MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

1Q18 BMPS Results

11 May 2018

Results of the Restructuring process

2017 – Focus on:
- Capital strengthening
- Direct funding recovery
- Approval of Restructuring Plan
- Completion of burden-sharing and retail settlement of UT2 2008-18

→

2018 – Focus on:
- Revamping commercial activity
- NPE reduction
- Cost savings
- Asset quality and cost of risk stability

Restructuring Plan UPDATE Focus on 2018

✓ DONE

- Securitization:
  - ✓ Senior tranche of EUR 2.9bn rated by Moodys, Scope Ratings and DBRS
  - ✓ Tranching exceeds Restructuring Plan expectations, which included unrated notes for EUR 500mln
  - ✓ Timing in line with expectations
- 70% of target branch closures achieved
- EUR 3bn GGBs reimbursed in Jan 18:
  - ✓ c. EUR 27mln annual savings

1Q18 Highlights RESULTS

- Pre-provision profit at EUR 304mln (2x vs. 4Q17)
- Net result at EUR 188mln
- Commercial revamp commenced:
  - ✓ Commercial customer loans*: EUR +0.9bn vs. Dec-17
- Ongoing cost reduction: -11.9% vs. 4Q17
- Reduced cost of risk: 61bps
- Continued positive growth of Widiba online banking across all business lines, confirming leadership in innovation: Q1 revenues +38% YoY, net operating result at EUR 0.6mln, net income at EUR 0.1mln

2018 GOALS

✓ ON TRACK

- Focus on lending and revenue growth
  - ✓ Cost of funding reduced by 10bps vs. Q4 (c. 16bps gap vs. peers yet to be closed)
  - ✓ Franchise stability: c. 10%/5% attrition in terms of lending/funding following branch closures in March 2017
- NPE reduction on track:
  - ✓ Disposal of EUR 2.6bn small-ticket and leasing bad loans in 2H18
  - ✓ Ongoing EUR 1.5bn UTP reduction
- 2018 to benefit from staff exits and branch closures carried out in 2017

* Current accounts + mortgages + other forms of lending

Highlights of 1Q18 Results
Net income at EUR 188mln and positive effects of commercial effort

Increased core revenues

EUR 421mln (+1.6% QoQ)
Net interest income due to cost of funding reduction

EUR 407mln (+11.9% QoQ)
Fees and commissions, driven by commercial revamp

Decreased operating costs

EUR 573mln (-11.9% QoQ)
benefitting from staff exits carried out in Q4 2017 and cost-saving initiatives

Personnel costs: -5.0% QoQ

Doubled pre-provision profit vs. 4Q17

EUR 304mln
First results of ongoing restructuring

Reduced provisioning

Cost of risk at 61 bps
(vs 172bps* in 2017)

Cost of risk normalization following c. EUR 25bn provisions and customer loans deleveraging for c. EUR 57bn in 2012-17

Reduced UTPs

EUR 0.5bn achieved**
and EUR 0.6bn already in the market with binding offer expected by June 2018 and EUR 0.4bn on the market in the next few months

Solid CET1

14.4%
11.7% fully loaded for IFRS 9

* Excluding extraordinary component related to securitization
** Of which c. EUR 0.2bn disposed in Jan-April 2018 and EUR 0.3bn with binding offers already received

1Q18 Results

P&L (€ /mln)	4Q17	1Q18	Change (QoQ%)	IFRS9 impacts	Other one-offs	Description
Net Interest Income	415	421	1.6%	1.4		Net impact: lower interests on UTPs/PDs and reversal of the time value of bad loan provisions
Fees and commissions	363	407	11.9%		15.0	Renewal of agreement with Compass
Other revenues	25	49	n.m.	-31.2		Net losses due to IFRS 9 classification criteria
Total revenues	802	877	9.3%	-29.8	15.0	
Operating Costs	-651	-573	-11.9%			
Pre-provision profit	152	304	n.m.	-29.8	15.0	
Loan loss provisions	-552	-137	-75.1%	17.9		Positive impact of FVTPL and use of provisions for UTP disposal
Non-operating items*	-185	-55	-70.4%			
Profit (Loss) before tax	-615	111	n.m.	-11.9	15.0	
Net income (loss)	-502	188	n.m.			

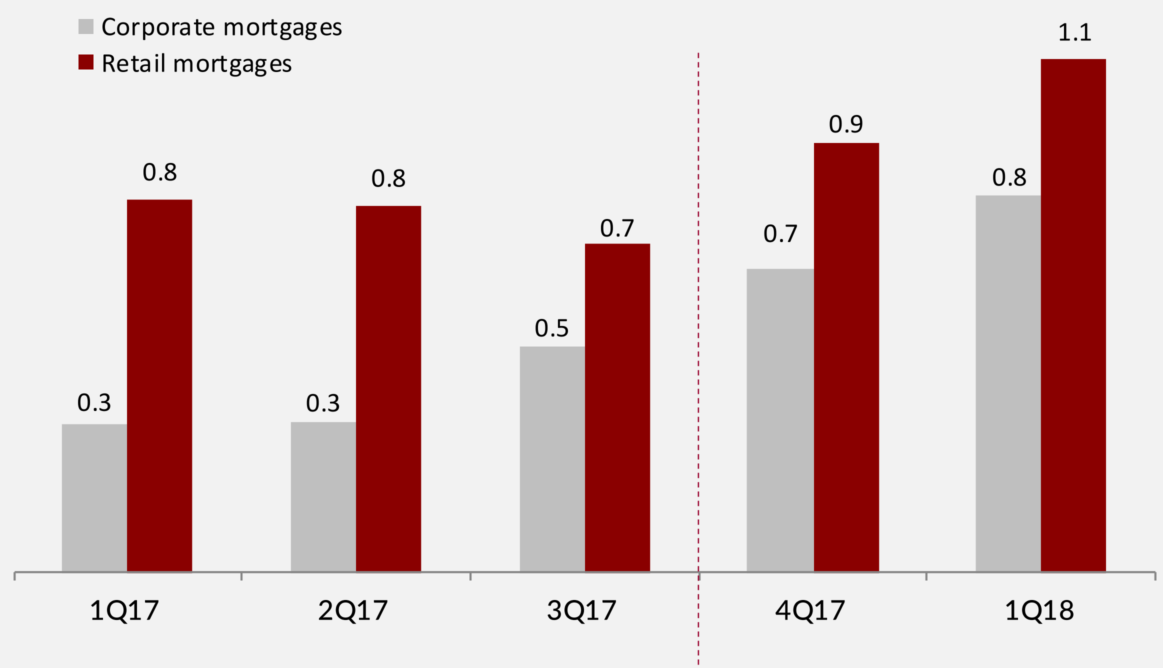
Balance Sheet (€/bn)	4Q17	1Q18	Change (QoQ%)
Loans to customers**	86.5	89.3	+3.3%
Direct funding	97.8	97.9	+0.1%
Total assets	139.2	136.8	-1.7%

* Net provisions for risks and charges, gains (losses) on investments/disposals and restructuring costs/one-off costs, DTA fees, DGS&SRF. See details on slide 14

** IFRS 9 impact on loans to customers: EUR -0.1bn

2018: Focus on Commercial Revamping

New Retail and Corporate mortgages (€/bn)



Precautionary recap

Retail settlement

Negotiation with DG Comp

→ *Commercial focus*

LOANS TO CUSTOMERS

Commercial revamping started:
c. EUR +0.9bn commercial customer loans* since Dec-17

- New corporate mortgages flows: c. +24% QoQ, c. +153% YoY
- New retail mortgages flows: +c. 19% QoQ, c. +37% YoY

DEPOSITS

Current accounts and time deposits
c. EUR +2.9bn since Dec-17

Cost of funding down 10bps vs. Dec-17

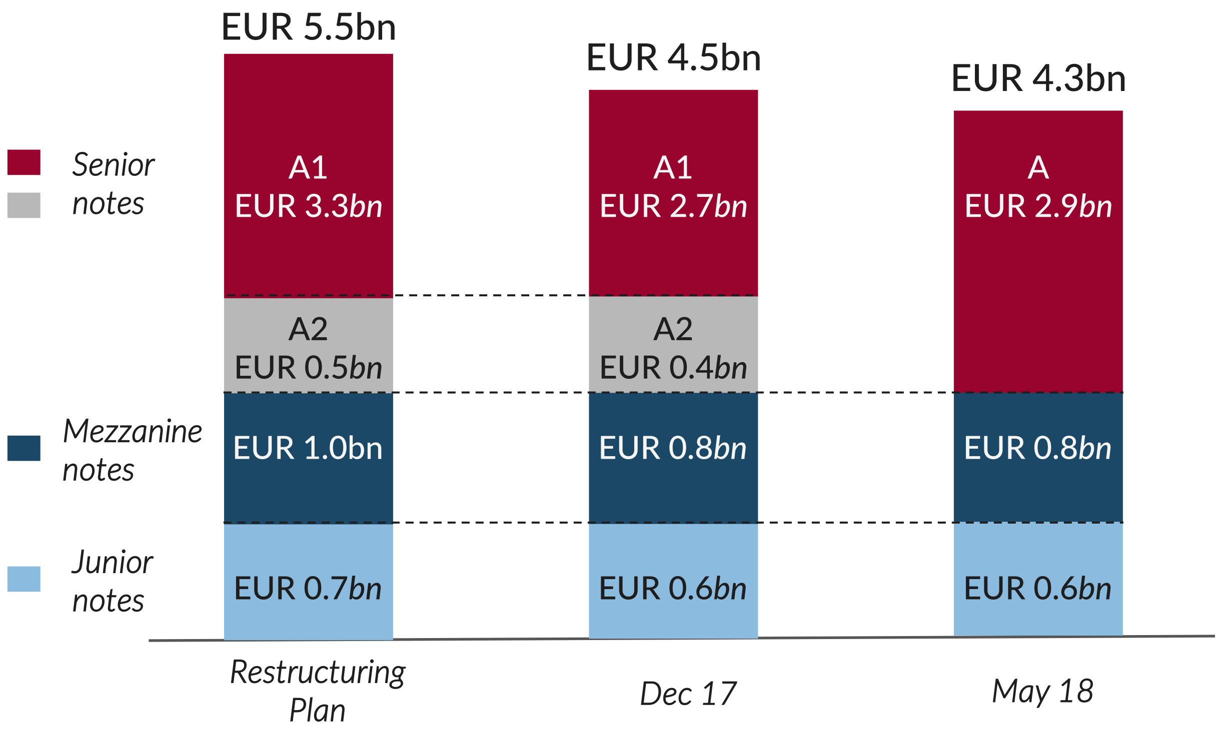
* Current accounts + mortgages + other forms of lending

Securitization: senior tranching exceeds expectations

Largest bad loan securitization in Europe with GBV of EUR 24.1bn, 80k clients and 550k positions

Restructuring Plan GBV: EUR 26.1bn (as at Dec 16)	December 2017 GBV: EUR 24.6bn (as at Dec 16 with exclusions)	2018 post-rating GBV: EUR 24.1bn (as at Dec 17 with collections)

GBV impacted by portfolio exclusions and collections



- All senior notes (EUR 2.9bn) rated A3/BBB+/BBB respectively by Moody's, Scope and DBRS
  - Senior tranching exceeds the Restructuring Plan expectations, which included a class of unrated notes for c. EUR 500mln*
  - The notes, which will be assisted by GACS, will be initially retained by BMPS, which may subsequently consider their partial placement on the market
  - Yield: 3mE + 1.5%
- Mezzanine notes for EUR 0.8bn, unrated, 95% of which already sold to the Italian Recovery Fund managed by Quaestio Capital SGR
  - Yield: 3mE + 8% + 1% Additional Interest (PIK)
- Junior notes for c. EUR 0.6bn, unrated, 95% of which to be sold to the Italian Recovery Fund managed by Quaestio Capital SGR
  - Disposal after having obtained GACS as part of the binding agreement signed in June 2017
  - Earn-out in favour of BMPS (50% of the yield exceeding 12%)
- Deconsolidation of the bad loan portfolio expected by June 2018, GACS expected in coming weeks

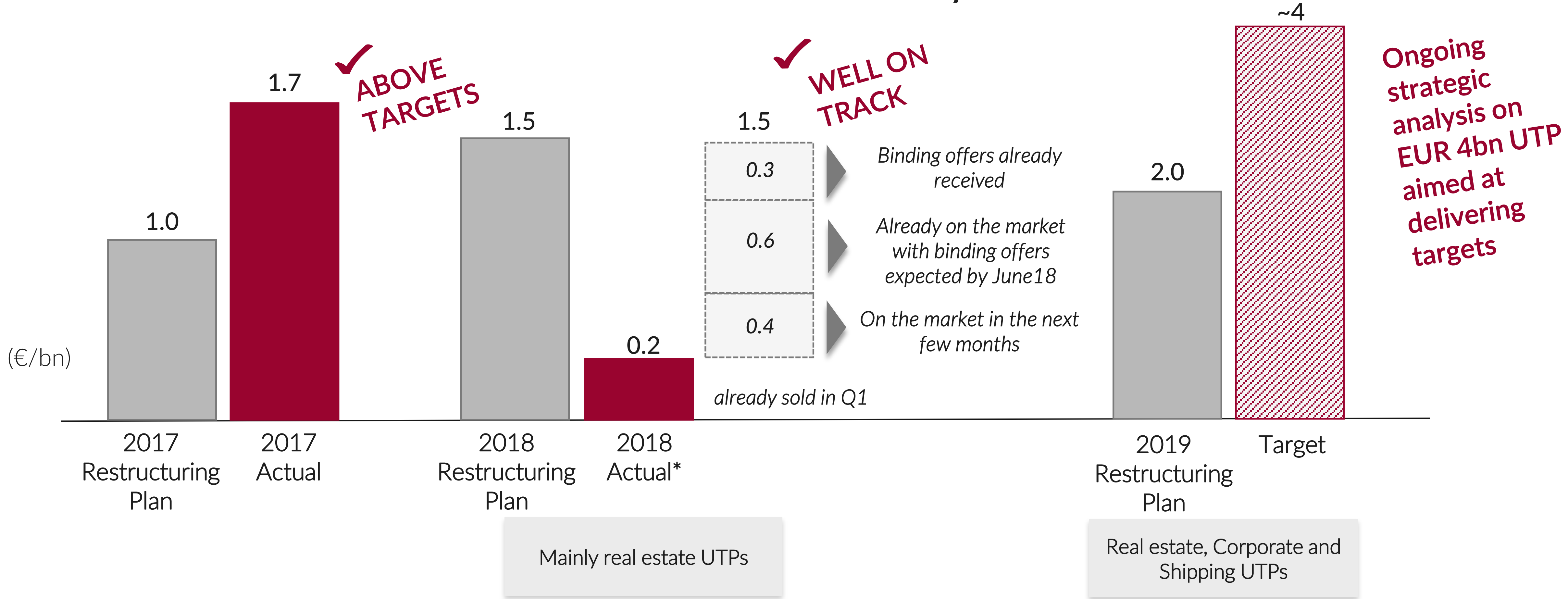
* Based on Dec 2016 data

Further bad loan disposals for at least EUR 2.6bn in 2018
Estimated impact of disposals already included in IFRS 9 FTA

	AMOUNT	PROCESS	
LEASING	EUR 1.3bn Potentially increased including EUR 0.3-0.4bn bad loans originated in 2017	❑ Ongoing definition of the transaction structure and preparation of documentation ❑ To be launched in Q3/Q4, in line with Restructuring Plan	✓ ON TRACK
SMALL TICKETS	EUR 1.3bn Potentially increased including EUR 0.3-0.4bn bad loans originated in 2017	❑ Ongoing preparation of documentation ❑ To be launched in Q3/Q4, in line with Restructuring Plan	✓ ON TRACK
OTHER BAD LOANS	EUR 2.0bn	❑ Sale of EUR 2.0bn bad loans in 2020-21	

Management of 80% of new bad loans originated since 2017 outsourced to Cerved Quaestio (20% managed internally), according to a long term agreement to be finalized by May 2018

Well on track to achieve EUR 3.5bn UTP reduction by 2019



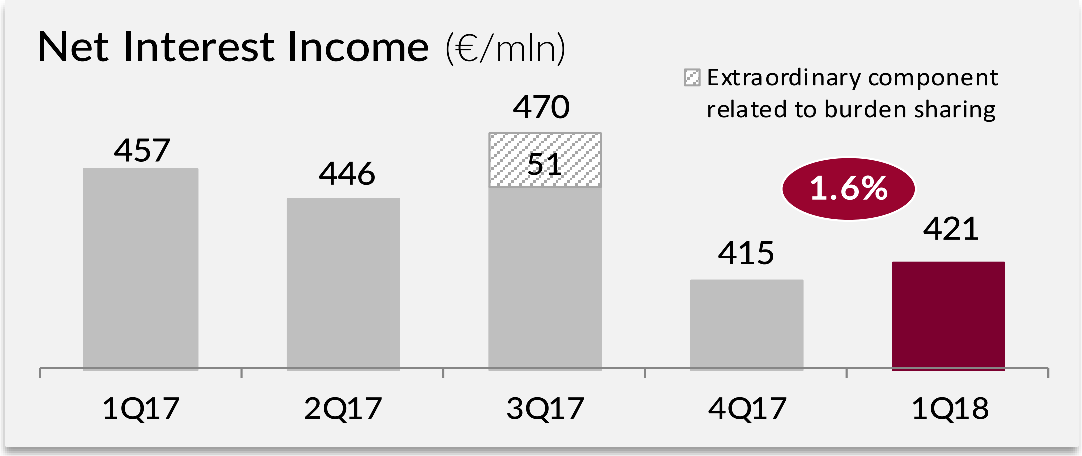
- Estimated impact of disposal already included in IFRS 9 FTA
- Disposal price of closed transactions in line with expectations
- Potential to improve 2021 target of gross NPEs / gross loans to c. 10% considering expected UTP and bad loan disposals and lower than expected default rate

* Of which c. EUR 80mln with agreement signed in 1Q18 and sold in April 2018

Agenda

- 1Q18 Results
- Conclusion
- Annexes
  - Details on NPE Stock
  - Details on 1Q18 Results

Net Interest Income

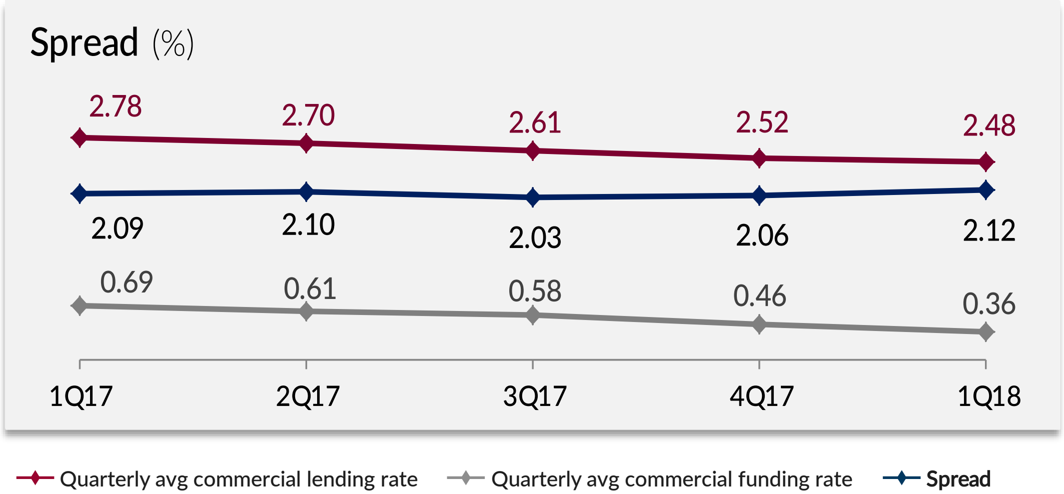


Of which interests from NPEs (€/mln)

1Q17	2Q17	3Q17	4Q17	1Q18
127	125	105	91	~54

Estimated net contribution from NPEs. Data not comparable either Q/Q or Y/Y for the new IFRS 9 accounting rules

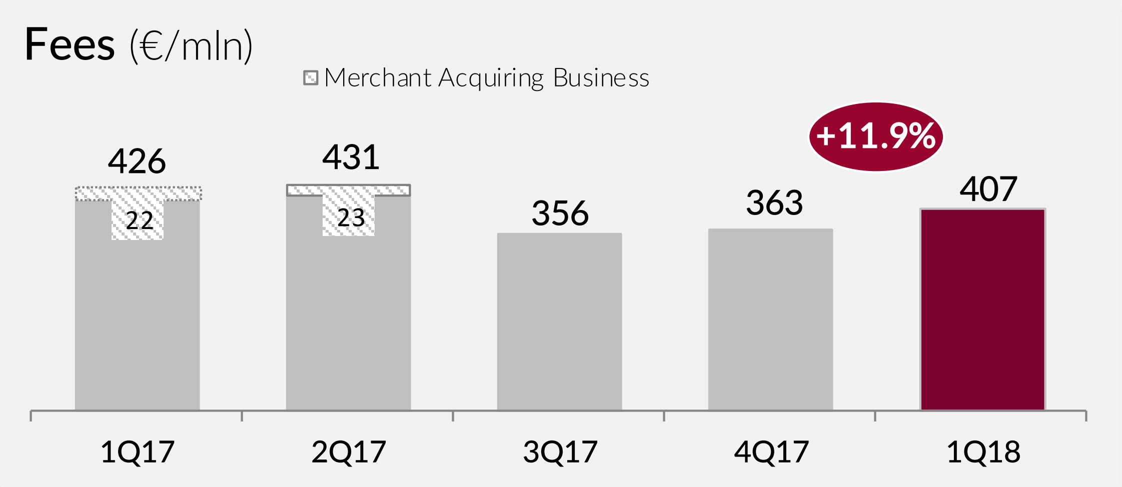
- ❑ Net interest income up vs. 4Q17 thanks to cost of funding reduction, more than offsetting the reduction on interests on NPE portfolio
- ❑ Interest from NPEs on NII down from 28% (1Q17) to 19% (1Q18). Post IFRS 9, interest from NPEs to decrease to 13% of NII
- ❑ IFRS 9 impact: EUR 1.4mln, from lower interest on UTPs/PDs (calculated on net book value instead of gross book value) and from the reversal of the time value of bad loan provisions



Quarterly avg rates and spread evolution (QoQ)	Yearly avg rates and spread evolution (YoY)
-4bps	-30bps
+6bps	+3bps
-10bps	-33bps

- ❑ Average spread improves by 6bps QoQ
- ❑ Ongoing closure of the cost of funding gap vs. market (+16bps in March 18 vs. +25bps in December 17)

Fees and Commissions Income



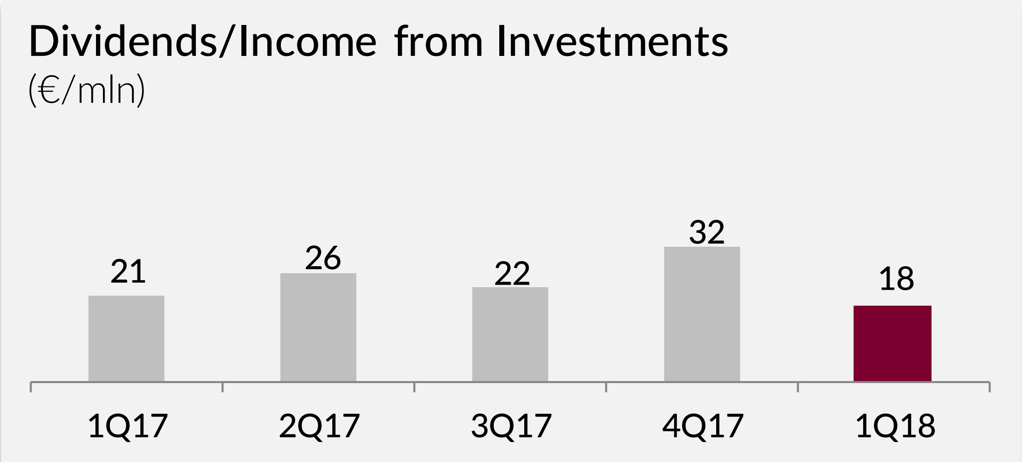
of which:
GGB commissions:

1Q17	2Q17	3Q17	4Q17	1Q18
-22	-30	-31	-31	-25

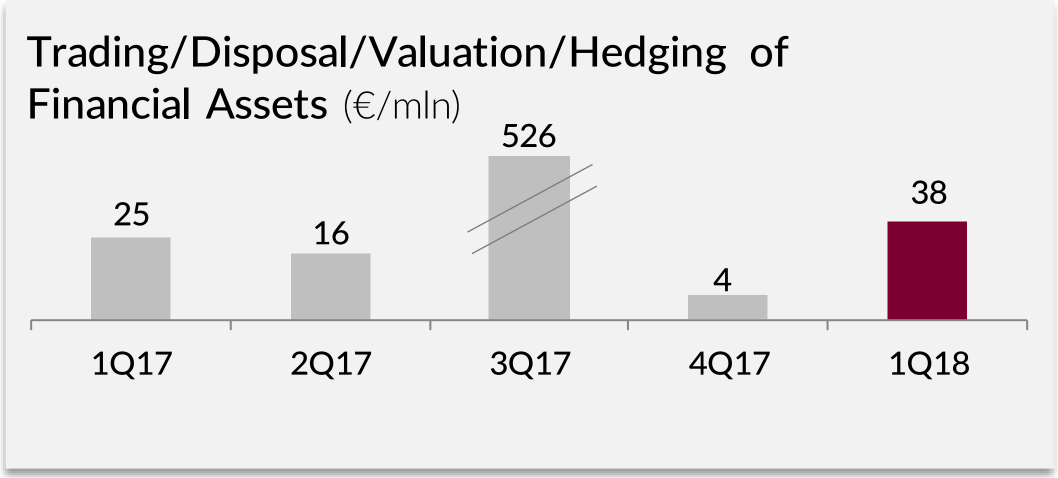
€/mln	1Q17	4Q17	1Q18	*1Q18 vs. 4Q17*	*1Q18 vs. 1Q17*
Wealth Management fees, o/w	182	177	180	1.9%	-1.2%
WM Placement	81	70	71	0.7%	-12.9%
Continuing	79	86	89	3.0%	12.3%
Bond Placement	11	12	10	-14.7%	-9.9%
Protection	11	9	11	21.1%	-3.4%
Traditional Banking fees, o/w	288	251	276	9.8%	-4.3%
Credit facilities	126	114	143	25.3%	14.1%
Trade finance	17	13	14	14.8%	-16.8%
Payment services and client expense recovery	146	124	118	-5.0%	-18.8%
Other	-44	-65	-50	-23.6%	11.4%
Total Net Fees	426	363	407	11.9%	-4.6%

- Net fees and commissions benefit from EUR 15mln from the renewal of the distribution agreement with Compass. Excluding merchant acquiring business, net fees are c. +1% YoY
- Reduction of negative commissions for the reimbursement of EUR 3bn Government Guaranteed Bonds in January (savings for c. EUR 6mln in 1Q18, savings for EUR 27mln per annum)
- Stock of assets under management at EUR 58.3bn (EUR-0.3bn QoQ), with EUR 0.8bn inflows. New AUM placements at EUR 3.6bn (+0.4bn QoQ)
- Stock of assets under custody at EUR 37.0bn (EUR -0.2bn QoQ)

Dividends and Trading Income



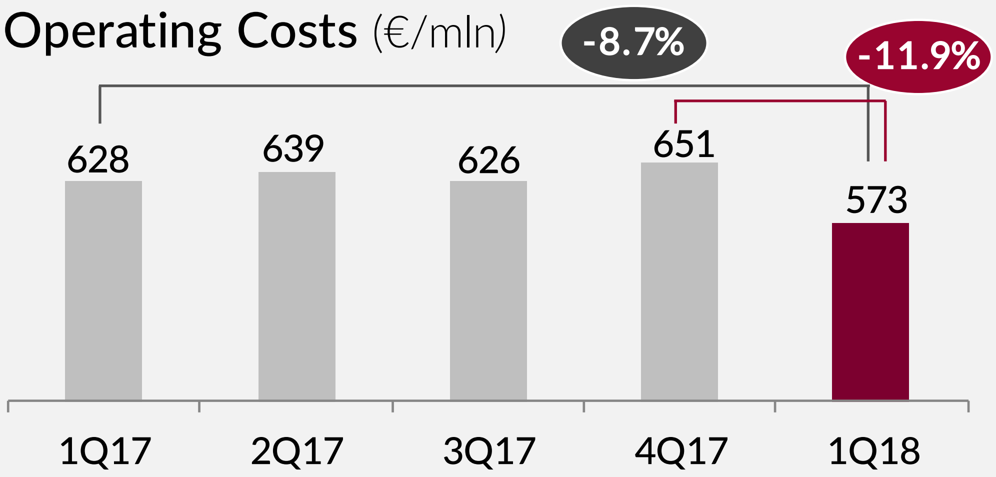
- Dividends, similar income and gains (losses) on equity investments due to EUR 18mln of joint ventures with AXA (4Q17 included one-offs)



- Trading/disposal/valuation/hedging of financial assets:
  - EUR +39mln capital gains from disposal of securities
  - EUR +15mln from trading result and net profit from hedging also due to the contribution from MPS Capital Services
  - EUR -16mln losses from financial assets and liabilities designated at FV (IFRS 9)

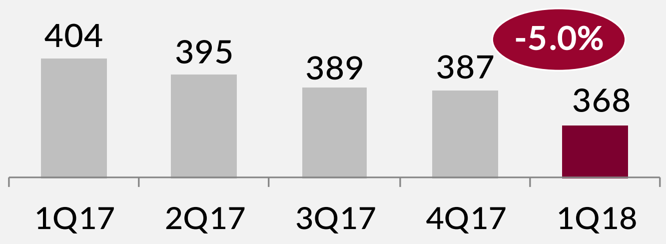
Operating Costs

Operating Costs (€/mln)



- **Personnel expenses** benefitting from the 1,200 exits carried out in November 2017 (total annual cost savings of EUR 135mln for the 1,800 exits in 2017 of which only c. EUR 45mln included in 2017 accounts)
- **Other admin expenses** down vs. 4Q17, which was impacted by seasonality
- **Depreciation and amortisation** down QoQ mainly due to less write-downs of intangible assets

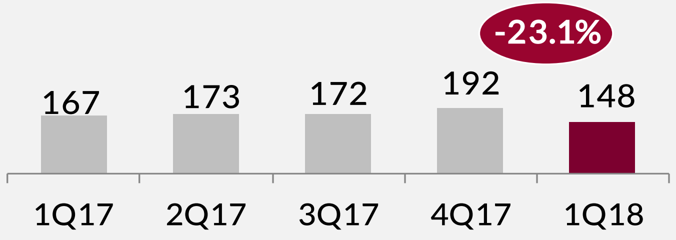
Personnel Expenses (€/mln)



FTEs				
25.5K	24.8K	24.7K	23.5K	23.4K

- 8% y/y

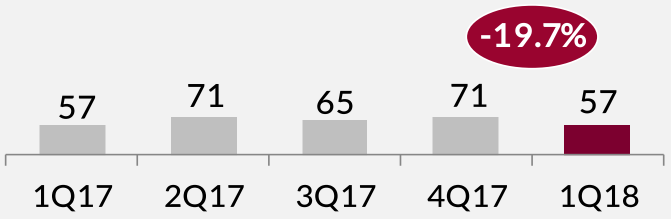
Other Admin Expenses (€/mln)



Branches				
1,861	1,860	1,860	1,745	1,597

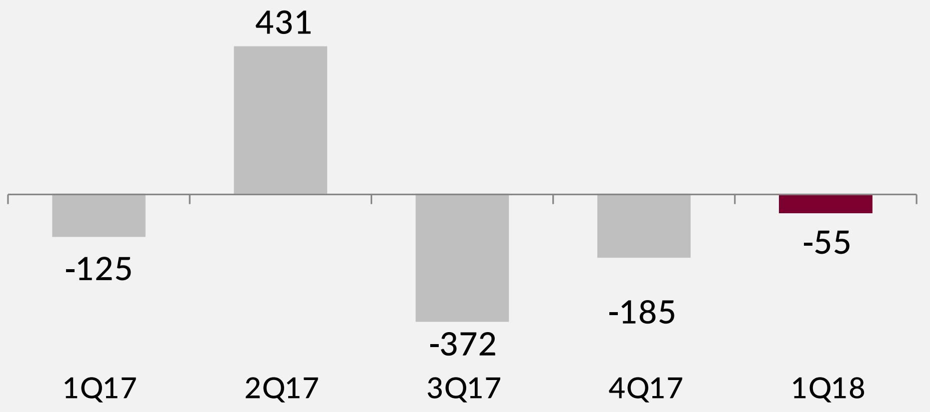
-14% y/y

Depreciation and Amortisation (€/mln)



Non-Operating Items and Taxes

Non-operating Items* (€/mln)



	1Q17	2Q17	3Q17	4Q17	1Q18
DGS & SRF	-63	0	-31	2	-69
DTA Fees	-18	-18	-18	-18	-18
Other**	-44	448	-323	-170	32
Total	-125	431	-372	-185	-55

- Non-operating items (EUR -55mln) mainly include:
  - EUR -69mln for the annual contribution due to the Single Resolution Fund
  - EUR -18mln for the quarterly contribution to DTA fees introduced by Law Decree 59/2016
  - EUR +53mln for write-back of provisions, mainly do to the reassessment of expected hedging costs for the securitization notes
  - EUR -4mln for losses on investments mainly related to write-downs on some equity stakes
  - EUR -17mln for extraordinary costs related to Restructuring Plan initiatives

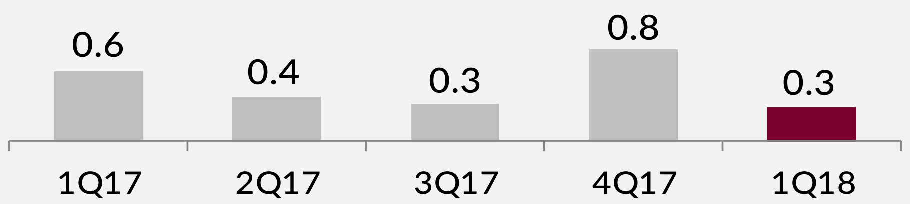
- Taxes for the quarter EUR +83mln which include DTA reassessment for c. EUR 77mln

* 2017 figures restated according to new Bankit criteria ("Circolare Bilancio Bankit")
** Net provisions for risks and charges, gains (losses) on investments/disposals and restructuring costs/one-off costs

Focus on Asset Quality (1/2)

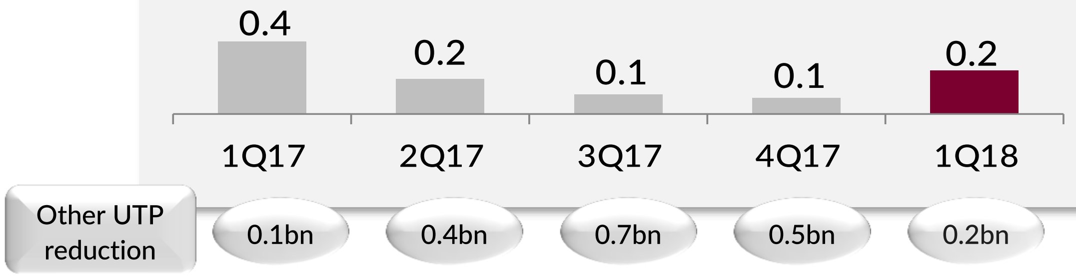
NPE Inflows from Performing* (€/bn)

Default rate
1.5%



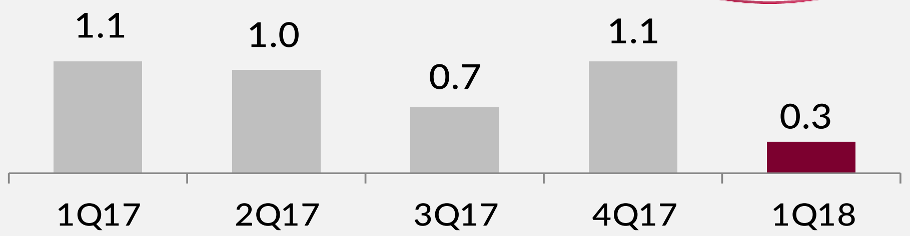
NPE Outflows to Performing* (€/bn)

Cure rate
5.4%



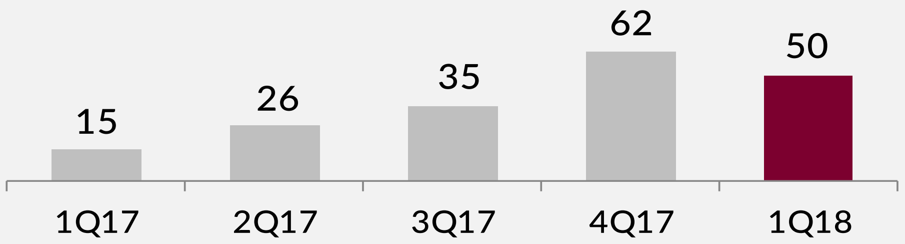
Migration from UTPs/PDs to Bad Loans* (€/bn)

Danger rate
10.3%



Recovery of Bad Loans* (net of securitization) (€/mln)

Recovery rate
5.9%

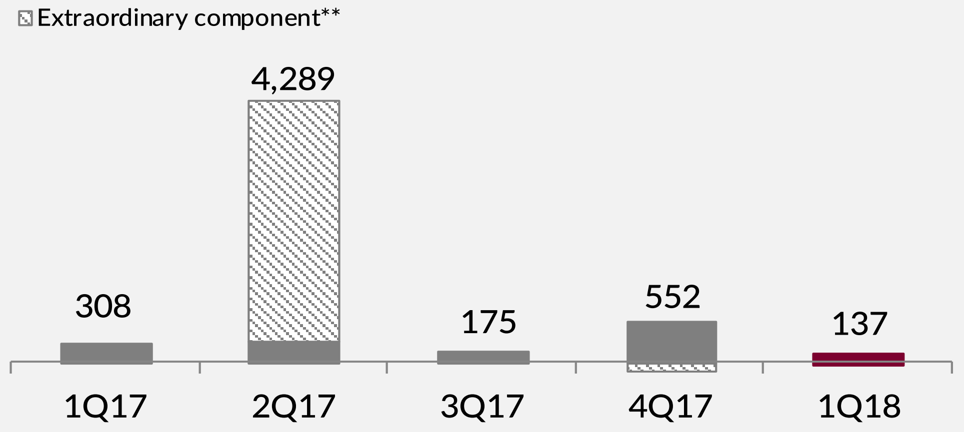


* Data from operational data management system. Figures include signature loans (excluded in accounting figures)

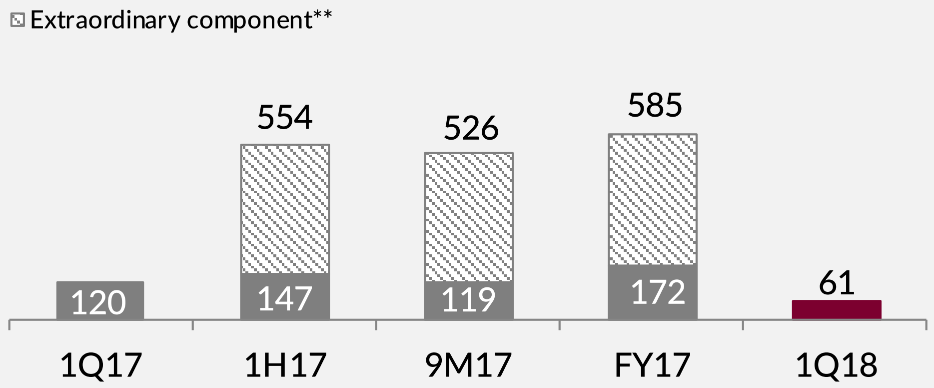
Ratios are calculated as annualized net flows/stock at the beginning of the period adjusted for an interpolation factor to take into account the seasonality in the net flows

Focus on Asset Quality (2/2)

Net Loan Loss Provisions (€/mln)



Cost of Risk* (bps)



Non-performing Exposures Coverage (%)

	Mar-17	Dec-17	Mar-18
Bad Loans *(sofferenze)*	62.6	75.7	77.6
Unlikely to Pay	39.5	39.5	45.4
Past Due	21.4	20.9	31.6
Total NPE	**54.3**	**65.5**	**68.8**

Coverage post-portfolio to be disposed:
Bad loans: 69.3%
Total NPE: 55.5%

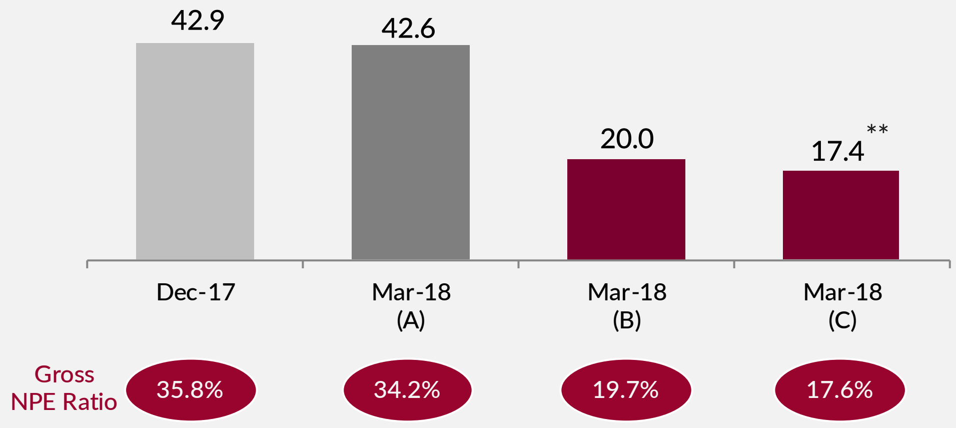
- Net loan loss provisions down due to the decrease in default rate (1.5% vs. 2.5% in 2017) and danger rate (10.3% vs. 23.6% in 2017)
- IFRS 9 impact on loan loss provisions: EUR -1.4mln from lower interest on UTPs/PDs (calculated on net book value instead of gross book value) and from the reversal of the time value of bad loan provisions
- Increase in Q1 NPEs coverage due to IFRS 9 FTA

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

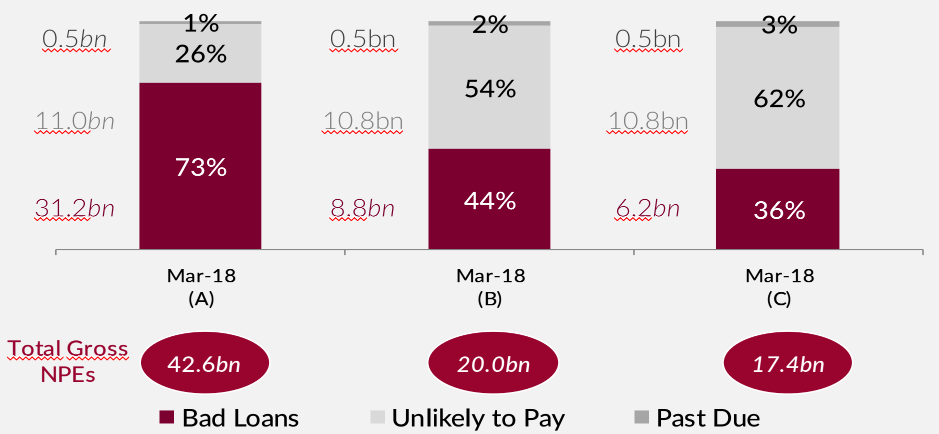
** In 2Q17 and 3Q17 provisions related to the NPL portfolio to be securitised, in 4Q17 and in 1Q18 write-back related to securitisation respectively for EUR 124mln and EUR 39mln

Pro-Forma Asset Quality Key Metrics

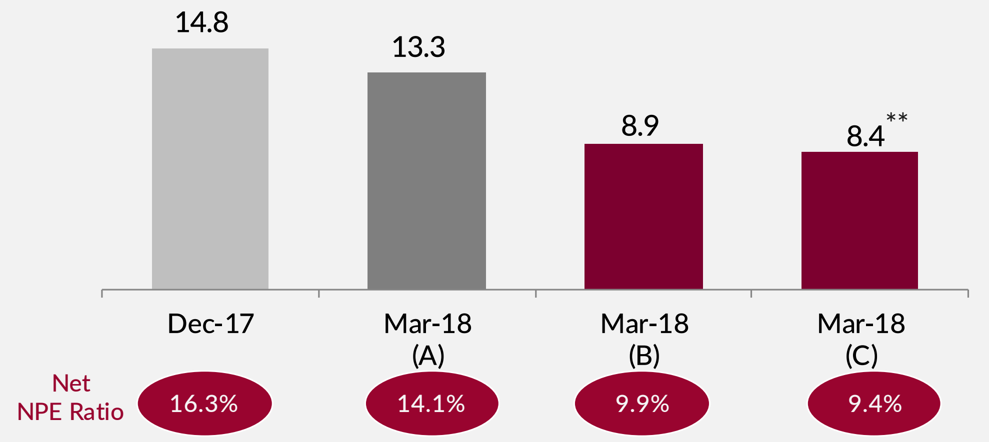
Gross NPEs* (€/bn)



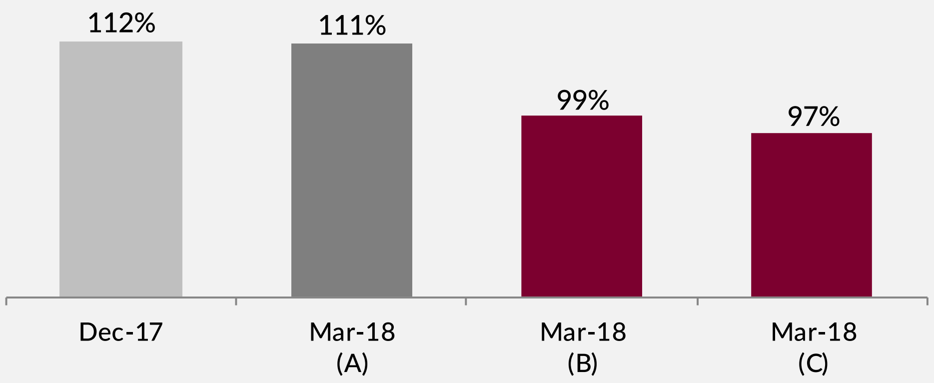
Gross NPE Mix* (%)



Net NPEs (€/bn)



Texas Ratio*** (%)



Legend for 2018 data:

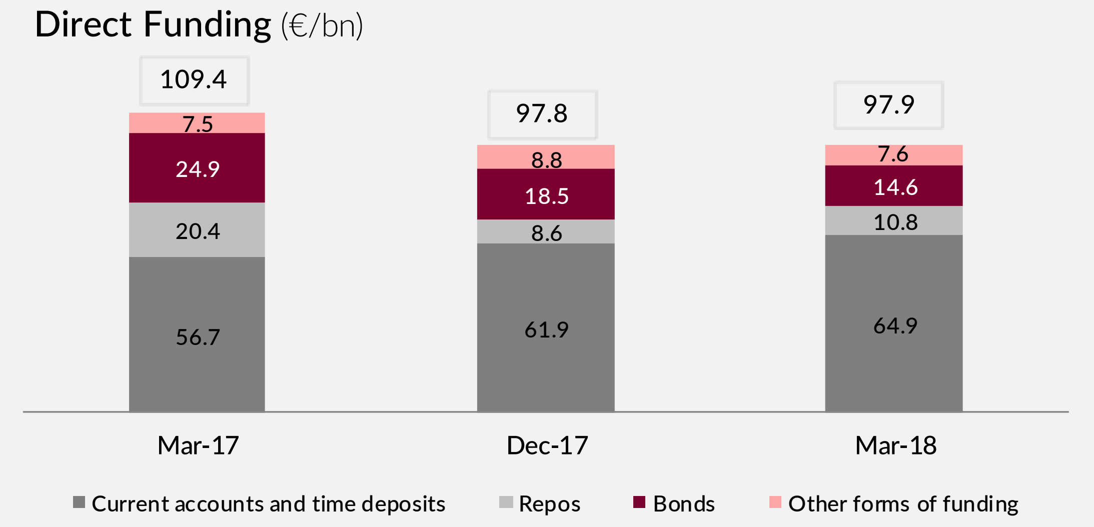
(A) = stated

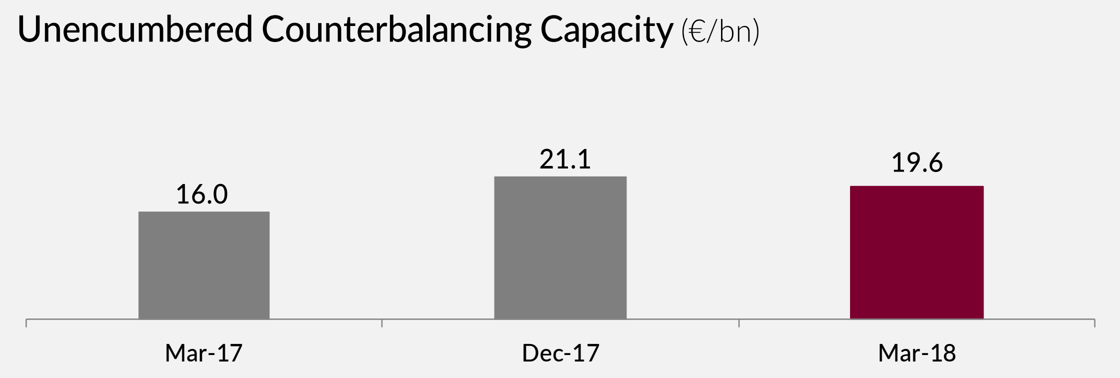
(B) = adjusted for the securitization

(C) = adjusted for the securitization + the estimated impact of the disposal of leasing and small ticket loans planned for 2018

* Gross bad loans adjusted excluding arrears on defaulted assets (c. EUR 2bn in Q1 2018)
** Excluding IFRS 9 FTA
*** Gross NPEs / (tangible equity + provision funds for NPEs)

Direct Funding and Liquidity





% on Total Assets	10.7%	15.2%	14.3%

- Current accounts and time deposits up by approx. EUR 3bn in the quarter, despite cost of funding reduction
  - Current accounts and time deposits +EUR 8.2 (+ 14.5%) YoY
- Bonds down QoQ mainly due to maturity of GGB (EUR - 3bn in January 18)
- Group's customer deposits market share at 3.71%* as at January 2018, up 16bps from 2016 year-end
- LCR: c. 196% (c. 200% in Dec-17)
- NSFR: c. 106% (c. 110% in Dec-17)

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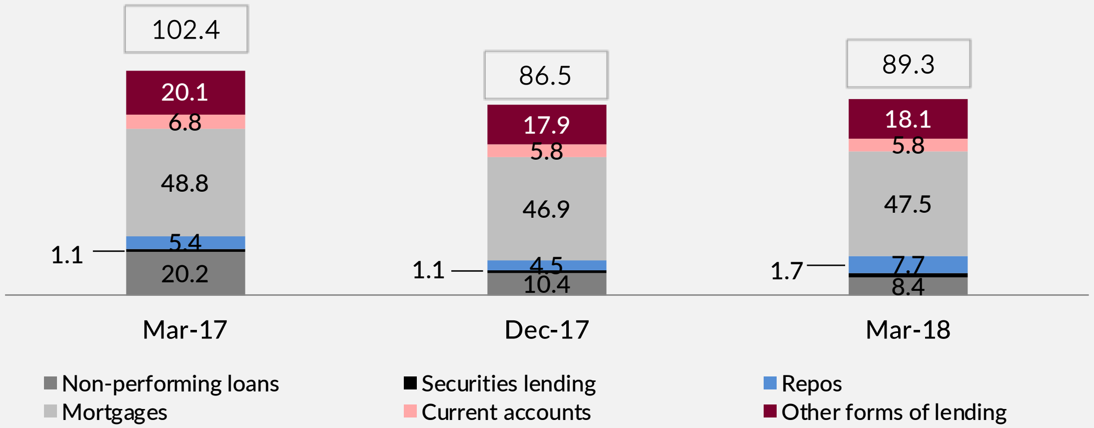
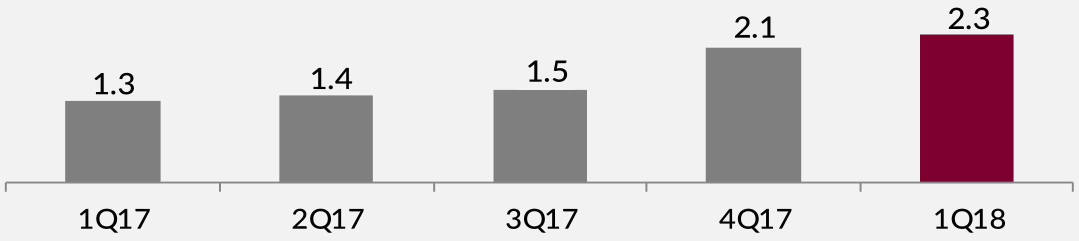
* Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident consumer clients and bonds net of repurchases placed with resident consumer clients as first-instance borrowers

Customer Loans

Loans to Customers (€/bn)

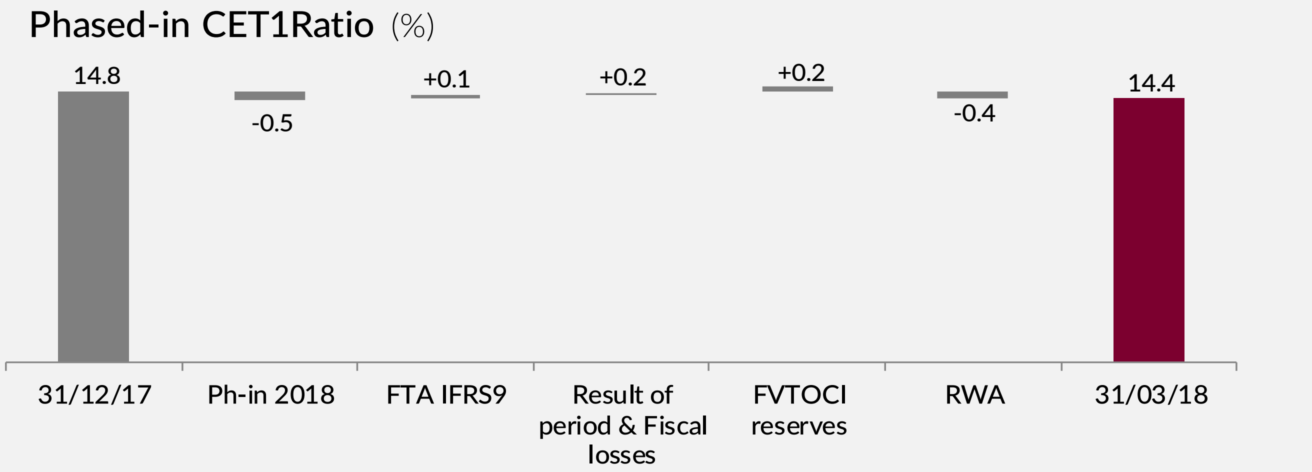


Medium & Long-Term Lending – New Loans
(€/bn)



- **Customer loans up significantly by approx. EUR 2.9bn QoQ** mainly in repos and mortgages. Net NPEs down QoQ (-EUR 1.9bn)
- **New mortgages and specialized lending flows** for c. EUR 2.3bn in 1Q18 (c. +9.2% QoQ), of which new retail and corporate mortgages flows for c. EUR 1.9bn (c. +20% QoQ)
- **Group's loan market share at 6.51%** as at January 2018, down by 10bps vs. 2016 year-end

Capital Structure



	FY17	1Q18
TBV (€/bn)	10.1bn	9.0bn
Fully loaded CET1* (%)	14.2%	11.7%
Fully loaded CET1* (€/bn)	8.6bn	7.1bn
Total Capital (%)	15.0%	15.8%
RWA (€/bn)	60.6bn	61.8bn

Including UR1.4bn full impact of IFRS 9

Excluding EUR 2.1bn off balance sheet DTA as at March 2018

- **CET1 QoQ reduction (-41bps)** mainly due to:
  - **Negative impact of the phasing-in:** EUR -369mln
  - **FTA IFRS 9 impact:** EUR +75mln due to the transitional regime impact (5%) for EUR -78mln, positive impact on security reserves for EUR +143mln and threshold effect for EUR +10mln
  - **Net income 1Q 2018:** EUR +188mln. Fiscal losses: higher deductions for EUR -116mln
  - **FVTOCI reserves:** EUR +147mln
  - **RWA** increased by EUR +1.2bn mainly due to market risk

- **ECB to introduce an add-on on RWA calculated on NPEs by year end.** Based on the preliminary indications by ECB the add-on is estimated in the range EUR 4-5bn

* Including full impact by IFRS9 FTA

IFRS 9 Impacts - Equity

	Impact on Equity (EUR/bn)
Performing loans impairment (stage 1)	+0.1
Performing loans impairment (stage 2)	-0.4
NPEs impairment (stage 3)	-1.2
- *Of which: disposal of bad loans and UTPs*	*-1,0*
- *Of which: cost of recovery to be paid to the platform for UTPs expected to migrate into bad loans in coming years*	*-0.2*
Other impacts*	+0.1
Total impact on Equity	-1.4
Impact on CET 1	
- *Of which: transitional regime*	*-1.6*
- *Of which: immediate impact*	*+0.1*

IFRS 9 FTA final estimate slightly higher than the preliminary estimate of EUR 1.2bn

* Other impacts:

- Expected credit losses on off-balance sheet financial items: negative impact of c. EUR 42mln (loan commitments and financial guarantees)
- Reclassification of securities and credit from AC to FVTPL: positive impact of c. EUR 23mln
- Reclassification of securities from AFS to AC: positive impact of c. EUR 154mln

* AC: Amortized Cost; FVTPL: Fair Value Through Profit & Loss; FVTOCI: Fair Value Through Other Comprehensive Income

Focus on DTAs

	Definition		As at 1Q18
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 1.3bn**
2 **Non-convertible losses**	○ DTAs on non-convertible fiscal losses and DTAs on ACE (Allowance for Corporate Equity) deductions ○ Can be recovered in subsequent years only if there is positive taxable income, but may both be carried forward indefinitely		○ **EUR 1.2bn**
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 0.4bn**
4 **DTAs not recorded in balance sheet**	○ DTA generated from income losses and not recorded in balance sheet due to the probability test		○ **EUR 2.1bn**

- 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 recognized 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 utilized
- From a regulatory point of view, current Italian fiscal regulations do not set any time limit to the use of fiscal losses against taxable income of subsequent years. Therefore, DTAs that cannot be recognized 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 case of DTAs IRES the part of them not absorbed by taxable profit before reversal of convertible DTAs is transformed into non-convertible losses DTAs; in case of DTAs IRAP the part of them not absorbed by taxable profit before reversal of convertible DTAs is not recoverable

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Conclusion

Strategy

2018-2019

COMMERCIAL REVAMPING
First results visibile in 1Q 2018

Proactive management of NPE and PERFORMING LOANS
Continue NPEs reduction. Completed c. EUR 24bn securitization

Focus on PRE PROVISION PROFIT and NET INCOME
1Q pre provision profit doubled vs. Q4 17

Restructuring Plan

2017

CAPITAL STRENGTHENING

DIRECT FUNDING recovery and LIQUIDITY stabilization

COST SAVING

Ongoing Restructuring Plan (1/2)

(€/bn)	1Q18	2019 Restruct. Plan	Percentage of 2019 Plan	Comments
Net Interest Income	0.4	1.7	~24%	❑ Lower than expected customer loan growth in 2017 ❑ Cost of funding reduction according to plan
Fees & commissions	0.4*	1.8	~ 22%	❑ Lower than expected credit fees ❑ AUM growth lower than expected
Total revenues	0.9*	3.7	~ 23%	❑ Mainly impacted by lower fees
Operating costs	-0.6*	-2.3	~ 25%	❑ Well on track for 2019 target ❑ -1,800FTEs, -435 branches already achieved
Pre–provision profit	0.3*	1.4	~21%	❑ Impacted by lower revenues

• Net of one-off items

Ongoing Restructuring Plan (2/2)

(€/bn)	1Q18	2019 Restruct. Plan	Delta vs. 2019 Plan	Comments
Customers Loans (€/bn)	89.3	90.7	~ -1.4	❑ Below targets in 2017 ❑ Commercial revamping in 2018
Direct Funding (€/bn)	97.9	100.7	~ -2.8	❑ Focus on cost of funding reduction ❑ Target in terms of current account and deposits achieved
Gross NPE ratio (%)	19.7	14.3	~ -5.4pp	❑ Securitization of EUR 24bn of bad loans completed ❑ Ongoing UTP and bad loans reduction according to plan
Cost of risk* (bps)	61	79	n.m.	❑ On track to 2019 target
Default rate** (%)	1.5	2.0	~ -0.5pp	❑ According to plan in 2017 (2.5%) ❑ In Q1 2018, progress towards 2019 target

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* Including extraordinary positive component

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

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Focus on Asset Quality

Non Performing Exposures - NPEs (€/mln) — New representation

	Gross Book Value		Gross Book Value excluding interest on arrears on defaulted assets		Net Book Value		Coverage	
	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18	Dec-17	Mar-18
Bad loans *(sofferenze)*	32,967	33,137	31,045	31,151	7,532	6,988	76%	78%
Unlikely-to-Pay loans	11,595	11,206	11,374	10,985	6,880	5,997	40%	45%
Past due / overdue exposures	520	472	489	450	387	308	21%	32%
Total NPEs	45,082	44,816	42,908	42,586	14,798	13,293	66%	69%

- In this new representation arrears on bad loans fully provisioned are not be included in gross loans
  - Gross bad loans adjusted by c. EUR 2bn in Q1 2018
  - No impact on P&L and no impact on net NPEs: it is just a different accounting representation

Unlikely-to-Pay*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	11,136	4.5	38.6%	2.7	45.8%
Personal guarantees	12,481	1.5	52.5%	0.7	12.2%
Unsecured	97,708	5.0	49.3%	2.5	42.0%
Total	**121,325**	**11.0**	**45.4%**	**6.0**	**100.0%**
of which Pool other banks		*7.2*		*4.0*	*66.6%*

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	4.5	60.3%	39.7%
Personal guarantees	1.5	69.7%	30.3%
Unsecured	5.0	57.0%	43.0%
Total	**11.0**	**60.1%**	**39.9%**

Breakdown by Industry (€/bn)

UTP Restructured	GBV	NBV	% on NBV
Construction	1.7	0.9	14.3%
Real estate	1.8	0.9	15.5%
Holding	0.2	0.1	1.4%
Transport and logistics	0.7	0.3	5.7%
Other industrial**	3.4	1.9	31.4%
Households	1.1	0.7	11.8%
Other	2.3	1.2	19.8%
Total	**11.0**	**6.0**	**100.0%**

- Average coverage of 45.4%. Net book value EUR 6bn (c. 46% secured)
- 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)

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1Q18 P&L: Highlights

€ mln	4Q17	1Q18	Change (QoQ%)	IFRS9 impacts	Other one-offs	Description
Net Interest Income	415	421	1.6%	1.4		Net impact: lower interests on UTPs/PDs and reversal of the time value of bad loan provisions
Net Fees	363	407	11.9%		15.0	Renewal of agreement with Compass
Other revenues	25	49	n.m.	-31.2		Net losses due to IFRS 9 classification criteria
Total revenues	802	877	9.3%	-29.8	15.0	
Operating Costs	-651	-573	-11.9%			
of which Personnel costs	-387	-368	-5.0%			
of which Other admin expenses	-192	-148	-23.1%			
Pre-provision profit	152	304	n.m.	-29.8	15.0	
Total provisions	-582	-138	-76.3%	17.9		
of which loan loss provisions	-552	-137	-75.1%	17.9		Positive impact of FVTPL and use of provisions for UTP disposal
Non-operating items*	-185	-55	-70.4%			
Profit (Loss) before tax	-615	111	n.m.	-11.9	15.0	
Taxes	120	83	-30.3%			
PPA & Other Items	-6	-7	15.3%			
Net profit (loss)	-502	188	n.m.			

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

Balance Sheet

Total Assets (€/mln)

	Mar-17	Dec-17	Mar-18	QoQ%	YoY%
Customer loans	102,407	86,456	89,320	3.3%	-12.8%
Loans to banks	8,451	9,966	6,375	-36.0%	-24.6%
Financial assets	26,512	24,168	25,652	6.1%	-3.2%
PPE and intangible assets	2,894	2,854	2,831	-0.8%	-2.2%
Other assets *	8,540	15,709	12,593	-19.8%	47.5%
Total Assets	**148,805**	**139,154**	**136,772**	**-1.7%**	**-8.1%**

Total Liabilities (€/mln)

	Mar-17	Dec-17	Mar-18	QoQ%	YoY%
Deposits from customers and securities issued	109,390	97,802	97,857	0.1%	-10.5%
Deposits from banks	22,838	21,085	20,483	-2.9%	-10.3%
Other liabilities **	10,533	9,836	9,131	-7.2%	-13.3%
Group equity	6,042	10,429	9,298	-10.8%	53.9%
Minority interests	2	2	2	0.0%	-4.2%
Total Liabilities	**148,805**	**139,154**	**136,772**	**-1.7%**	**-8.1%**

* 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)

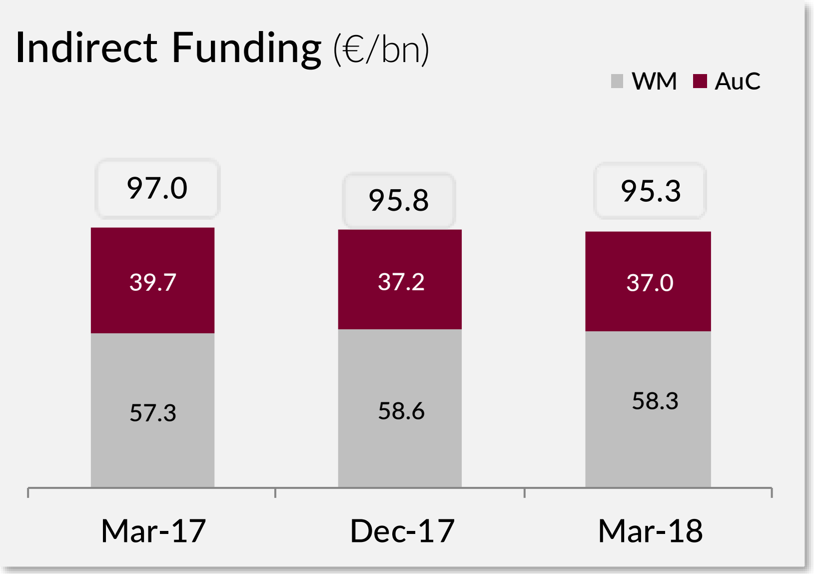
	Mar-17	Dec-17	Mar-18	QoQ%	YoY%
Current accounts	6,808	5,758	5,768	0.2%	-15.3%
Mortgages	48,758	46,868	47,536	1.4%	-2.5%
Other forms of lending	20,108	17,903	18,116	1.2%	-9.9%
Reverse repurchase agreements	5,429	4,525	7,747	71.2%	42.7%
Loans represented by securities	1,131	1,050	1,736	65.3%	53.5%
Impaired loans*	20,173	10,352	8,418	-18.7%	-58.3%
Total	**102,407**	**86,456**	**89,320**	**3.3%**	**-12.8%**

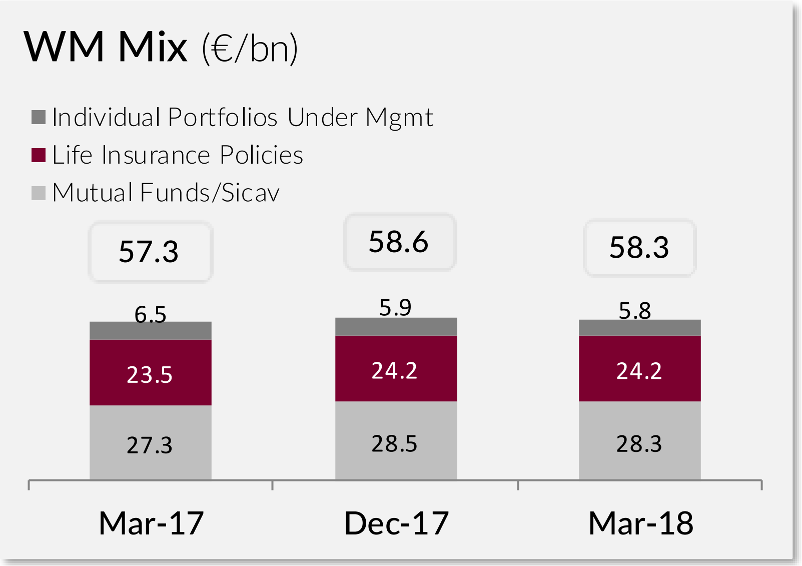
Direct Funding (€/mln)

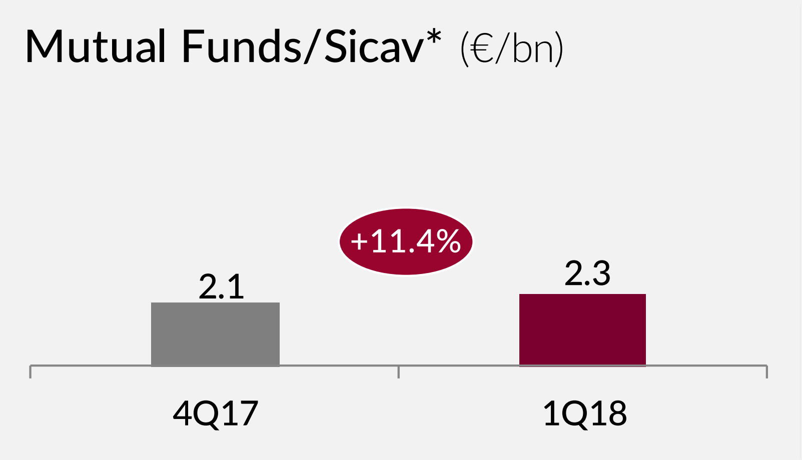
	Mar-17	Dec-17	Mar-18	QoQ%	YoY%
Current accounts	46,112	51,466	54,834	6.5%	18.9%
Time deposits	10,542	10,469	10,045	-4.1%	-4.7%
Repos	20,399	8,572	10,825	26.3%	-46.9%
Bonds	24,865	18,522	14,558	-21.4%	-41.5%
Other types of direct funding	7,473	8,773	7,596	-13.4%	1.6%
Total	**109,390**	**97,802**	**97,857**	**0.1%**	**-10.5%**

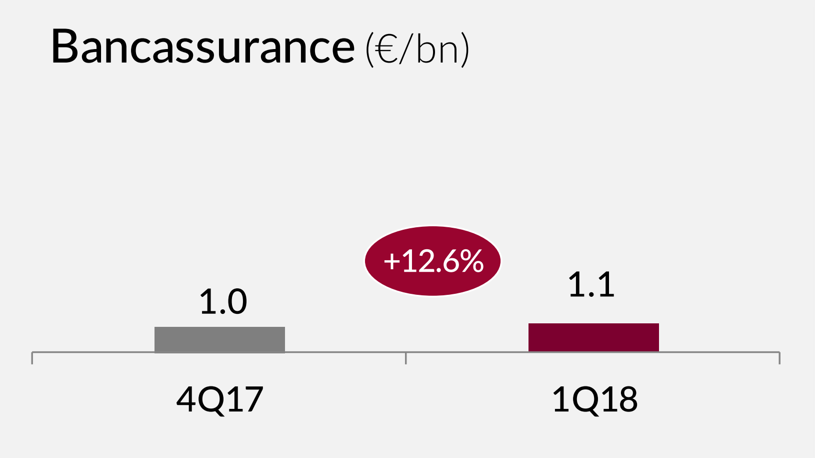
* Excluding portfolio to be disposed

Wealth Management (WM) and Asset Under Custody (AuC)









* Placement of gross Mutual Funds and Sicav products)

Financial Assets at fair value: Focus on Italian Govies Portfolio

Financial Assets at FV (€/mln)

	Mar-18
FVTPL* *(bonds at FV, UCITS/equity and loans)*	1,193
FVTPL* *(trading)*	9,878
FVTOCI*	14,582
Total	**25,652**

- Financial Assets clusters impacted by IFRS 9 reclassification criteria. Data not comparable both Q/Q and Y/Y
- Total Italian Government Bond portfolio duration 3.25 years vs. 3.29 years in December 2017
- FVTOCI* Italian Government Bond portfolio duration 2.87 years in March 2018 (3.59 in December 2017)
- FVTOCI* reserve as at March 2018: EUR +0.1bn

Italian Government Bonds at FV: c. EUR 18.3bn** *(Market Value)*

Breakdown by IFRS category

Credit spread sensitivity: (1bp change) c. EUR -4.1mln before tax

* FVTPL: Fair Value Through Profit and Loss; FVTOCI: Fair Value Through Other Comprehensive Income

** Figures from operational data management system

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