2Q18 BMPS Results

03 August 2018

Highlights of 2Q18 Results

2Q18: Key messages

Increased core revenues

EUR 449mln (+6.4% QoQ)

Net interest income, due to volume growth, interests from the securitisation senior notes, positive calendar effect and non-recurring items (EUR 7mln)

EUR 403mln (-0.9% QoQ)

Fees and commissions, +2.9% QoQ excluding a one-off for EUR 15mln booked in Q1

Structurally decreasing operating costs

EUR 581mln (+1.5% QoQ)

due to seasonal acceleration of the spending cycle; -8.9% YoY)

Pre-provision profit

EUR 251mln

c. EUR -50mln vs 1Q18 also due to the widened BTP-Bund spread

1H18: Key messages

Reduced provisioning

Cost of risk at 56bps

Cost of risk normalised, confirming 1Q18 trend

Reduced UTPs

EUR 0.9bn UTPs reduced

and c. EUR 0.8bn already on the market

2018 target bad loans disposal

Up to EUR 3.7bn

well above the EUR 2.6bn restructuring plan target for 2018

CET1

13.0%

impacted by BTP-Bund spread and RWA add-on

10.6% fully loaded for IFRS9 (in 2023), vs. a 13.1% Gross NPE ratio proforma for NPE disposals under IFRS9

BMPS is not participating in the 2018 EBA Stress Test

* Excluding extraordinary component related to securitisation

2Q18 Results

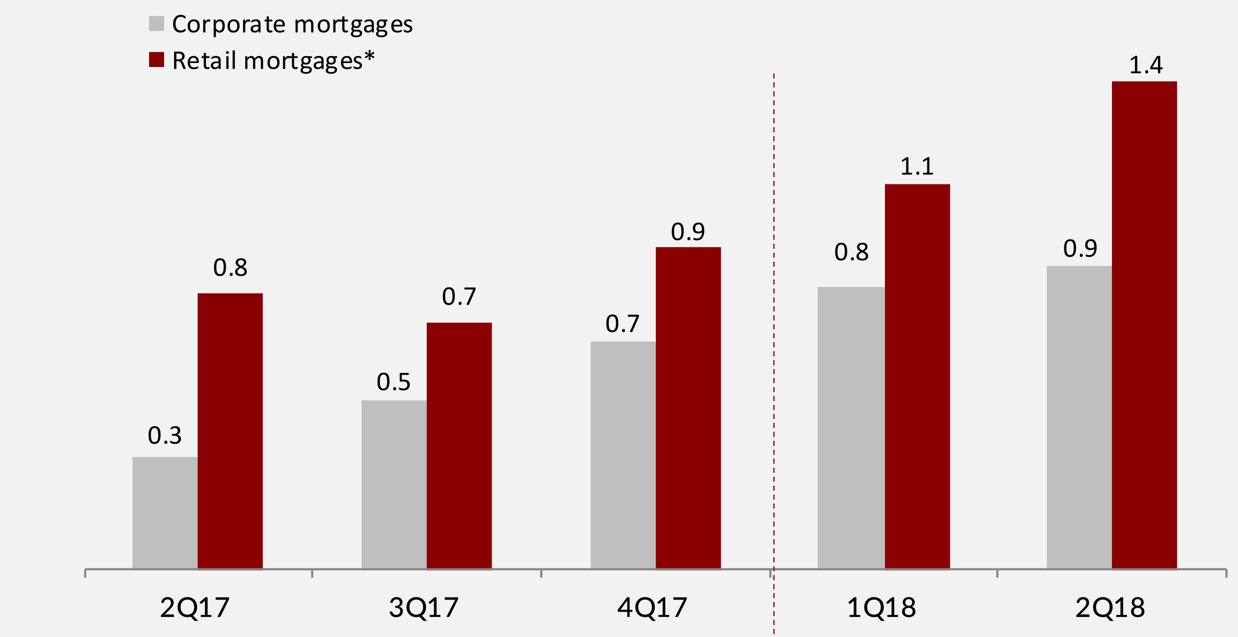
P&L (€ /mln)	1Q18	2Q18	1H18
Net Interest Income	421	449	870
Fees and commissions	407	403	810
Other revenues	49	-19	29
Total revenues	877	832	1,709
Operating costs	-573	-581	-1,154
Pre-provision profit	304	251	555
Net impairment losses	-138	-109	-247
Net operating result	166	142	308
Non-operating items	-55	-62	-116
Profit (Loss) before tax	111	80	192
Net income (loss)	188	101	289

Balance Sheet (€/bn)	1Q18	2Q18
Loans to customers	89.3	87.0
Direct funding	97.9	96.8
Total assets	136.8	135.7

- First positive results of the restructuring plan
  - Revenues at EUR 1.71bn, to further benefit from cost of funding reduction
  - Operating costs at EUR 1.15bn, with further cost savings expected in 2019, driven by personnel exits
  - Cost of credit at c. 60bps, in line with 2018 guidance
- 2H18 to include c. EUR 0.2bn one-offs, as per commitments enforced by DG Comp (EC), with potential benefits unfolding from 2019
  - Restructuring costs for the exit of personnel through the Solidarity Fund
  - Costs of the disposal/winding down of foreign banks and closure of foreign branches
- 2H18 to include c. EUR 70mln for DTA fees and contribution to systemic funds

1H18 confirms successful commercial revamping

New Retail and Corporate mortgages (€/bn)



- Precautionary recap
- Retail settlement
- Negotiations with DG Comp

✓ Commercial focus

Progress on commercial relaunch confirmed by increase in core revenues:
NII and Fees, c.+4.7% QoQ***

✓ LOANS TO CUSTOMERS

Commercial revamping continues:
c. EUR +1.4bn commercial customer loans** since Dec-17, mainly for new mortgages

- New corporate mortgages: c. +7% QoQ, c. +167% YoY
- New retail mortgages: c. +27% QoQ, c. +77% YoY

✓ DEPOSITS

Current accounts and time deposits
c. EUR +4.1bn since Dec-17

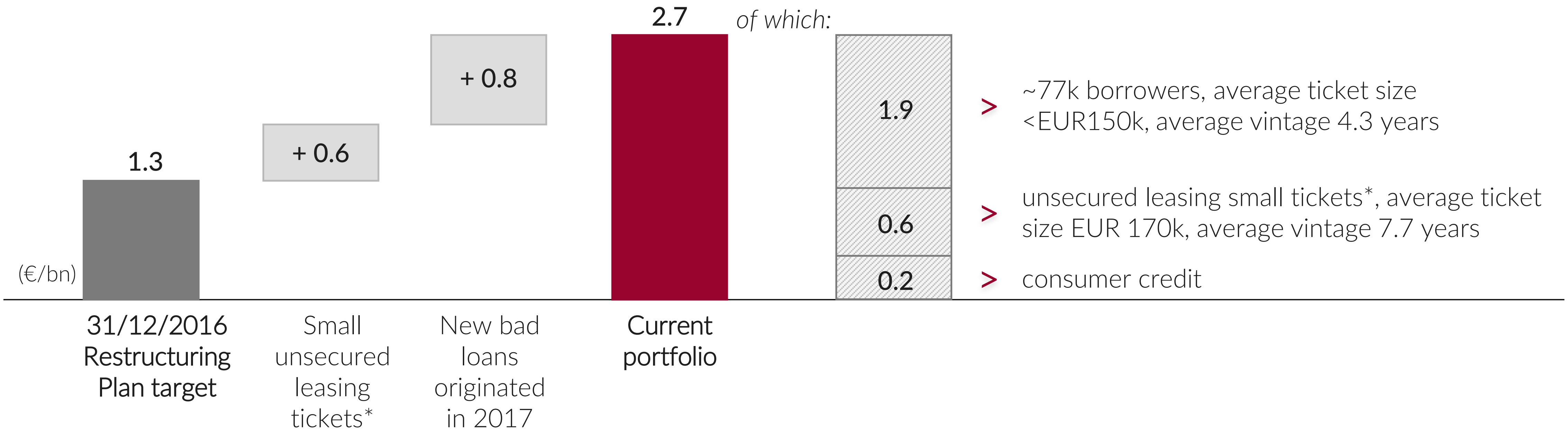
Cost of funding gap vs. market decreased by 11bps since Dec-17

✓ FRANCHISE STABILITY

c. ~7%/5% attrition in terms of lending/funding (435 branches closed), with decrease in customer loans and in funding estimated at c. EUR 0.3bn and c. EUR 0.4bn, respectively

* Retail mortgages include small-business mortgages
** Current accounts + mortgages + other forms of lending
*** Excluding one-off benefit for EUR 15mln from the renewal of the distribution agreement with Compass booked in 1Q18

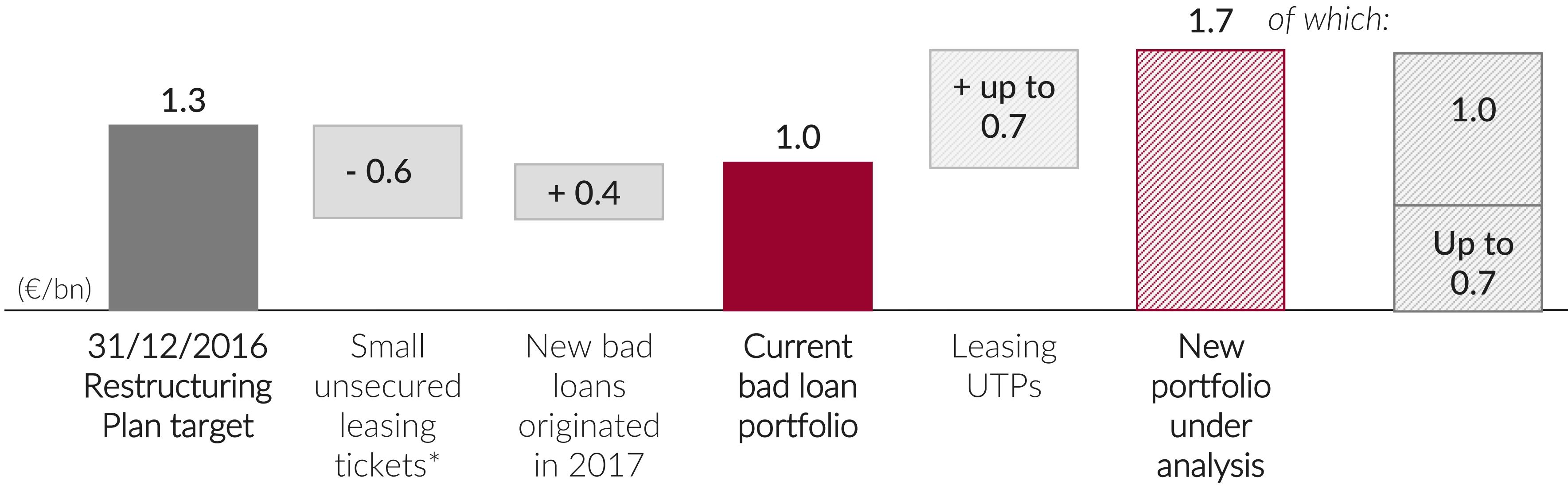
Disposal of up to EUR 2.7bn small-ticket bad loans in 2018



- Small unsecured leasing bad loans and new bad loans originated in 2017 included in the portfolio (the former in order to homogenise the perimeter)
- Portfolio to be put on the market in clusters in Q3, with binding offers expected in Q4
- Impact of small-ticket bad loans portfolio already taken into account in IFRS9 FTA

* Related to small-size bad loans which became unsecured after the total repossession of properties

Disposal of EUR 1bn leasing bad loans + up to EUR 0.7bn leasing UTPs in 2018



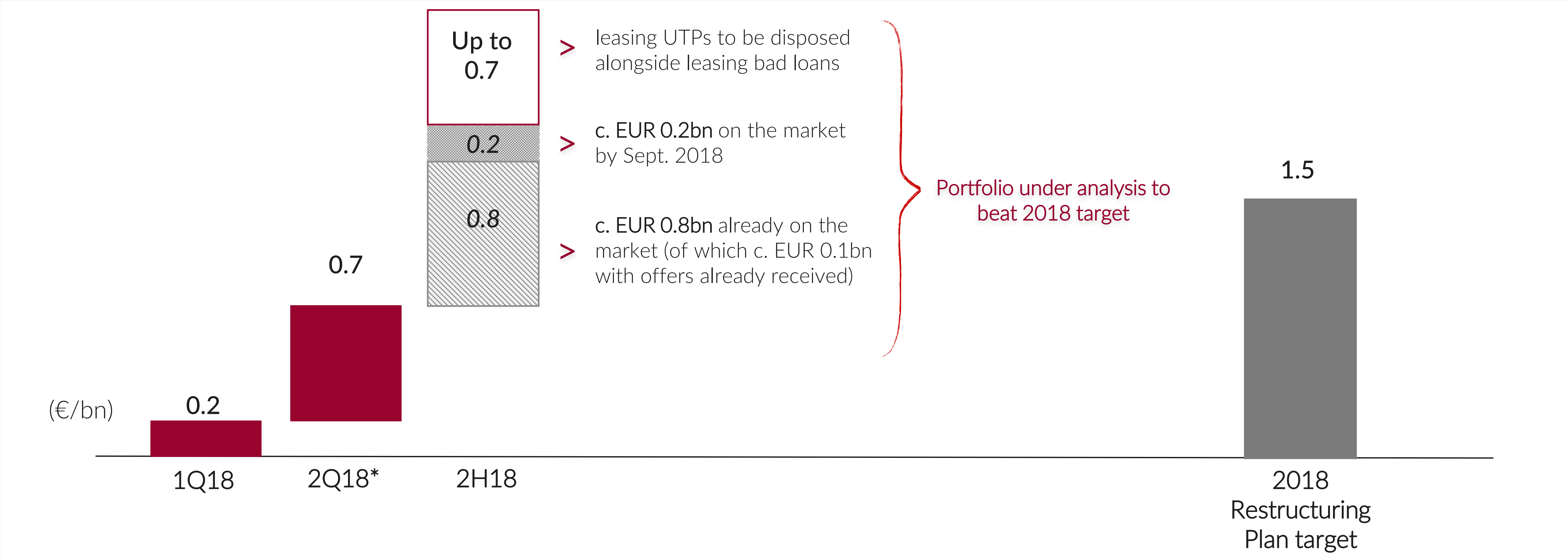
> **bad loans:** ~3.2k borrowers, average ticket EUR 345k, c. EUR 0.7bn real estate & c. EUR 0.3bn equipment

> **UTPs:** ~2.8k borrowers, c. EUR 0.4bn real estate & c. EUR 0.3bn equipment

- Ongoing data preparation and remediation
- Non-binding offers expected in Q3 and binding offers in Q4
- Impact of leasing bad loan portfolio already taken into account in IFRS9 FTA

* Related to small-size bad loans which became unsecured after the total repossession of properties

UTP reduction: well on track to beat 2018 target



- EUR 0.9bn UTP reduction (of which c. EUR 0.7bn disposals, mainly real estate) completed in 1H18, with slightly positive P&L impact
- Well on track to achieve the 2018 Plan target; ongoing strategic analysis on the UTP Portfolio (mainly corporate and real estate) in order to achieve the 2019 target UTP reduction (EUR 2.0bn)
- Potential to improve 2021 target of gross NPE ratio to c. 10%, considering expected UTP and bad loan reductions and lower than expected default rate

* of which c. EUR 200mln already sold but to be booked in 3Q18

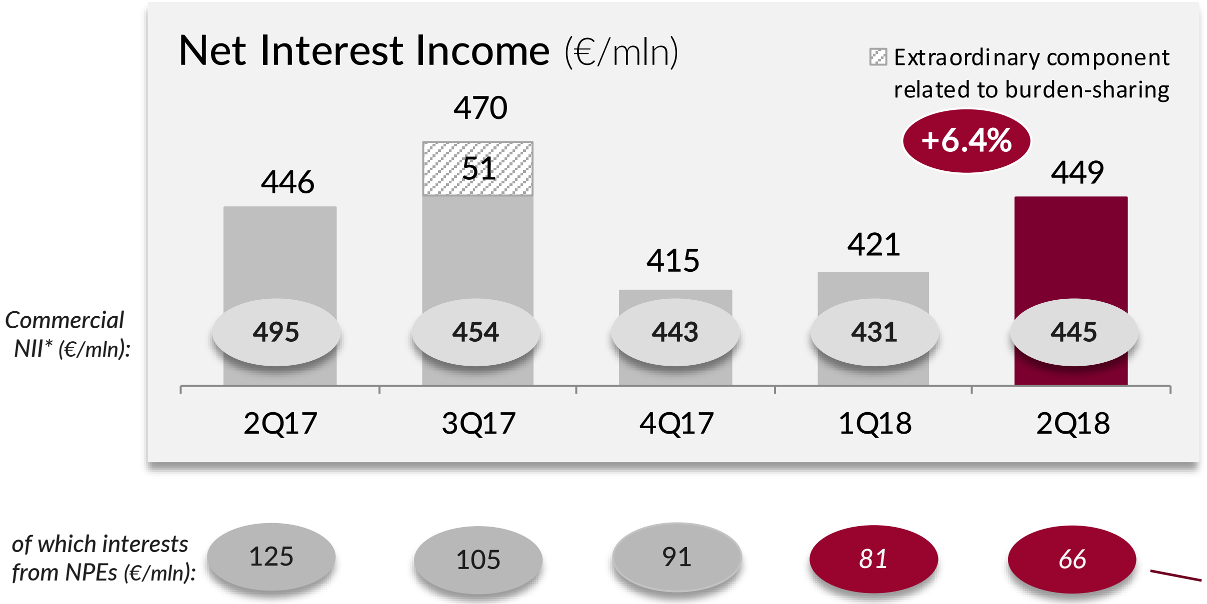
Agenda

- 2Q18 Results

- Conclusion

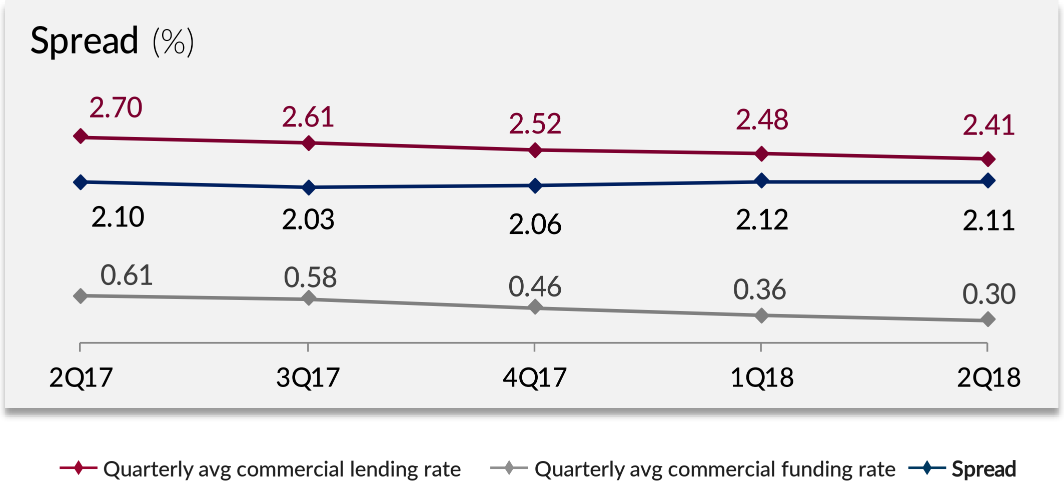
- Annexes
  - Details on NPE Stock
  - Details on 2Q18 Results

Net Interest Income



1Q18 and 2Q18 net contribution from NPEs calculated according to IFRS9 accounting rules, including time value on bad loans

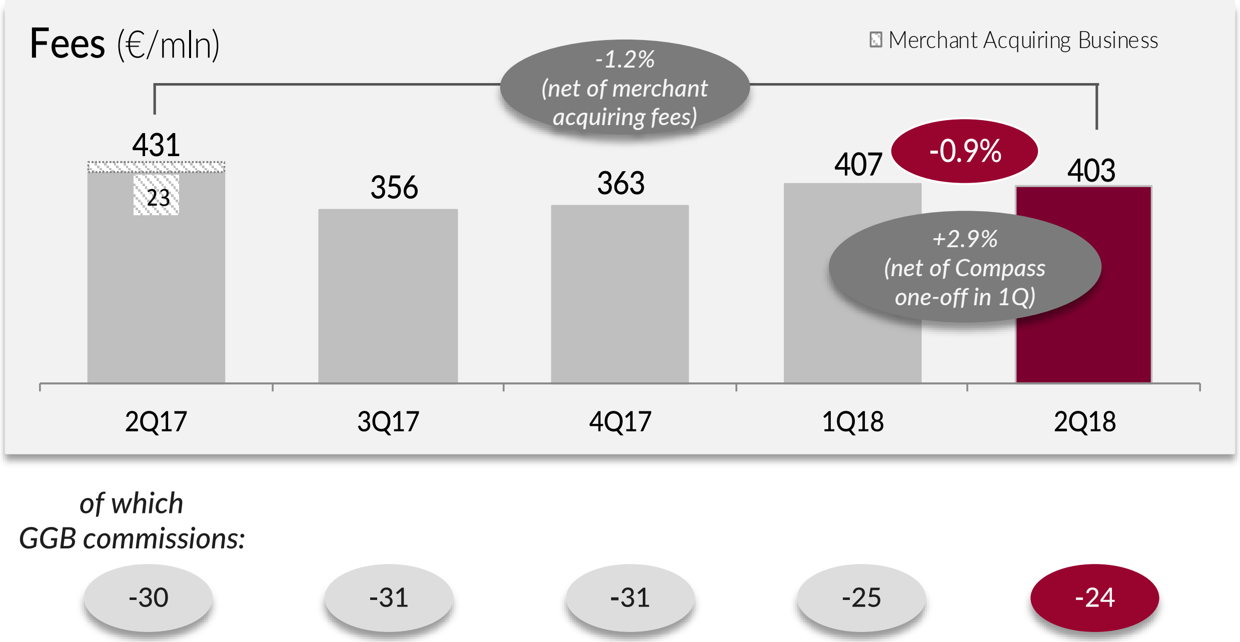
- Net interest income up vs. 1Q18, due to volume growth, interests from the securitisation senior notes which were retained by the Bank (EUR 9mln), a positive calendar effect (EUR 5mln) and non-recurring increased interests in arrears (EUR 7mln)
- NPE contribution of c. EUR 66mln (14% of total NII)



- Average spread almost flat QoQ (-1bps)
- Ongoing closure of the cost of funding gap vs. the market +14bps in June 2018, against +25 bps in December 2017

* Net interest income on commercial loans to customers and on commercial direct funding

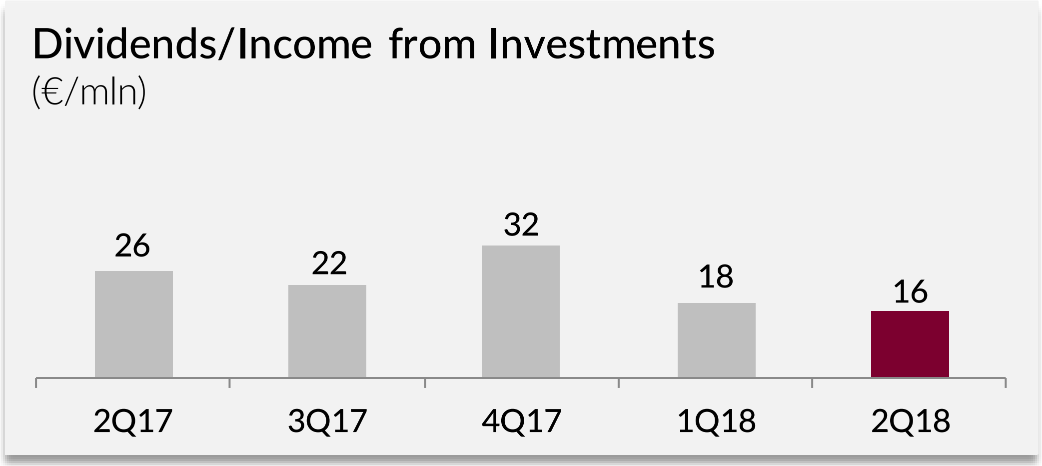
Fees and Commissions Income

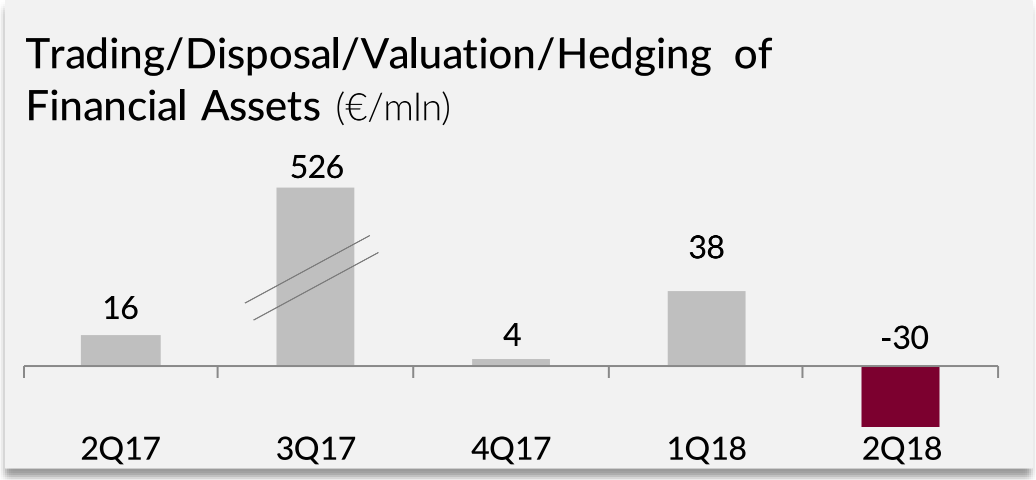


€/mln	2Q17	1Q18	2Q18	2Q18 vs. 1Q18	2Q18 vs. 2Q17
Wealth Management fees, o/w	197	180	178	-1.0%	-9.5%
WM Placement	94	71	67	-4.7%	-28.6%
Continuing	84	89	89	0.2%	6.1%
Securities	11	10	12	17.0%	9.5%
Protection	9	11	11	-2.5%	25.5%
Traditional Banking fees, o/w	298	276	271	-1.8%	-9.3%
Credit facilities	136	143	139	-3.0%	1.5%
Trade finance	15	14	14	-5.6%	-7.7%
Payment services and client expense recovery	147	118	119	0.4%	-19.4%
Other	-64	-50	-46	-6.7%	-28.2%
Total Net Fees	431	407	403	-0.9%	-6.5%

- Net fees and commissions confirm encouraging trend (1Q18 included a EUR 15mln positive one-off from the renewal of the distribution agreement with Compass)
- 1H18 WM placement fees represent c. 17% of total fees (c. 22% in 1H17, net of merchant acquiring business)
- Stock of assets under management at EUR 58.1bn, EUR-0.2bn QoQ mainly on mutual funds and individual portfolios
- Stock of assets under custody at EUR 40.9bn, EUR +3.9bn QoQ mainly due to a single large account

Dividends and Trading Income

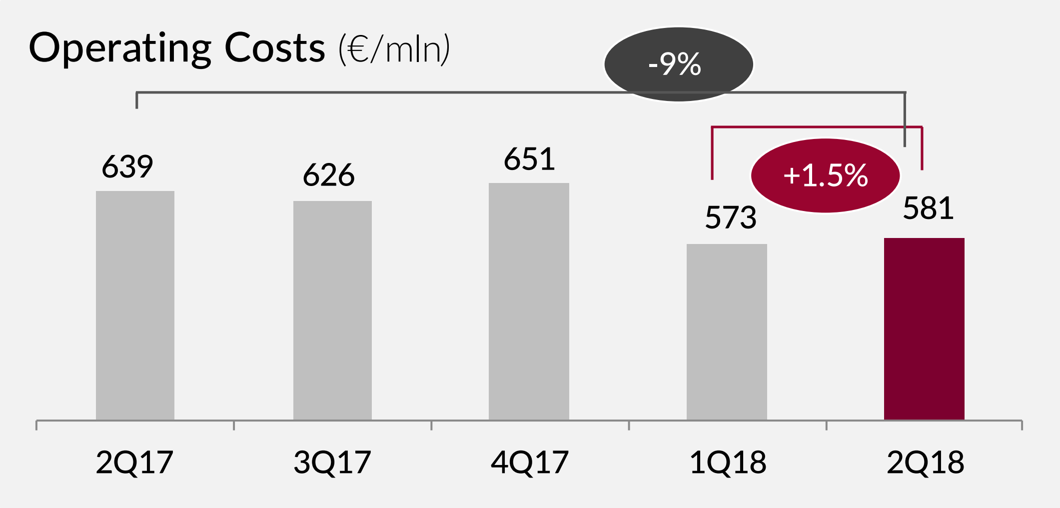




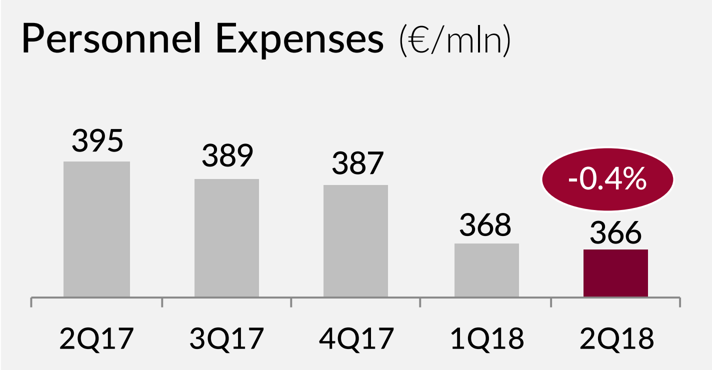
- Dividends, similar income and gains (losses) on equity investments include the contribution from the joint venture with AXA and the dividend on the stake held in Bank of Italy (c. EUR 8mln)

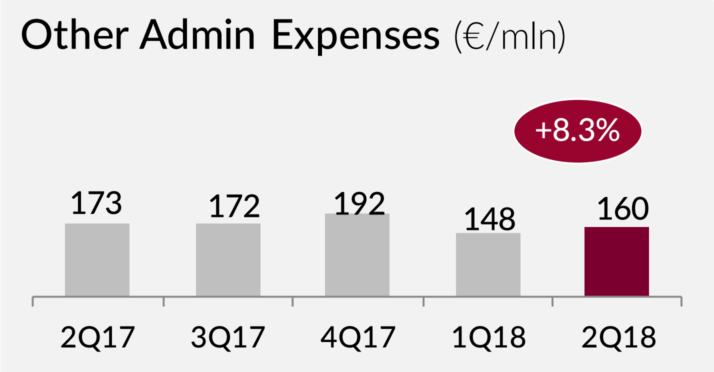
- Trading/disposal/valuation/hedging of financial assets:
  - EUR +13mln for capital gains on disposals, mainly of Italian bonds
  - EUR -11mln for trading result and net profit from hedging due to the negative contribution from MPS Capital Services (c. EUR -20mln), affected by the spread volatility, partially offset by a positive contribution from Banca MPS
  - EUR -33mln due to losses from financial assets and liabilities designated at FVTPL (IFRS9), of which c. EUR -22mln on loans and –EUR 11mln on other financial investments

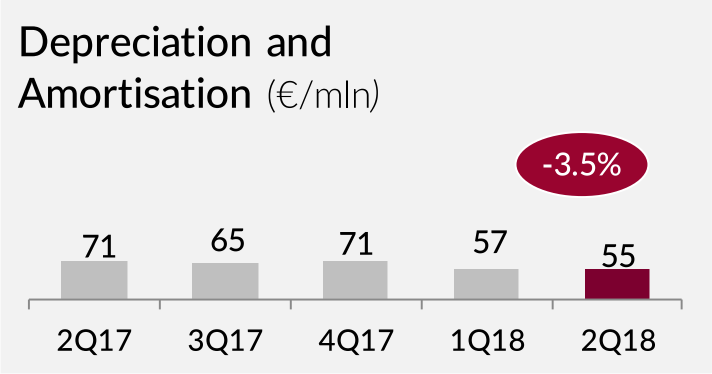
Operating Costs



- **Personnel expenses:** further benefits expected in 2019 from the personnel exits to be carried out in 2H18 through the Solidarity Fund
- **Other admin expenses** up vs. 1Q18 due to the seasonal acceleration of the spending cycle



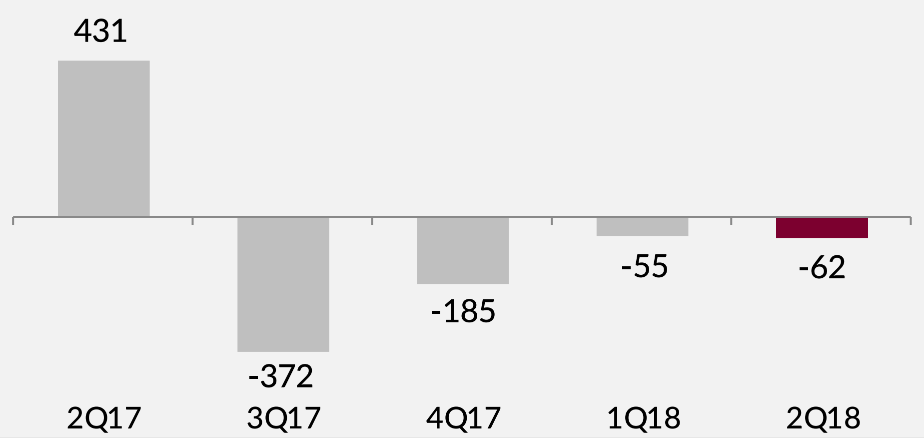




	2Q17	3Q17	4Q17	1Q18	2Q18	
FTEs*	24.8K	24.7K	23.5K	23.4K	23.3K	- 6.1% YoY
Branches	1,860	1,860	1,745	1,597	1,597	-14% YoY

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

Non-Operating Items and Taxes



	2Q17	3Q17	4Q17	1Q18	2Q18
DGS, NRF & SRF	0	-31	2	-69	-26
DTA Fees	-18	-18	-18	-18	-18
Other	448	-323	-170	32	-18
Total	431	-372	-185	-55	-62

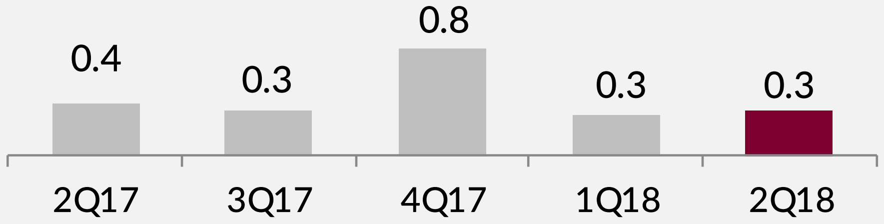
- Non-operating items (EUR -62mln) mainly include:
  - EUR -26mln for the one-off contribution to the NRF (National Resolution Fund)
  - EUR -18mln for the quarterly contribution to DTA fees introduced by Law Decree 59/2016
  - Other EUR -18mln of which:
    - EUR -51mln due to provisions for commitments undertaken by the Bank for transactions with customers and clawback claims
    - EUR -16mln for extraordinary costs related to restructuring plan initiatives
    - EUR +50mln capital gain from the disposal of the NPL platform
- EUR 0.2bn one-offs to be booked in 2H18 with expected benefits in 2019: restructuring costs for the exit of personnel through the Solidarity Fund, cost of the disposal/winding down of foreign banks and closure of foreign branches as per commitments enforced by DG Comp (EC)
- Taxes for the quarter EUR +26mln which include a lower DTA reassessment than the previous quarter mainly due to the negative impact of the BTP-Bund spread on reserves

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

Focus on Asset Quality (1/2)

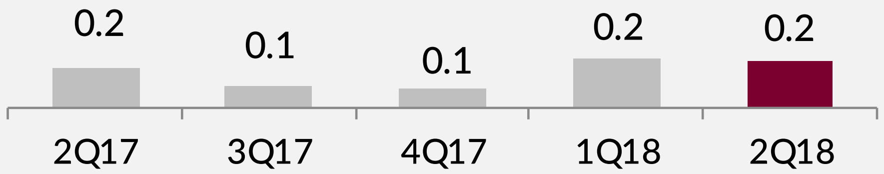
NPE Inflows from Performing*
(€/bn)

Default rate
1.6%



NPE Outflows to Performing*
(€/bn)

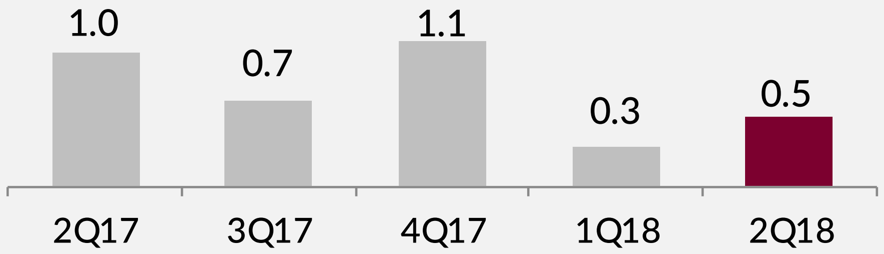
Cure rate
5.2%



Other UTP reductions:	2Q17	3Q17	4Q17	1Q18	2Q18
	0.4bn	0.7bn	0.5bn	0.2bn	0.7bn

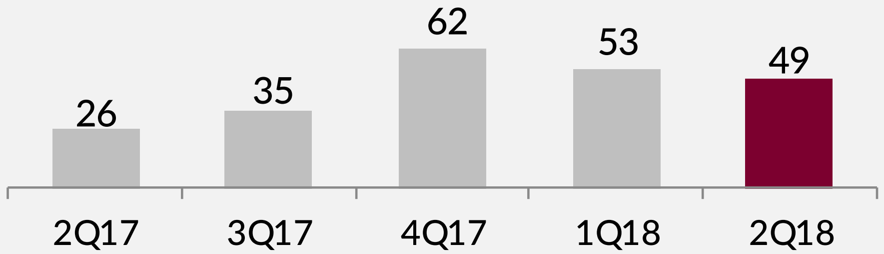
Migration from UTPs/PDs to Bad Loans* *(€/bn)*

Danger rate
13.5%



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

Recovery rate
3.4%

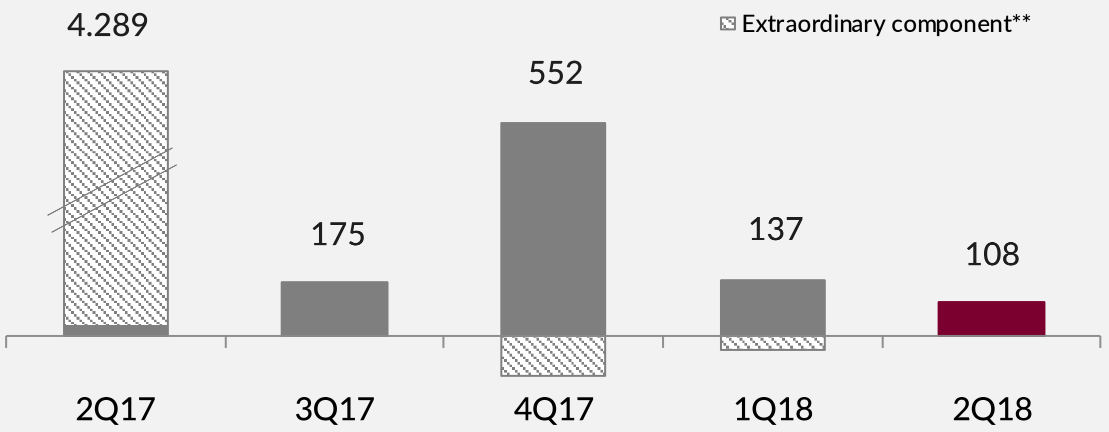


* Data from operational data management system. Figures include signature loans (excluded in accounting figures)

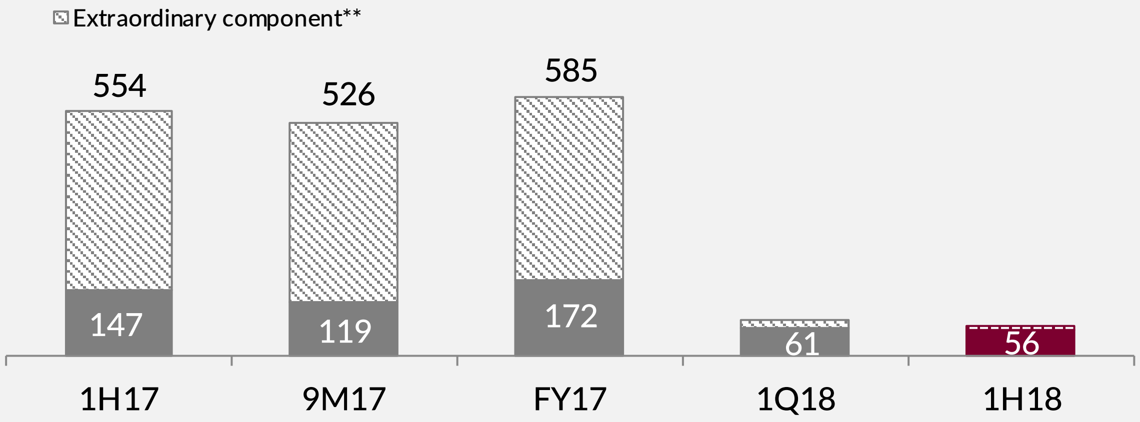
Ratios are calculated as annualised 1H18 net flows/stock at the beginning of the period adjusted for an interpolation factor to take into account the seasonality in the net flows

Focus on Asset Quality (2/2)

Net Loan Loss Provisions *(€/mn)*



Cost of Risk* *(bps)*



Non-performing Exposures Coverage (%)

	Jun-17 ***	Mar-18	Mar-18 pro-forma for securitisation	Jun-18
Bad Loans *(sofferenze)*	76.2	77.6	69.3	69.1
Unlikely-to-Pay Loar	39.7	45.4	45.1	45.0
Past Due Loans	22.5	31.6	31.6	32.8
Total NPEs	**64.2**	**68.8**	**55.5**	**56.0**

- Cost of risk 56bps
- New flows from UTPs to bad loans (UTP danger rate 13.5%), mainly related to well-provisioned positions with no significant impact on cost of risk
- Bad loan coverage impacted by the deconsolidation of the disposed portfolio

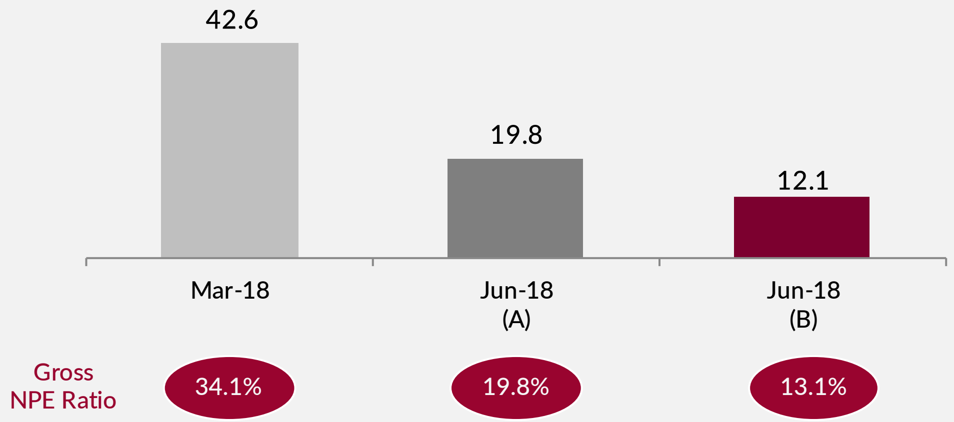
* Net loan loss provisions since the beginning of the period (annualised)/end-of-period loans

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

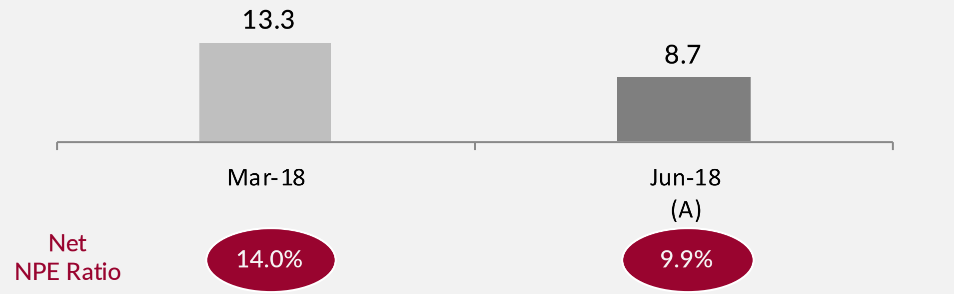
*** Net of interest in arrears to allow comparison with 2018 figures

Pro-Forma Asset Quality Key Metrics

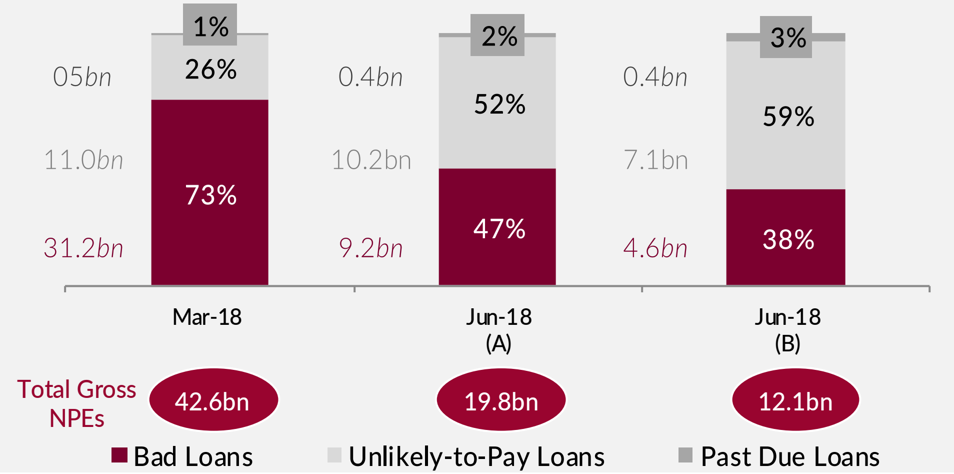
Gross NPEs* (€/ban)



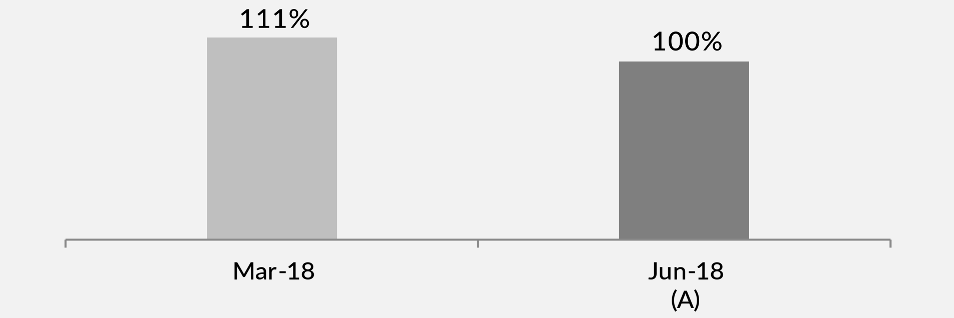
Net NPEs (€/ban)



Gross NPE Mix* (%)



Texas Ratio** (%)



Legend for 2018 data:

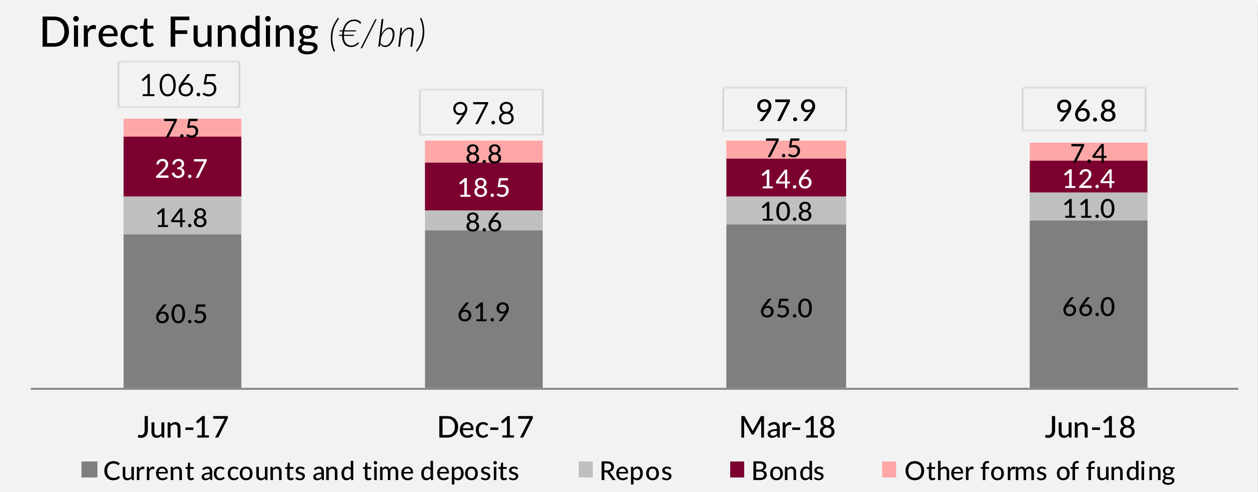
(A) = stated

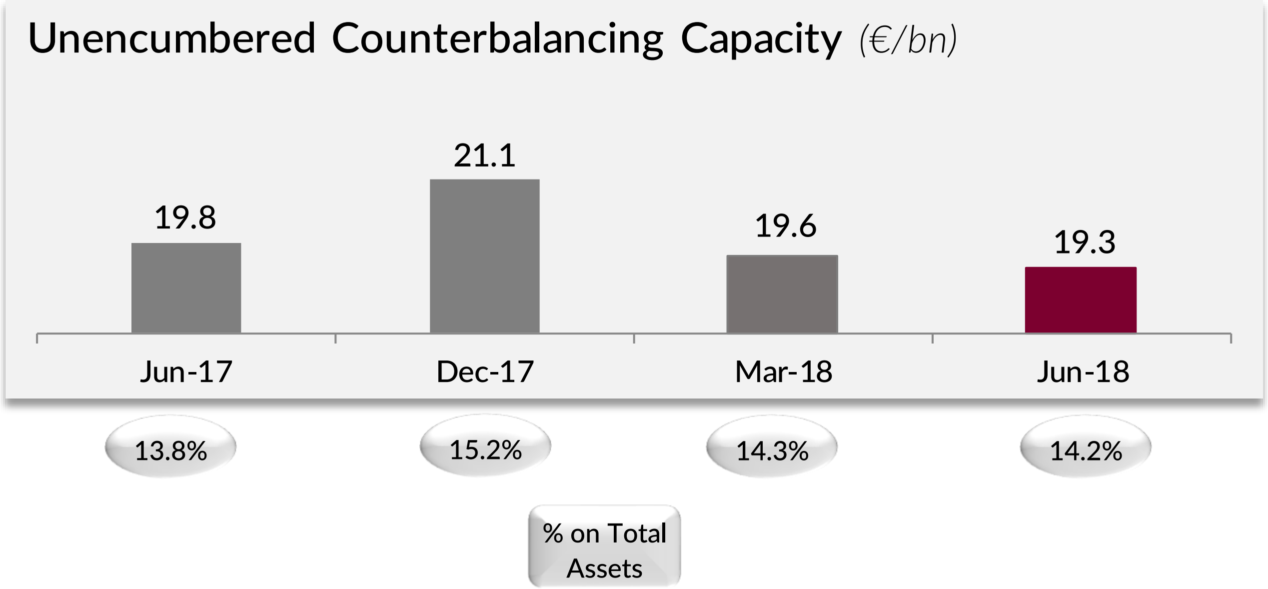
(B) = Illustrative. June 2018 figures adjusted only for the estimated impact of the further NPE disposal planned by 2021 under IFRS9. Loan book evolution not included in the figures

* Gross bad loans adjusted excluding arrears on defaulted assets (c. EUR 2bn in Q1 2018)

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

Direct Funding and Liquidity

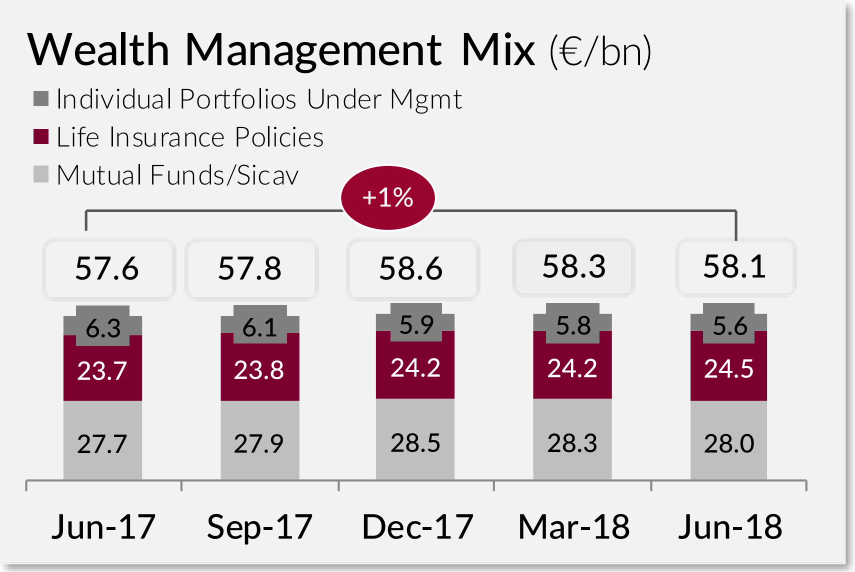


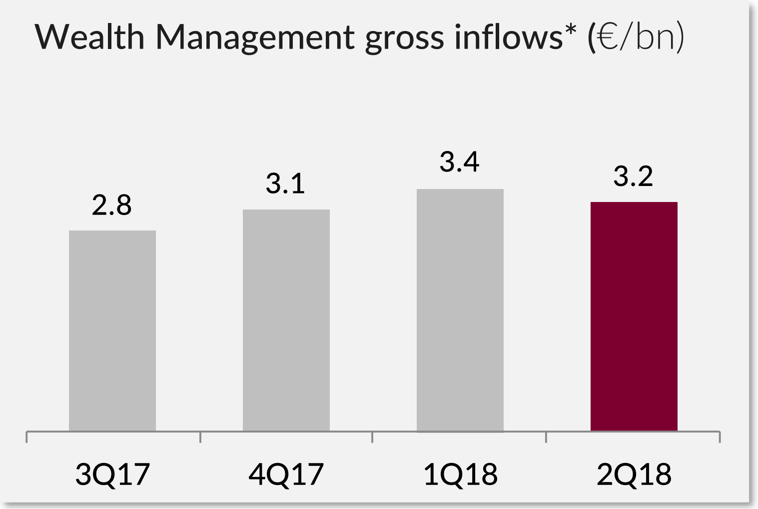


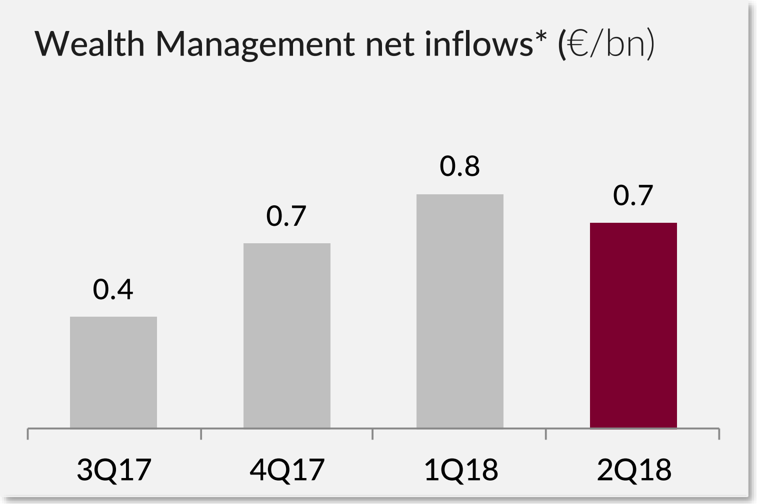
- Current accounts and time deposits continue to grow: +EUR 1bn in the quarter, despite cost of funding reduction
- Total direct funding down by c. EUR 1bn vs. 1Q18 due to the reduction in bonds (EUR 2.2bn retail senior bonds expired in the quarter), partially offset by the increase in current accounts and time deposits
- Group's customer deposits market share at 3.9%* as at April 2018, up by 14bps from 2017 year-end
- In 2018-19, sustainable maturities of retail bonds (EUR 1.1bn in 2H18 and EUR 1.1bn in 2019) and wholesale bonds (EUR 0.7bn in 2019)
- LCR: c. 178% (c. 196% in Mar-18)
- NSFR: c.109% (c. 106% in Mar-18)

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

Focus on Wealth Management (WM)







Mutual Funds:

5.3%**

Market share on net inflows

2.8%**

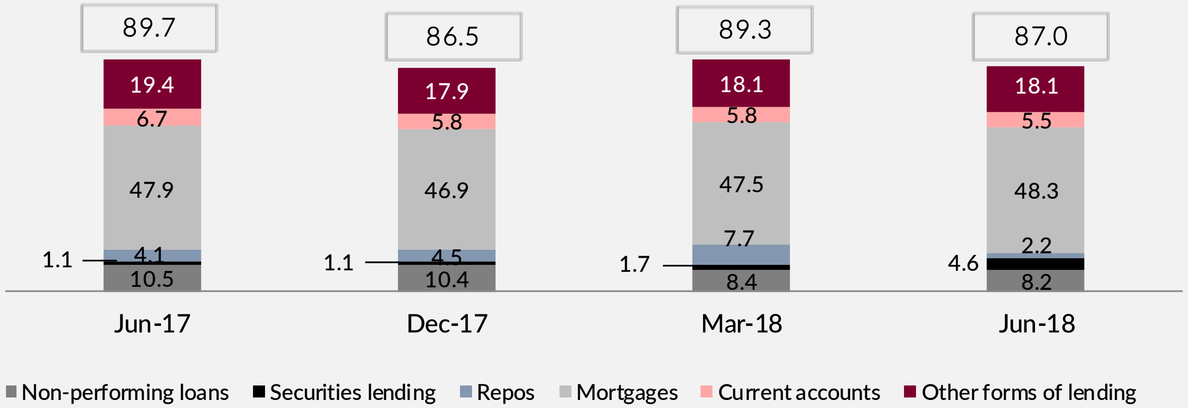
Market share on existing stock

* Bancassurance + Mutual Funds /Sicav flows

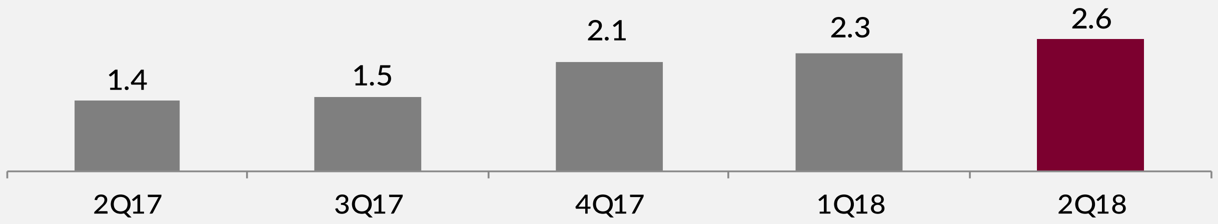
** Market share as at April 2018

Customer Loans

Loans to Customers (€/bn)



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

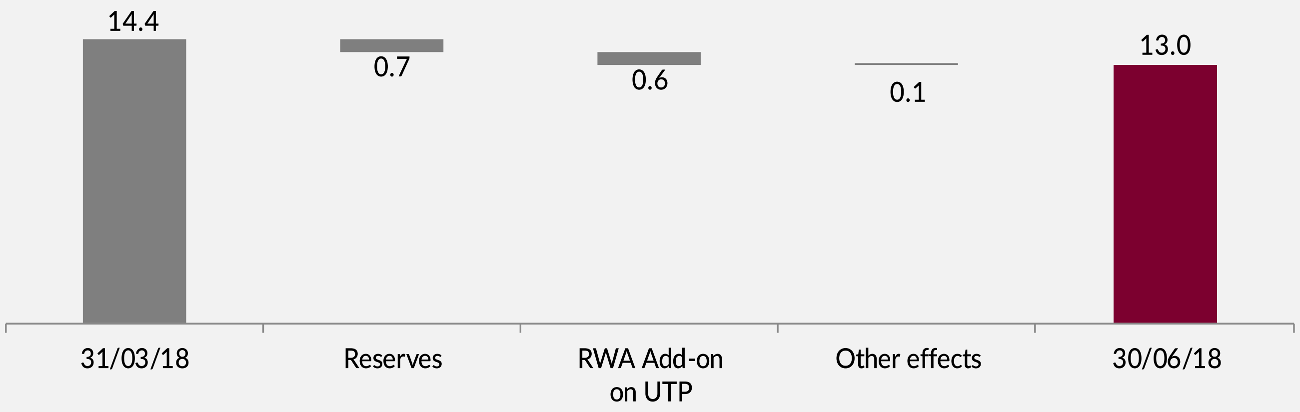


- Customer loans down by approx. EUR 2.3bn for:
  - EUR -5.5bn reduction in repos due to market-making business of MPS Capital Services
  - EUR +2.9bn increase in securities due to securitisation senior notes retained by the Bank
  - EUR +0.8bn increase in mortgages, driven by strong inflows
- Group's loan market share at 6.5%* as at April 2018, stable vs. 2017 year-end

* Lending to domestic customers, comprehensive of non-performing exposures and net of institutional repos

Capital Structure

Phased-in CET1 ratio (%)



	1Q18	2Q18
TBV (EUR)	9.0bn	8.7bn
Transitional CET1 (EUR)	8.9bn	8.4bn
Fully loaded CET1*	11.7%	10.6%
Total Capital	15.8%	14.4%
RWA (EUR)	61.8bn	64.3bn

Including EUR1.4bn full impact of IFRS9

Excluding EUR 2.0bn off-balance sheet DTAs as at June 2018

- CET1 QoQ reduction (-140bps) mostly from:
  - Reserves decrease (-EUR 0.4bn), mainly for the negative impact related to the widened BTP-Bund spread
  - RWA increase (+EUR 2.5bn) mainly due to the introduction of the add-on on unlikely-to-pays; the add-on on bad loans (including portfolios to be disposed by 2018), estimated in c. EUR 1.4bn, will be introduced in 3Q
- Future CET1 increase expected from organic capital generation and RWA reduction, following bad loan and UTP disposal/reduction
- The Bank is not participating in the 2018 EBA Stress Test

* Including full impact by IFRS9 FTA

Focus on DTAs

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

- From an accounting point of view, DTAs related to fiscal losses (and, in general, to all temporarily non-deductible negative income components) matured at the balance sheet date may be recognised in the balance sheet only to the extent that it is deemed probable that future taxable profits will be available against which the DTAs can be utilised
- From a regulatory point of view, current Italian fiscal regulations do not set any time limit for the use of fiscal losses against taxable income of subsequent years. Therefore, DTAs that cannot be recognised at a certain date may be booked in the future if earning prospects improve, and thus represent an unexpressed potential benefit that is not subject to expiry

* Their recovery is certain regardless of the presence of future taxable income

** In the case of IRES DTAs, the part that is not absorbed by taxable profit before reversal of convertible DTAs is transformed into non-convertible losses DTAs; in the case of IRAP DTAs, the part that is not absorbed by taxable profit before reversal of convertible DTAs is not recoverable

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Ongoing Restructuring Plan (1/2)

(€/bn)	1H18	2019 Restructuring Plan	Percentage of 2019 Plan	Comments
Net Interest Income	0.9	1.7	~51%	❑ First signs of commercial revamping
Fees & commissions	0.8	1.8	~ 45%	❑ Lower than expected credit fees ❑ AUM growth lower than expected
Total revenues	1.7	3.7	~ 46%	❑ Mainly impacted by lower fees and in 2Q18 by losses related to the increase in BTP-Bund spread
Operating costs	-1.2	-2.3	~ 50%	❑ Further benefits expected in 2019 due to the exits of personnel planned in 2H18 through Solidarity Fund
Pre–provision profit	0.6	1.4	~43%	❑ Impacted by lower revenues

Ongoing Restructuring Plan (2/2)

(€/bn)	1H18	2019 Restructuring Plan	Delta vs. 2019 Plan	Comments
Customers Loans (€/bn)	87.0	90.7	~ -3.7	❑ Below target due to 2017 commercial performance ❑ Commercial revamping in 2018
Direct Funding (€/bn)	96.8	100.7	~ -3.9	❑ Focus on cost of funding reduction ❑ Target in terms of current accounts and deposits achieved
Gross NPE ratio (%)	19.8	14.3	~ -5.5%	❑ Securitisation of EUR 24bn bad loans completed ❑ Well on track on UTP and bad loan reduction
Cost of risk (bps)	56	79	-23	❑ Cost of credit at c. 60bps in 2018 ❑ On track to 2019 target
Default rate* (%)	1.6%	2.0	~ -0.4pp	❑ In 1H18, progress towards 2019 target

* Data from operational 1H data management system. Figures include signature loans (these are excluded from accounting figures). Default rate calculated on annualised figures, factoring in seasonality

Conclusion

Commercial strategy

Focus on DIRECT FUNDING and WM to support the positive P&L trend and LOAN GROWTH

REVENUES stabilisation

Potential upside from cost of funding reduction and WM

COST SAVINGS expected in 2019 from the personnel exits to be carried out in 2H18 through the Solidarity Fund

Restructuring Plan

COST OF CREDIT at c. 60bps in 2018

In 2018, BAD LOAN REDUCTION up to EUR 3.7bn (vs. EUR 2.6bn 2018 target) and UTP REDUCTION of EUR 1.5bn (of which EUR 0.9bn already achieved)

Potential to improve 2021 target of GROSS NPE RATIO to c.10%

COMMITMENTS ENFORCED BY DG COMP (EC)

FTE reduction through Solidarity Fund, disposal/winding down of foreign banks, closure of foreign branches

EXPECTED CET1 increase from 2019 for organic capital generation and RWA decrease following bad loan and UTP reduction

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Focus on Asset Quality

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

	Gross Book Value excluding interest in arrears on defaulted assets		Net Book Value		Coverage	
	Mar-18	*Jun-18*	*Mar-18*	*Jun-18*	*Mar-18*	*Jun-18*
Bad loans *(sofferenze)*	31,151	9,211	6,988	2,850	77.6%	69.1%
Unlikely-to-Pay loans	10,985	10,194	5,997	5,605	45.4%	45.0%
Past due/overdue exposures	450	384	308	258	31.6%	32.8%
Total NPEs	42,586	19,789	13,293	8,714	68.8%	56.0%

Restructured unlikely-to-pay loans*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	275	1.4	41.1%	0.8	34.9%
Personal guarantees	210	0.5	56.2%	0.2	9.4%
Unsecured	568	2.6	48.2%	1.3	55.6%
Total	**1,053**	**4.5**	**46.9%**	**2.4**	**100.0%**
of which Pool other banks		***3.7***		***2.0***	***84.7%***

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	1.4	34.8%	65.2%
Personal guarantees	0.5	56.6%	43.4%
Unsecured	2.6	44.4%	55.6%
Total	**4.5**	**42.8%**	**57.2%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.6	0.3	12.4%
Real estate	0.8	0.4	17.8%
Holdings	0.1	0.1	3.1%
Transportation and logistics	0.5	0.2	9.5%
Other industrial**	1.7	1.0	42.0%
Households	0.0	0.0	1.0%
Other	0.8	0.3	14.3%
Total	**4.5**	**2.4**	**100.0%**

- Average coverage of 47%, above Italian average. Net book value EUR 2.4bn (35% secured)
- Corporate and SME sectors > 83% of total restructured UTPs
- Positions with GBV > EUR 1m represent >98% of total restructured UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 30% of total net restructured UTPs

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

Other Unlikely-to-Pay*

Breakdown by Guarantees (€/bn)

	Tickets #	GBV	Coverage	NBV	% NBV
Secured	9,583	2.6	33.7%	1.7	54.0%
Personal guarantees	12,629	0.9	51.7%	0.5	14.2%
Unsecured	103,590	2.1	52.0%	1.0	31.8%
Total	**125,802**	**5.7**	**43.5%**	**3.2**	**100.0%**
of which Pool other banks		***3.7***		***1.7***	***53.0%***

Breakdown by Vintage (€/bn)

	GBV	< 3Y	> 3Y
Secured	2.6	70.2%	29.8%
Personal guarantees	0.9	71.6%	28.4%
Unsecured	2.1	67.9%	32.1%
Total	**5.7**	**69.6%**	**30.4%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.9	0.5	15.8%
Real estate	0.7	0.4	12.0%
Holdings	0.0	0.0	0.4%
Transportation and logistics	0.1	0.1	1.6%
Other industrial**	1.5	0.8	24.9%
Households	0.9	0.6	19.4%
Other	1.5	0.8	25.9%
Total	**5.7**	**3.2**	**100.0%**

- Average coverage of 43.5%, above Italian average. Net book value EUR 3.2bn (c. 54% secured)
- SME and Small Business sectors represent over 73% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 52% of total other UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 28% of total net other UTPs

* Figures from operational data management system

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

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2Q18 P&L: Highlights

€ mln	1Q18	2Q18	Change (QoQ%)	1H17	1H18	Change (YoY%)
Net Interest Income	421	449	6.4%	903	870	-3.7%
Net Fees	407	403	-0.9%	858	810	-5.6%
Other revenues	49	-19	n.m.	92	29	-67.9%
Total revenues	877	832	-5.1%	1,853	1,709	-7.8%
Operating Costs	-573	-581	1.5%	-1,267	-1,154	-8.9%
of which Personnel costs	-368	-366	-0.4%	-800	-734	-8.2%
of which other admin expenses	-148	-160	8.3%	-340	-308	-9.3%
Pre-provision profit	304	251	-17.5%	586	555	-5.3%
Total provisions	-138	-109	-21.1%	-4,631	-247	n.m.
of which net impairment losses	-137	-108	-21.2%	-4,597	-245	n.m.
Net Operating Result	166	142	-14.5%	-4,044	308	n.m.
Non-operating items*	-55	-62	12.4%	305	-116	n.m.
Profit (Loss) before tax	111	80	-27.8%	-3,739	192	n.m.
Taxes	83	26	-68.6%	510	109	-78.5%
PPA & Other Items	-7	-6	-20.1%	-13	-13	n.m.
Net profit (loss)	188	101	-46.2%	-3,243	289	n.m.

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

Balance Sheet

Total Assets (€/mln)

	Jun-17	Dec-17	Mar-18	Jun-18	QoQ%
Customer loans	89,713	86,456	89,320	87,010	-2.6%
Loans to banks	13,116	9,966	6,375	8,636	35.5%
Financial assets	24,090	24,168	25,652	29,257	14.1%
PPE and intangible assets	2,845	2,854	2,831	2,790	-1.5%
Other assets*	13,826	15,709	12,593	8,029	-36.2%
Total Assets	**143,590**	**139,154**	**136,772**	**135,723**	**-0.8%**

Total Liabilities (€/mln)

	Jun-17	Dec-17	Mar-18	Jun-18	QoQ%
Deposits from customers and securities issued	106,544	97,802	97,857	96,834	-1.0%
Deposits from banks	22,803	21,085	20,483	20,795	1.5%
Other liabilities**	11,193	9,836	9,131	9,098	-0.4%
Group equity	3,048	10,429	9,298	8,995	-3.3%
Minority interests	2	2	2	2	-4.3%
Total Liabilities	**143,590**	**139,154**	**136,772**	**135,723**	**-0.8%**

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

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

Lending & Direct Funding

Total Lending (€/mln)

	Jun-17	Dec-17	Mar-18	Jun-18	QoQ%
Current accounts	6,684	5,758	5,768	5,473	-5.1%
Mortgages	47,867	46,868	47,536	48,347	1.7%
Other forms of lending	19,412	17,903	18,116	18,117	0%
Reverse repurchase agreements	4,145	4,525	7,747	2,244	-71.0%
Loans represented by securities	1,130	1,050	1,736	4,636	n.m
Impaired loans	10,475	10,352	8,418	8,193	-2.7%
Total	**89,713**	**86,456**	**89,320**	**87,010**	**-2.6%**

Direct Funding (€/mln)

	Jun-17	Dec-17	Mar-18	Jun-18	QoQ%
Current accounts	49,606	51,466	54,923	57,122	4.0%
Time deposits	10,889	10,469	10,045	8,927	-11.1%
Repos	14,848	8,572	10,825	10,956	1.2%
Bonds	23,677	18,522	14,558	12,390	-14.9%
Other types of direct funding	7,524	8,773	7,507	7,439	-0.9%
Total	**106,544**	**97,802**	**97,857**	**96,834**	**-1.0%**

Focus on Commercial Net Interest Income

Net interest income (€/mln)	2Q17 average volume	2Q17 average rate	3Q17 average volume	3Q17 average rate	4Q17 average volume	4Q17 average rate	1Q18 average volume	1Q18 average rate	2Q18 average volume	2Q18 average rate
Commercial Loans	84.6	2.7%	81.4	2.6%	79.8	2.5%	78.4	2.5%	78.7	2.4%
Retail (including small businesses)	41.4	2.9%	40.5	2.8%	40.1	2.7%	39.7	2.7%	39.8	2.6%
Corporate	35.4	2.3%	33.9	2.2%	33.2	2.2%	32.4	2.1%	33.0	2.1%
Non-Performing	7.8	3.7%	7.1	3.4%	6.5	3.1%	6.2	3.1%	5.9	3.0%
Commercial Direct funding	68.6	-0.6%	72.0	-0.6%	72.8	-0.5%	73.1	-0.4%	73.5	-0.3%
Retail (including small businesses)	47.0	-0.6%	46.6	-0.6%	47.0	-0.5%	47.1	-0.4%	46.9	-0.4%
Corporate	14.6	-0.6%	17.7	-0.6%	19.6	-0.4%	20.5	-0.3%	20.7	-0.2%
Non-Performing	0.5	-0.1%	0.6	-0.1%	0.5	-0.1%	0.3	-0.1%	0.3	-0.1%
Other Customers	6.6	-0.8%	7.2	-0.8%	5.7	-0.8%	5.1	-0.8%	5.6	-0.8%
Commercial NII	495.4		454.3		443.3		430.6		445.2	
Non Commercial NII*	-49.5		16.1		-28.7		-9.1		3.3	
Total Interest Income	445.9		470.4		414.6		421.5		448.5	

* Mainly contribution from Govies portfolio and cost of wholesale funding

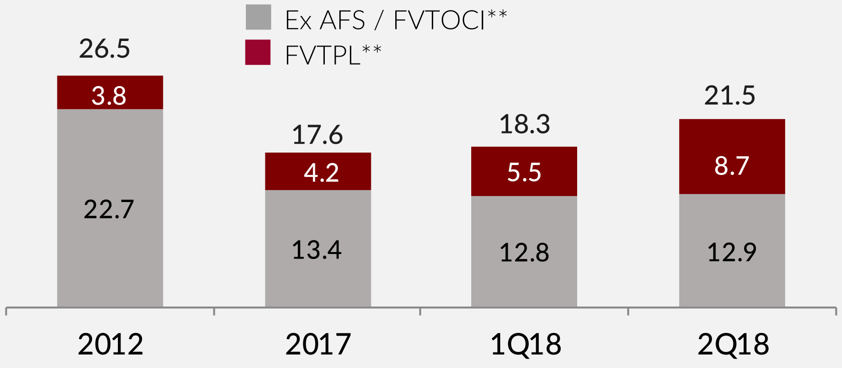
Financial Assets* at Fair Value: Focus on Italian Govies Portfolio

Financial Assets at FV (€/mln)

	Jun-18	QoQ%
FVTPL** *(bonds at FV, UCITS/equity and loans)*	1,217	2.0%
FVTPL** *(trading)*	13,270	34.3%
FVTOCI**	14,770	1.3%
Total	**29,257**	**14.1%**

Financial Assets increased due to MPS CS primary dealer business, FVTOCI** portfolio almost stable

Italian Govies at FV** (€/bn)



Portfolio Ex AFS / FVTOCI**:

	2012	2017	1Q18	2Q18
Duration *years*	~6.7	~3.6	~2.9	~2.7
Credit spread sensitivity *(€/mln before tax for 1bp change)*	-14.6	-5.6	-4.1	-3.7

- Reduced duration and sensitivity of the Italian Govies at FVTOCI**
- Italian Govies portfolio increased due to MPS Capital Services' primary dealer business (Italian Govies at FVTPL** equal EUR 8.7bn)
- FVTOCI** reserve as at June 2018: EUR -0.2bn (EUR +0.1bn in March 18) impacted by the widened BTP-Bund spread

* Figures from operational data management system

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

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