MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

BMPS 1Q19 Results

9 May 2019

Highlights of 1Q19 Results

Pre-provision profit

EUR 233mln

Economic benefits related to the latest Solidarity Fund headcount reduction (650 exits at the end of March + 100 exits by the end of 1H19) expected from 2Q19

Cost of risk

Cost of risk at 73bps

c. 57bps net of the impact of more adverse macroeconomic forecasts (c. EUR 37mln)

Default rate: 1.3% (annualised) vs. 2.1% in 2018

Cure rate: 8.0% (annualised) vs. 7.5% in 2018

Net income

EUR 28mln

including non-operating items for c. EUR -92mln, of which EUR -61mln for the contribution to systemic funds

Gross NPE ratio

c. 16.3% (34.2% in 1Q18)

Net NPE ratio

c. 8.4% (14.1% in 1Q18)

EUR 1.6bn UTP reduction in the pipeline

CET1

13.3% (transitional)

11.2% (fully loaded)*

Total Capital

14.7% (transitional)

12.6% (fully loaded)*

Liquidity indicators

241% LCR

111% NSFR

EUR 22.7bn

Unencumbered Counterbalancing Capacity

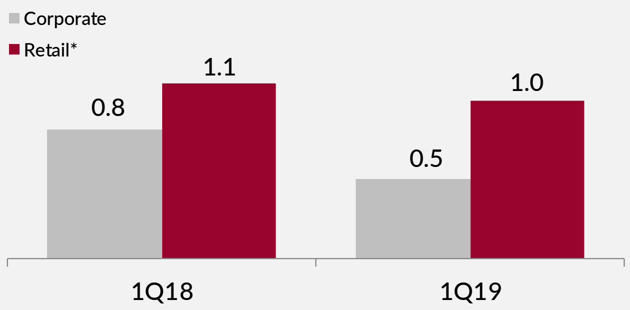
(17.2% of total assets)

* Proforma ratios, including expected reversal of DTAs until the end of the transitional period and net income for the quarter: CET1 at 11.6%; Total capital at 13.0% .

Commercial lending & funding

Lending activity

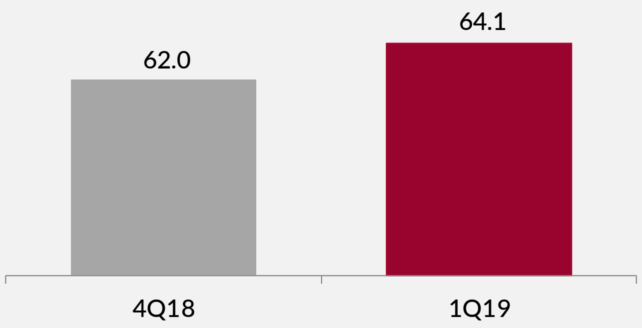
New mortgages *(€/bn)*



- Ongoing focus on retail customers and small businesses: new mortgage flows hold up well in spite of more challenging macro scenario
- Selective lending strategy on corporates confirmed, with focus on creditworthy customers and profitability

Commercial direct funding

Current accounts & time deposits *(€/bn)*



- 12k new current accounts opened in the quarter
- Commercial direct funding stock (current accounts+time deposits) increased by EUR 2.1bn in the quarter

New distribution model:

Implementation of a new distribution model, designed to improve territorial outreach and digital drive and to better listen to customers:

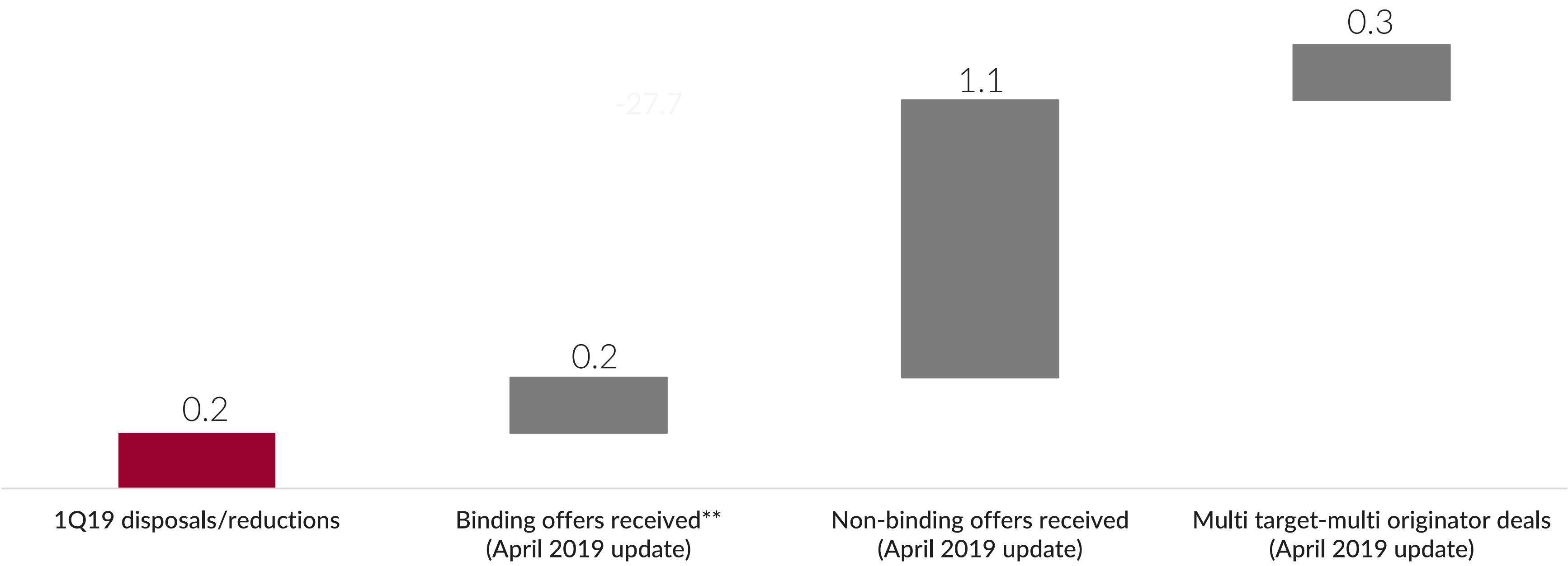
- Listening to customers and fostering the digital drive
  - ✓ Constantly monitoring customer satisfaction through **periodic and instant surveys**
  - ✓ **Net Promoter Score** metric adopted
  - ✓ **About 1mln clients active in digital banking channels**, 76% of basic cash transactions performed through digital banking, 70% of physical branches equipped with smart ATMs, 50% of deposits performed through ATMs
- Reaching out to retail and small-business customers
  - ✓ **Stronger grip on clients:** 10 new DTRs (Direzioni Territoriali Retail), from 38 to 48, each overseeing c. 31 branches, and 134 new Retail District Managers, each responsible for c. 11 branches
  - ✓ Scaling back on large corporate and institutional customer markets (Centri Enti reduced from 54 to 14)

"Customer. Simplicity. Specialisation"

* Including small-business mortgages.

UTP* deleverage proceeding, according to Plan

UTP disposals/reductions *(€/bn)*



Binding offers received for EUR 0.2bn:

- EUR 0.1bn portfolio consisting of 6 debtors, all directly or indirectly linked to real estate funds. Mainly residential and office properties spread across various Italian regions
- EUR 0.1bn, 6 single name debtors

Non-binding offers received for EUR 1.1bn:

- c. EUR 0.6bn real estate portfolio, c. 80 borrowers, average ticket size EUR 8mln, average vintage 3.4Y
- c. EUR 0.4bn unsecured portfolio, c. 30 borrowers, average ticket size EUR 16mln, average vintage 3.6Y

Multi target–multi originator deals for EUR 0.3bn:

- Disposals by several banks of claims on a number of debtors to Funds/SPVs, against payment of the sale price with shares/notes issued by buyers

- EUR 0.2bn UTP disposals/reductions achieved in the quarter (of which EUR 0.1bn disposals)
- EUR 1.6bn disposals in the pipeline, with closure expected in 1H19***
- Sales strategy centred on portfolios rather than single names, with consequent lengthening of deal closing times (c. 6 months)

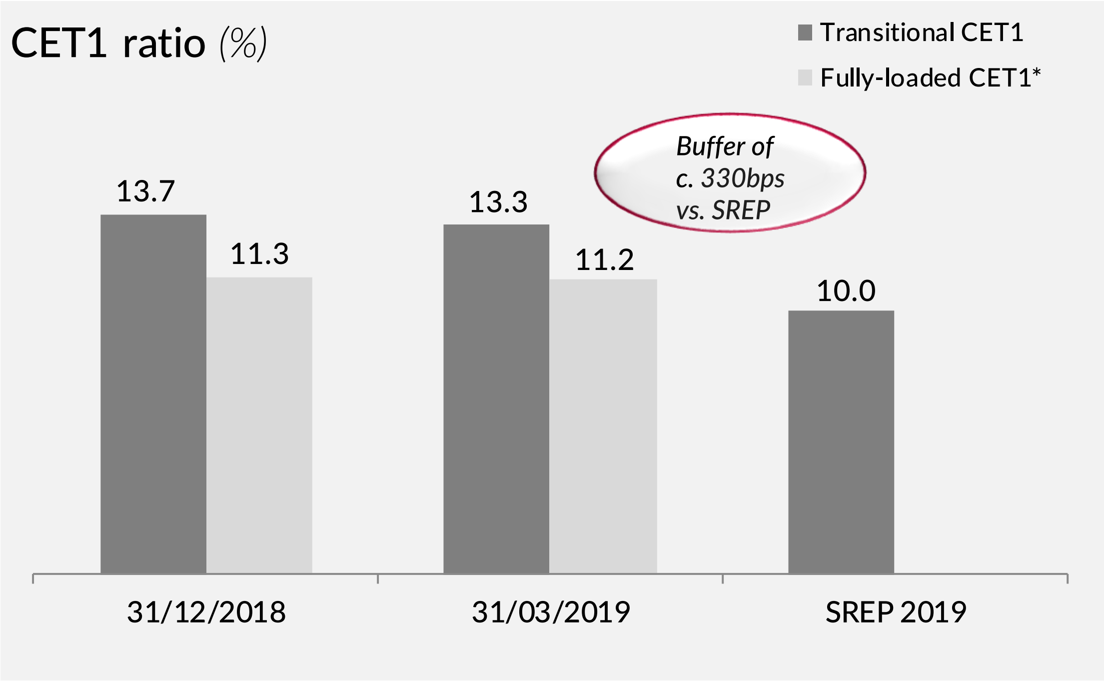
UTP reduction

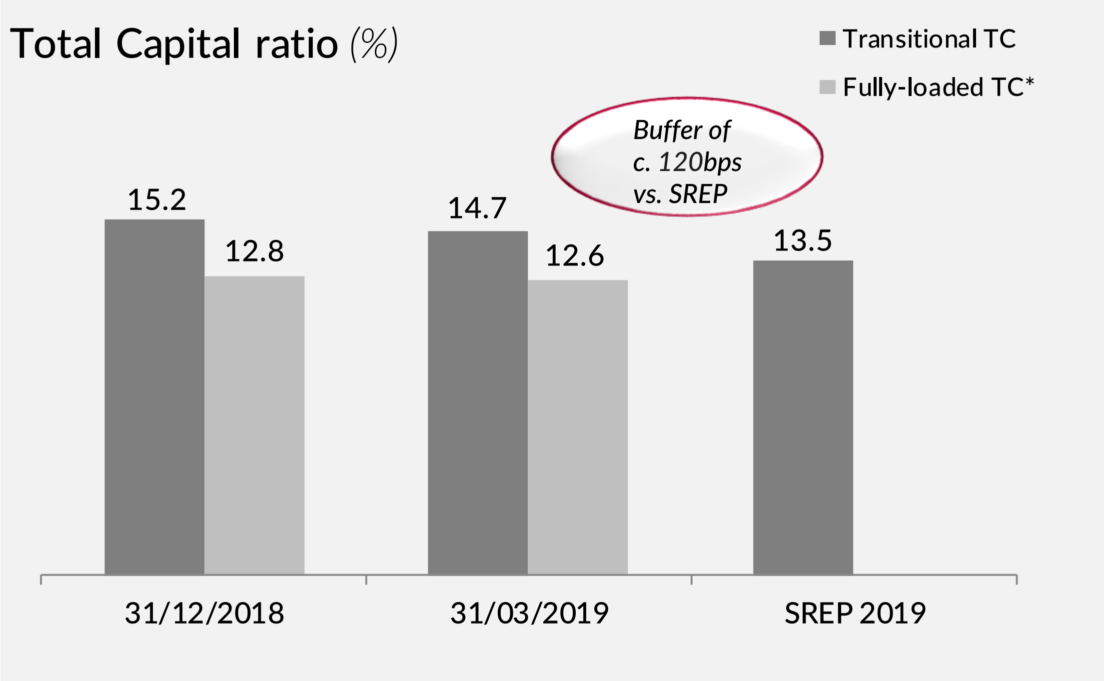
target of EUR 2bn confirmed for 2019

Gross bad loans: c. EUR -0.6bn vs. 4Q18 mainly for the partial deconsolidation of the disposed leasing portfolio (c. EUR 0.4bn out of a total amount of EUR 0.9bn)

* Gross UTPs.
** Of which EUR 0.1bn received in 1Q19.
*** For about 50% of the "multi target -multi originator" deals, expected closure in 2H19.

Capital position





- Capital ratios above 2019 SREP Overall Capital Requirement** (330bps on CET1 and 120bps on Total Capital, equivalent to c. EUR 2bn and EUR 0.7bn capital, respectively)
- CET1 at c. EUR 8.0bn, substantially stable QoQ (EUR -0.1bn), including c. EUR -150mln related to the phase-in of the IFRS9 FTA (deducted from capital for 15% of the amount vs. 5% in 2018); positive contribution from the FVOCI reserve on EU Govies and no-Govies portfolio (EUR 59mln)
- RWAs are up QoQ by c. EUR 1.5bn, impacted by increased credit risk, of which EUR 0.3bn from IFRS16, by increased operational risk in connection with provisions for risks and charges (EUR 0.4bn), and by increased market risk from MPS Capital Services' trading activities (EUR 0.4bn)

* Proforma ratios, including expected reversal of DTAs until the end of the transitional period and net income for the quarter: CET1 at 11.6%; Total capital at 13.0%.

** Including buffers. ECB final letter received in February 2019.

1Q19 Results

P&L (€/mln)	1Q18	2Q18	3Q18	4Q18	1Q19
Net Interest Income	421	449	442	431	409
Fees and commissions	407	403	353	360	359
Financial revenues*	57	-14	17	1	43
Other operating income/expenses	-8	-5	-3	-24	-8
Total revenues	**877**	**832**	**809**	**769**	**803**
Operating costs	-573	-581	-561	-635	-569
Pre-provision profit	**304**	**251**	**248**	**134**	**233**
Net impairment losses	-138	-109	-121	-257	-164
Net operating result	**166**	**142**	**127**	**-123**	**69**
Non-operating items	-55	-62	-86	-219	-92
Tax expense/recovery	83	26	55	246	57
Net income (loss)	**188**	**101**	**91**	**-101**	**28**

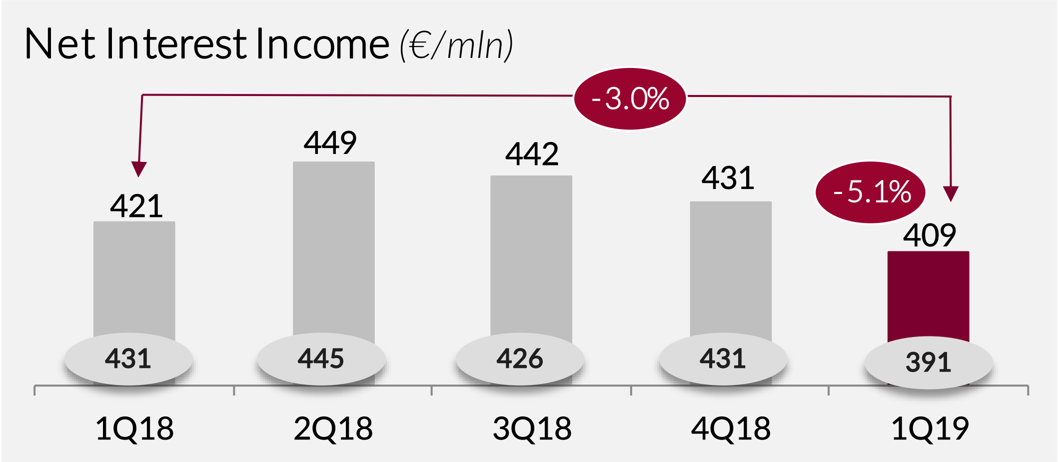
- Pre-provision profit at EUR 233mln, with:
  - NII impacted by lower average commercial loans, mainly related to selective strategy on corporates and end-of-year maturities
  - resilient fees in a challenging market, with increased contribution from continuing fees and successful partnership with AXA MPS (Bancassurance market share at 6.77% in January 2019)
  - positive contribution from trading activity
  - ongoing cost reduction; further cost savings from the latest Solidarity Fund headcount reduction (650 exits at the end of March + 100 exits by the end of 1H19) expected from 2Q19
- Cost of risk at c. 73bps, including c. 16bps (EUR -37mln) from the impact of more adverse macroeconomic forecasts
- Net income at EUR 28mln, including, among others:
  - ✓ EUR -61mln for the annual contribution to the Single Resolution Fund and adjustments on the IDPF Voluntary Scheme Carige intervention
  - ✓ EUR -47mln for provisions for commitments undertaken by the Bank for transactions with customers (diamonds)

As of today, after exit meeting, no increase in provisions for legal risks is expected as a result of ECB inspection**

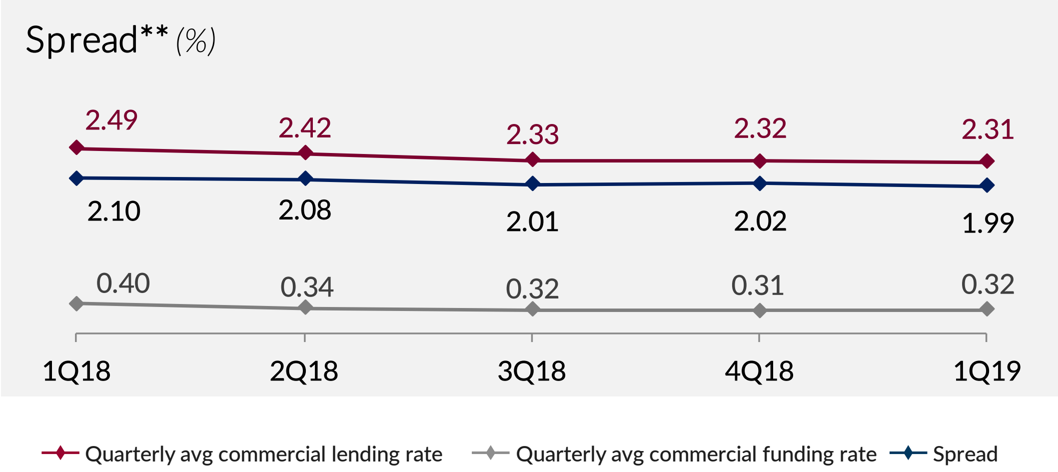
* Financial revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets.

** In January 2019 the ECB launched an inspection for the assessment and management of operational risks and in particular legal risks. The first step of the process was concluded in April

Net Interest Income



of which interests from NPEs (€/mln):	1Q18	2Q18	3Q18	4Q18	1Q19
	81	66	63	57	*54*



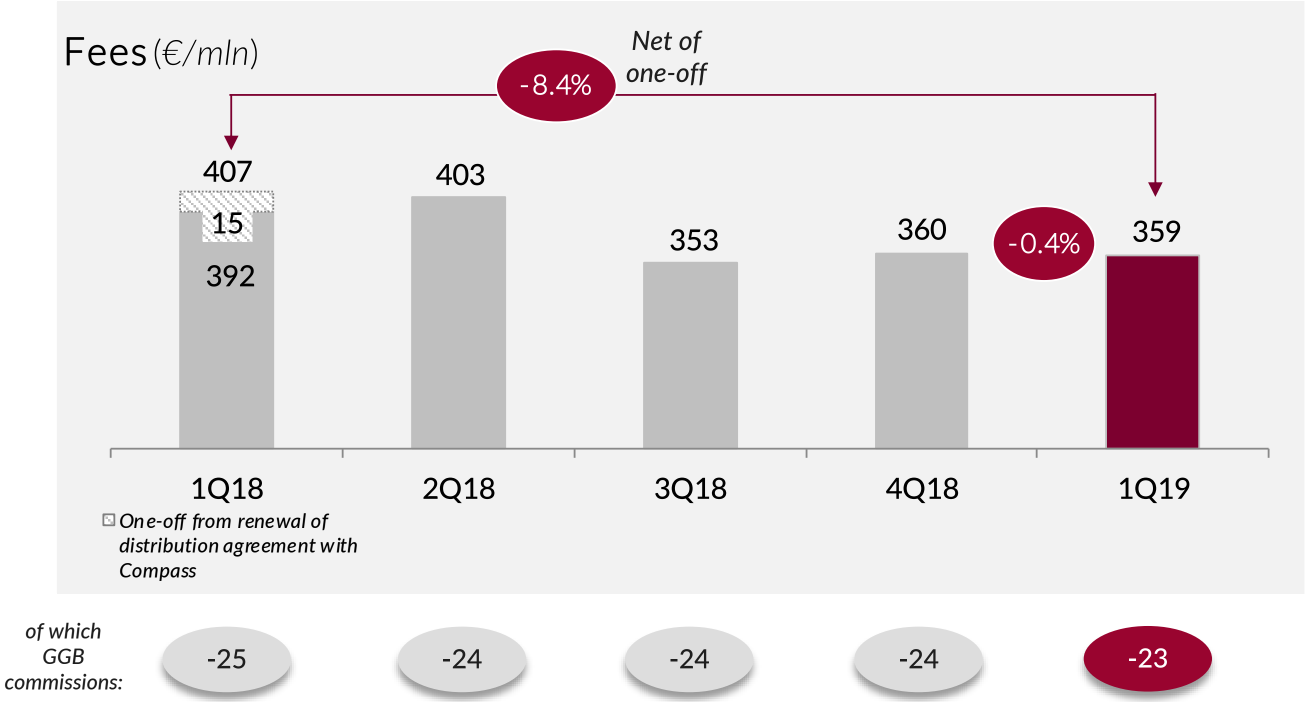
- **Net interest income** down vs. 4Q18, mainly impacted by:
  - lower average lending volumes (average commercial loans decreased by EUR 2.6bn vs. 4Q18), affected by end-of-year maturities on medium/long-term loans; commercial loans increased at the end of the quarter
  - fewer business days in the quarter
- **NPE contribution** of c. EUR 54mln, down from EUR 57mln in 4Q18

- **Stabilisation of the lending rate** thanks to repricing actions put in place over recent quarters
- **Cost of deposits gap vs. the market:** +15bps in February 2019 (+25bps gap in December 2017), in line with Restructuring Plan target

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

** Figures from operational data management system.

Fee and Commission Income

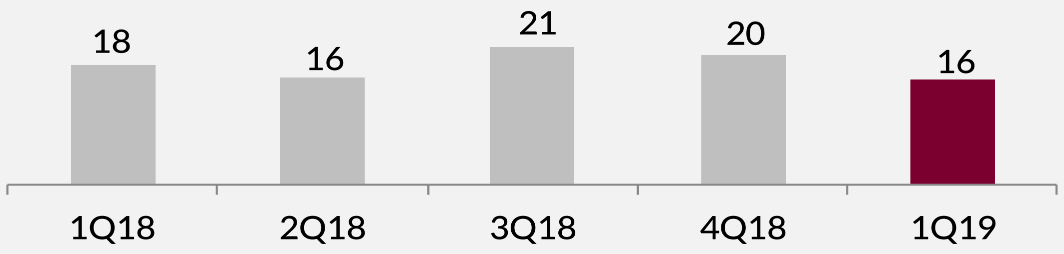


€/mln	1Q18	4Q18	1Q19	1Q19 vs. 4Q18	1Q19 vs. 1Q18
Wealth Management fees, o/w	180	154	155	0.7%	-14.1%
WM Placement	71	44	49	12.3%	-30.2%
Continuing	89	88	85	-2.9%	-4.0%
Securities	10	10	10	9.9%	5.3%
Protection	11	13	10	-21.5%	-10.1%
Traditional Banking fees, o/w	276	256	247	-3.7%	-10.6%
Credit facilities	143	120	119	-0.8%	-16.7%
International business	14	12	12	4.2%	-13.6%
Payment services and client expense recovery	118	124	115	-7.2%	-2.9%
Other	-50	-49	-43	13.7%	14.1%
Total Net Fees	407	360	359	-0.4%	-11.7%

- Net fees and commissions impacted, in the quarterly evolution, by lower contribution from payment services fees (which benefitted in 4Q18 of typical end-of-year movements). WM fees driven by WM product placement fees, which increase by 12.3% QoQ
- Increasing stability and better quality of fees, with higher contribution from continuing fees (24% 1Q19 vs. 22% 1Q18) and lower contribution from WM upfront fees (14% 1Q19 vs. 17% 1Q18)
- Stock of assets under management at EUR 57.6bn, up by EUR 1.8bn QoQ, and stock of assets under custody at EUR 42bn, up by EUR 1.4bn QoQ, both thanks to positive market effect

Financial Revenues*

Dividends/Income from Investments *(€/mln)*



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

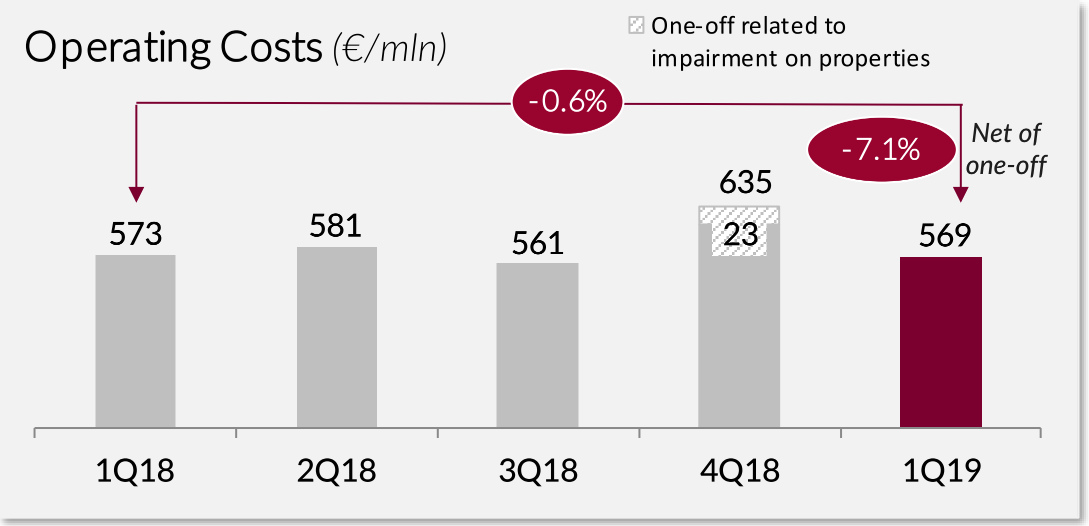
	1Q18	2Q18	3Q18	4Q18	1Q19
Net result from trading/hedging	15	-11	5	25	36
Gains/losses on disposals/repurchases	39	13	7	-22	12
Net result from financial assets/liabilities at FVTPL	-16	-33	-16	-21	-20
Total	38	-30	-3	-18	27

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

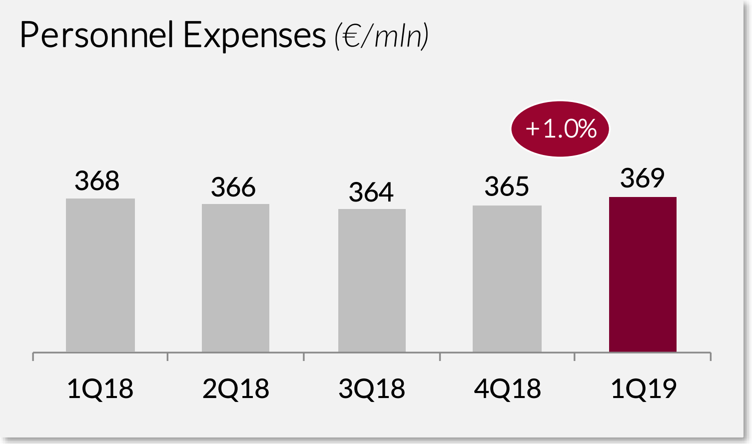
- **Trading/disposal/valuation/hedging of financial assets/others:**
  - EUR +36mln from trading/hedging mainly due to MPS Capital Services
  - EUR +12mln from gains on disposals/repurchases, of which c. EUR 7mln from disposals of receivables and securities sold, and c. EUR 4mln related to the sale of Govies and other corporate/financial bonds
  - EUR -20mln due to losses from financial assets and liabilities designated at FVTPL, of which EUR -7mln on loans, EUR -6mln on securities and stakes, and EUR -8mln on liabilities at fair value

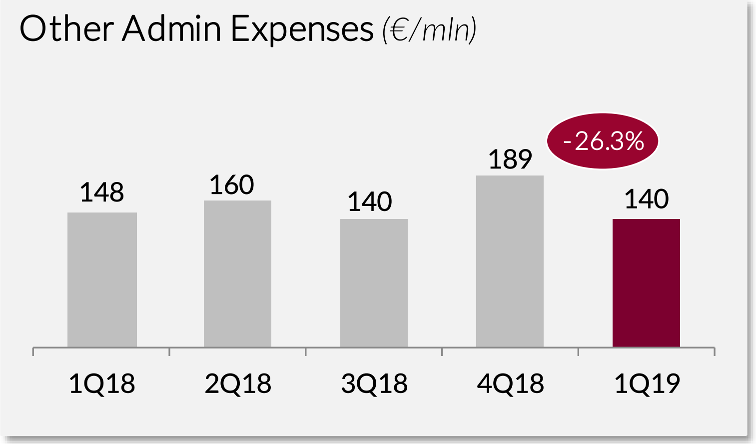
* The item includes: Dividends/income from trading investments, Net result from trading/hedging, Gains/losses on disposals/repurchases, Net result from financial asset/liabilities at FVTPL.

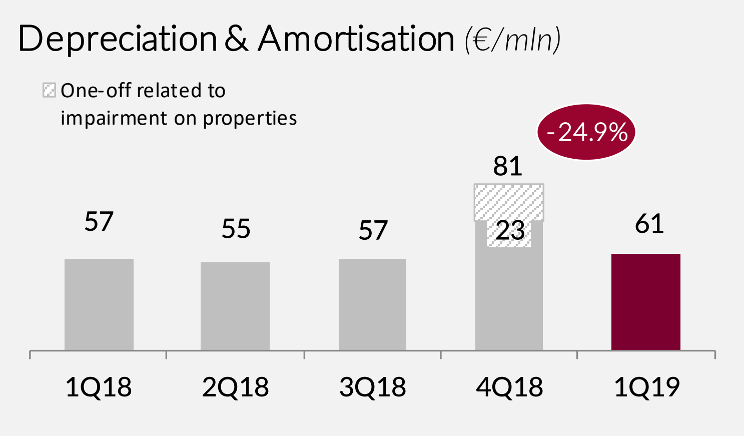
Operating Costs



- **Operating costs** decrease by -10.4% QoQ and by -0.6% vs. 1Q18 (following the introduction of the new IFRS16 accounting standard*, comparisons with 2018 are not homogeneous)
  - **Personnel expenses** slightly increase QoQ due to positive components booked in 4Q18 and the effect of the MPS collective agreement: benefits from the latest Solidarity Fund headcount reduction (650 exits at the end of March + 100 exits by the end of 1H19) expected from 2Q19
  - **Other admin expenses** decrease vs. previous quarter, which was affected by year-end seasonality
  - **Depreciation & Amortisation**: decrease vs. 4Q18, where higher impairments on properties were booked





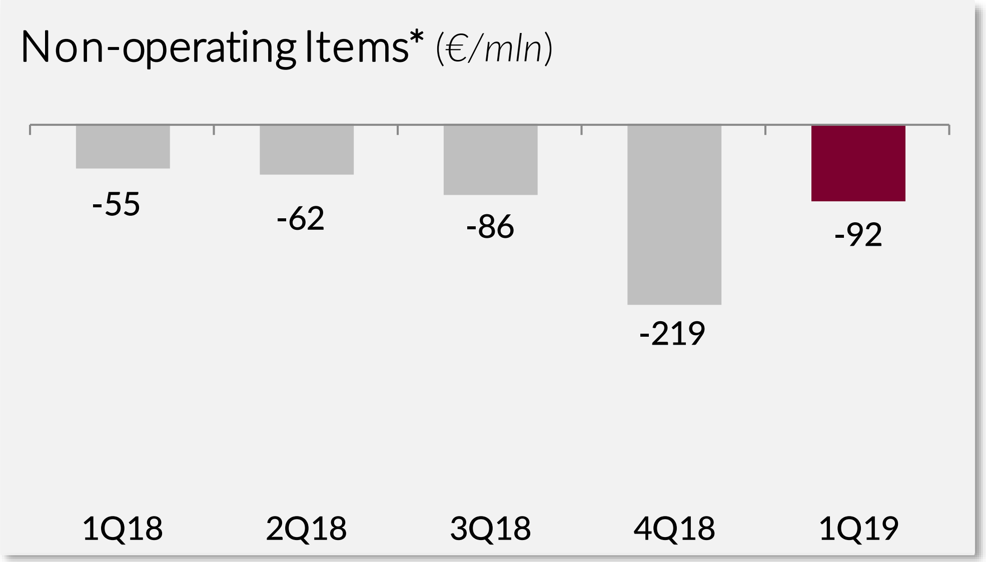


FTEs**	23.4K	23.3K	23.2K	23.1K	22.5K	-3.9% YoY
Branches	1,597	1,597	1,597	1,529	1,529	-4.3% YoY

* The introduction of the new IFRS16 accounting standard led to the recognition of EUR 15.2 million fewer other administrative expenses and EUR 14 million more net value adjustments to tangible and intangible assets.

** 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



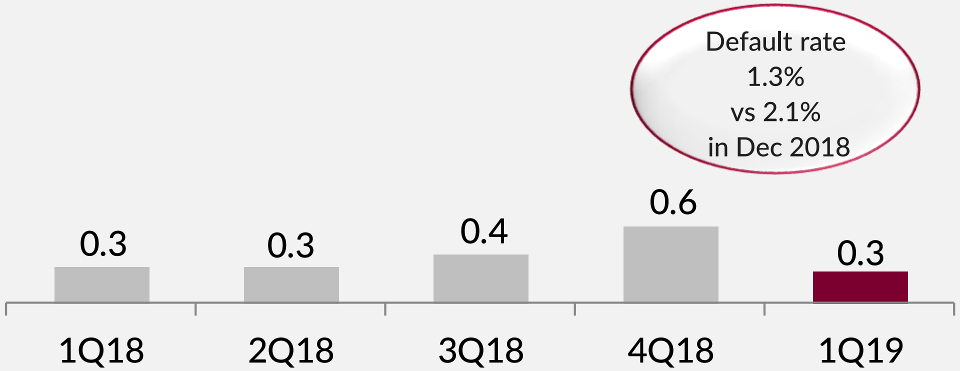
	1Q18	2Q18	3Q18	4Q18	1Q19
DGS, NRF & SRF	-69	-26	-29	-8	-61
DTA Fees	-18	-18	-18	-18	-18
Other	32	-18	-39	-194	-14
Total	-55	-62	-86	-219	-92

- Non-operating items at EUR -92mln including:
  - EUR -61mln for the annual contribution to the Single Resolution Fund and adjustments on the IDPF Voluntary Scheme Carige intervention
  - EUR -18mln for quarterly DTA fees introduced by Law Decree 59/2016
  - Additional EUR -14mln mainly related to risks and charges and restructuring costs, including c. EUR -47mln provisions for commitments undertaken by the Bank for transactions with customers (in connection with the offer of diamonds), partially offset by releases on provisions for risks no longer existing and recoveries on commitments and guarantees issued
- Taxes for the quarter at EUR +57mln positively impacted by DTA reassessment

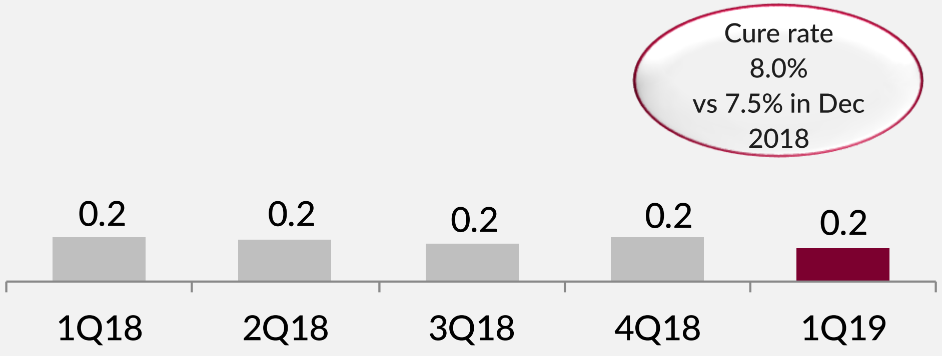
* Net provisions for risks and charges, gains (losses) on investments/disposals, restructuring costs/one-off costs, DTA fees and SRF, NRF & DGS and gains (losses) on disposal of investments.

Focus on Asset Quality (1/2)

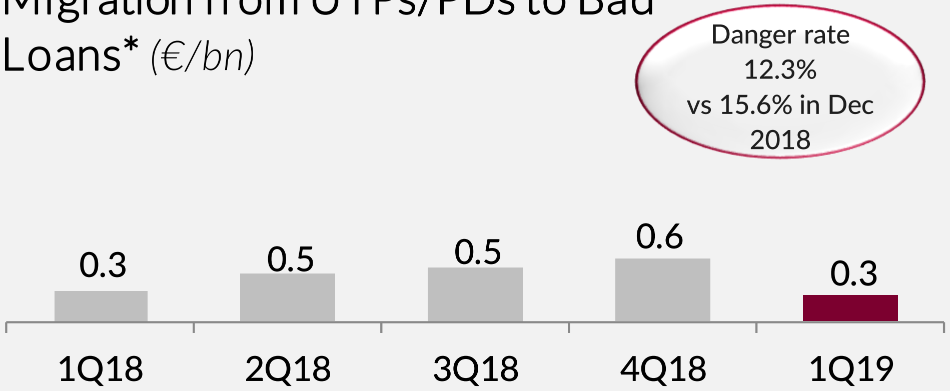
NPE Inflows from Performing* *(€/bn)*



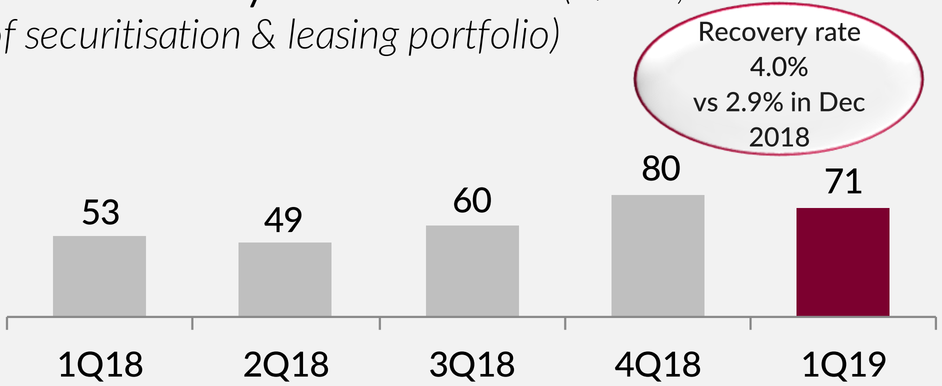
NPE Outflows to Performing* *(€/bn)*



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

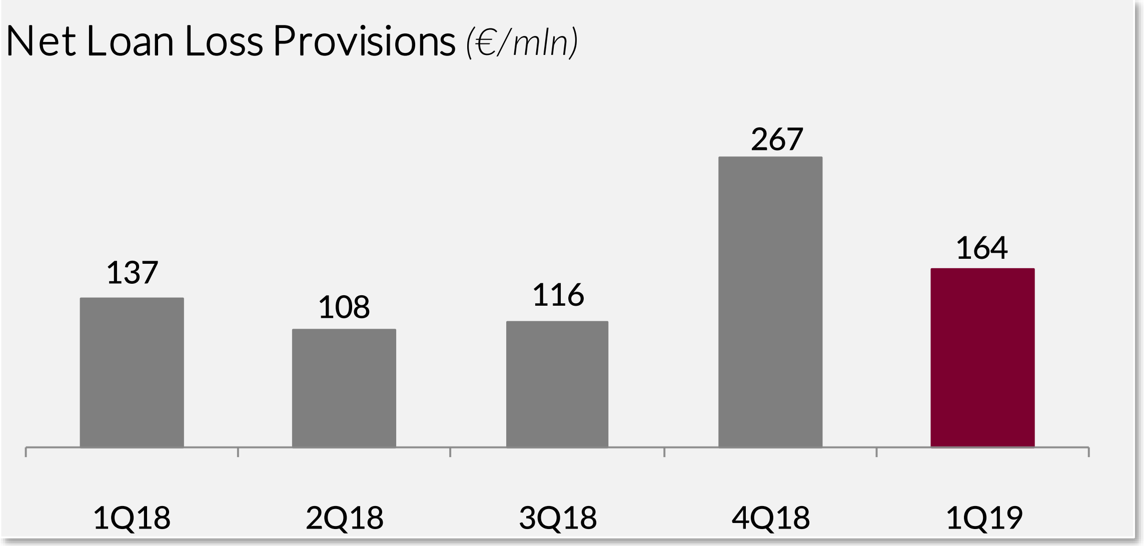


Cash recovery of Bad Loans* *(€/mln, net of securitisation & leasing portfolio)*

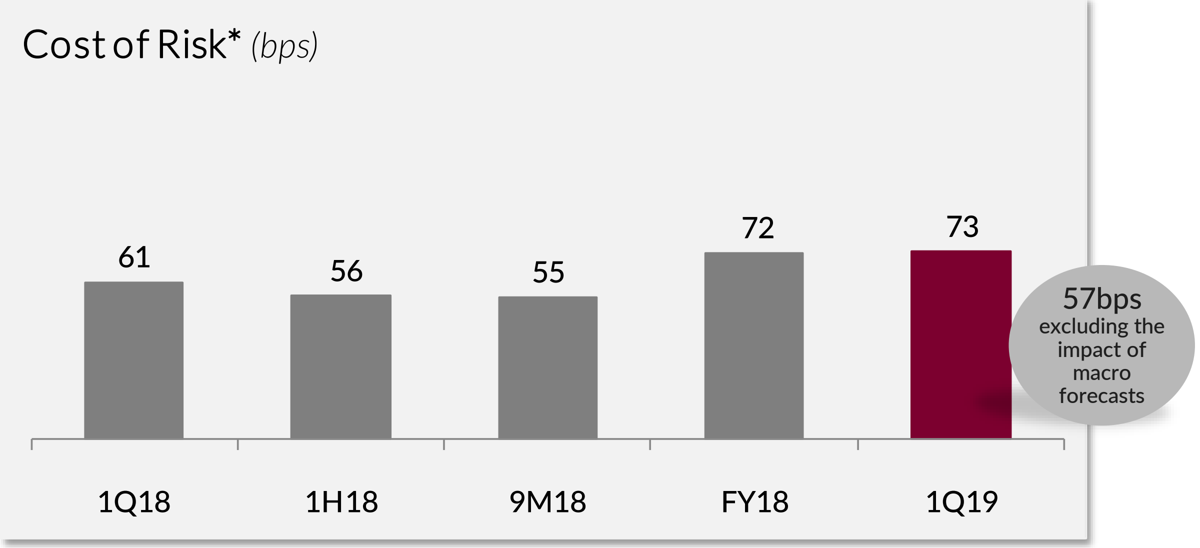


* Data from operational data management system. Figures include signature loans (excluded in accounting figures). Ratios are calculated as annualised 1Q19 net flows/stock at the beginning of the period.

Focus on Asset Quality (2/2)



Net impairment losses (including financial assets at FVTOCI): 138 | 109 | 121 | 257 | 164



Non-performing Exposures Coverage (%)

	Mar-18 *(Net of portofolio to be disposed)*	Dec-18	Mar-19
Bad Loans *(sofferenze)*	69.3	62.4	61.4
Unlikely-to-Pay Loans	45.1	44.0	45.0
Past Due Loans	31.6	18.3	17.5
Total NPEs	**55.5**	**53.1**	**53.1**

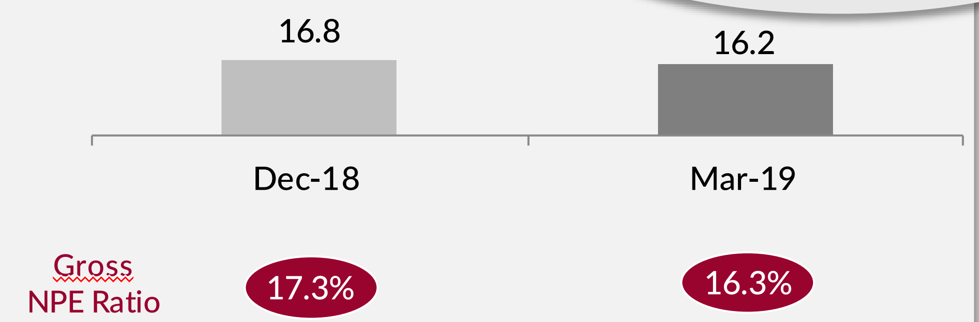
- Cost of risk at 73bps, including c. 16bps (EUR 37mln) related to model update, including more adverse macroeconomic forecasts (2019 Italian GDP forecast revised from c. 0.9% to c. 0.5%)
- UTP coverage increase partly due to full coverage of a small ticket portfolio
- Recoveries on commitments and guarantees issued for EUR 22mln (booked under provisions for risks & charges)

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

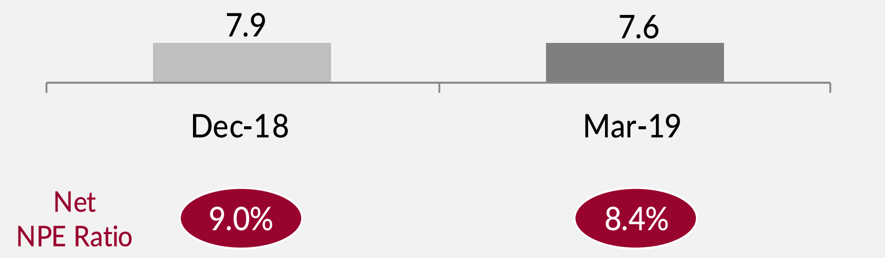
Proforma Asset Quality Key Metrics

Gross NPEs* *(€/bn)*

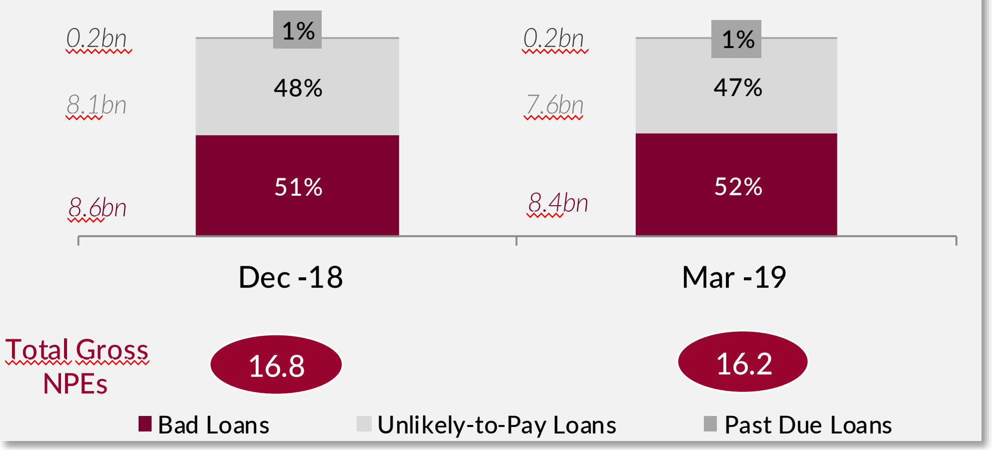
14,4% Gross NPE ratio
proforma, including EUR 2.0bn UTP reduction and EUR 0.5bn leasing disposals to be perfected in 2Q19



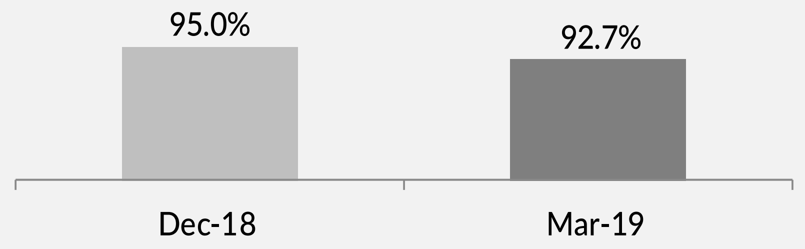
Net NPEs *(€/bn)*



Gross NPE Mix* *(%)*



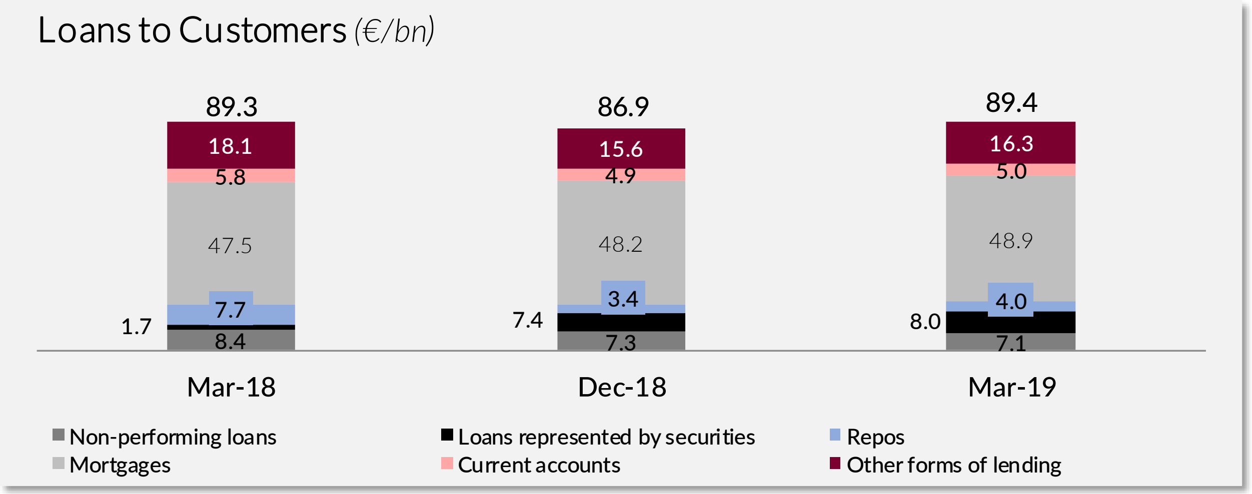
Texas Ratio** *(%)*

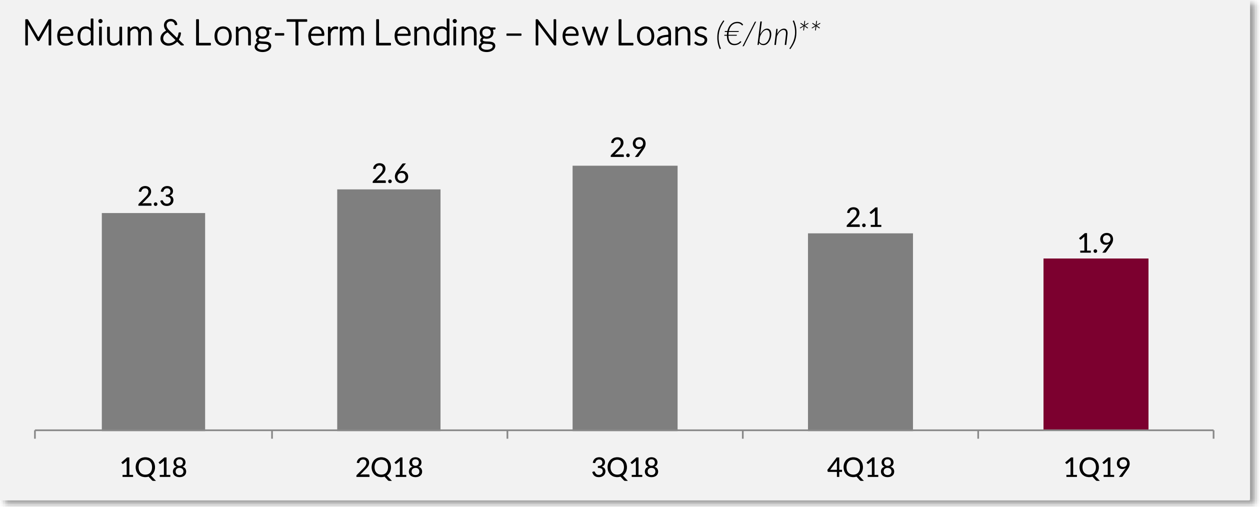


* Gross bad loans adjusted excluding arrears on defaulted assets.

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

Customer Loans



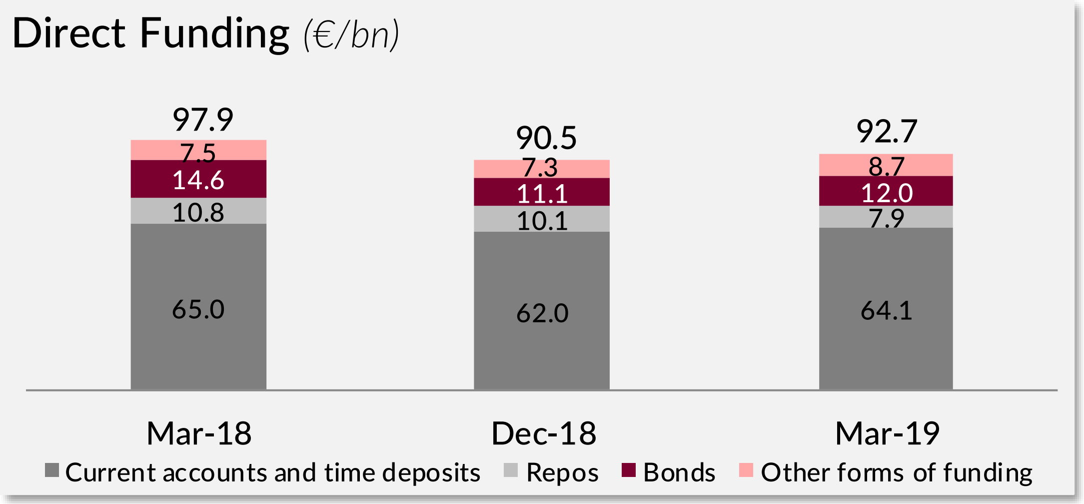


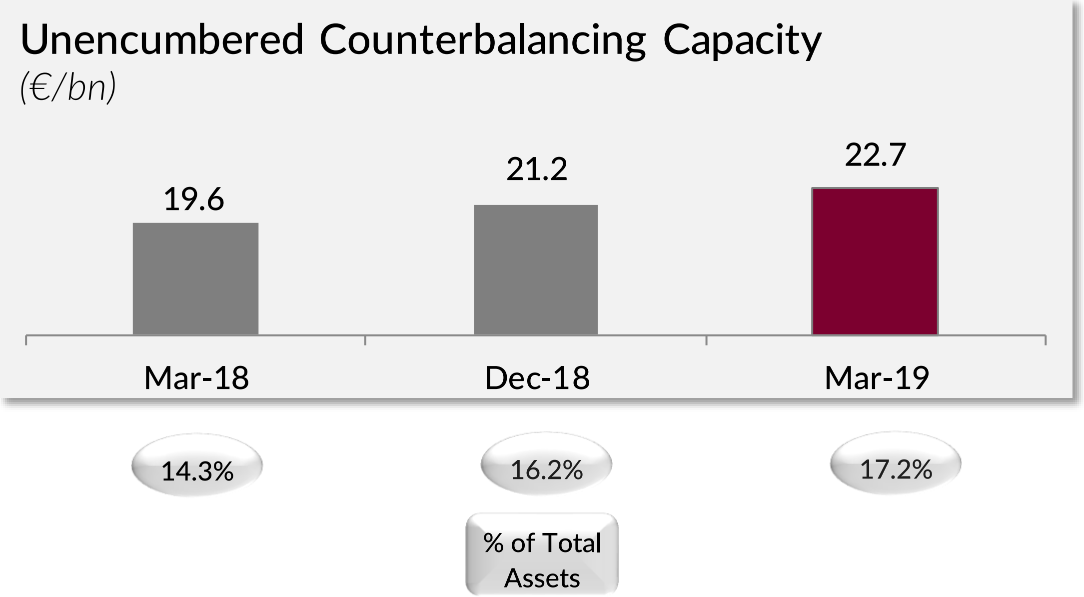
- Customer loans up by c. EUR 2.5bn QoQ:
  - EUR +1.4bn increase in current accounts, mortgages and other forms of lending
  - EUR +0.6bn increase in loans represented by securities, due to purchases of Italian Govies at amortised cost
  - EUR +0.6bn increase in short-term repos with institutional counterparties
  - EUR -0.2bn reduction in non-performing loans
- Average commercial loans: EUR 74.6bn in 1Q19, down by EUR 2.6bn vs. 4Q18 and by EUR 3.8bn vs. 1Q18
- Group's loan market share at 4.84%* as at January 2019, down by 31bps YoY

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

** Figures from operational data management system.

Direct Funding and Liquidity





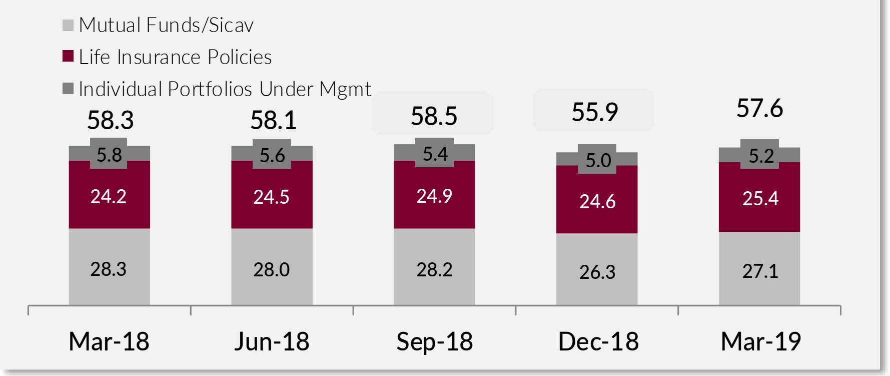
- Total direct funding increases by c. EUR 2.2bn vs. 4Q18:
  - EUR +0.9bn increase in funding from commercial customers (of which EUR 0.6bn from retail customers)
  - EUR +1.2bn increase in the current account deposit held by an institutional client
  - EUR +0.1bn increase in funding from institutional counterparties: lower activity in repos (EUR -2.2bn) offset by the issuance of a covered bond (EUR 1.0bn) and increase in other forms of non-commercial funding
- Average commercial direct funding: EUR 67.8bn in 1Q19, decreasing by EUR 1.6bn vs. 4Q18 and by EUR 5.3bn vs. 1Q18 (partly due to more stringent funding remuneration policy)
- Group's direct funding market share at 3.72%* in January 2019, +1 bps YoY

- Unencumbered Counterbalancing Capacity at EUR 22.7bn, 17.2% of total assets (vs. 16.2% in Dec-18)
- LCR: c. 241% (c. 232% in Dec-18)
- NSFR: c. 111% (c. 112% in Dec-18)

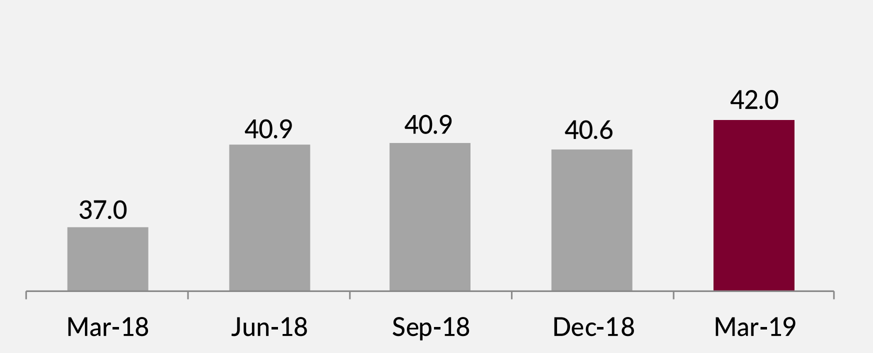
* Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident consumer clients and bonds net of repurchases placed with resident consumer clients as first-instance borrowers.

Focus on Wealth Management (WM) and Assets Under Custody

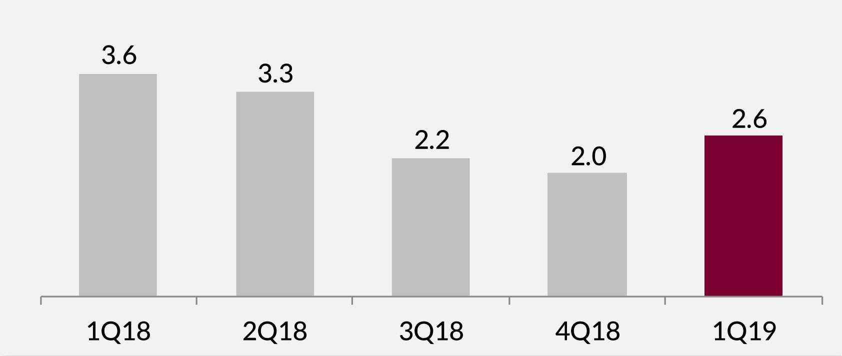
Wealth Management Mix *(€/bn)*



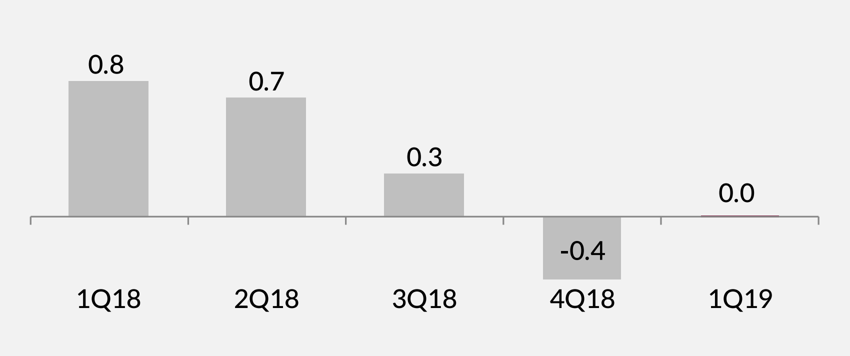
Assets Under Custody *(€/bn)*



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



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



- Wealth Management stock up by EUR 1.8bn mainly due to positive market effect

Mutual funds stock
market share: 2.73%**

Bancassurance savings
market share: 6.77%**

Bancassurance protection
market share: 7.14%***
(motor market share 10.0%)

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* Bancassurance + Mutual Fund/Sicav flows + Individual Portfolio Under Mgmt

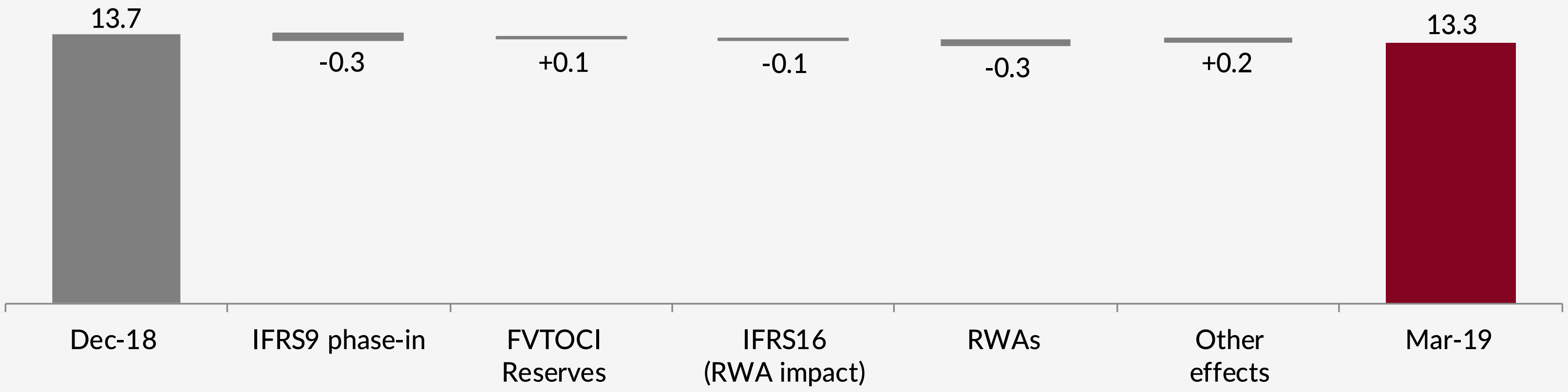
** Market share as at January 2019. Latest available data.

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

Capital Structure

(€/bn)	4Q18	1Q19
TBV	8.8	8.9
Transitional CET1	8.0	8.0
Fully loaded CET1	6.6	6.7
RWAs	58.4	59.9

Phased-in CET1 ratio *(%)*



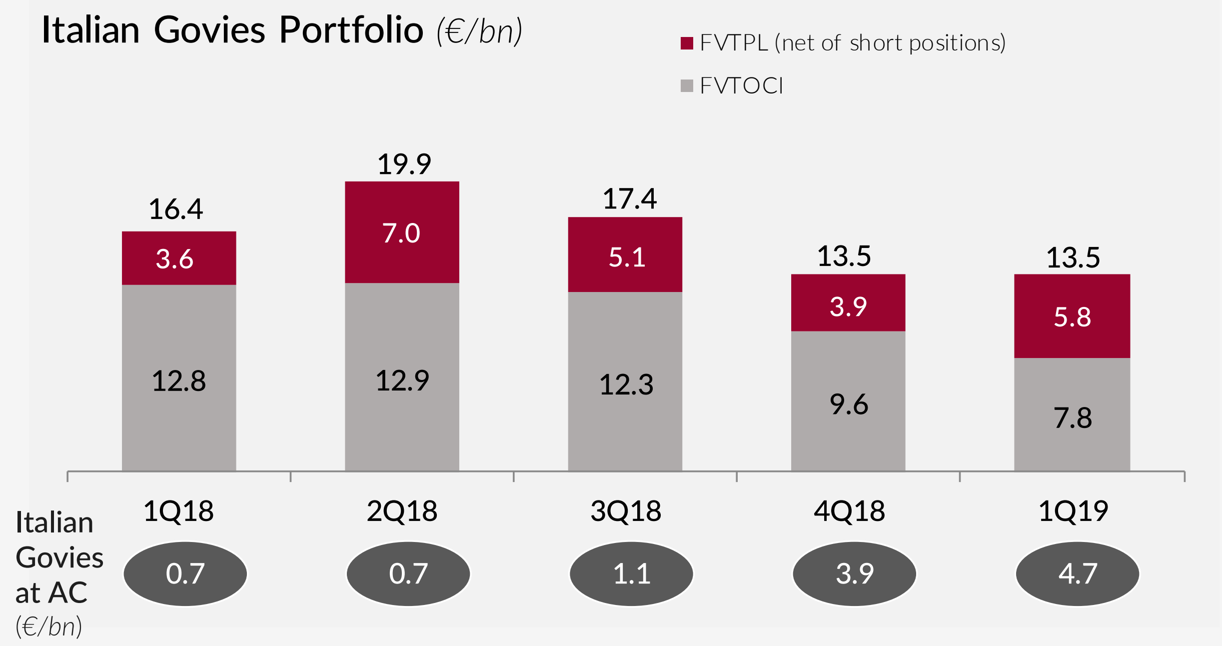
	Dec-18	Mar-19	Proforma fully loaded ratios **(%)
Fully loaded CET1* (%)	11.3	11.2	11.6
Total Capital (%)	15.2	14.7	
Fully loaded Total Capital (%)	12.8	12.6	13.0

- Phased-in CET1 at 13.3% (-46bps vs. 4Q18). Total Capital at 14.7% (-49bps vs. 4Q18)
- Quarterly phased-in CET1 evolution impacted by:
  - IFRS9 FTA phase-in
  - FVOCI reserves positively impacted by portfolio optimisation and the short average maturity of the portfolio
  - RWA increase affected by increased credit risk, of which EUR 0.3bn from IFRS16, by increased operational risk in connection with provisions for risks and charges (EUR 0.4bn), and by increased market risk from MPS Capital Services' trading activities (EUR 0.4bn)

* Including EUR 1.4bn full impact of IFRS9 FTA.

** Including net income for the quarter and, under the same assumptions applied for the "probability test", the effects of expected reversal, until the end of the transitional period, of DTAs on tax losses, ACE, IFRS9 adjustments and of convertible DTAs.

Focus on Italian Govies Portfolio*



Portfolio FVTOCI (ex-AFS):

	1Q18	2Q18	3Q18	4Q18	1Q19
Duration *(years)*	~2.9	~2.7	~2.4	~2.8	~2.8
Credit spread sensitivity *(€/mln, before tax, for 1bp change)*	-4.1	-3.7	-3.3	-2.9	-2.5

Total portfolio quarterly trend:

- **FVTPL (trading) portfolio increases to EUR 5.8bn** (c. EUR +1.9bn QoQ), due to MPS Capital Services' activity as primary dealer for Italian government bond
  - Duration: ~1.3 years
  - Credit spread sensitivity: c. EUR -0.2mln, before tax, for 1bp change
- **FVTOCI (ex-AFS) portfolio decreases to EUR 7.8bn** (c. EUR -1.9bn QoQ), mainly due to disposals of short-term Italian government bonds
  - Gross FVTOCI** reserves at c. EUR -0.2bn, slightly decreases vs. Dec-18
  - Credit spread sensitivity: c. EUR -2.5mln, before tax, for 1bp change (it was c. EUR -2.9mln in 4Q18)
- **AC portfolio increases to EUR 4.7bn (EUR +0.8bn QoQ) to benefit from higher yields**
  - Average portfolio duration of 7.8 years (8.75 in Dec-18)

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

** Net FVTOCI reserve deducted from capital for regulatory purposes: EUR -0.1bn in Mar-19 (EUR -0.1bn in Dec-18).

Agenda

- 1Q19 Results
- Details on 1Q19 Results
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1Q19 P&L*: Highlights

€ mln	4Q18	1Q19	Change (QoQ%)	1Q18	1Q19	Change (YoY%)
Net Interest Income	431	409	-5.1%	421	409	-3.0%
Net Fees	360	359	-0.4%	407	359	-11.7%
Financial revenues**	1	43	n.m.	57	43	-23.8%
Other operating income/expenses	-24	-8	+64.7%	-8	-8	-7.2%
Total revenues	769	803	+4.3%	877	803	-8.5%
Operating Costs	-635	-569	-10.4%	-573	-569	-0.6%
of which personnel costs	-365	-369	+1.0%	-368	-369	+0.2%
of which other admin expenses	-189	-140	-26.3%	-148	-140	-5.6%
Pre-provision profit	134	233	+74.5%	304	233	-23.2%
Total provisions	-257	-164	-35.9%	-138	-164	+19.1%
of which net impairment losses	-267	-164	-38.5%	-176	-164	-6.8%
Net Operating Result	-123	69	n.m.	166	69	-58.4%
Non-operating items***	-219	-92	-57.9%	-55	-92	+68.5%
Profit (Loss) before tax	-342	-23	-93.2%	111	-23	n.m.
Taxes	246	57	-76.9%	83	57	-31.9%
PPA & Other Items	-4	-6	+35.3%	-7	-6	-20.4%
Net profit (loss)	-101	28	n.m.	188	28	-85.1%

* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16. Therefore, 2019 & 2018 values are not fully comparable.

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

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

Balance Sheet*

Total Assets *(€/mln)*

	Mar-18	Dec-18	Mar-19	QoQ%	YoY%
Customer loans	89,320	86,856	89,376	2.9%	0.1%
Loans to banks	6,375	12,504	11,097	-11.3%	74.1%
Financial assets	25,652	20,296	20,569	1.3%	-19.8%
PPE and intangible assets	2,831	2,727	2,978	9.2%	5.2%
Other assets**	12,593	8,098	8,103	0.1%	-35.7%
Total Assets	**136,772**	**130,481**	**132,122**	**1.3%**	**-3.4%**

Total Liabilities *(€/mln)*

	Mar-18	Dec-18	Mar-19	QoQ%	YoY%
Deposits from customers and securities issued	97,857	90,472	92,686	2.4%	-5.3%
Deposits from banks	20,483	21,986	22,170	0.8%	8.2%
Other liabilities***	9,131	9,029	8,175	-9.5%	-10.5%
Group equity	9,298	8,992	9,089	1.1%	-2.3%
Minority interests	2	2	2	9.1%	4.3%
Total Liabilities	**136,772**	**130,481**	**132,122**	**1.3%**	**-3.4%**

* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16. Therefore, 2019 & 2018 values 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)*

	Mar-18	Dec-18	Mar-19	QoQ%	YoY%
Current accounts	5,768	4,941	4,997	1.1%	-13.4%
Mortgages	47,536	48,217	48,878	1.4%	2.8%
Other forms of lending	18,116	15,615	16,310	4.5%	-10.0%
Reverse repurchase agreements	7,747	3,395	4,033	18.8%	-47.9%
Loans represented by securities	1,736	7,386	8,025	8.7%	n.m.
Impaired loans	8,418	7,302	7,132	-2.3%	-15.3%
Total	**89,320**	**86,856**	**89,376**	**2.9%**	**0.1%**

Direct Funding *(€/mln)*

	Mar-18	Dec-18	Mar-19	QoQ%	YoY%
Current accounts	54,923	53,156	54,652	2.8%	-0.5%
Time deposits	10,045	8,871	9,441	6.4%	-6.0%
Repos	10,825	10,137	7,943	-21.6%	-26.6%
Bonds	14,558	11,052	11,958	8.2%	-17.9%
Other types of direct funding	7,507	7,255	8,691	19.8%	15.8%
Total	**97,857**	**90,472**	**92,686**	**2.4%**	**-5.3%**

Focus on Commercial Net Interest Income*

Net interest income (€/mln)	1Q18		2Q18		3Q18		4Q18		1Q19	
	average volume	average rate	average volume	average rate	average volume	average rate	average volume	average rate	average volume	average rate
Commercial Loans	78.4	2.49%	78.7	2.42%	77.9	2.33%	77.2	2.32%	74.6	2.31%
Retail (including small businesses)	39.7	2.69%	39.8	2.62%	39.6	2.54%	39.8	2.50%	39.5	2.49%
Corporate	32.4	2.14%	33.0	2.07%	32.7	1.97%	31.9	1.99%	30.3	2.01%
Non-Performing	6.2	3.05%	5.9	3.03%	5.5	2.97%	5.5	2.98%	4.8	2.80%
Commercial Direct funding	73.1	-0.40%	73.5	-0.34%	71.8	-0.32%	69.4	-0.31%	67.8	-0.32%
Retail (including small businesses)	47.1	-0.41%	46.9	-0.35%	45.9	-0.32%	45.6	-0.31%	45.6	-0.31%
Corporate	20.5	-0.26%	20.7	-0.21%	19.5	-0.17%	18.9	-0.19%	18.2	-0.27%
Non-Performing	0.3	-0.10%	0.3	-0.09%	0.3	-0.08%	0.3	-0.08%	0.3	-0.07%
Other Customers	5.1	-0.81%	5.6	-0.81%	6.1	-0.81%	4.5	-0.80%	3.7	-0.72%
Commercial NII	430.6		445.3		426.3		430.9		391.0	
Non-Commercial NII**	-9.1		3.2		15.8		-0.1		18.0	
Total Interest Income	421.5		448.5		442.1		430.8		409.0	

* 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

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	1Q19
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. 4Q18)
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. 4Q18)
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 (stable vs. 4Q18)
4 DTAs not recorded in balance sheet	o DTAs not recorded in balance sheet due to the probability test	➢ N.A.	EUR 1.9bn (stable vs. 4Q18)

* 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 from financial information

- As at 31 March 2019, overall claims connected to litigations arising from the financial information disclosed by the Bank to the market in the period between 2008 and 2015 are estimated in EUR 1.6bn, versus EUR 1.5bn at December 2018. The c. EUR 133mln increase in the *petitum* is mainly attributable to the York Funds court proceedings, partially offset by out-of-court settlements reached with some counterparties

- 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 thus 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"

- 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

Claims related to financial information disclosed (2008-2015)

€/mln	31/3/19
Civil Litigation brought by the shareholders	895
Threatened Litigations	609
Admitted Civil Parties Proceeding nº 29634/14*	42
Admitted Civil Parties Proceeding nº 955/16*	76
Total	1,622

* Not all claiming parties have quantified damages

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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	
	Dec-18	*Mar-19*	*Dec-18*	*Mar-19*	*Dec-18*	*Mar-19*
Bad loans *(sofferenze)*	8,584	8,385	3,224	3,234	62.4%	61.4%
Unlikely-to-Pay loans	8,066	7,645	4,515	4,206	44.0%	45.0%
Past due/overdue exposures	178	199	145	165	18.3%	17.5%
Total NPEs	16,827	16,229	7,884	7,605	53.1%	53.1%

Restructured unlikely-to-pay loans*

Breakdown by Guarantees *(€/bn)*

	# Tickets	GBV	Coverage	NBV	% NBV
Secured	200	0.8	44.5%	0.4	24.5%
Personal guarantees	162	0.4	54.6%	0.2	9.9%
Unsecured	483	2.3	50.1%	1.2	65.6%
Total	**845**	**3.5**	**49.3%**	**1.8**	**100.0%**
of which Pool other banks		*3.2*		*1.7*	*95.2%*

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	0.8	12.9%	87.1%
Personal guarantees	0.4	34.1%	65.9%
Unsecured	2.3	31.5%	68.5%
Total	**3.5**	**27.6%**	**72.4%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.6	0.3	14.5%
Real estate	0.6	0.2	13.2%
Holdings	0.1	0.0	1.1%
Transportation and logistics	0.2	0.1	8.1%
Other industrial**	1.4	0.8	45.6%
Households	0.0	0.0	1.0%
Other	0.7	0.3	16.4%
Total	**3.5**	**1.8**	**100.0%**

- Average coverage 49.3%, above Italian average. Net book value EUR 1.8bn (24.5% secured)
- Corporate and PMI sectors > 83% 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. 28% 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	8,488	2.0	29.0%	1.4	58.3%
Personal guarantees	10,191	0.7	50.3%	0.4	14.8%
Unsecured	97,621	1.4	54.0%	0.7	26.9%
Total	**116,300**	**4.1**	**41.3%**	**2.4**	**100.0%**
of which Pool other banks		*2.3*		*1.3*	*54.4%*

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	2.0	63.4%	36.6%
Personal guarantees	0.7	66.1%	33.9%
Unsecured	1.4	63.0%	37.0%
Total	**4.1**	**63.8%**	**36.2%**

Breakdown by Industry *(€/bn)*

	GBV	NBV	% on NBV
Construction	0.7	0.4	15.3%
Real estate	0.5	0.3	13.1%
Holdings	0.0	0.0	0.3%
Transportation and logistics	0.1	0.0	1.3%
Other industrial**	1.1	0.6	24.3%
Households	0.7	0.5	20.7%
Other	1.0	0.6	25.0%
Total	**4.1**	**2.4**	**100.0%**

- Average coverage of 41.3, above Italian average. Net book value EUR 2.4bn (c. 58% secured)
- PMI and Small Business sectors represent about 71% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 54% 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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