3,048	10,945	n.m.	25.1%
Minority interests	27	2	2	0.0%	-91.7%
Total Liabilities	**160,129**	**143,590**	**145,099**	**1.1%**	**-9.4%**

* 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)

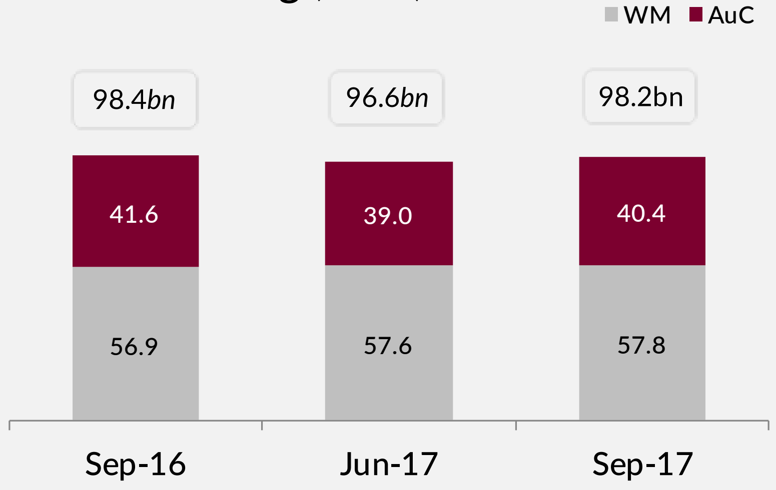
	Sep-16	Jun-17	Sep-17	QoQ%	YoY%
Current accounts	7,192	6,684	6,033	-9.7%	-16.1%
Mortgages	50,476	47,867	47,682	-0.4%	-5.5%
Other forms of lending	22,042	19,412	18,907	-2.6%	-14.2%
Reverse repurchase agreements	1,249	4,145	7,064	70.4%	n.m.
Loans represented by securities	1,144	1,130	1,072	-5.1%	-6.2%
Impaired loans	22,509	10,475	10,283	-1.8%	-54.3%
Total	104,612	89,713	91,041	1.5%	-13.0%

Direct Funding (€/mln)

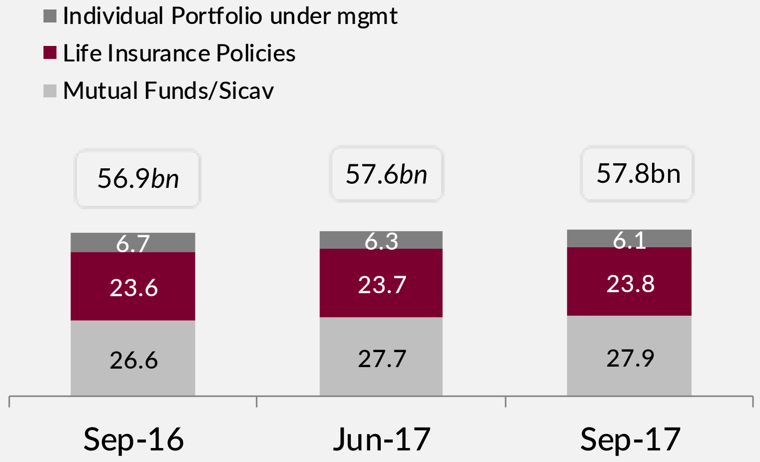
	Sep-16	Jun-17	Sep-17	QoQ%	YoY%
Current accounts	47,621	49,606	50,561	1.9%	6.2%
Time deposits	11,787	10,889	11,557	6.1%	-1.9%
Repos	13,719	14,848	12,875	-13.3%	-6.2%
Bonds	26,198	23,677	18,469	-22.0%	-29.5%
Other types of direct funding	6,137	7,524	9,507	26.3%	54.9%
Total	105,461	106,544	102,968	-3.4%	-2.4%

Asset Under Management and Under Administration

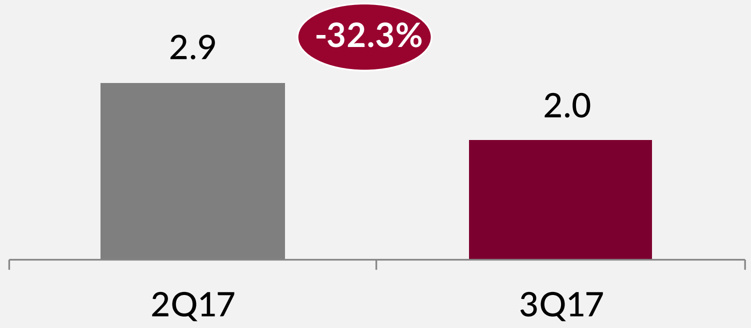
Indirect Funding (€/bn)



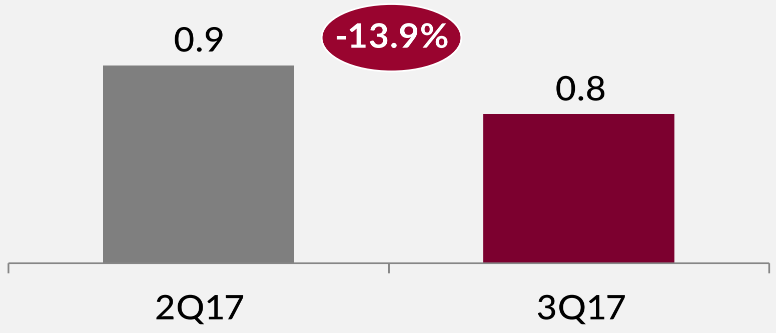
WM Mix (€/bn)



Mutual Funds/Sicav* (€/bn)



Bancassurance** (€/bn)



* Placement of gross Mutual Fund and Sicav products
** Placement of AXA-MPS Saving products (gross amount)

Financial Assets: Focus on Italian Govies Portfolio

Financial Assets (€/mln)

	Sep-17	QoQ%	YoY%
HFT	10,102	4.0%	-46.1%
AFS	15,301	6.4%	-10.0%
Total	**25,403**	**5.5%**	**-28.9%**

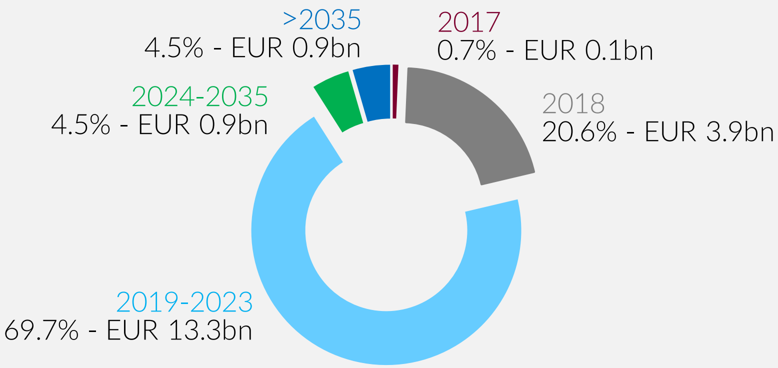
- Total Italian Government Bond portfolio duration 3.2 years as at September 2017 (3.6 years as at Jun-17)
- Total AFS Italian Government Bond portfolio duration 3.7 years as at September 2017 (4.0 years as at Jun-17)
- AFS reserve as at Sep-17: EUR -0.1bn (EUR -7mln at the end of October)

Italian Government Bonds: ~EUR 19bn* *(Market Value)*

Credit spread sensitivity: (1bp change) ~EUR -5.8mln before tax

Breakdown by IAS category

Breakdown by maturity



* Figures from operational data management system

Non Performing Exposures

Non Performing Exposures - NPEs* (€/mln)

	Net Sep-17	QoQ *(%)*	YoY *(%)*	Net NPE Ratio** *(%)*	**Gross Sep-17**	QoQ *(%)*	YoY *(%)*	Coverage (%)	Gross NPE Ratio *** *(%)*
Bad loans *(sofferenze)*	7,272	3.5%	-33.3%	7.6%	31,852	2.0%	12.8%	77.2%	25.2%
Unlikely-to-Pay	7,281	-8.8%	-27.7%	7.6%	12,379	-8.1%	-19.4%	41.2%	9.8%
Past due / overdue exposures	589	2.8%	-61.7%	0.6%	783	2.8%	-60.7%	24.8%	0.6%
Total NPEs	**15,142**	**-2.8%**	**-32.7%**	**15.8%**	**45,014**	**-1.0%**	**-1.3%**	**66.4%**	**35.6%**

* Data from operational data management system. Figures include signature loans (these are excluded from accounting figures)

** Net NPEs / Net customer loans

*** Gross NPEs / Gross customer loans

Agenda

- Executive Summary
- 3Q17 Results
- Annexes
  - Details on 3Q17 Results
  - Details on NPE Stock

Bad Loans and UTPs

Bad Loans

EUR 31.9bn	
EUR -26.1bn*	
EUR +0.6bn **	
EUR -2.6bn ***	
EUR 3.8bn	

- Borrower in gone concern status and with activated legal actions
- Management of new bad loans: 80% outsourced to Cerved/Quaestio, 20% managed internally
- Disposals to be completed in 2018 of EUR 28.6bn bad loans: EUR 26bn through a securitisation and EUR 2.6bn of small ticket and leasing loans. Following this disposal the portfolio will have a low vintage (c. 1-2 years) well below Italian average

UTPs

EUR 12.4bn

Disposal/reduction of EUR 1.1bn already completed in 2017 (out of EUR 4.5bn in 2017-21), with limited P&L cost (c. 5% GBV)

Restructured UTP loans – GBV EUR 5.6bn

- Borrower with restructuring plan with lending banks agreed or under negotiation
- c. 80% with vintage below 3 years
- Management: tailor made restructuring plan (i.e. extended maturity, interest rate reduction, partial conversion into equity). Potential disposal / reduction of selective positions / clusters

Other UTP loans – GBV EUR 6.8bn

- Borrower in going concern status or into voluntary liquidation of own assets (the borrower agrees to voluntarily liquidate all or part of own assets and use proceeds to reimburse creditors (sometimes partially) under a negotiated agreement
- c. 90% with vintage below 3 years
- Management: ongoing process to outsource small tickets (at the moment c. 80k positions / EUR 1.1bn, but potentially increasing) expected to be completed in 1Q18. Remaining positions managed internally through a dedicated unit and potential disposal /reduction of selective positions, write-offs, conversion into equity and interest rate reduction

* Securitised portfolio to be sold to Atlante II
** Recovery on securitised portfolio to be sold to Atlante II
*** Disposal of leasing and small tickets planned for 2018

Restructured Unlikely-to-Pay*

Restructured UTPs

- Borrower with restructuring plan with lending banks agreed or under negotiation
- Borrower to be moved back to performing only according to strict criteria (i.e. respecting the restructuring plan for a defined cure period of at least one year and part of the exposure paid back)

Management process

- Managed internally as they typically consist of large positions, in pool with other banks (c. 85% of total)
- Full loan data tape in place and strong knowledge of each position
- c. 50 employees currently assigned to manage restructured UTPs to be strengthened with employees previously allocated to bad loan management

Disposal/ reduction

- Tailor made recovery strategy for each position depending on borrower (i.e. expected financial performance, ability to meet restructuring/liquidation plan, net financial position after restructuring, assets to be disposed) and position features (i.e. size of the exposure, type of guarantee, expected liquidation value, potential buyers of the exposure)
- Restructuring plan may include one (or a combination) of the following actions: conversion of part of debts into equity, lengthen maturity, reduced interest rate, partial write-offs (“stralci”), disposal of the loan to industrial or financial investors (in some cases investors provide additional funding to the borrower to preserve going concern status)

*Figures from operational data management system

Restructured Unlikely-to-Pay*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	448	2.4	39.7%	1.5	45.1%
Personal guarantee	318	0.8	54.7%	0.4	11.4%
Unsecured	618	2.4	42.1%	1.4	43.5%
Total	**1,384**	**5.6**	**42.9%**	**3.2**	**100.0%**
of which Pool other banks	*1,247*	*4.6*		*2.7*	*83.5%*

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	2.4	81.3%	18.7%
Personal guarantee	0.8	84.7%	15.3%
Unsecured	2.4	81.6%	18.4%
Total	**5.6**	**81.9%**	**18.1%**

Breakdown by Industry (€/bn)

UTP Restructured	GBV	NBV	% on NBV
Construction	0.7	0.4	12.5%
Real estate	1.1	0.6	18.4%
Holding	0.2	0.1	3.1%
Transport and logistics	0.8	0.4	13.3%
Other industrial**	2.1	1.3	39.6%
Households	0.0	0.0	0.7%
Other	0.7	0.4	12.4%
Total	**5.6**	**3.2**	**100.0%**

- Average coverage of 42.9%, above Italian average. Net book value EUR 3.2bn (45% secured)
- Corporate and PMI sectors > 85% of total restructured UTPs
- Positions with GBV > EUR 1m represent >95% of total restructured high vintage UTPs due to restructuring plans
- No specific industry concentration. Construction and real estate sectors amount to c. 30% of total net UTPs

* Figures from operational data management system
** Other Manufacturing (excluding Construction, Real Estate and Transportation)

Other Unlikely-to-Pay*

Other UTPs	❑ Borrower in going concern status or into voluntary liquidation of own assets (the borrower agrees to voluntary liquidate all or part of own assets and use proceeds to reimburse creditors, sometimes partially, under a negotiated agreement) ❑ Borrower can be moved back to performing only after meeting several criteria including paying back part of the exposure
Management process	❑ Small tickets in the process to be outsourced (at the moment c. 80k positions / EUR 1.1bn, but potentially increasing) in order to focus on large tickets ❑ Remaining positions managed internally. c. 330 employees assigned to manage non restructured UTPs to be strengthened with employees previously allocated to bad loan management
Disposal/ reduction	❑ Recovery strategy depending on borrower (i.e. expected financial performance, assets to be disposed) and position feature (i.e. type of guarantee, expected liquidation value) ❑ Generally managed through full and final write-offs ("saldi e stralci"), alongside extended maturity and interest rate reduction. Coverage above Italian average provides greater flexibility in negotiations with borrowers ❑ Disposal of some specific clusters ❑ Full loan data tape in place

*Figures from operational data management system

Other Unlikely-to-Pay*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	14,823	4.1	34.3%	2.7	66.8%
Personal guarantee	13,815	1.1	48.7%	0.5	13.3%
Unsecured	89,325	1.6	48.2%	0.8	19.9%
Total	**117,963**	**6.8**	**39.8%**	**4.1**	**100.0%**
of which Pool other banks	***10,838***	***3.1***		***1.9***	***46.4%***

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	4.1	89.9%	10.1%
Personal guarantee	1.1	84.8%	15.2%
Unsecured	1.6	88.6%	11.4%
Total	**6.8**	**88.8%**	**11.2%**

Breakdown by Industry (€/bn)

Other UTP	GBV	NBV	% on NBV
Construction	1.1	0.7	16.6%
Real estate	0.9	0.6	14.6%
Holding	0.0	0.0	0.3%
Transport and logistics	0.1	0.1	1.3%
Other industrial**	1.7	0.9	22.7%
Households	1.1	0.8	19.4%
Other	1.7	1.0	25.0%
Total	**6.8**	**4.1**	**100.0%**

- Average coverage of 39.8%, above Italian average. Net book value EUR 4.1bn (c. 67% secured)
- PMI and Small Business sectors represent over 70% of total UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 30% of total UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 30% of total net UTPs

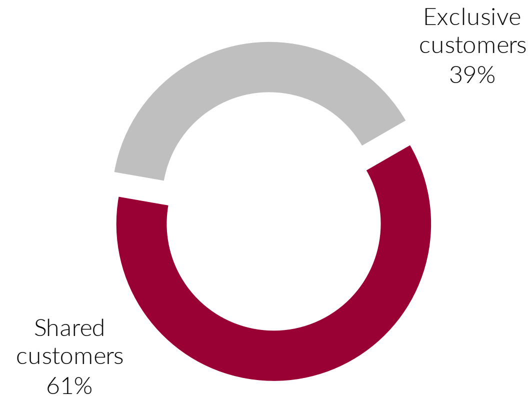
* Figures from operational data management system
** Other Manufacturing (excluding Construction, Real Estate and Transportation)

First 100 NPEs at 30.09.2017

*61% of the first 100 NPEs** are customers shared with other banks****

	#tickets	GBV (€/mln)	NBV (€/mln)	Coverage (%)	% GBV on Total NPEs*
Top 100	100	4,989	2,039	59%	11.3%
of which Bad Loans	39	1,682	286	83%	3.8%
of which Unlikely to Pay Loans	61	3,307	1,753	47%	7.5%

Customers shared with other banks***
(% on GBV)



Breakdown by activity
(% on GBV)

* Including EUR 26.1bn bad loans securitisation
** Bad and Unlikely-to-Pay loans
*** Latest available banking system data
**** 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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