MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

FY2018 and 4Q18 BMPS Preliminary Results

7 February 2019

Highlights of FY18 and 4Q18 Results

Pre-provision profit

EUR 937mln
for FY18
(c. +2% vs. FY17 net of one-offs)*

EUR 134mln
for 4Q18
(c. +12% vs. 4Q17 net of one-offs)*

Cost of risk

Cost of risk at 72bps
Impacted by a few large construction sector tickets which migrated into default status and by the disposal of leasing portfolio

Net of these components, cost of risk in line with guidance of c. 60bps

Net income

EUR 279mln
for FY18

EUR -101mln
for 4Q18, impacted by EUR 219mln non-operating items

Gross NPE ratio**

c. 16.4%
(35.8% in 2017)

Net NPE ratio**

c. 8.7%
(16.3% in 2017)

CET1

13.7% (transitional)
c. 370bps buffer vs. 2019 SREP*** of 10%
(c. 240bps considering 1.3% P2G)

11.3% (fully loaded)

11.7% (pro-forma including expected reversal of DTAs until the end of the transitional period)

Total Capital

15.2%
c. 170bps buffer vs. 13.5% 2019 SREP****

* Details of one-offs on slide 32.
** Pro-forma including the disposal of the EUR 0.9bn leasing portfolio to be perfected in 2019 (binding agreement signed in December 2018) and of EUR 0.2bn UTPs (binding offers already received in December 2018).
*** CET1 requirement, including buffers. ECB draft letter.
**** Overall Capital Requirement, including buffers. ECB draft letter.

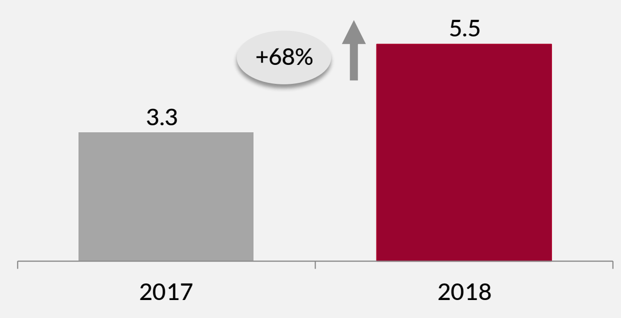
Accelerating commercial activity and network rationalisation

Network rationalisation (since end 2016)

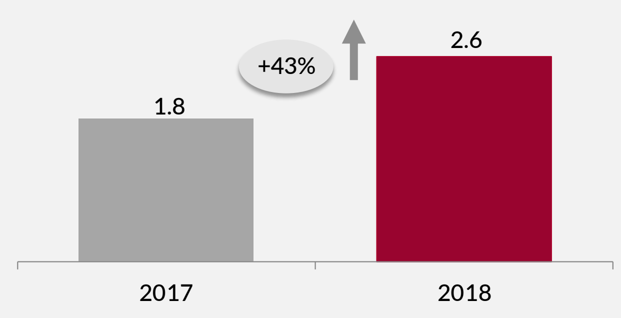
- **500 branches closed**: with limited attrition (~10%/7%) in terms of lending/funding*. From 2,032 at YE16 to 1,745 branches at YE17 to 1,529 branches at YE18
- **1,800 staff exits through Solidarity Fund**: from a headcount of 25.6k at YE16, to 23.5k at YE17 to 23.1k at YE18
- **New York, London & Hong Kong branches**: unwinding procedures completed

Lending activity

New Retail mortgages** *(€/bn)*



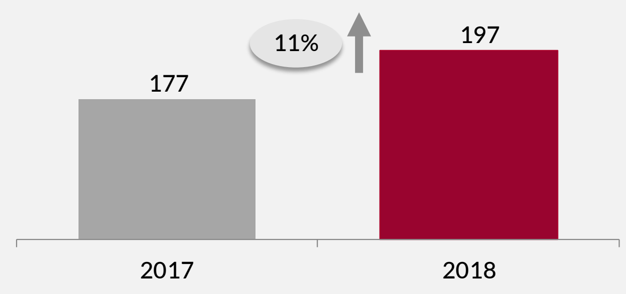
New Corporate mortgages *(€/bn)*



- Focus on retail customers and small businesses: new retail mortgages +68% YoY
- Selective lending to creditworthy corporate customers, with particular focus on lending spreads: new corporate mortgages +43% YoY
- Significant repricing in new mortgage flows. From 3Q18 average rate increase:
  - Retail: +25/40bps
  - Corporate: up to +100bps

AXA MPS

AXA MPS Commissions *(€/mln)*



- Successful partnership with AXA, with increased contribution to MPS fees
- Bancassurance new business market share: 4.11%*** (+33bps YoY)

Widiba

- Widiba: positive net income and 350k customers
- Successfully completed migration waves of high churn and low margin MPS customers to re-activate business and interaction:
  - Positive net inflows from clients migrated with First Wave (c.50k customers migrated in 4Q17) and erosion trend stopped for the Second Wave (c. 100k customers migrated in 4Q18);
  - 80% of migrated customers have logged into the new platform and 35% have asked for the Widiba profile upgrade

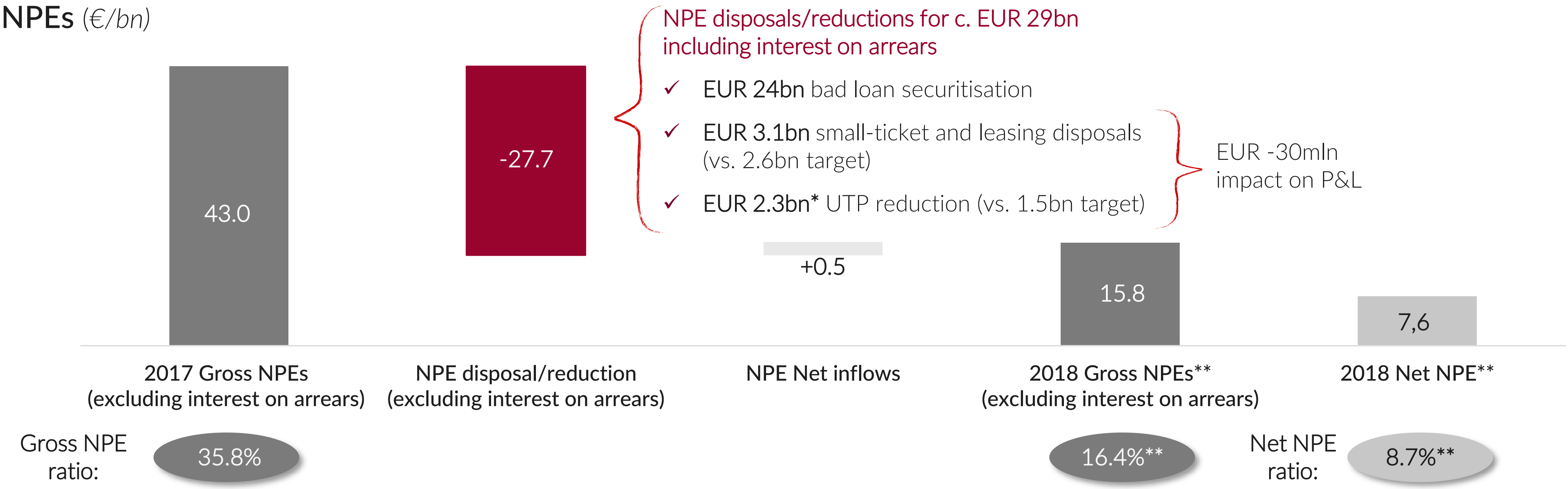
* Attrition data relating to 435 branches closed. In terms of lending/funding, decrease estimated in c. EUR 0.45bn/EUR 0.55bn, respectively.

** Including small-business mortgages.

*** Market share as at October 2018. Latest available data.

NPE Deleveraging, with Gross NPEs reduced to 16.4%

NPEs *(€/bn)*



- Industrialised process in place for UTP reductions, with a team of specialists of consolidated experience
- Experience in disposal of leasing portfolios
- Ongoing strategic analysis on UTP portfolio

EUR 2bn

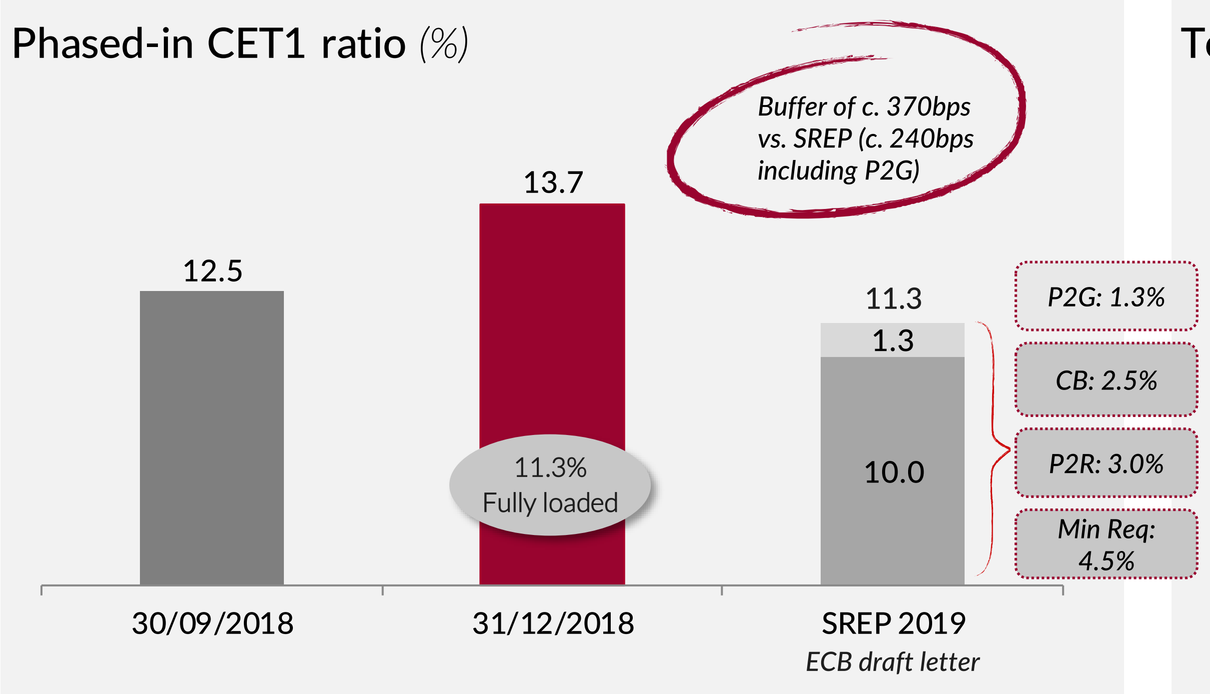
NPE reduction confirmed for 2019

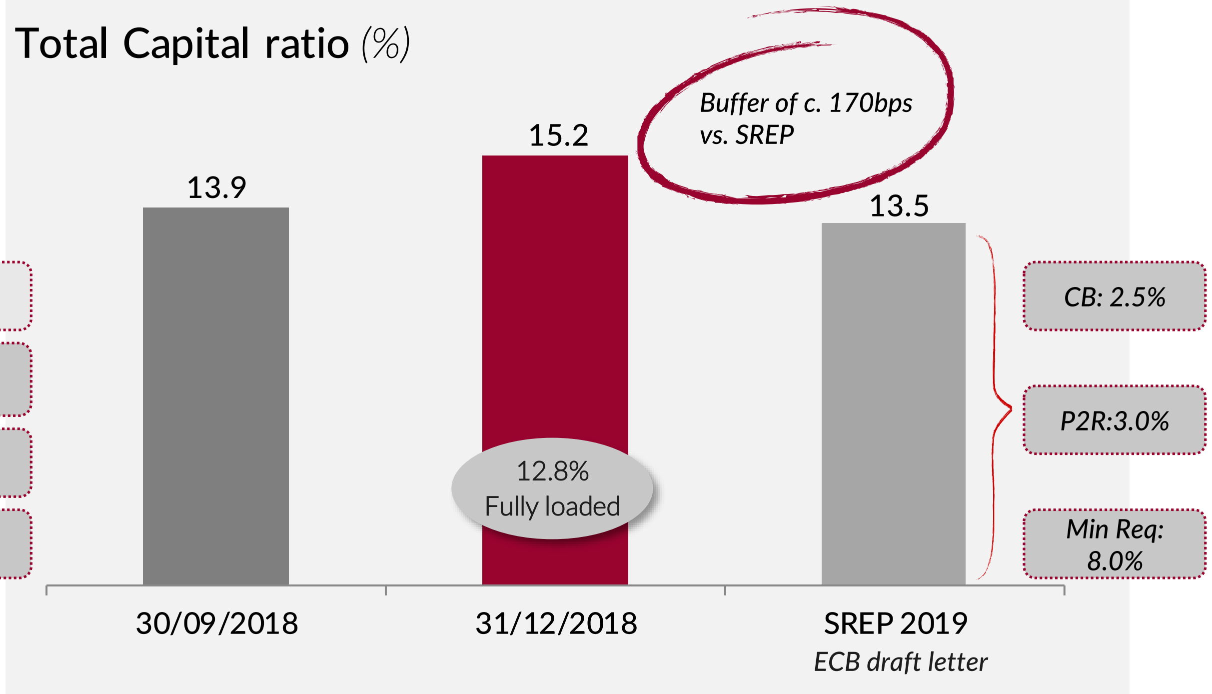
in spite of above-target results in 2017 & 2018

* EUR 2.3bn UTP reduction includes a EUR 0.2bn disposal (binding offers already received in Dec 18).

** Pro-forma including the disposal of the EUR 0.9bn leasing portfolio to be perfected in 2019 (binding agreement signed in December 2018) and of EUR 0.2bn UTPs (binding offers already received in December 2018).

Capital position



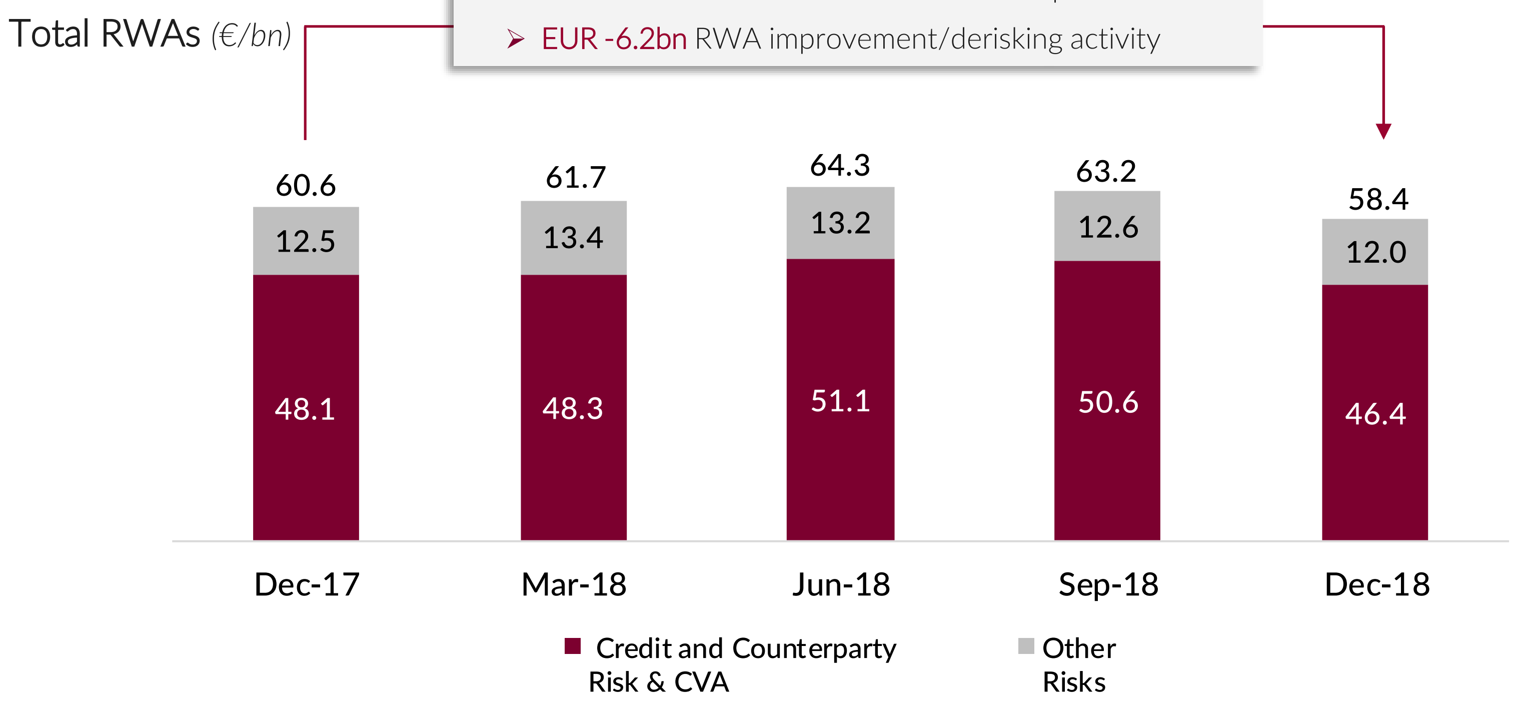


- Sound buffer vs. 2019 SREP Overall Capital Requirement* (370bps on CET1 and 170bps on Total Capital, equivalent to c. EUR 2.2bn and EUR 1bn capital, respectively)
- Selective lending to corporate clients and derisking on financial assets: RWA reduction for c. EUR 3.1bn in 4Q18**
- CET1 at EUR 8.0bn, up QoQ (EUR +0.1bn) mainly due to 2018 result (c. EUR +90mln) and FVOCI reserve on EU govies (c. EUR +132mln), partially offset by higher deductions

* Including buffers. ECB draft letter.
** Details on slide 6.

RWA derisking

- EUR -2.2bn RWAs from Dec-17:
  - EUR +4bn add-on for UTP and bad loan portfolios
  - EUR -6.2bn RWA improvement/derisking activity



RWA quarterly reduction for c. EUR 4.9bn

- EUR -3.1bn thanks to selective lending to corporate clients (EUR -2.5bn) and derisking on financial assets (EUR –0.6bn), with no significant impact on P&L and benefits on liquidity
- EUR -0.9bn RWA improvement through more real-estate and personal guarantees on existing loans and more financial information on SME customers
- EUR -0.4bn due to bad loan and UTP disposals/reductions
- EUR -0.5bn for other minor impacts

FY2018 and 4Q18 Results

P&L (€/mln)	1Q18	2Q18	3Q18	4Q18	FY18
Net Interest Income	421	449	442	431	1,743
Fees and commissions	407	403	353	360	1,523
Financial revenues*	57	-14	17	1	61
Other operating income/expenses	-8	-5	-3	-24	-40
Total revenues	**877**	**832**	**809**	**769**	**3,288**
Operating costs	-573	-581	-561	-635	-2,351
Pre-provision profit	**304**	**251**	**248**	**134**	**937**
Net impairment losses	-138	-109	-121	-257	-625
Net operating result	**166**	**142**	**127**	**-123**	**312**
Non-operating items	-55	-62	-86	-219	-421
Profit (Loss) before tax	111	80	41	-342	-109
Net income (loss)	**188**	**101**	**91**	**-101**	**279**

Balance Sheet (€/bn)	1Q18	2Q18	3Q18	4Q18	FY18
Loans to customers	89	87	87	87	87
Direct funding	98	97	94	90	90
Total assets	137	136	132	130	130

- FY2018 net income at EUR 279mln including:
  - Negative components:
    - ✓ EUR 202mln for restructuring costs related to commitments undertaken with DG Comp (Solidarity Fund initiatives and disposal/unwinding of foreign banks and foreign branches)
    - ✓ EUR 131mln for contribution to systemic funds
    - ✓ EUR 71mln for DTA fees
  - Positive component:
    - ✓ EUR 50mln capital gain for the disposal of the Juliet platform

- 4Q18 Results impacted by:
  - Losses (c. EUR 45mln) related to the derisking process (disposals of non-performing loans and securities)
  - Costs: quarterly trend affected by seasonality and impairment on properties. Costs down -2.3% vs. 4Q17 and -7.6% YoY
  - Increased loan loss provisions, impacted by a few large tickets which migrated to default and by the effect of more adverse macroeconomic forecasts
  - Non-operating items for EUR 219mln, of which EUR 150mln restructuring costs for a new Solidarity Fund initiative
  - Reduction of deposits held by an institutional client for typical year-end movements

* Financial revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets.

4Q18 Balance Sheet

Direct funding

- Total direct funding at EUR 90.5bn, down by c. EUR 3.4bn vs. 3Q18 mainly due to:
  - Reduction in the current account deposit held by an institutional client for typical end-of-year movements (EUR -2.3bn)
  - Bonds expired in the quarter (EUR -0.5bn)
  - Reduction in short-term repos with institutional counterparties (EUR -0.5bn)

Loans

- Customer loans at EUR 86.9bn, down by c. EUR 0.6bn vs. 3Q18 with:
  - Decrease in commercial loans (EUR -2.7bn), mainly on corporate clients, due to the more selective lending strategy focused on lending spreads
  - Decrease in non-performing exposures (EUR -0.7bn) for bad loan disposals and UTP reduction
  - Increase in securities lending (EUR +2.8bn) for the purchase of Italian Govies at amortised cost

Assets Under Management

- Assets Under Management at EUR 55.9bn, down by EUR 2.6bn QoQ (down by EUR 2.7bn YoY)
  - Quarterly trend: EUR -2.1bn market effect and EUR -0.5bn negative net inflows
  - Yearly trend: EUR -3.9bn market effect and EUR 1.2bn positive net inflows
  - Gross inflows almost stable at EUR 2.1bn QoQ
  - Mutual Fund stock market share* at 2.81% (stable from Oct-17)
  - Bancassurance new business market share* at 4.11% (+33bps from Oct-17)

* Market share as at October 2018. Latest available data.

4Q18 P&L

NII

- Net interest income at EUR 431mln, down 2.5% QoQ with increased contribution from commercial components more than offset by negative non-recurring non-commercial items
- Commercial spread stable QoQ, thanks to loan repricing actions that halted the decrease in average lending rates

Fees

- Fees at EUR 360mln, up by 2% QoQ, with increase in WM fees driven by WM product placement and protection products; increase in payment services fees for typical end-of-year movements

Other revenues*

- Dividends and income from investments: EUR 20mln, mainly related to the contribution from the joint-venture with AXA
- Trading/hedging results: EUR 25mln, with improved quarterly results due to lower impact of BTP-Bund spread volatility on trading portfolio and hedging activity
- Results from disposals/repurchases: EUR -22mln, of which EUR -11mln related to NPE portfolios sold and EUR -11mln related to the sale of Italian Govies and other corporate/financial bonds
- Results from financial asset/liabilities at FVTPL (IFRS 9): c. EUR -21mln, of which EUR -13mln loans, EUR -12mln losses on securities and EUR +5mln gains on stakes
- Other operating income/expenses: EUR -24mln, impacted by some non-recurring items

Operating costs

- Operating costs at EUR 635mln, increased QoQ due to seasonality affecting other administrative expenses and higher impairment on properties
- Expected benefits in 2019 from the exit of further 650 people through the Solidarity Fund

Provisions

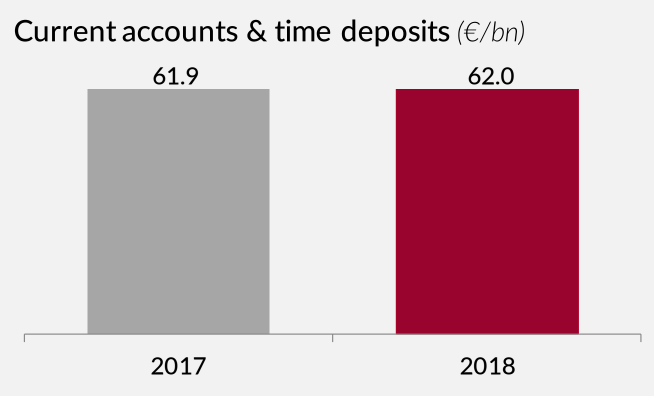
- 2018 cost of risk at 72bps, impacted by the migration of a few large tickets into non-performing status (default rate at 2.1%**), the impact of the sale of the leasing portfolio and by more adverse macroeconomic forecast

* Other revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets and other operating income (expenses).

** Default rate at 1.8% excluding a few large construction sector tickets which migrated into default status.

Safe liquidity position and 3-year funding strategy

Commercial direct funding



- ❑ Commercial direct funding stock stabilised
- ❑ Steady reduction in average cost of funding (-28bps vs. 2017)

Liquidity indicators

- ❑ Unencumbered counterbalancing capacity: EUR 21.2bn (16.2% of total assets), near to historical highest levels, composed for about 90% of Govies and cash
- ❑ LCR: 232% (186% in Sept-18, 199% in Dec-17)
- ❑ NSFR: 112% (111% in Sept-18, 110% in Dec-17)

- ❑ Liquidity position further improved despite difficult market conditions and maturities for EUR 7.5bn (EUR 3bn GGBs*, EUR 1bn covered bonds, EUR 3.5bn retail bonds)
- ❑ LCR/NSFR benefited from stabilisation of deposits, contribution of NPLs (securitisation, disposals) and increased bi-lateral funding

2019-2021 maturities

- ❑ Bond maturities :
  - 2019: c. EUR 1.75bn senior (EUR 1bn retail, EUR 0.75bn institutional)
  - 2020: c. EUR 0.6bn senior (retail) + EUR 8bn** GGBs
  - 2021: c. EUR 0.1bn senior (mainly retail) + c. EUR 1bn covered bonds
- ❑ Moreover, in 2020 TLTROs for EUR 16.5bn will mature

Funding strategy for 2019-2021

- ❑ Safe liquidity position in 2018, as starting point for the 2019-2021 funding strategy:
  - Institutional senior issues: c. EUR 1.5/1.75bn per year
  - Covered bond issues: c. EUR 1.5/1.75bn per year (EUR 1bn already issued in Jan-2019)
  - Additional subordinated issue: c. EUR 0.7bn
  - Cash from NPL disposals and amortising GACS: c. EUR 1.5bn per year
  - Net commercial contribution: c. EUR 1bn per year
  - Contribution from long-term repos: c. EUR 1.5bn per year
- ❑ These sources are well diversified and distributed over time
- ❑ The plan prudentially does not include possible new ECB TLTROs, but will be integrated accordingly, in case new TLTROs are launched in the future

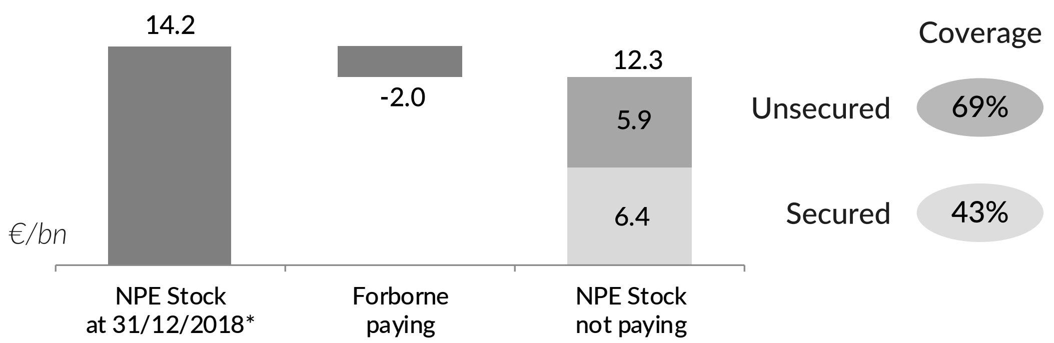
* Government Guaranteed Bonds issued in Jan/Mar 2017.

** Of which EUR 3.2bn sold and EUR 4.8bn retained and used as collateral for funding.

Calendar provisioning on NPE stock and flows

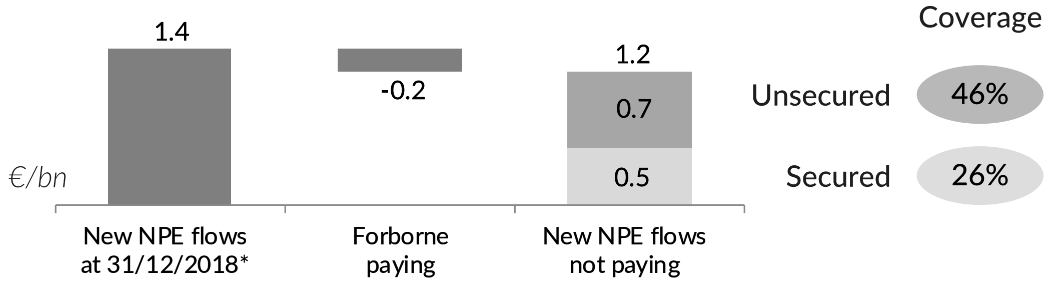
Calendar provisioning on NPE Stock as at 31 March 2018

Recommendation from ECB (SREP Draft Letter) to gradually increase coverage on NPE stock in order to reach a "full coverage" by 2025/2026. Pillar 2 measure



Calendar provisioning on NPE Flows since 1 April 2018

ECB Addendum to increase coverage on NPEs to "full coverage" after 2 years (for unsecured flows), and in 7 years (for secured flows). Pillar 2 measure



- **Potential impact depends on:**
  - Definition of "full coverage", to be assessed together with the ECB on the basis of a "comply or explain" approach
  - Application of calendar provisioning on NPE stock, on average portfolio or on each individual position
  - Application of the rule also to forborne paying NPEs
  - Reduction of Addendum impact in order to take into account existing RWAs on positions subject to new rules
  - Potential reduction of P2R in case of full compliance with recommendation
- **Mitigants:**
  - NPE disposals/reductions
  - Recovery flows
  - Migration flows to performing

On the basis of preliminary and conservative estimates, **no significant impact over the Restructuring Plan period**

More uncertainty in assessing future capital requirements from 2022 onward

* NPE stock excluding Monte Paschi Belgio (disposal in progress: agreement with buyer reached in October and closing expected in 1H19), Monte Paschi Banque (orderly winding-down in progress), leasing portfolio (disposal to be perfected in 2019) and EUR 0.2bn UTPs subject to disposal (binding offers already received in Dec-18)

Update on Commitments set by DG COMP

De-risking	AHEAD OF PLAN ✔✔	❑ Securitisation & deconsolidation of a bad loan portfolio of c. EUR 24bn completed in June 2018 ❑ EUR 2.3bn UTP reduction and EUR 3.1bn small-ticket and leasing disposal ❑ Full compliance with all Risk Management & Credit Policy reporting and control requirements already achieved
Unwinding of foreign network	✔ ON TRACK	❑ Banca Monte Paschi Belgio: agreement with buyer reached in October; closing expected in 1H19 ❑ Monte Paschi Banque: orderly winding-down in progress ❑ New York, London & Hong Kong branches: unwinding procedures completed
Cost Reduction	AHEAD OF PLAN ✔✔	❑ Total operating costs lower than 2018 target ❑ Headcount reduction of c. 1,800 FTEs through the Solidarity Fund; further 650 exits expected in 1H19, with related costs already booked in 2018 ❑ 500 branches already closed (83% of the 2021 target for branch closures) ❑ No additional cost-cutting measures required on FY18 results
Disposals	✔ ON TRACK	❑ Disposal of stakes held in Consorzio Triveneto, Bassilichi, Intermonte, Juliet, Firenze Parcheggi Spa and other minority participations completed ❑ Merchant acquiring business: disposed of in 1H17 ❑ Unwinding of Casaforte/Perimetro: merger by incorporation of Perimetro into BMPS expected in 1H19 ❑ Real-estate disposals: binding sale agreements for c. EUR 80mln in 2017-2018, as part of a target of EUR 500mln to be disposed by 2021
Capital Strengthening	ONGOING ALTERNATIVE MISURES	❑ Unable to complete the issue of the EUR 0.7bn tranche of T2 in 2018 due to market conditions ❑ Even without this issue, Total Capital levels are above the Restructuring Plan targets for 2018, thanks to the implementation of alternative capital strengthening measures

Conclusions

2018

Acceleration of commercial activity and funding stabilisation

Massive NPE disposals/reductions, with results better than planned and no significant impact on P&L

Significant RWA reduction thanks to optimisation and **derisking activity** that more than offset RWA add-ons on NPE portfolio

FY18 net income EUR 279mln

Transitional CET1: 13.7%

Total Capital: 15.2%

2019 Outlook

The Bank has updated its multiannual internal estimates of income statement and balance sheet figures so as to take into account the evolution of the current macroeconomic scenario*, the 2018 results and the SREP requirements anticipated in the draft Decision. These **estimates are lower than the 2017-2021 Restructuring Plan** ** **projections, but nonetheless show capital ratios above regulatory requirements**

No concerns on capital ratios and liquidity

NPE disposal/reduction plan confirmed

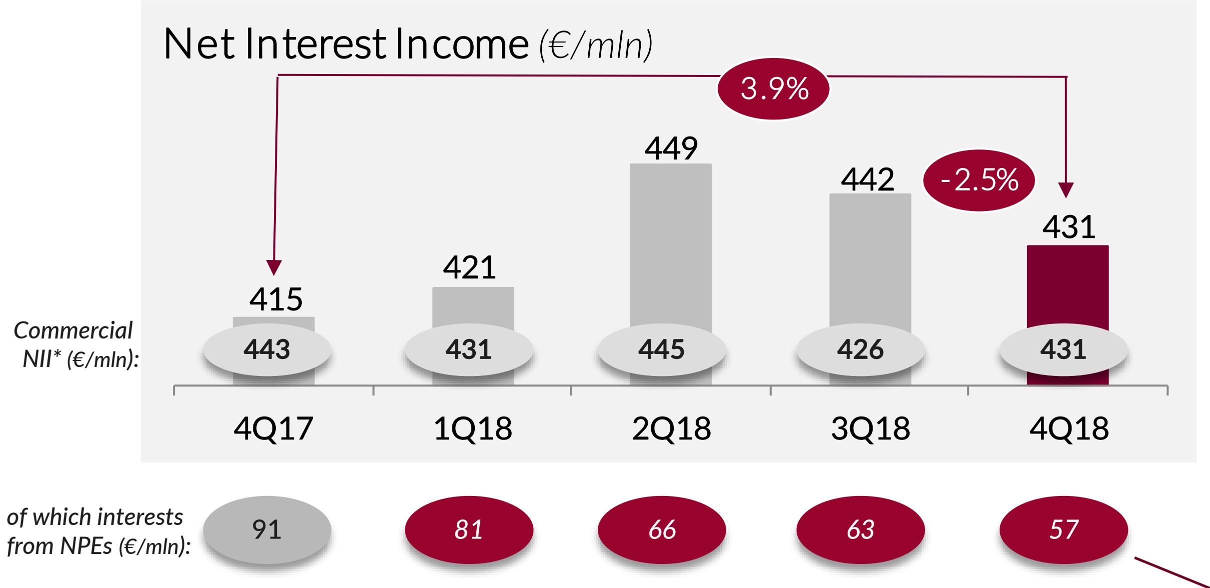
* BTP/Bund spread level in the second half of 2018, consensus GDP growth estimate, industrial production and household consumption indicators, expected evolution of interest rates.

** Restructuring Plan approved by the competent authorities in July 2017.

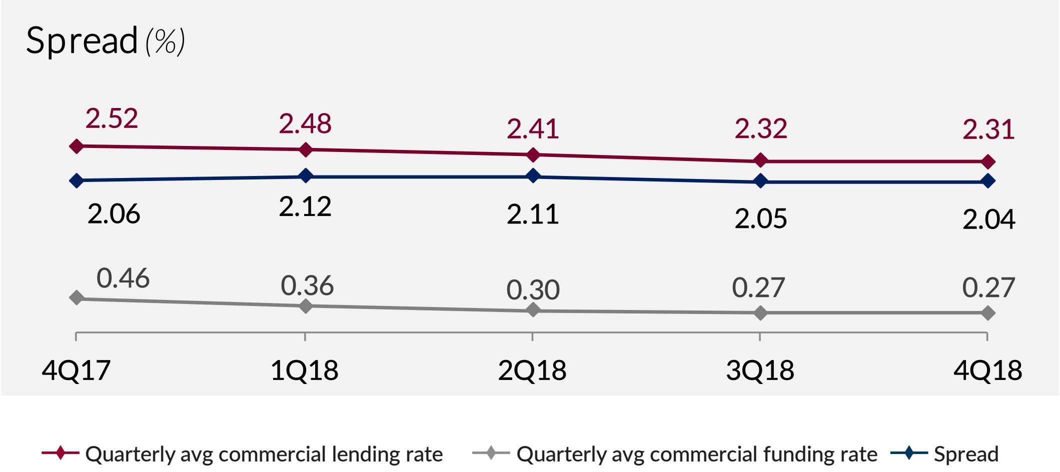
Agenda

- 4Q18 Results
- Details on 4Q18 Results
- Details on NPE stock

Net Interest Income



2018 quarterly net contribution from NPEs calculated according to IFRS 9 accounting rules, including time value on bad loans

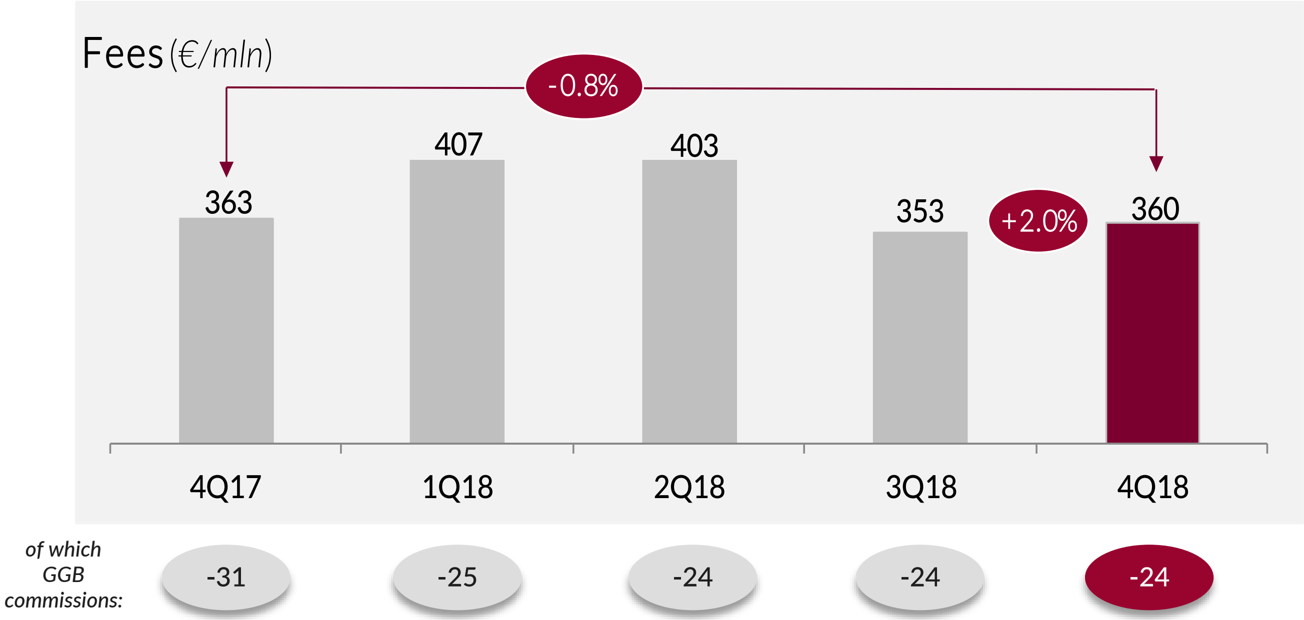


- Net interest income down 2.5% QoQ, with increased contribution from commercial component: the negative impact from lower lending volumes was offset by lower funding volumes and higher interest in arrears
- Non-commercial components down EUR 16mln, mainly due to non-recurring items
- NPE contribution of c. EUR 57mln (13% of total NII) down from EUR 81mln in 1Q18

- Lending rate stable QoQ thanks to repricing actions put in place from September 2018
- Cost of funding gap vs. the market: +14bps in December 2018 (+25bps gap in December 2017)

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

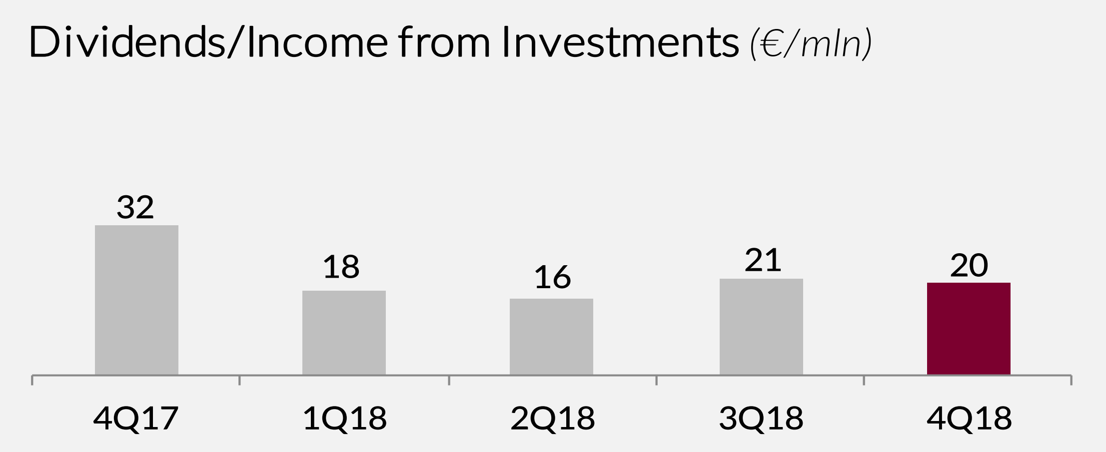
Fee and Commission Income



€/mln	3Q18	4Q18	*4Q18 vs. 3Q18*	FY17	FY18	*FY18 vs. FY17*
Wealth Management fees, o/w	151	154	2.0%	726	663	-8.6%
WM Placement	43	44	2.5%	316	225	-28.9%
Continuing	89	88	-1.8%	331	354	6.9%
Securities	8	10	16.8%	42	39	-5.6%
Protection	10	13	21.1%	37	45	21.3%
Traditional Banking fees, o/w	247	256	3.8%	1,085	1,049	-3.3%
Credit facilities	117	120	2.6%	488	520	6.4%
Trade finance	14	12	-11.9%	59	53	-9.4%
Payment services and client expense recovery	116	124	7.0%	537	476	-11.4%
Other	-44	-49	12.4%	-234	-189	-19.2%
Total Net Fees	353	360	2.0%	1,577	1,523	-3.4%

- 4Q18 net fees and commissions slightly up QoQ, with increase in WM fees driven by WM product placement and protection products; increase in payment services fees for typical end-of-year movements
- Increasing stability and better quality of fees, with continuing fees up c.7% YoY and decreasing contribution from WM upfront fees (15% FY18 vs. 20% FY17); payment services fees trend impacted by the sale of merchant acquiring business in June 2017
- Stock of assets under management at EUR 55.9bn, EUR -2.6bn QoQ mainly due to negative market effect
- Stock of assets under custody slightly decreases QoQ due to market effect (EUR -0.7bn) that more than offset positive inflows (EUR 0.4bn)

Financial Revenues*



Trading/Disposal/Valuation Hedging of Financial Assets (€/mln)

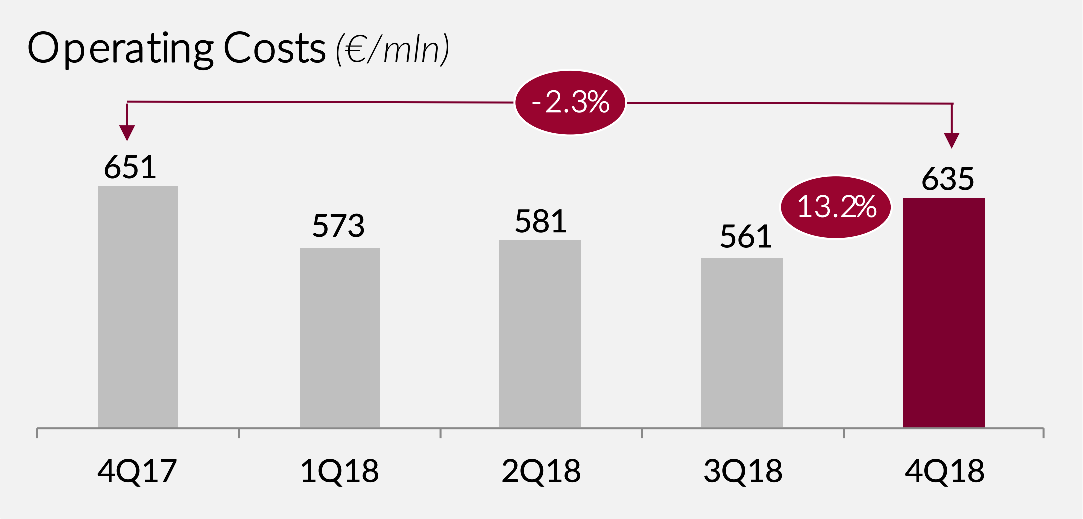
	4Q17	1Q18	2Q18	3Q18	4Q18
Net result from trading / hedging	-20	15	-11	5	25
Gains/ losses on disposals / repurchases	26	39	13	7	-22
Net result from financial asset/liabilities at FVTPL	-2	-16	-33	-16	-21
Total	4	38	-30	-3	-18

- **Dividends, similar income and gains (losses) on equity investments** mainly related to the contribution from the joint venture with AXA

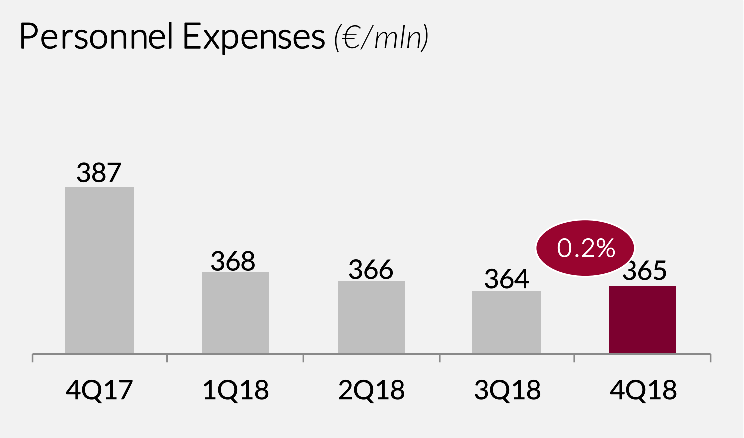
- **Trading/disposal/valuation/hedging of financial assets/others:**
  - EUR +25mln for trading result and net profit from hedging; quarterly improvement from both BMPS and MPS Capital Services portfolios (lower impact of the BTP-Bund spread and hedging activity)
  - EUR -22mln losses on disposals/repurchases, of which EUR -11mln related to NPE portfolios sold and EUR -11mln related to the sale of Italian Govies and other corporate/financial bonds finalised to derisking
  - EUR -21mln due to losses from financial assets and liabilities designated at FVTPL (IFRS 9), of which EUR -13mln in loans, EUR -12mln losses on securities and EUR +5mln gains on stakes

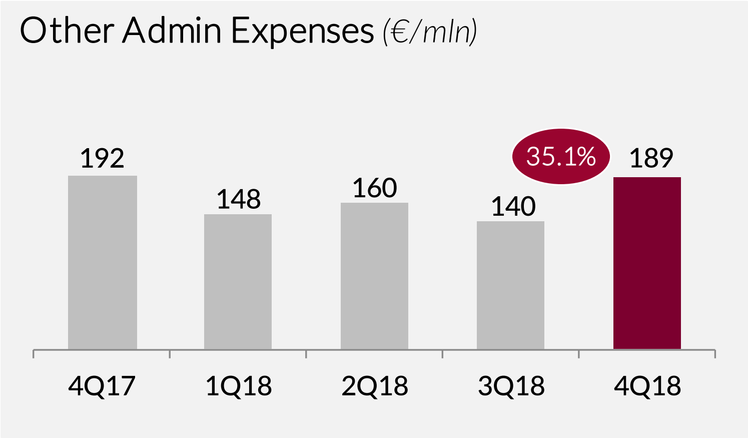
*The item include: Dividends/income from trading investments, Net result from trading/hedging, Gains/losses on disposals / repurchases, Net result from financial asset/liabilities at FVTPL.

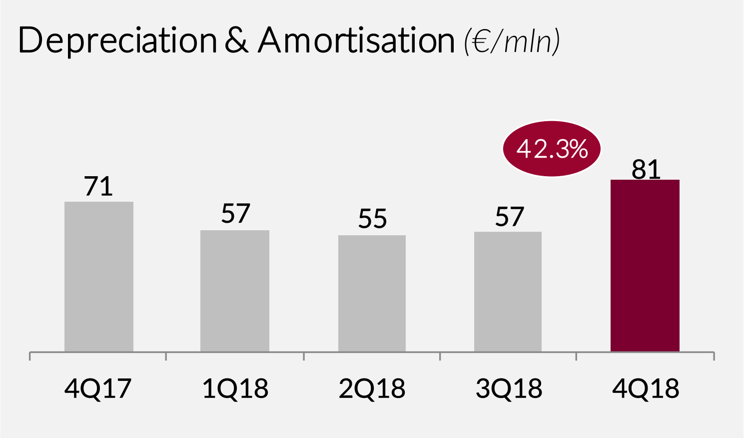
Operating Costs



- **Operating costs** increase QoQ (+13%) but decrease by -2.3% vs. 4Q17
  - **Personnel expenses** almost stable QoQ: further benefits expected in 2019 from new Solidarity Fund initiative related to 650 exits
  - **Other admin expenses** affected by seasonality
  - **Depreciation & Amortisation**: increase in the quarter due to higher impairment on properties for EUR 23mln







FTEs*	23.5K	23.4K	23.3K	23.2K	23.1K	- 1.4% YoY
Branches	1,745	1,597	1,597	1,597	1,529	-12.4% YoY

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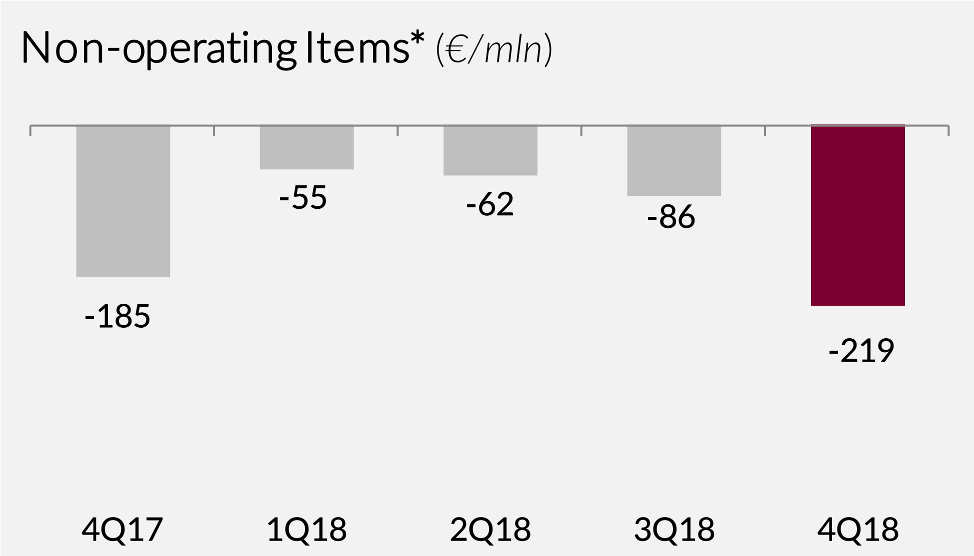
* The number of FTEs refers to the effective workforce and therefore does not include employees who were seconded outside of the Group's perimeter.

Non-Operating Items and Taxes



	4Q17	1Q18	2Q18	3Q18	4Q18
DGS, NRF & SRF	2	-69	-26	-29	-8
DTA Fees	-18	-18	-18	-18	-18
Other	-170	32	-18	-39	-194
Total	-185	-55	-62	-86	-219

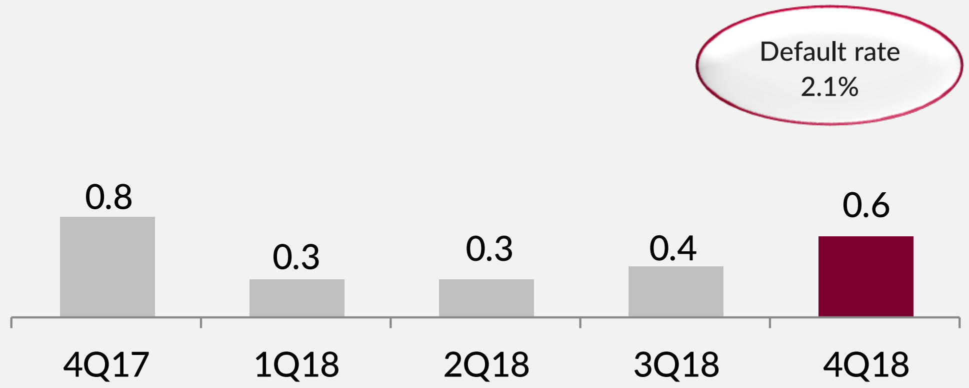
- Non-operating items (EUR -219mln) include:
  - EUR -8mln as the residual amount of annual contribution to the DGS (Deposit Guarantee Scheme)
  - EUR -18mln for quarterly DTA fees introduced by Law Decree 59/2016
  - Other EUR -194mln of which:
    - ✓ EUR -141 for restructuring costs, mainly related to the exit of 650 employees in 1H19 through the Solidarity Fund, agreed with Unions on 31 December 2018
    - ✓ EUR -22mln for commitments and guarantees issued
    - ✓ EUR -32mln for other provisions for risk and charges, mainly legal risks

- Taxes for the quarter at EUR +246mln impacted by DTA reassessment

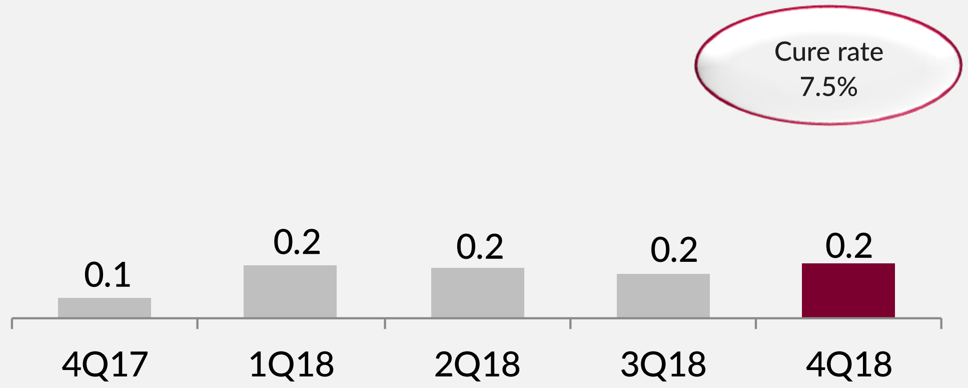
* 2017 figures restated according to the new criteria set out in the updated version of Bank of Italy's Circular no. 262 on banks' financial statements.

Focus on Asset Quality (1/2)

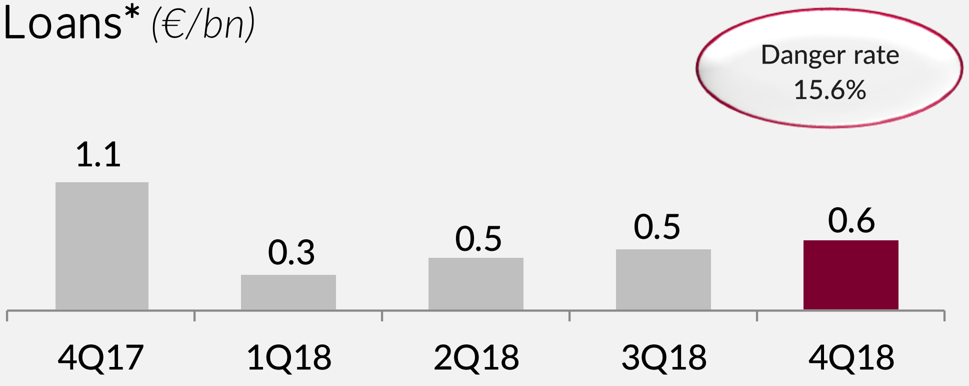
NPE Inflows from Performing* *(€/bn)*



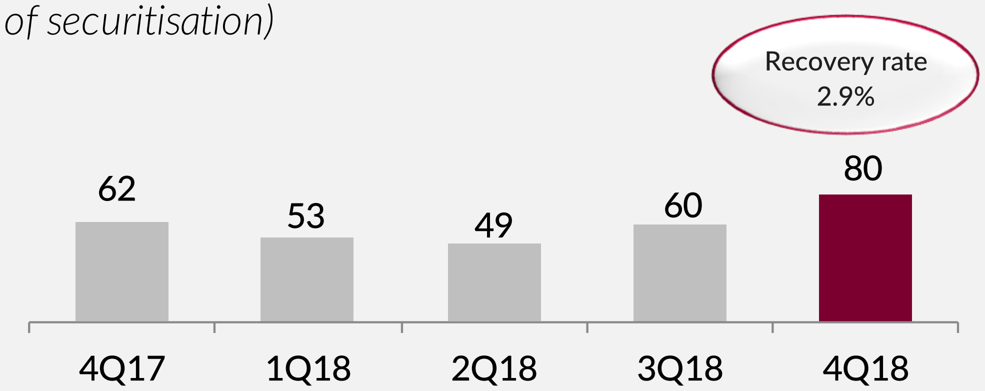
NPE Outflows to Performing* *(€/bn)*



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



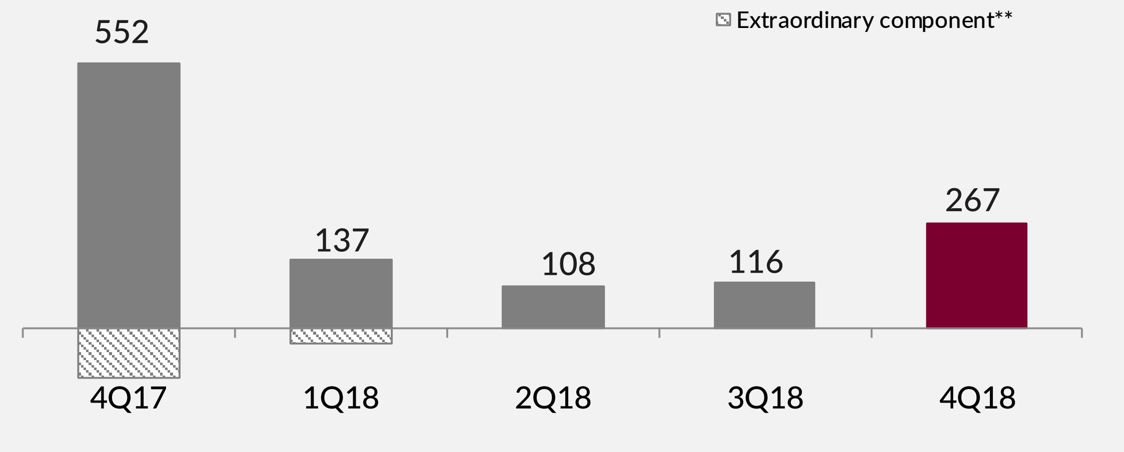
Cash recovery of Bad Loans* *(€/mln, net of securitisation)*



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

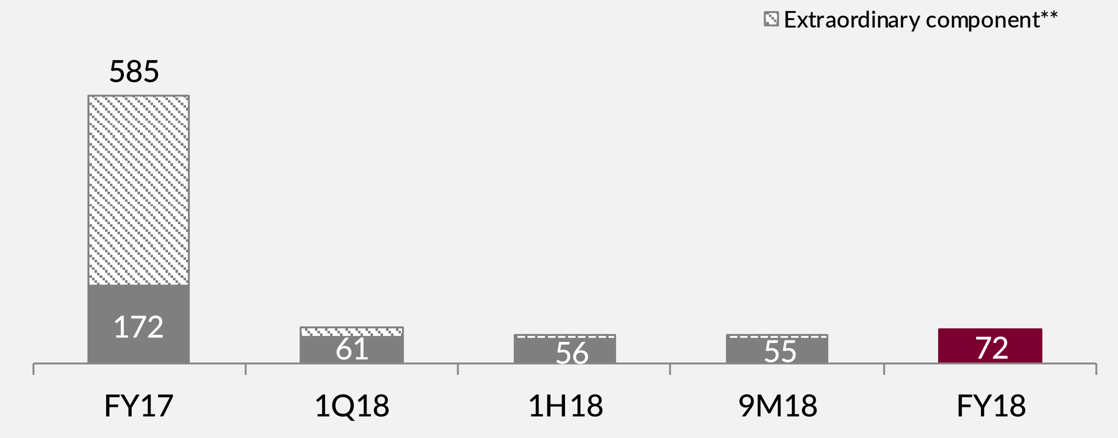
Focus on Asset Quality (2/2)

Net Loan Loss Provisions *(€/mn)*



Net impairment losses (including financial assets at FVTOCI): 138 | 109 | 121 | 257

Cost of Risk* *(bps)*



Non-performing Exposures Coverage *(%)*

	Dec-17*** *(net of securitisation)*	**Sep-18**	**Dec-18**
Bad Loans *(sofferenze)*	62.5	68.6	62.4
Unlikely-to-Pay Loans	39.5	44.9	44.0
Past Due Loans	20.9	30.3	18.3
Total NPEs	**48.5**	**56.4**	**53.1**

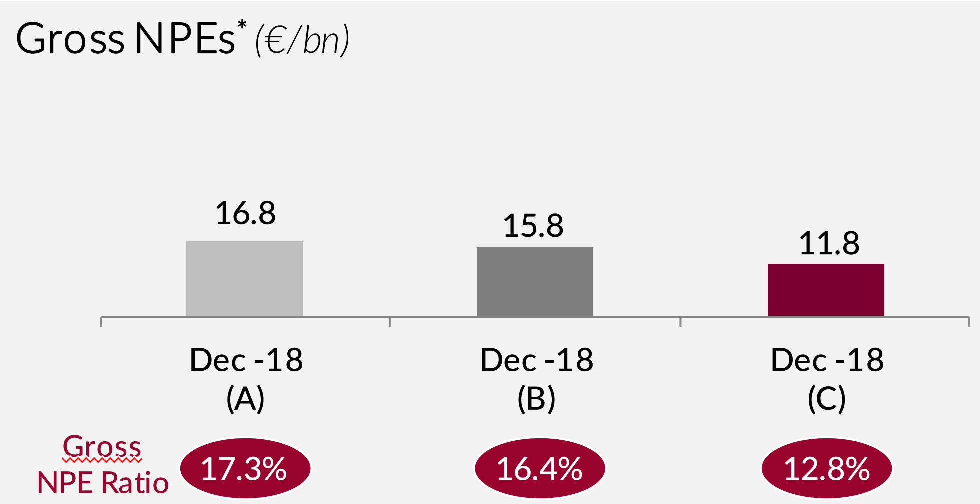
- Cost of risk at 72bps
- Loan loss provisions impacted by:
  - increased default rate (at 2.1%) related to the migration of a few large tickets into non-performing status
  - increased coverage on some big tickets
  - leasing portfolio sold
  - more adverse macroeconomic forecast

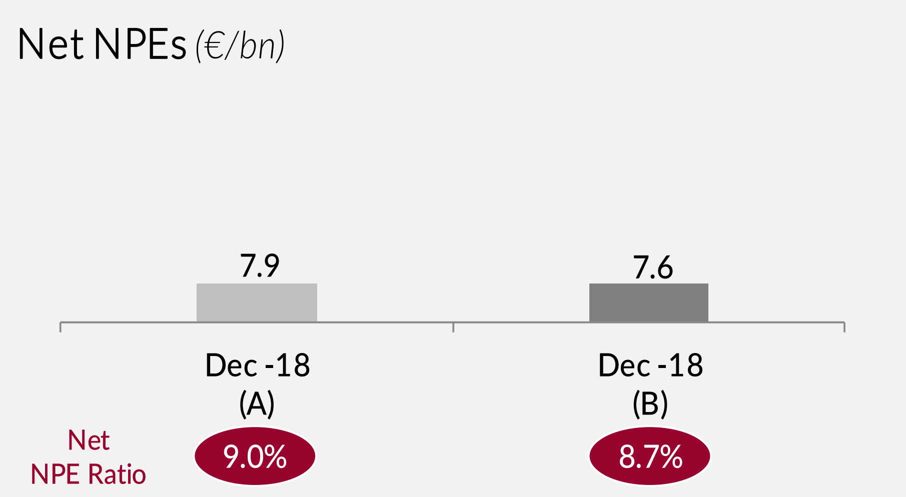
* Net loan loss provisions since the beginning of the period (annualised)/end-of-period loans.

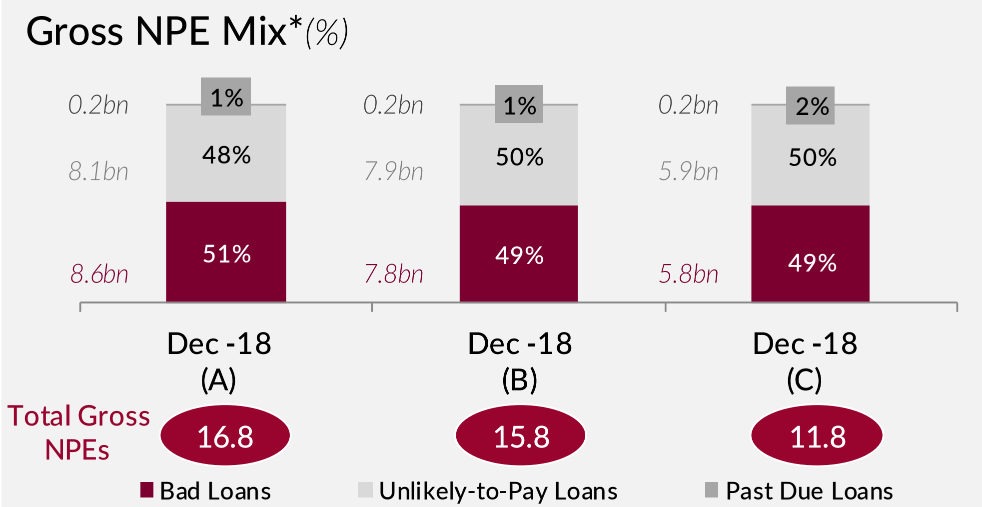
** In 2Q17 and 3Q17 provisions related to the NPL portfolio to be securitised, in 4Q17 and in 1Q18 write-backs related to securitisation, respectively for EUR 124mln and EUR 39mln.

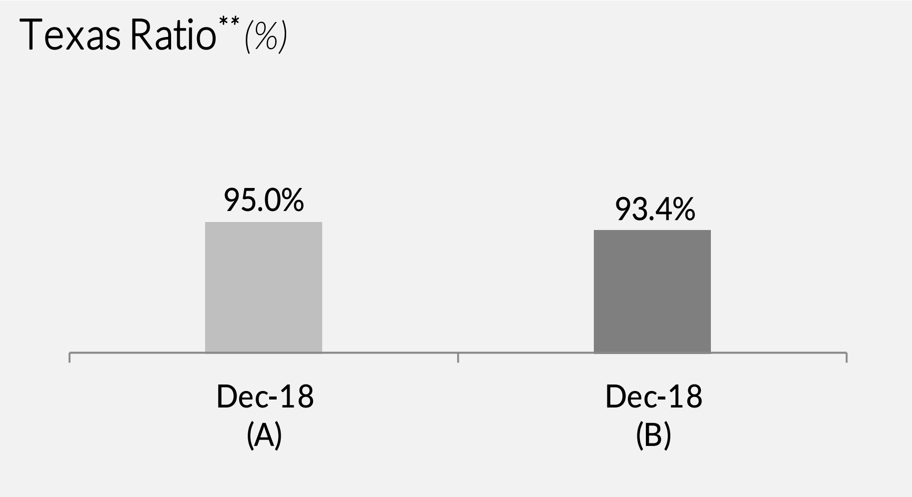
*** Net of interest in arrears to allow comparison with 2018 figures.

Pro-forma Asset Quality Key Metrics









Legend for 2018 data:

(A)= Stated

(B)= December 2018 pro-forma including the disposals of the EUR 0.9bn leasing portfolio to be perfected in 2019 (binding agreement signed in Dec-18) and of the EUR 0.2bn UTPs (binding offers already received in Dec-18)

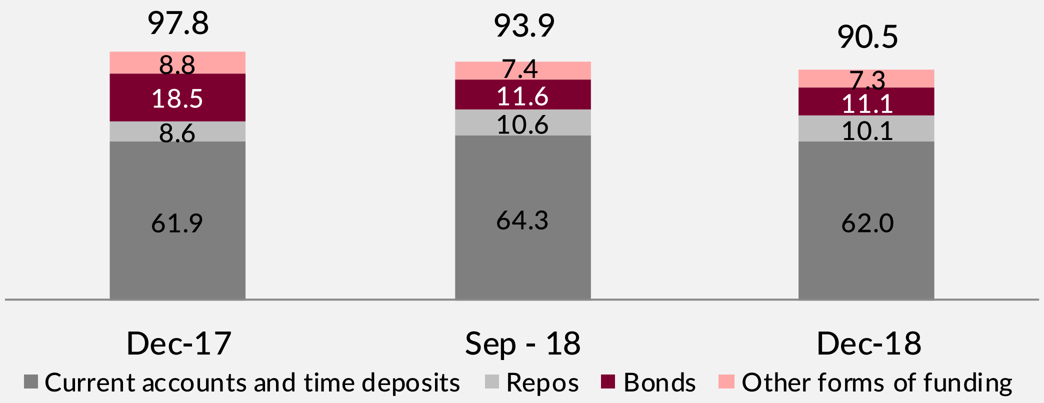
(C)= Illustrative. December 2018 figures adjusted only for the estimated impact of the additional NPE disposals planned by 2021 under IFRS 9. Loan book evolution not included in the figures

* Gross bad loans adjusted excluding arrears on defaulted assets.

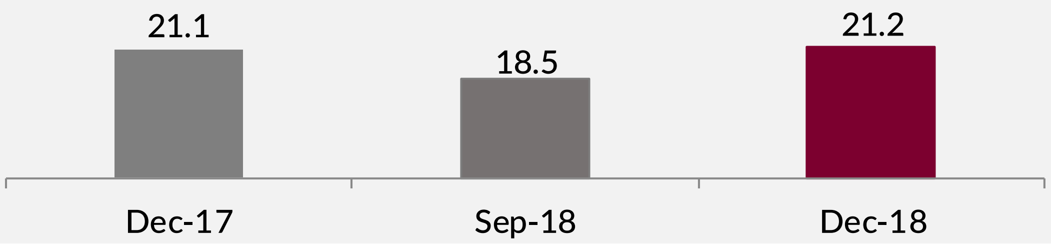
** Gross NPEs / (tangible equity + provision funds for NPEs).

Direct Funding and Liquidity

Direct Funding *(€/bn)*



Unencumbered Counterbalancing Capacity *(€/bn)*



15.2% 14.0% 16.2%

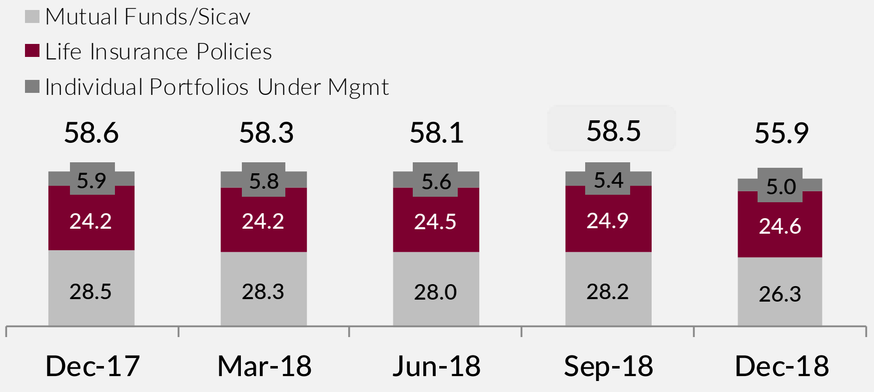
% of Total Assets

- Total direct funding down by c. EUR 3.4bn vs. 3Q18:
  - EUR -0.6bn in commercial funding on retail customers mainly due to bonds expired in the quarter (c. EUR -0.5bn)
  - EUR -2.3bn in the current account deposit held by an institutional client for typical end-of-year movements
  - EUR -0.5bn reduction in short term repos with institutional counterparties
- Group's customer deposits market share at 3.66%* in November 2018, slightly down from 2017 year-end
- Unencumbered Counterbalancing Capacity: increased QoQ to EUR 21.2bn, near to historical highest levels
- LCR: c. 232% (c. 186% in Sep-18)
- NSFR: c. 112% (c. 111% in Sep-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.

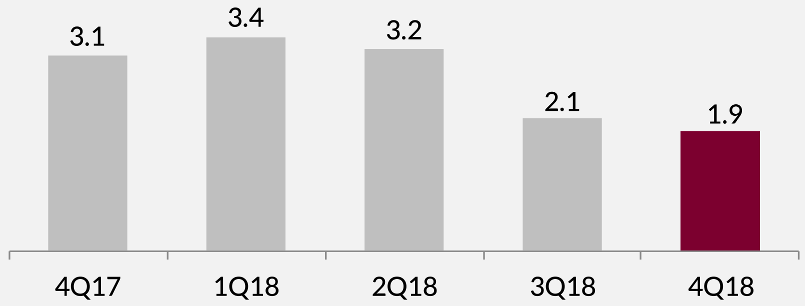
Focus on Wealth Management (WM)

Wealth Management Mix *(€/bn)*

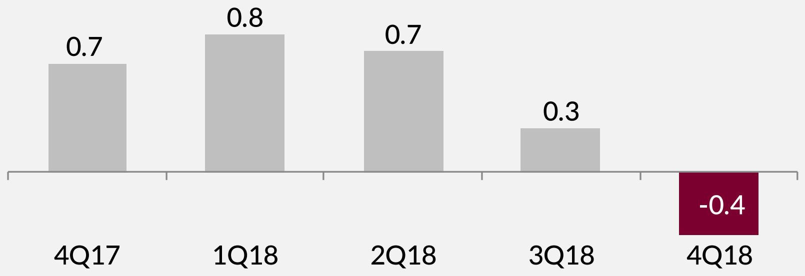


Negative market effect:
- EUR 2.1bn QoQ
- EUR 3.9bn YoY

Wealth Management gross inflows* *(€/bn)*



Wealth Management net inflows* *(€/bn)*

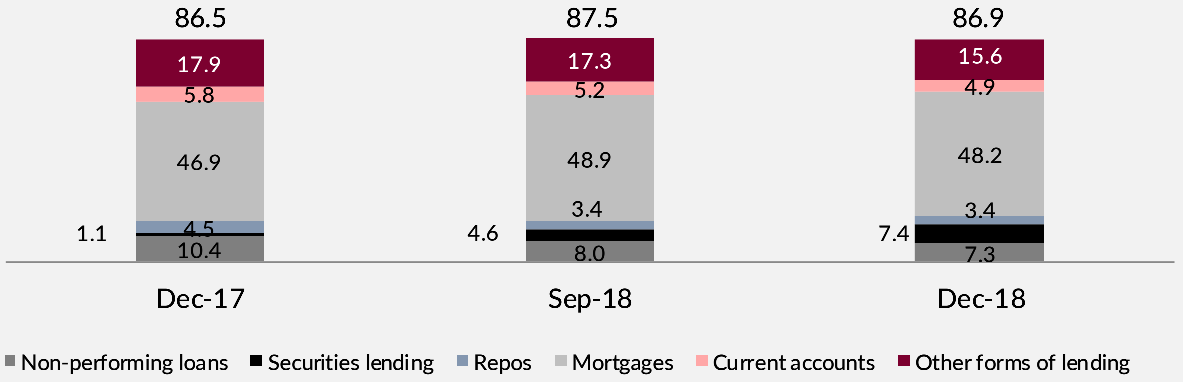


- Mutual funds stock market share: 2.81%** (stable from Oct-17)
- Bancassurance new business market share: 4.11%** (+33bps from Oct-17)

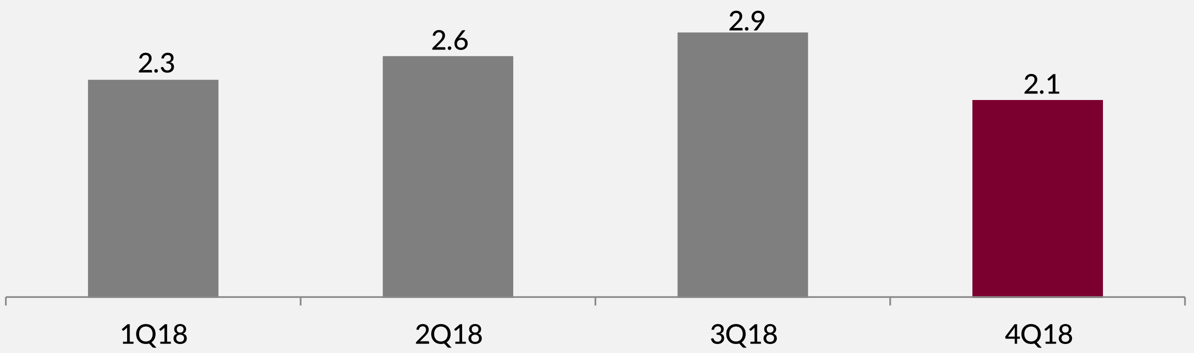
* Bancassurance + Mutual Fund/Sicav flows.
** Market share as at October 2018. Latest available data.

Customer Loans

Loans to Customers *(€/bn)*



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

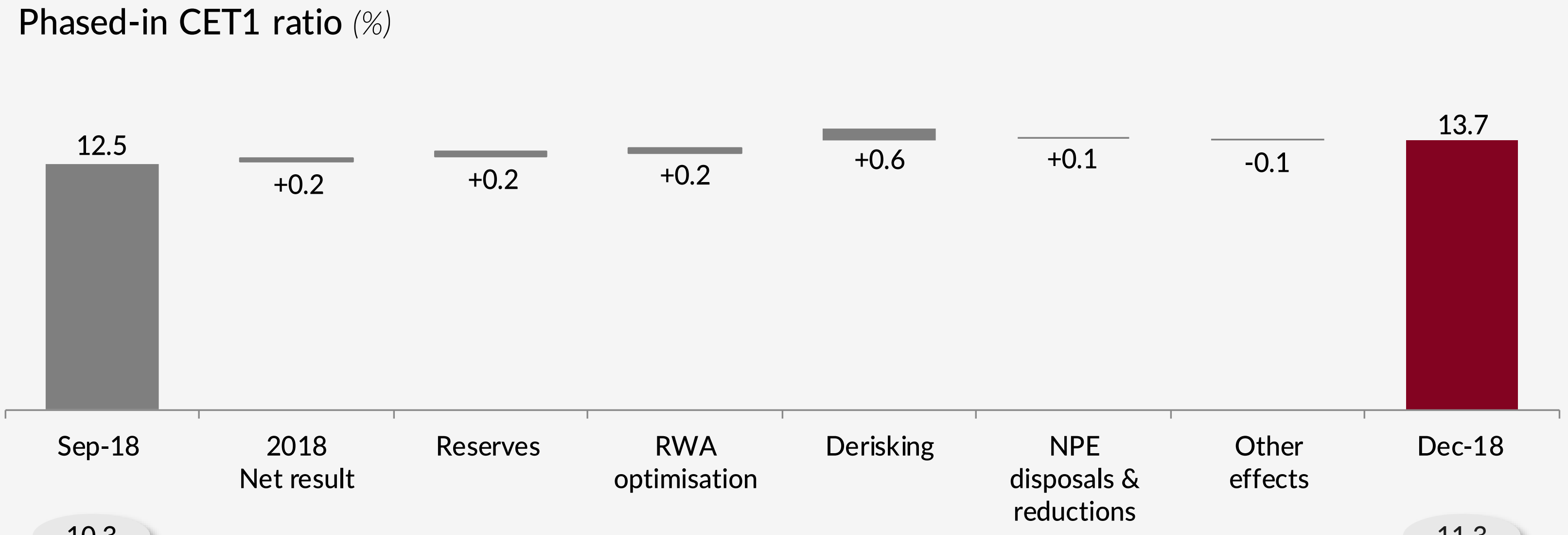


- Customer loans down c. EUR 0.6bn QoQ:
  - EUR +2.8bn increase in securities lending due to purchases of Italian Govies at amortised cost
  - EUR -0.3bn reduction in current accounts and EUR -1.7bn in other forms of lending, mainly on corporate customers for a selective lending strategy with particular focus on creditworthiness and spreads
  - EUR -0.7bn reduction in mortgages, with new quarterly flows offset by maturities
  - EUR -0.7bn reduction in non-performing loans
- Group's loan market share at 5.30%* as at November 2018, down by 120bps from 2017 year-end

* Lending to domestic customers, comprehensive of non-performing exposures (net of bad loans) and net of institutional repos.

Capital Structure

(€/bn)	3Q18	4Q18
TBV	8.7	8.8
Transitional CET1	7.9	8.0
RWA	63.2	58.4



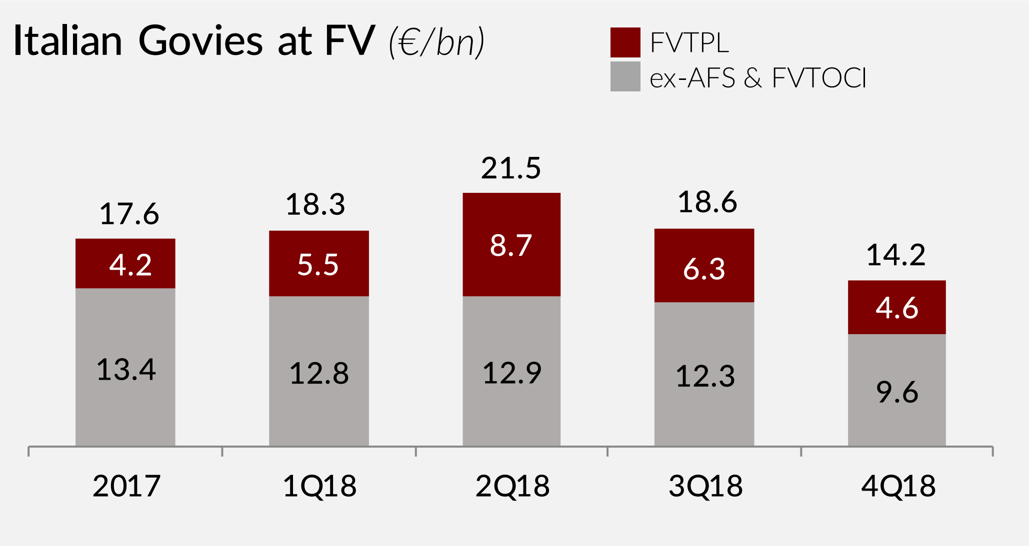
	Sep-18	Dec-18	Proforma fully loaded CET1**(%)
Fully loaded CET1* (%)	10.3	11.3	11.7
Total Capital (%)	13.9	15.2	
Fully loaded Total Capital (%)	11.7	12.8	

- Phased-in CET1 at 13.7% (+125bps vs. 3Q18). Total Capital at 15.2% (+133bps vs. 3Q18)
- Quarterly phased-in CET1 evolution impacted by:
  - 2018 net result (net of 1Q18 earning already accounted for in CET1 as at 30 Sep-18)
  - FVOCI reserves positively impacted by reduction of BPT-Bund spread and thanks to the short average maturity of the portfolio
  - RWA improvement through more real-estate and personal guarantees on existing loans and more financial information on SME customers
  - Selective lending on corporate clients and derisking on financial assets
  - Bad loans and UTP disposals/reductions

* Including EUR 1.4bn full impact of IFRS 9 FTA.

** Including the effects on CET1 of expected reversal, until the end of the transitional period, of DTA on tax losses, ACE, IFRS 9 adjustments and convertible DTA under the same assumptions applied for the "probability test" (c.+40bps).

Focus on Italian Govies Portfolio*



	2017	1Q18	2Q18	3Q18	4Q18
Italian Govies at AC (€/bn):	0.7	0.7	1.1	3.8	

Portfolio Ex AFS / FVTOCI:

Duration (years)	~3.6	~2.9	~2.7	~2.4	~ 2.8
Credit spread sensitivity (€/mln, before tax, for 1bp change)	-5.6	-4.1	-3.7	-3.3	-2.9

Portfolio optimisation, with decrease of the FV component and increase of the AC portfolio

- FVTOCI (ex-AFS) portfolio decreases to EUR 9.6bn (-EUR 2.7bn QoQ), mainly due to disposals of short-term Italian Government bonds
  - Gross FVTOCI reserves at c. EUR -0.2bn (c. EUR -0.4bn in Sep-18), positively impacted by reduction of BPT-Bund spread**, and thanks to the short average maturity of the portfolio
- FVTPL (Trading) portfolio decreases to EUR 4.6bn (-EUR 1.7bn QoQ), due to MPS Capital Services' reduced primary dealer stocks
  - Exposures net of short positions at EUR 3.9bn
  - Duration: ~1 year (stable vs. Sep-18)
  - Credit spread sensitivity: c. EUR -0.1mln, before tax, for 1bp change
- AC portfolio increases to EUR 3.8bn (+EUR 2.7bn QoQ)
  - Portfolio increased to benefit from higher yields in 4Q18 (about 2,9% YTM of new purchased bonds)
  - Average duration of new purchased bonds of about 6 years (8.75 years that of the total AC portfolio)

* Figures from operational data management system. Nominal values for Italian Govies at amortised cost.

** Net FVTOCI reserve deducted from capital for regulatory purposes: EUR -0.15bn in Sep-18 (EUR -0.3bn in June).

Focus on DTAs

Current Italian fiscal regulations do not set any time limit to the use of fiscal losses against the taxable income of subsequent years.

	Definition	Regulatory treatment	4Q18
1 Convertible DTAs	o DTAs related to write-downs of loans, goodwill and other intangible assets are convertible into tax credits (under Law 214/2011)*	➢ 100% included in Risk-Weighted Assets, like any credit, except for DTAs from multiple goodwill redemption	EUR 1.0bn (stable vs. 3Q18)
2 Non-convertible losses	o DTAs on non-convertible fiscal losses and DTAs on ACE (Allowance for Corporate Equity) deductions o May be recovered in subsequent years only if there is positive taxable income, but may both be carried forward indefinitely	➢ 100% deducted from shareholders' equity (CET1)	EUR 1.3bn (stable vs. 3Q18)
3 Other non-convertible DTAs	o 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) o May only be used in case of tax gains**, and therefore carry an average recoverability risk	➢ Deducted from CET1 if they exceed 10% of adjusted CET1 and if, added to significant holdings, they exceed 17.65% of adjusted CET1. Amounts in excess of the two thresholds are deducted from CET1. Amounts equal to the thresholds 250% included in Risk-Weighted Assets	EUR 0.7bn (EUR 0.6bn in 3Q18)
4 DTAs not recorded in balance sheet	o DTAs generated from income losses and not recorded in balance sheet due to the probability test	➢ N.A.	EUR 1.9bn (EUR 2.0bn in 3Q18)

* 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

Focus on legal risks: update on 28 December 2018 press release

- Provisions for EUR 574mln against legal claims of c. EUR 5bn which include not only legal claims deemed "probable" and for which provisions are required, but also a significant amount of claims classified as "possible" or "remote" for which recognition of provisions is not allowed according to IAS 37

- The level of provisions for legal claims is about 11.5% and is in line with those declared by other Italian large banks*

- Regarding legal risks connected to litigations arising from the financial information disclosed by the Bank to the market in the period between 2008 and 2015, overall claims are estimated in EUR 1.5bn

- In 2018 the Bank confirms the legal analysis performed in 2017 and 1H18; no material adjustment has been made to provisions

Legal risks connected to financial information disclosed (2008-2015)

€/mln	FY18
Civil Litigation brought by the shareholders	764
Threatened Litigations**	607
Admitted Civil Parts Proceeding nº 29634/14***	42
Admitted Civil Parts Proceeding nº 955/16****	76
Total	1,488

- The Bank deems the risk of disbursement "probable" in connection with claims stemming from facts pertaining to the period between 2008 and 2011 (legal, criminal proceeding no. 29634/14 and threatened litigations) and therefore recognises provisions; on the other hand, for claims (legal, criminal proceeding no. 955/16 and threatened litigations) relating to the period between 2012 and 2015, no provisioning has been booked, since the risk of disbursement is deemed "not probable"

- First judgements issued in late 2018 by the Court of Florence support the approach followed by the Bank in financial statements

- The Bank does not disclose booked provisions, considering that this information could seriously affect its position in connection with the existing litigations and in the negotiations of potential out-of-court settlement agreements

* Source: 2017 financial statements of main Italian banks
** This amount is not included in EUR 5bn claims for legal proceedings reported
*** 480 out of 1,243 civil parties have quantified damages
**** 349 out of 2,272 civil parties have quantified damages

Agenda

- 4Q18 Results
- Details on 4Q18 Results
- Details on NPE stock

4Q18 P&L: Highlights

€ mln	3Q18	4Q18	Change (QoQ%)	FY17	FY18	Change (YoY%)
Net Interest Income	442	431	-2.5%	1,788	1,743	-2.5%
Net Fees	353	360	2.0%	1,577	1,523	-3.4%
Financial revenues*	17	1	-91.4%	672	61	-90.9%
Other operating income/expenses	-3	-24	n.m.	-11	-40	n.m.
Total revenues	809	769	-5.0%	4,026	3,288	-18.3%
Operating Costs	-561	-635	13.2%	-2,543	-2,351	-7.6%
of which personnel costs	-364	-365	0.2%	-1,575	-1,463	-7.1%
of which other admin expenses	-140	-189	35.1%	-704	-638	-9.4%
Pre-provision profit	248	134	-46.1%	1,483	937	-36.8%
Total provisions	-121	-257	n.m.	-5,417	-625	-88.5%
of which net impairment losses	-116	-267	n.m.	-1,491	-667	-55.3%
Net Operating Result	127	-123	n.m.	-3,934	312	n.m.
Non-operating items*	-86	-219	n.m.	-252	-421	67.3%
Profit (Loss) before tax	41	-342	n.m.	-4,186	-109	n.m.
Taxes	55	246	n.m.	710	410	-42.2%
PPA & Other Items	-6	-4	-26.3%	-26	-22	-13.1%
Net profit (loss)	91	-101	n.m.	-3,502	279	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.

Pro-forma P&L, net of one-offs

€ /mln	FY18	one-offs	FY18 net of one-offs	FY17	one-offs	FY17 net of one-offs
Net Interest Income	1,743	-2	1,745	1,788	48	1,740
Fees and commissions	1,523	15	1,508	1,577		1,577
Other revenues*	21		21	661	543	117
Total revenues	3,288	13	3,275	4,026	592	3,434
Personnel expenses	-1,463		-1,463	-1,575		-1,575
Other administrative expenses	-638	7	-645	-704		-704
Depreciation & Amortisation	-250	-34	-216	-263	-42	-221
Operating costs	-2,351	-27	-2,324	-2,543	-42	-2,501
Pre-provision profit	937	-14	951	1,483	550	933

c. 2% YoY

€ /mln	4Q18	one-offs	4Q18 net of one-offs	4Q17	one-offs	4Q17 net of one-offs
Net Interest Income	431	-7	437	415	-3	418
Fees and commissions	360		360	363		363
Other revenues*	-22		-22	25	24	1
Total revenues	769	-7	776	802	21	781
Personnel expenses	-365		-365	-387		-387
Other administrative expenses	-189		-189	-192		-192
Depreciation & Amortisation	-81	-23	-58	-71	-15	-56
Operating costs	-635	-23	-612	-651	-15	-636
Pre-provision profit	134	-30	163	152	6	146

c. 12% QoQ

- Main one-off items in 2018:
  - Benefit from renewal of the distribution agreement with Compass (EUR +15mln on fees and commissions in 1Q18)
  - Impairment on intangibles and properties, plans & equipment (PPEs) (EUR -34mln, of which EUR -23mln in 4Q18)
- Main one-off items in 2017:
  - Impact of burden-sharing (EUR +51mln on NII and EUR +503mln on other revenues)
  - Capital gains on equity stakes (EUR +39mln in other revenues)
  - Impairment on intangibles and PPEs for EUR 42mln

* Other revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets and other operating income (expenses)

Balance Sheet

Total Assets *(€/mln)*

	Dec-17*	Sep-18	Dec-18	QoQ%	YoY%
Customer loans	86,456	87,465	86,856	-0.7%	0.5%
Loans to banks	9,966	8,724	12,504	43.3%	25.5%
Financial assets	24,168	25,430	20,296	-20.2%	-16.0%
PPE and intangible assets	2,854	2,747	2,727	-0.7%	-4.4%
Other assets**	15,709	7,819	8,098	3.6%	-48.5%
Total Assets	**139,154**	**132,185**	**130,481**	**-1.3%**	**-6.2%**

Total Liabilities *(€/mln)*

	Dec-17*	Sep-18	Dec-18	QoQ%	YoY%
Deposits from customers and securities issued	97,802	93,906	90,472	-3.7%	-7.5%
Deposits from banks	21,085	20,839	21,986	5.5%	4.3%
Other liabilities***	9,836	8,469	9,029	6.6%	-8.2%
Group equity	10,429	8,969	8,992	0.3%	-13.8%
Minority interests	2	2	2	0.0%	-4.3%
Total Liabilities	**139,154**	**132,185**	**130,481**	**-1.3%**	**-6.2%**

* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS 9. Therefore, FY17 values, determined in accordance with IAS 39, are not fully comparable.

** 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)*

	Dec-17*	Sep-18	Dec-18	QoQ%	YoY%
Current accounts	5,758	5,239	4,941	-5.7%	-14.2%
Mortgages	46,868	48,881	48,217	-1.4%	2.9%
Other forms of lending	17,904	17,341	15,615	-10.0%	-12.8%
Reverse repurchase agreements	4,525	3,381	3,395	0.4%	-25.0%
Loans represented by securities	1,050	4,636	7,386	59.3%	n.m.
Impaired loans	10,352	7,987	7,302	-8.6%	-29.5%
Total	**86,456**	**87,465**	**86,856**	**-0.7%**	**0.5%**

Direct Funding *(€/mln)*

	Dec-17*	Sep - 18	Dec-18	QoQ%	YoY%
Current accounts	51,466	55,739	53,156	-4.6%	3.3%
Time deposits	10,469	8,528	8,871	4.0%	-15.3%
Repos	8,572	10,595	10,137	-4.3%	18.3%
Bonds	18,522	11,616	11,052	-4.9%	-40.3%
Other types of direct funding	8,773	7,428	7,255	-2.3%	-17.3%
Total	**97,802**	**93,906**	**90,472**	**-3.7%**	**-7.5%**

* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS 9. Therefore, FY17 values, determined in accordance with IAS 39, are not fully comparable.

Focus on Commercial Net Interest Income*

Net interest income (€/mln)	4Q17 average volume	4Q17 average rate	1Q18 average volume	1Q18 average rate	2Q18 average volume	2Q18 average rate	3Q18 average volume	3Q18 average rate	4Q18 average volume	4Q18 average rate
Commercial Loans	79.8	2.5%	78.4	2.5%	78.7	2.4%	77.9	2.3%	77.2	2.3%
Retail (including small businesses)	40.1	2.7%	39.7	2.7%	39.8	2.6%	39.6	2.5%	39.8	2.5%
Corporate	33.2	2.2%	32.4	2.1%	33.0	2.1%	32.7	2.0%	31.9	2.0%
Non-Performing	6.5	3.1%	6.2	3.1%	5.9	3.0%	5.5	3.0%	5.5	3.0%
Commercial Direct funding	72.8	-0.5%	73.1	-0.4%	73.5	-0.3%	71.8	-0.3%	69.4	-0.3%
Retail (including small businesses)	47.0	-0.5%	47.1	-0.4%	46.9	-0.4%	45.9	-0.3%	45.6	-0.3%
Corporate	19.6	-0.4%	20.5	-0.3%	20.7	-0.2%	19.5	-0.2%	18.9	-0.2%
Non-Performing	0.5	-0.1%	0.3	-0.1%	0.3	-0.1%	0.3	-0.1%	0.3	-0.1%
Other Customers	5.7	-0.8%	5.1	-0.8%	5.6	-0.8%	6.1	-0.8%	4.5	-0.8%
Commercial NII	443.3		430.6		445.3		426.3		430.9	
Non-Commercial NII**	-28.7		-9.1		3.2		15.8		-0.1	
Total Interest Income	414.6		421.5		448.5		442.1		430.8	

* Figures from operational data management system.

** Positive contribution mainly from Govies portfolio and, starting from 2Q18, from the securitisation senior notes retained by the Bank. Negative contribution from cost of institutional funding

Agenda

- 4Q18 Results
- Details on 4Q18 Results
- Details on NPE stock

Focus on Asset Quality

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

	Gross Book Value excluding interest in arrears on defaulted assets		Net Book Value		Coverage	
	Sep-18	*Dec-18*	*Sep-18*	*Dec-18*	*Sep-18*	*Dec-18*
Bad loans *(sofferenze)*	9,686	8,584	3,040	3,224	68.6%	62.4%
Unlikely-to-Pay loans	9,459	8,066	5,211	4,515	44.9%	44.0%
Past due/overdue exposures	372	178	260	145	30.3%	18.3%
Total NPEs	**19,517**	**16,827**	**8,511**	**7,884**	**56.4%**	**53.1%**

December 2018 figures include portfolios subject to disposal: EUR 0.9bn leasing portfolio (binding agreement signed in December 2018 to be perfected in 2019) and EUR 0.2bn UTP portfolio (binding offers already received in 2018)

Restructured unlikely-to-pay loans*

Breakdown by Guarantees *(€/bn)*

	# Tickets	GBV	Coverage	NBV	% NBV
Secured	207	0.9	45.5%	0.5	26.5%
Personal guarantees	172	0.4	53.4%	0.2	9.9%
Unsecured	497	2.2	49.4%	1.1	63.6%
Total	**876**	**3.5**	**48.9%**	**1.8**	**100.0%**
of which Pool other banks		***3.0***		***1.6***	***88.5%***

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	0.9	25.4%	74.6%
Personal guarantees	0.4	30.9%	69.1%
Unsecured	2.2	31.5%	68.5%
Total	**3.5**	**29.9%**	**70.1%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.5	0.2	12.7%
Real estate	0.6	0.3	14.3%
Holdings	0.1	0.0	1.4%
Transportation and logistics	0.2	0.1	8.3%
Other industrial**	1.4	0.8	45.5%
Households	0.0	0.0	1.2%
Other	0.7	0.3	16.7%
Total	**3.5**	**1.8**	**100.0%**

- Average coverage of 48.9%, above Italian average. Net book value EUR 1.8bn (27% secured)
- Corporate and PMI sectors > 84% of total restructured UTPs
- Positions with GBV > EUR 1m represent >97% of total restructured UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 27% 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	8,835	2.2	28.0%	1.6	56.9%
Personal guarantees	10,629	0.8	49.1%	0.4	14.4%
Unsecured	96,022	1.6	52.3%	0.8	28.7%
Total	**115,486**	**4.6**	**40.3%**	**2.7**	**100.0%**
of which Pool other banks		*2.6*		*1.5*	*55.6%*

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	2.2	66.9%	33.1%
Personal guarantees	0.8	73.4%	26.6%
Unsecured	1.6	70.7%	29.3%
Total	**4.6**	**69.4%**	**30.6%**

Breakdown by Industry *(€/bn)*

	GBV	NBV	% on NBV
Construction	0.8	0.4	16.3%
Real estate	0.5	0.3	12.6%
Holdings	0.0	0.0	0.2%
Transportation and logistics	0.1	0.0	1.8%
Other industrial**	1.2	0.7	24.1%
Households	0.7	0.5	20.1%
Other	1.1	0.7	24.9%
Total	**4.6**	**2.7**	**100.0%**

- Average coverage of 40.3, above Italian average. Net book value EUR 2.7bn (c. 57% secured)
- PMI and Small Business sectors represent about 70% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 55% of total other UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 29% of total net other UTPs

* Figures from operational data management system.

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

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