MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

BMPS 2Q19 Results

1 August 2019

Key takeaways

Acceleration of NPE reduction
created conditions to reach targets two years in advance,
with no further expected economic impact

Resilient revenues
despite MPS downsizing and macro/interest rate uncertainties

All capital ratios above SREP requirements
also on a fully loaded basis

Ongoing implementation of the funding plan
with successful access to wholesale funding market

Highlights of 2Q19 Results

Pre-provision profit

EUR 169mln

EUR 218mln excluding EUR -49mln costs for the unwinding of servicing agreement with Juliet

Cost of risk

Cost of risk at 57bps

Impacted by the release of provisions following the unwinding of Juliet agreement, the cost for the revision of the NPE strategy and the annual update of credit risk parameters

Net income

EUR 65mln

Including non-recurring contribution to systemic funds (EUR -27mln) and additional provisions for new customer filings related to diamonds (EUR -41mln)

Gross NPE ratio

c. 14.6%
(including disposal under IFRS5)

Revised NPE strategy:

c. 12.7% at YE2019

CET1

14.0% (transitional)

11.9% (fully loaded)*

Total Capital

(including EUR 0.3bn T2 issued in July)

16.0% (transitional, stated figure 15.5%)

13.9% (fully loaded)*

Liquidity indicators

201% LCR**

113% NSFR

EUR 22.9bn

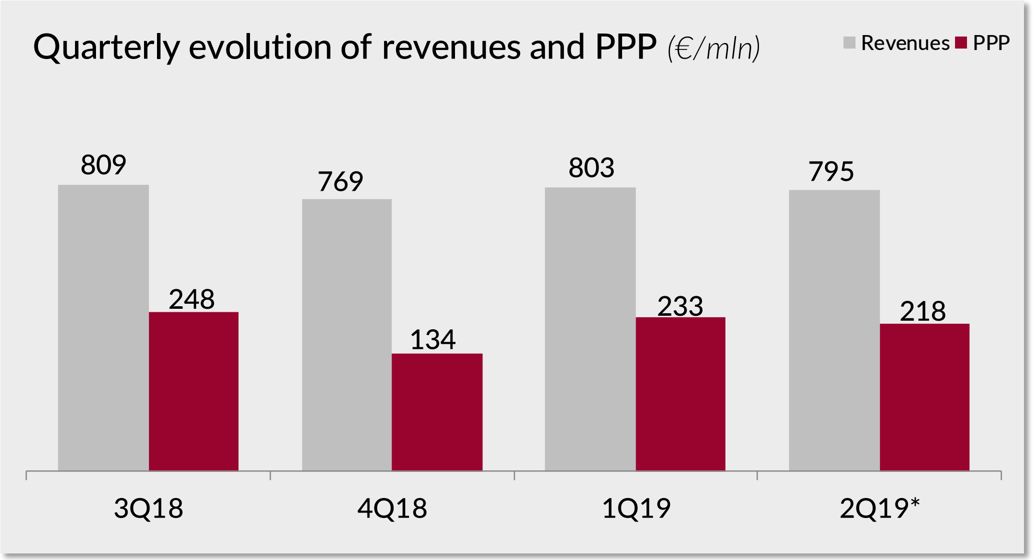
Unencumbered Counterbalancing Capacity (17.4% of total assets)

* Including expected reversal of DTAs until the end of the transitional period, proforma fully loaded CET1 ratio at 12.3% and fully loaded Total capital ratio at 14.3%.

** LCR calculated taking into account clarifications provided by supervisory authorities.

Resilient revenues thanks to continued focus on commercial activities

Resilient revenues



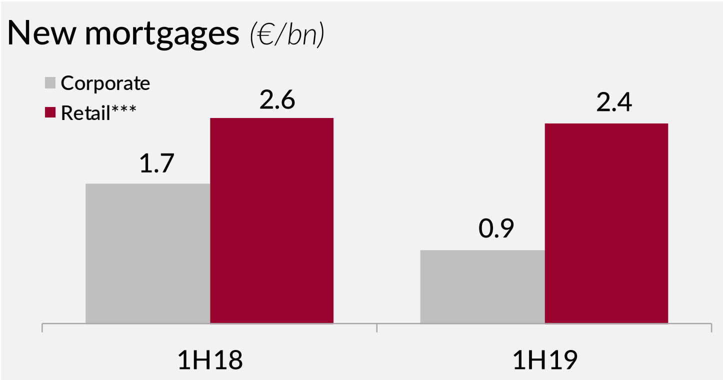
Downward pressures ...

- MPS downsizing: branches -4.3% and headcount -4.5% vs. Jun-18
- More adverse macroeconomic scenario (downward revision of 2019 Italian GDP growth forecast from c. 0.5% to c. 0.1%**)
- Challenging interest rate environment

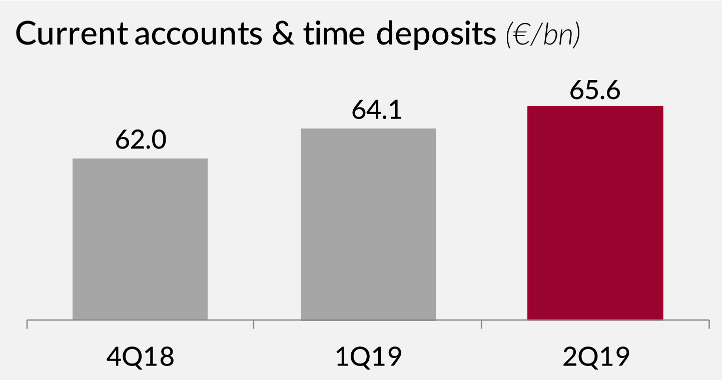
... offset by:

- ✓ Increasing network productivity thanks to the new distribution model
- ✓ Successful partnership with AXA:
  - commercial development of the «health» business line
  - BancAssicurazione project: dedicated AXA-MPS BancAssicurazione graphical elements and specifically trained insurance product managers in branches. Pilot phase until the end of the year, progressive roll-out starting in Jan-20, implementation in first 600 branches expected by June

Commercial activity



- ✓ Retail mortgages almost flat YoY
- ✓ Selective lending strategy to corporate customers



- ✓ Commercial direct funding stock (current accounts + time deposits) increased by EUR 1.5bn in the quarter, mainly driven by retail customers

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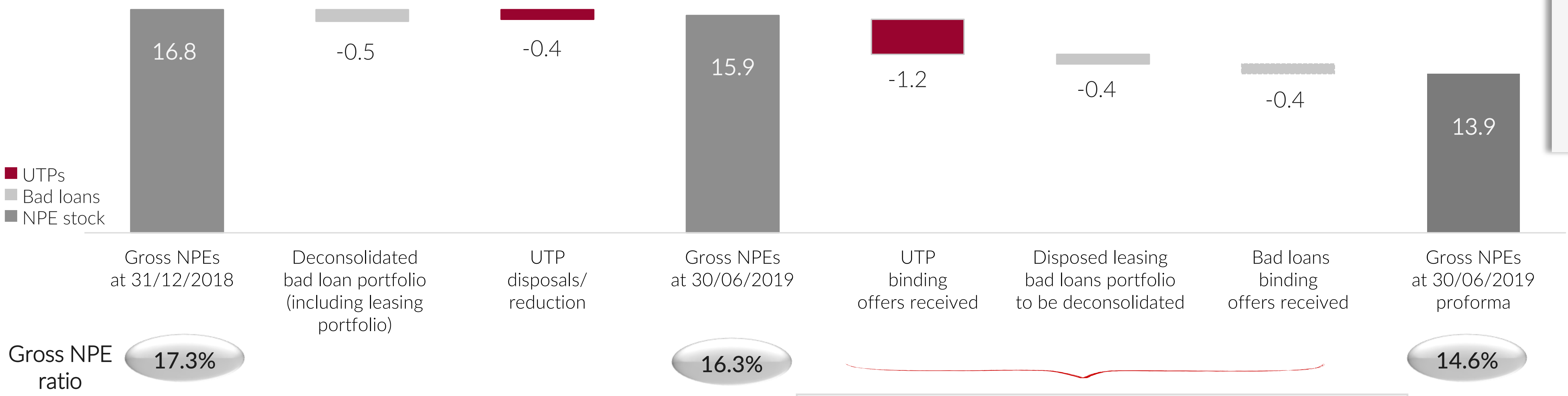
* 2Q19 revenues and Pre Provision Profit net of EUR 49mln costs for the unwinding of Juliet servicing agreement.
** Source Prometeia: GDP growth estimates for 2019 revised from 0.5% (December 18) to 0.1% (June 2019) .
*** Including small-business mortgages.

Potential acceleration of NPE deleveraging

NPE evolution in 1H19 *(€/bn)*



c. EUR 2bn NPE disposals ongoing & to be deconsolidated with P&L impacts already booked in 1H19

Including further EUR 2.0bn NPE disposals

Expected Gross NPE ratio at 12.7%

- EUR 1.6bn UTP reductions/disposals in 1H19
- In 2Q19 binding offers received for EUR 0.4bn bad loans
- The unwinding of the ten-year servicing agreement with Juliet S.p.A. allows the Bank to have more flexibility in the deleveraging of NPEs and **to reach the Restructuring plan targets two years in advance, with no expected additional cost**

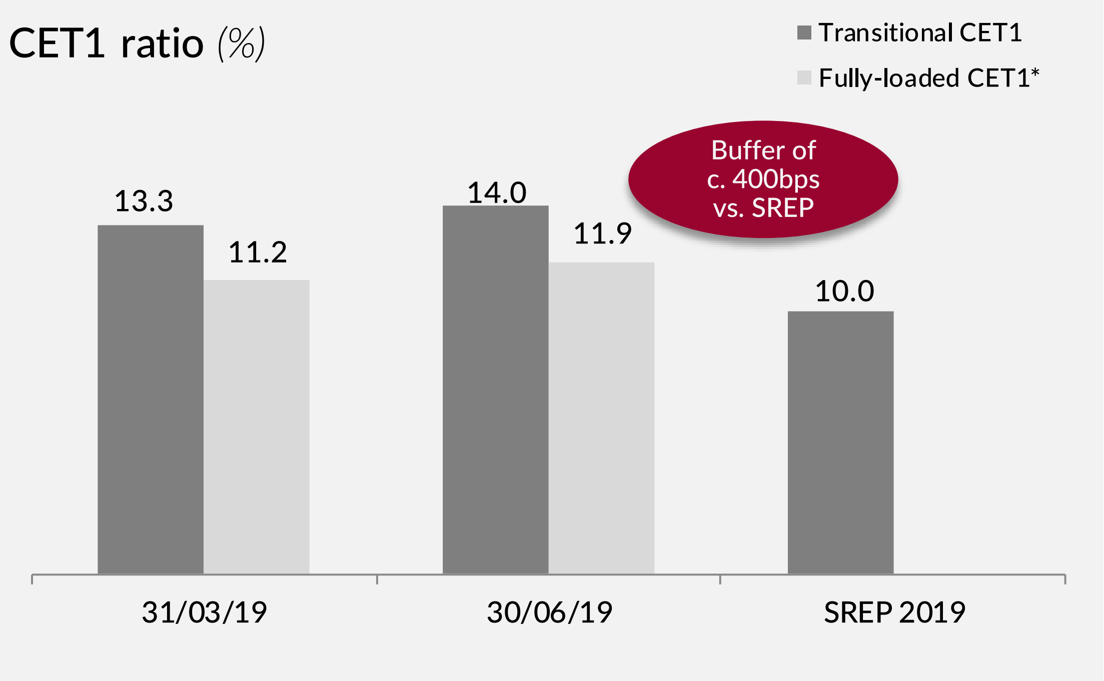
NPE deleveraging: results achieved vs Restructuring Plan target

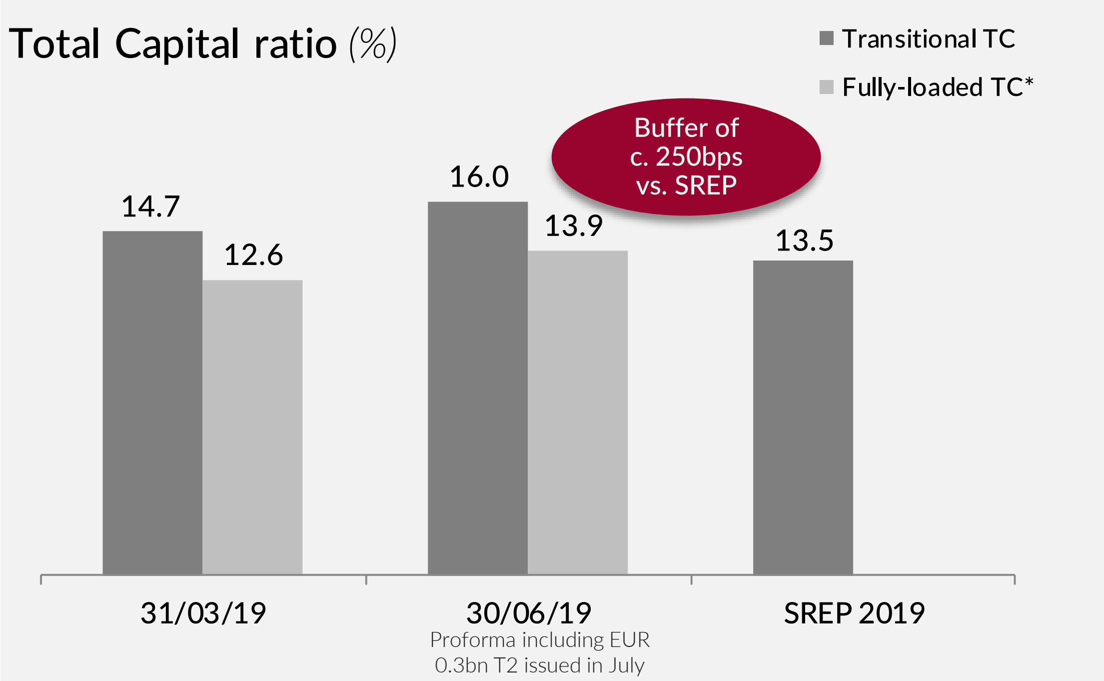
	2018	1H19	2H19	2020 - 2021	Total
Disposals/reductions envisioned by Restructuring Plan (€/bn) (including interest on arrears)	4.1	2.0		2.0	8.1 Including €0.4bn arrears
Disposals/reductions completed/planned by FY2019 (€/bn) (excluding interest on arrears)	5.0	1.9*	2.0	-	8.9 Excluding arrears
IFRS9 FTA funds used (€/mln)	660	260		-	920
Additional cost (€/mln)	n.m.	248	-	-	248

- **EUR 8.9bn NPE disposals/reductions completed by FY2019:**
  - ✓ well above the original Restructuring Plan target for 2021 (EUR 8.1bn)
  - ✓ achieved 2 years in advance
- The **additional cost** for the acceleration of the disposal plan (EUR 2bn disposals in 2H19) already booked in 1H19 results and funded by the release of provisions following the unwinding of the Juliet agreement

* Disposal of leasing bad loan portfolio for EUR 0.8bn and of UTP portfolio for EUR 0.2bn included in 2018.

Capital position above SREP also on a fully loaded basis





- Sound and improved capital ratios, above 2019 SREP Overall Capital Requirement (including Capital Conservation Buffer of 2.5%) also on a fully loaded basis
- CET1 at c. EUR 8.2bn (EUR +0.3bn QoQ) due to the positive contribution of 1H19 earnings**, the cancellation of the indemnity related to Fresh 2008 and FVTOCI reserves
- RWAs are down QoQ by c. EUR -1.3bn, mainly driven by credit risk (c. EUR -1bn, partly from deconsolidation of MP Belgio)

BMPS is not participating in the EBA 2020 EU-Wide Stress Test***

* Including expected reversal of DTAs until the end of the transitional period, Fully loaded proforma CET1 ratio at 12.3% and fully loaded total capital ratio at 14.3%.

** CET1 ratio calculated including result for the period, subject to authorisation by the supervisory authority.

*** As per EBA's 2020 EU-Wide Stress Test Methodological Note, BMPS is not included in the sample of participating banks as it is subject to mandatory restructuring plan agreed by the European Commission and was not assessed to be near the completion of the plan .

Agenda

- 2Q19 Results
- Details on 2Q19 Results
- Focus on Asset Quality

2Q19 Results

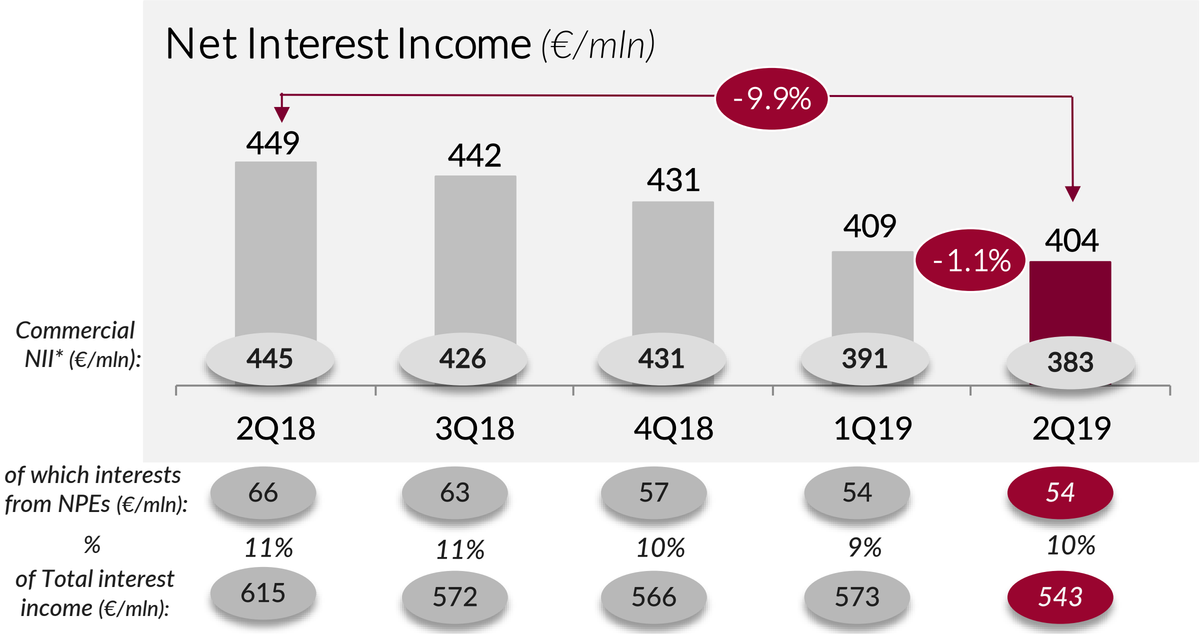
P&L (€/mln)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Net Interest Income	421	449	442	431	409	404
Fees and commissions	407	403	353	360	359	364
Financial revenues*	57	-14	17	1	43	42
Other operating income/expenses	-8	-5	-3	-24	-8	-63
Total revenues	**877**	**832**	**809**	**769**	**803**	**747**
Operating costs	-573	-581	-561	-635	-569	-577
Pre-provision profit	**304**	**251**	**248**	**134**	**233**	**169**
Total provisions**	-138	-109	-121	-257	-164	-88
Net operating result	**166**	**142**	**127**	**-123**	**69**	**82**
Non-operating items	-55	-62	-86	-219	-92	-47
Tax expense/recovery	83	26	55	246	57	34
Net income (loss)	**188**	**101**	**91**	**-101**	**28**	**65**

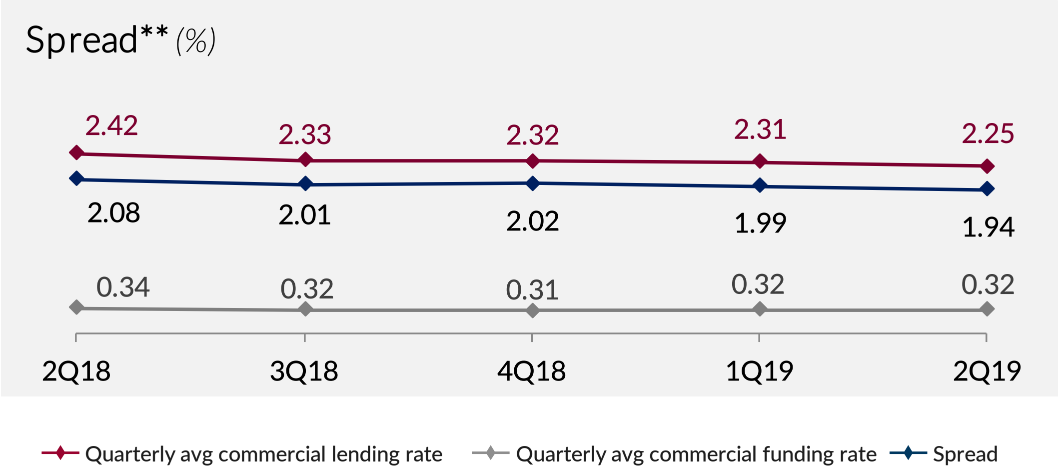
Including EUR -49mln costs for unwinding of Juliet agreement

- Pre-provision profit at EUR 169mln (EUR 218mln excluding the EUR 49mln Juliet servicing agreement unwinding costs), with:
  - NII impacted by pressure on rates, mitigated by increased average commercial loans
  - Fees & commissions increase driven by recovery in WM placement and payment services; solid WM continuing fees structure confirmed
  - Costs affected by increase in other administrative expenses (mainly related to credit recovery and new projects) although personnel costs benefit from the latest Solidarity Fund headcount reduction (750 exits in 2Q19)
- Cost of risk at c. 57bps, positively impacted by the release of provisions following early termination of the Juliet servicing agreement and negatively impacted by the NPE strategy revision and by the annual update of credit risk parameters
- Net income at EUR 65mln, including non-recurring items:
  - EUR -27mln for an extraordinary contribution to the National Resolution Fund (NRF) and for the Voluntary Scheme Carige intervention impairment
  - EUR -41mln additional provisions for new customer filings related to diamonds

* Financial revenues include: dividends/income from investments, trading/disposal/valuation/hedging of financial assets.
** Includes net impairment losses on financial assets measured at amortised cost and on financial assets at FVTOCI.

Net Interest Income





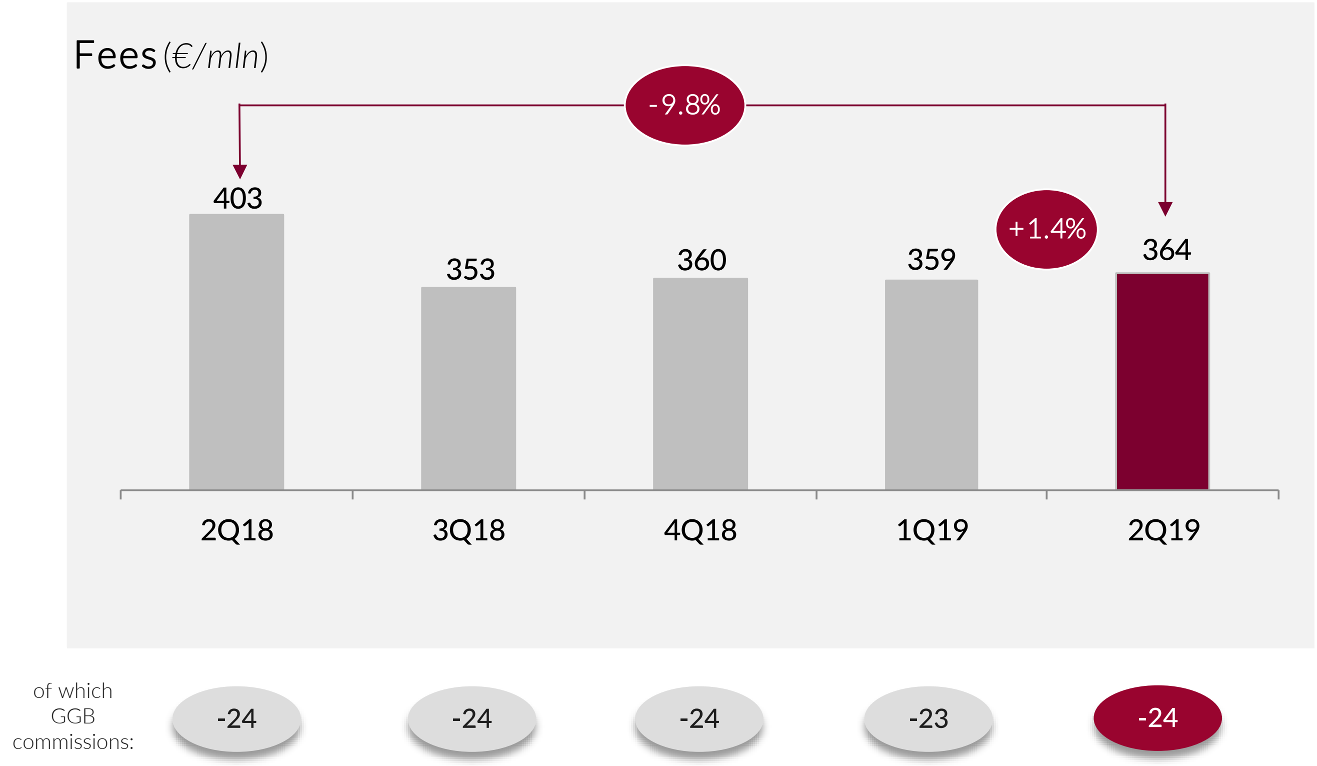
- **Net interest income** slightly down vs. 1Q19, mainly impacted by pressure on asset margins (partially mitigated by increased average commercial loans, +0.4% QoQ) and by growing average commercial funding volumes (+1.8% QoQ), with cost of funding virtually unchanged
- **NPE contribution** of c. EUR 54mln, representing c. 10% of total interest income
- **Lending rate down** by 6bps QoQ, grossly in line with average market trend
- **Cost of deposits gap vs. the market:** +16bps in May 2019 (+25bps gap in December 2017), in line with Restructuring Plan target

Rates on new mortgage flows

€ /mln	1H18	2H18	1H19
Households	2.1%	2.0%	2.1%
Small Businesses	2.3%	2.6%	3.0%
Corporates	1.1%	1.5%	1.9%

* Net interest income on commercial loans to customers and on commercial direct funding.
** Figures from operational data management system.

Fee and Commission Income



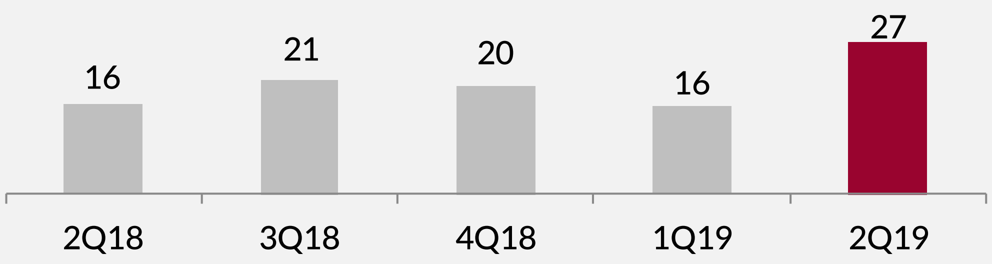
€/mln	1Q19	2Q19	2Q19 vs. 1Q19	1H18	1H19	1H19 vs. 1H18
Wealth Management fees:	155	156	0.9%	359	311	-13.3%
WM Placement	49	52	5.6%	138	101	-26.5%
Continuing	85	85	0.2%	177	170	-4.0%
Custody	10	9	-17.9%	22	19	-11.6%
Protection	10	10	3.5%	22	20	-7.3%
Traditional Banking fees:	247	252	2.1%	547	498	-8.8%
Credit facilities	119	121	1.0%	282	240	-14.8%
International business	12	13	6.7%	28	26	-8.1%
Payment services and client expense recovery	115	118	2.7%	237	233	-1.8%
Other	-43	-44	4.0%	-96	-87	-9.3%
TOTAL NET FEES	359	364	1.4%	810	723	-10.7%

- Net fees and commissions are up QoQ, in spite of the strong impact of recent personnel exits on the bank’s sales network, mainly driven by traditional banking activities (+2.1% QoQ) and by WM product placement (+5.6% QoQ), benefitting from WM increasing gross flows (EUR 2.7bn in the quarter) and higher yield
- AXA-MPS fees represent c. 15% of total net fees (EUR 105mln in 1H19, of which EUR 40mln from continuing)*
- Stock of assets under management at EUR 57.8bn, up by c. EUR 0.2bn QoQ, driven by Bancassurance and positive market effect. Stock of assets under custody at EUR 42.3bn, up by EUR 0.3bn QoQ thanks to positive market effect (+EUR 0.7bn net of the effect of MP Belgio deconsolidation)

* Including dividends, AXA-MPS contribution in 1H19 is c. 9% of GMPS total revenues.

Financial Revenues*

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



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

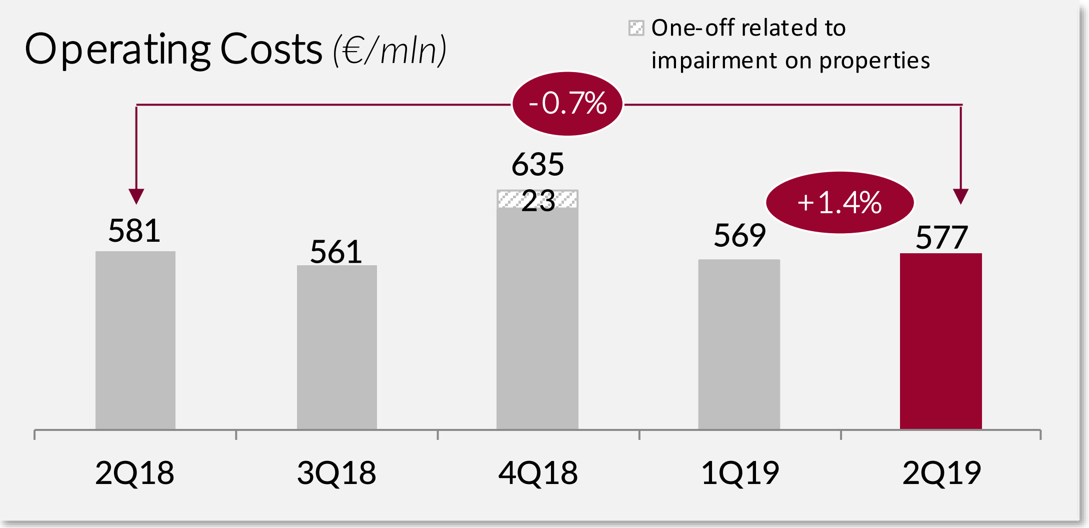
	2Q18	3Q18	4Q18	1Q19	2Q19
Net result from trading/hedging	-11	5	25	36	23
Gains/losses on disposals/repurchases	13	7	-22	12	6
Net result from financial assets/liabilities at FVTPL	-33	-16	-21	-20	-14
Total	-30	-3	-18	27	14

- **Dividends, similar income and gains (losses) on equity investments** are up from 1Q19, mainly thanks to the increased contribution of the joint venture with AXA and to the Bank of Italy dividend (c. EUR 9mln)

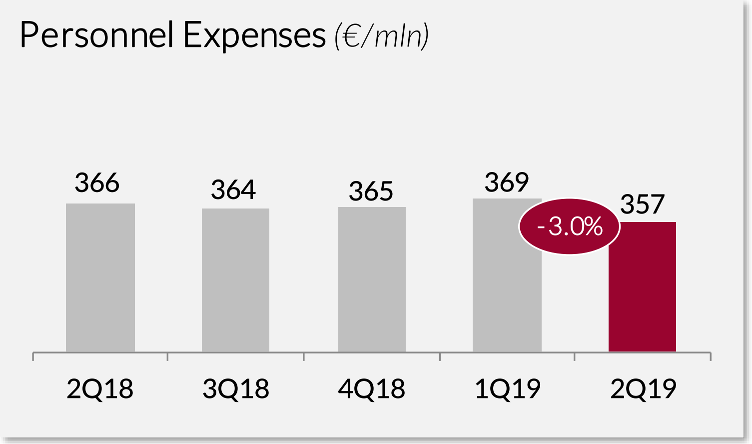
- **Trading/disposal/valuation/hedging of financial assets/others:**
  - EUR +23mln from trading/hedging, including the results of MPS Capital Services, whose contribution is down by c. EUR 8mln QoQ
  - EUR +6mln from gains on disposals/repurchases, of which c. EUR 3mln from disposals of receivables and securities sold, and c. EUR 3mln related to the sale of Govies and other corporate/financial bonds
  - EUR -14mln due to losses from financial assets and liabilities designated at FVTPL, of which EUR -29mln on loans, EUR +19mln on securities and stakes, and EUR -6mln on liabilities at fair value

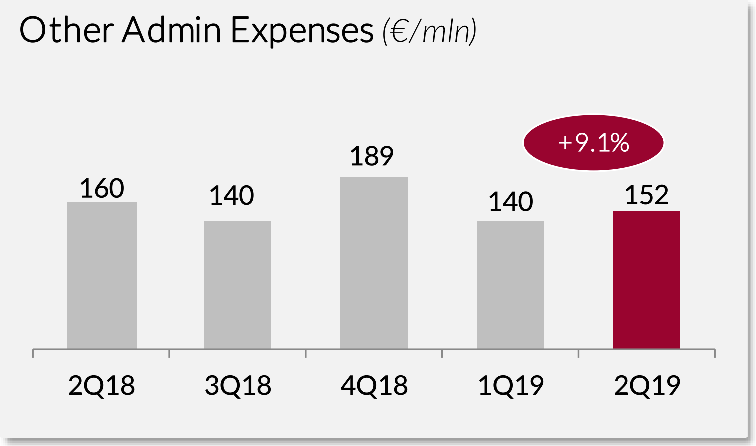
* The item includes: Dividends/income from trading investments, Net result from trading/hedging, Gains/losses on disposals/repurchases, Net result from financial asset/liabilities at FVTPL.

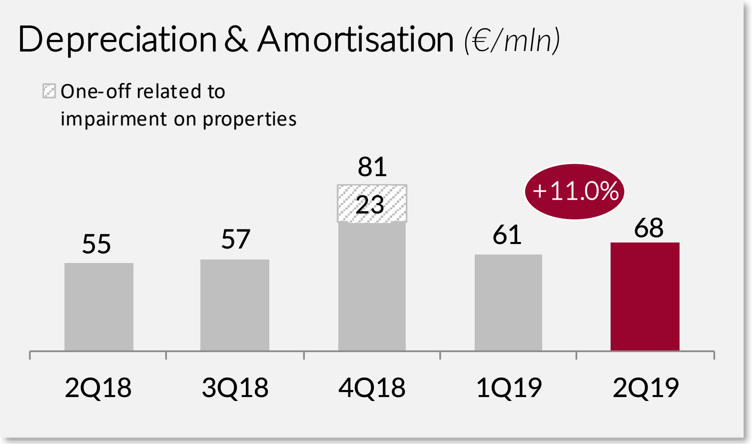
Operating Costs



- Operating costs increase by +1.4% QoQ and decrease 0.7% YoY*
  - Personnel expenses decrease 3.0% QoQ, thanks to the effects of the latest Solidarity Fund headcount reduction (650 exits on April 1st + 100 further exits on May 1st). Headcount reduced by 4.5% YoY
  - Other admin expenses increase QoQ mainly due to credit recovery and new projects
  - Depreciation & Amortisation are up by c. EUR 7mln vs. 1Q19, mainly due to impairments on properties. YoY increase ascribable to the introduction of the new IFRS16 accounting standard*







FTEs**	23.3K	23.2K	23.1K	22.5K	22.2K	-4.5% YoY
Branches	1,597	1,597	1,529	1,529	1,529	-4.3% YoY

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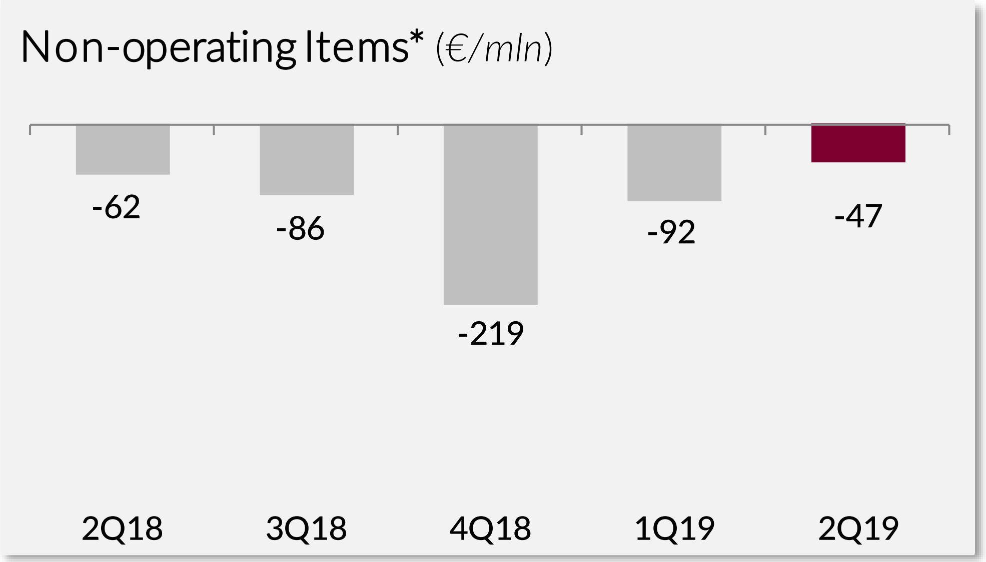
* The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16, therefore 2019 and 2018 data are not fully comparable. At 30 June 2019 the introduction of IFRS16 brought a c. EUR 30mln decrease in Other Admin Expenses and a c. EUR 27mln increase in Depreciation & Amortisation.

** 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



	2Q18	3Q18	4Q18	1Q19	2Q19
DGS, NRF & SRF	-26	-29	-8	-61	-27
DTA Fees	-18	-18	-18	-18	-17
Other	-18	-39	-194	-14	-3
Total	-62	-86	-219	-92	-47

- **Non-operating items** at EUR -47mln including:
  - **EUR -27mln** for the extraordinary contribution to the National Resolution Fund (c. EUR -20mln) and impairment on the Voluntary Scheme Carige intervention (c. EUR -7mln)
  - **EUR -17mln** for quarterly DTA fees introduced by Law Decree 59/2016
  - **EUR -3mln** mainly related to risks and charges, including c. EUR -41mln provisions for new customer filings related to diamonds**, mainly offset by releases on provisions for risks no longer existing and recoveries on commitments and guarantees issued

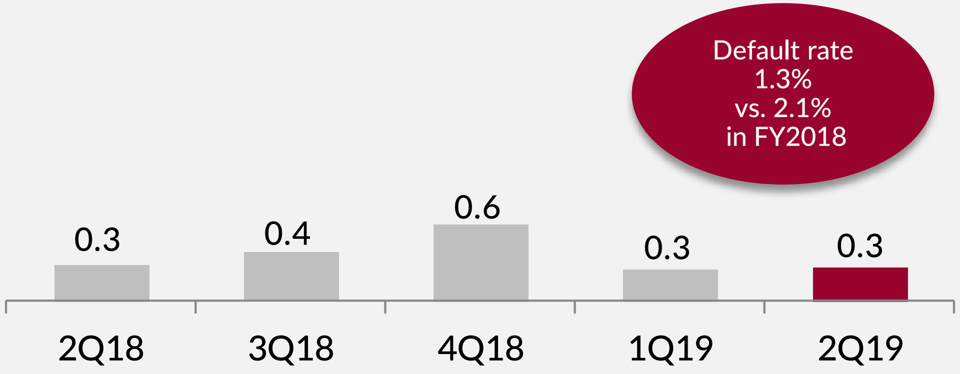
- **Taxes for the quarter at EUR +34mln**, positively impacted by DTA reassessment

* 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.

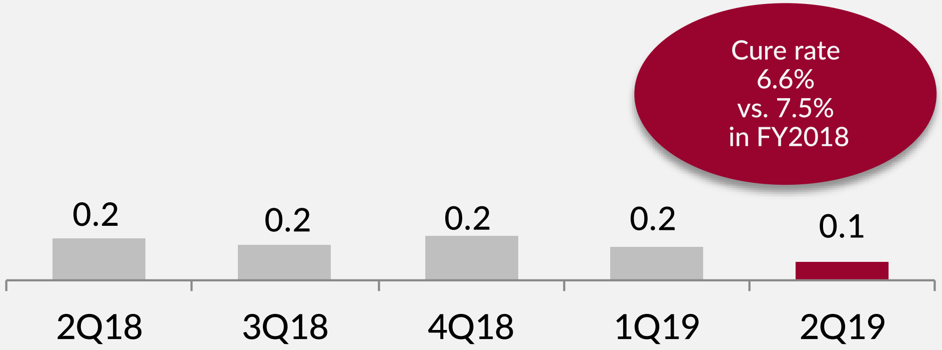
** Following the unexpected increase of claims received in 2Q19, the estimates of total potential claims increased to 86% of total purchased diamonds (from c. 72% in 1Q19). As a consequence, further provisions for EUR 41mln were booked in 2Q19.

Asset Quality Migration Matrix

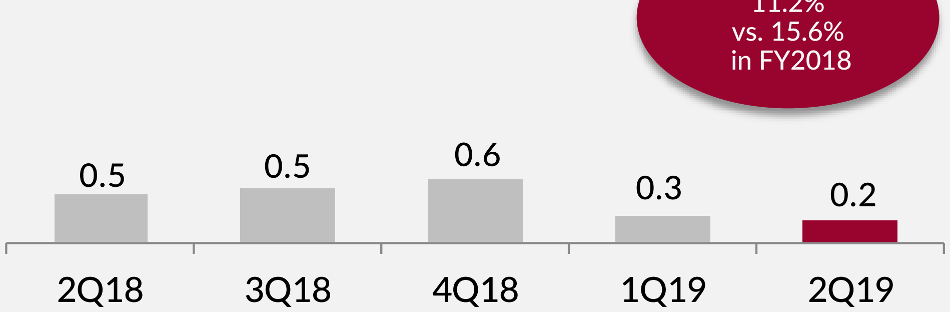
NPE Inflows from Performing* *(€/bn)*



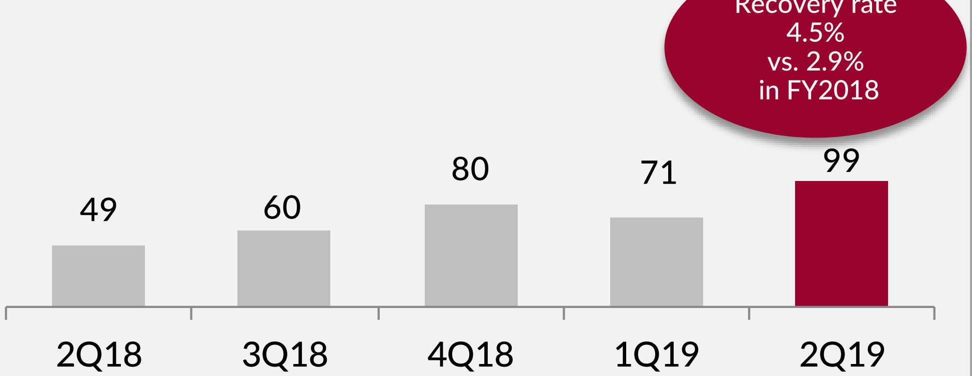
NPE Outflows to Performing* *(€/bn)*



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



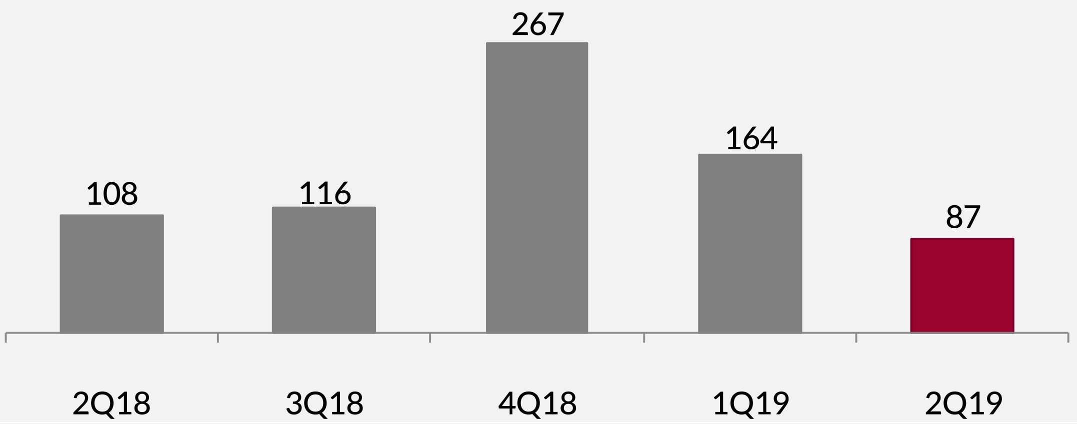
Cash recovery of Bad Loans* *(€/mln)*



* Data from operational data management system. Figures include signature loans (excluded in accounting figures). Ratios are calculated as annualised 1H19 net flows/stock at the beginning of the period.

Cost of Risk & Coverage

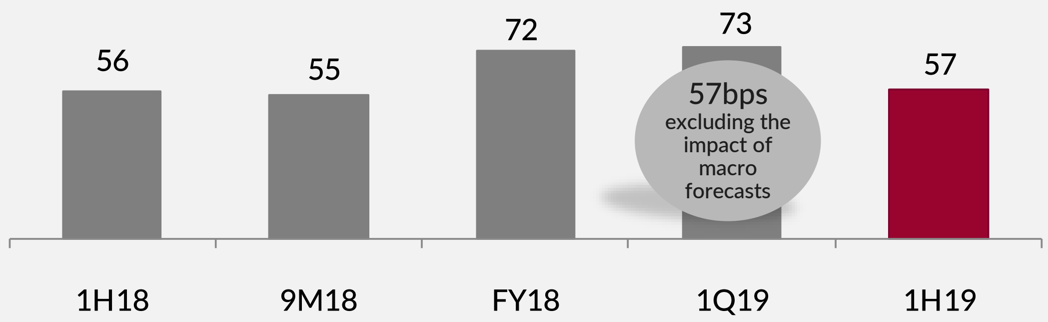
Net Loan Loss Provisions *(€/mln)*



Net impairment losses (including financial assets at FVTOCI)

109 121 257 164 88

Cost of Risk* *(bps)*



Non-performing Exposures Coverage *(%)*

	Jun-18	Dec-18	Mar-19	Jun-19
Bad Loans *(sofferenze)*	69.1	62.4	61.4	61.9
Unlikely-to-Pay Loans	45.0	44.0	45.0	45.5
Past Due Loans	32.8	18.3	17.5	25.2
Total NPEs	**56.0**	**53.1**	**53.1**	**53.8**

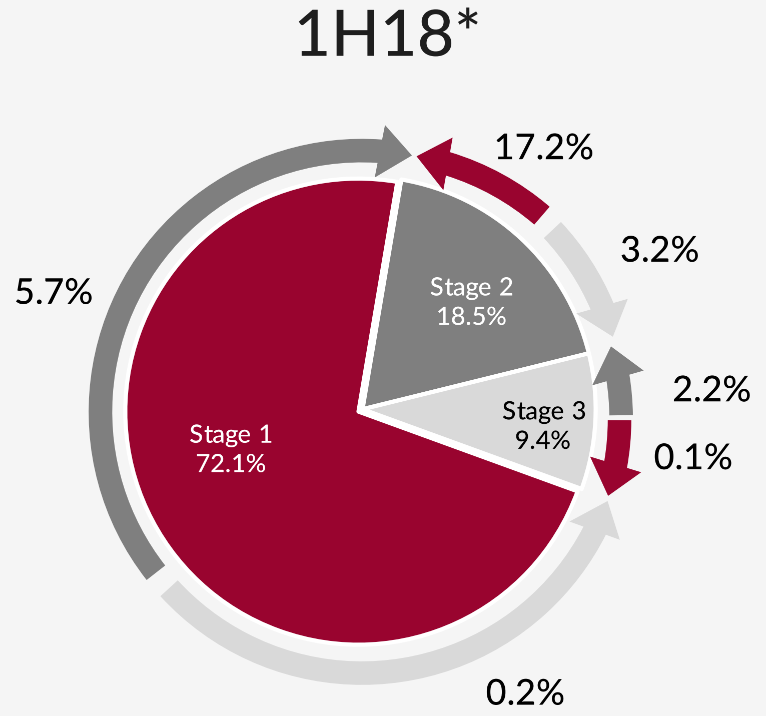
- Loan loss provisions for the quarter at EUR 87mln, including also:
  - positive net contribution of EUR 209mln for the release of provisions following unwinding of the Juliet servicing agreement partially offset by the NPE strategy revision
  - increase of provisions for the annual update of credit risk parameters (EUR 106mln)
  - decrease of provisions for the new specialised lending rating assignment (EUR 34mln) and for changed thresholds for analytical/collective provisioning (EUR 19mln)
  - increased coverage on all NPE categories**
- Recoveries on commitments and guarantees issued for EUR 13mln (booked under provisions for risks & charges)

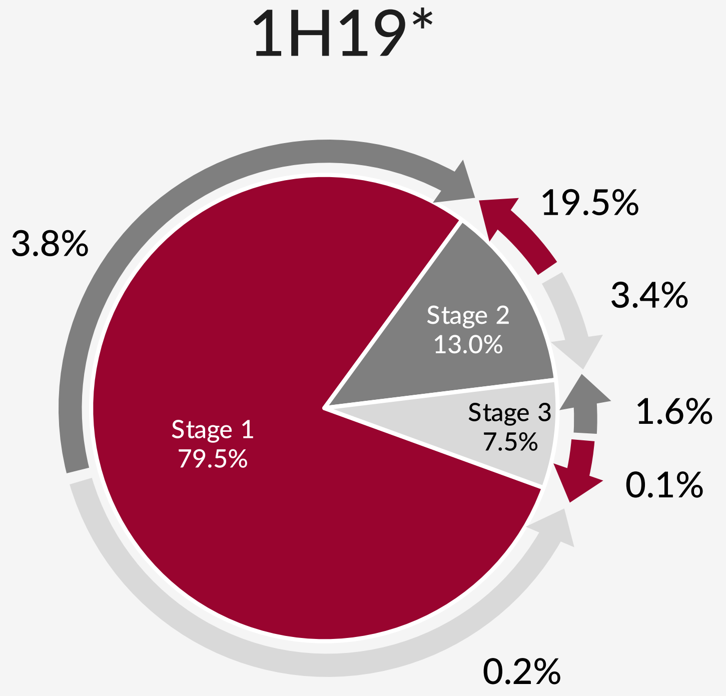
* Net loan loss provisions since the beginning of the period (annualised)/end-of-period loans.

** See details on slide 34.

Loan book quality continues to improve

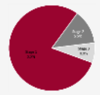
- Loan book quality is constantly improving:
  - shrinking relative weight of stage 2 and stage 3 loans
  - significant progress recorded both in downward movements from stage 1 to stage 2 (from 5.7% to 3.8%) and in upward movements from stage 2 to stage 1 (from 17.2% to 19.5%)

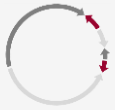




Coverage (%)	1H18	1H19
Stage 1	0.2	0.1
Stage 2	4.2	3.5
Stage 3	56.0	53.8

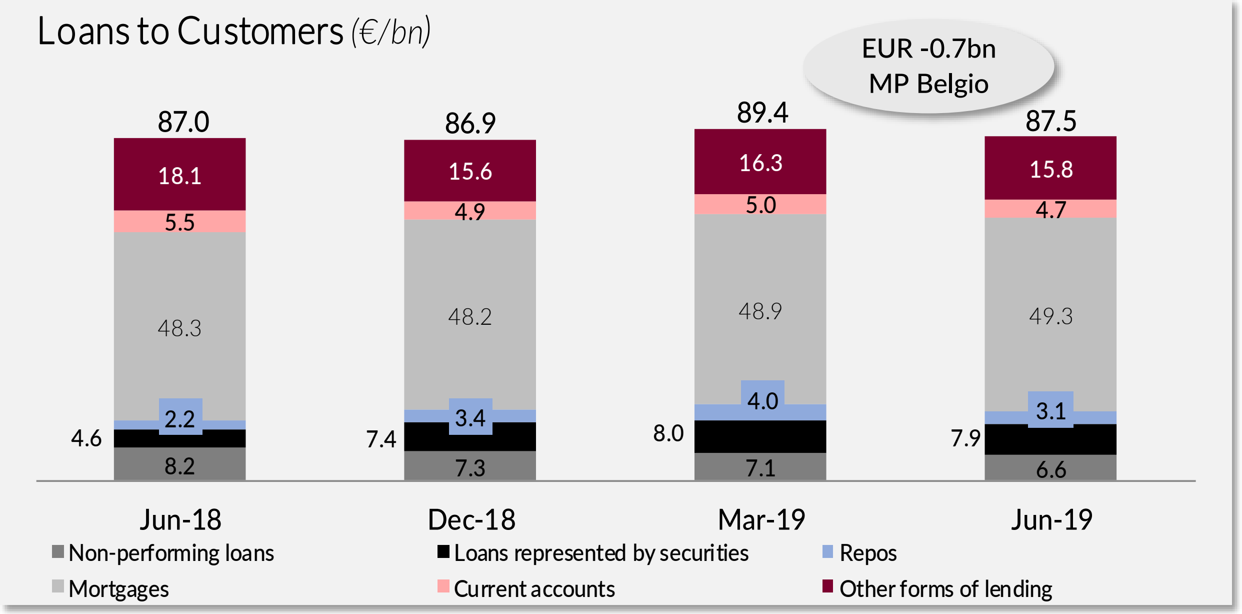
Legend

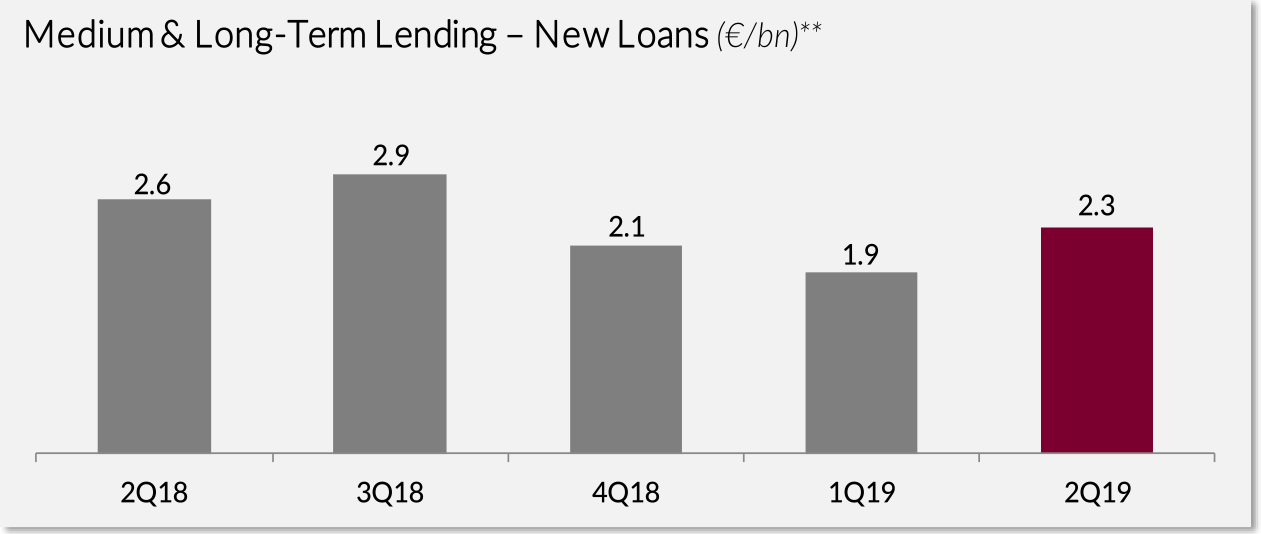

=staging of total loans at end of period (30 June), % of NBV


=stage movements between beginning & end of period (1 January-30 June), % of GBV

* Commercial portfolio of Group's domestic banks. Figures from financial reports and operational data management system.

Customer Loans





- Customer loans down by c. EUR 1.9bn QoQ:
  - EUR +0.4bn increase in mortgages
  - EUR -0.8bn decrease in current accounts and other forms of lending, mainly impacted by MP Belgio disposal (EUR 0.7bn)
  - EUR -0.9bn decrease in short-term repos with institutional counterparties
  - EUR -0.6bn reduction in non-performing loans

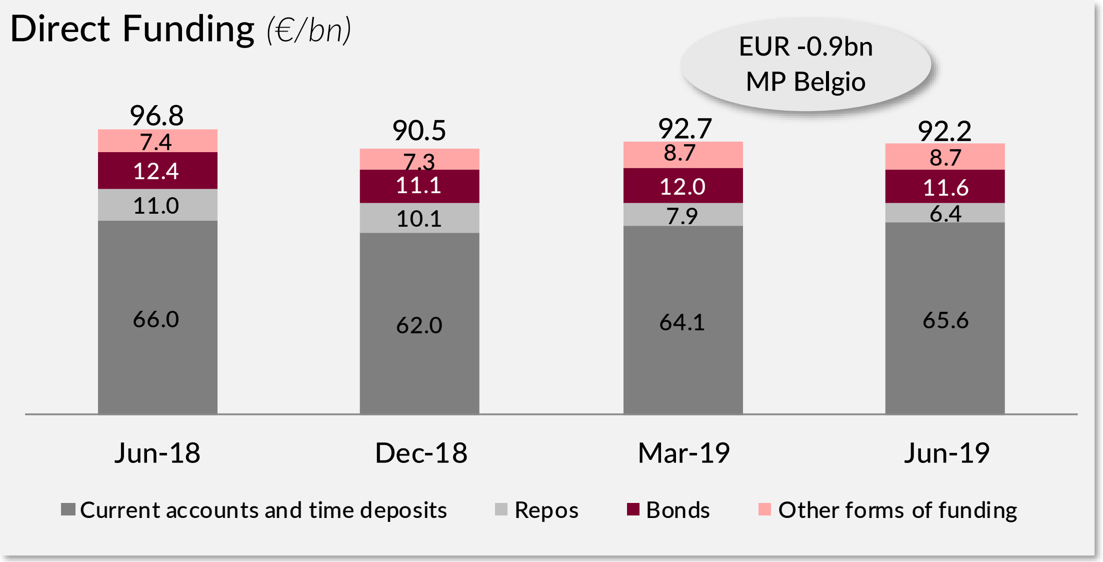
- Average commercial loans: EUR 74.9bn in 2Q19, increased by EUR 0.3bn vs.1Q19 (+0.4% QoQ)

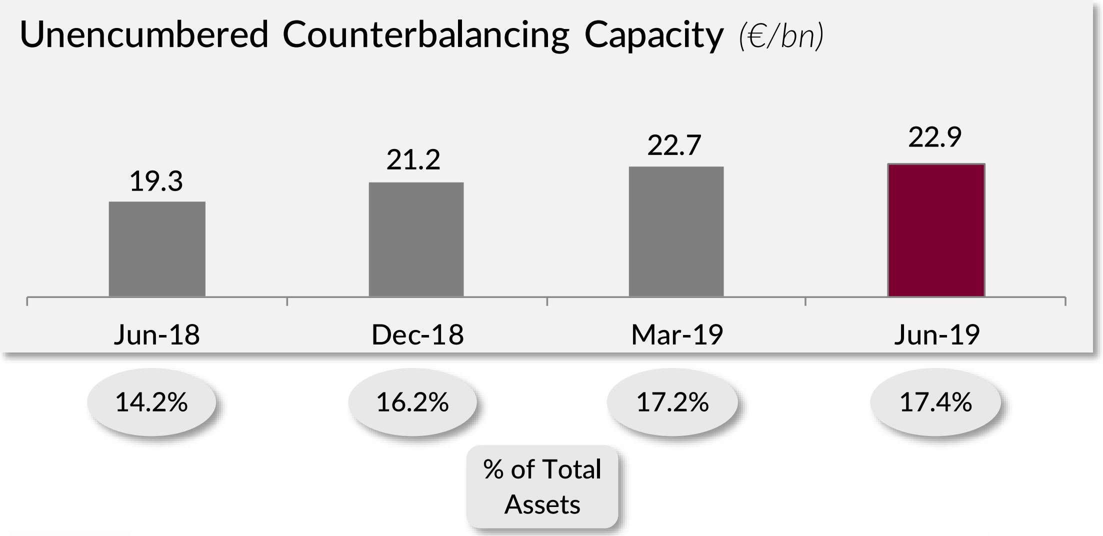
- Group's loan market share at 4.81%* as at April 2019, down by 32bps YoY

* 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





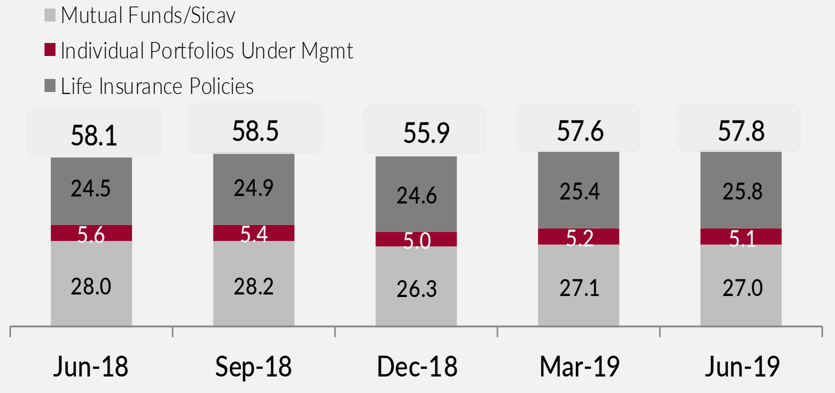
- **Total direct funding decreases** by c. EUR 0.5bn vs. 1Q19 (EUR 0.5bn increase net of MP Belgio disposal effect):
  - **EUR +0.7bn** increase in funding from commercial customers, of which EUR +0.8bn from retail customers, EUR -0.5bn from corporate customers (impacted by MP Belgio disposal) and EUR +0.5bn from wealth management and Widiba
  - **EUR +0.1bn** increase in the current account deposit held by an institutional client
  - **EUR -1.3bn** decrease in funding from institutional counterparties mainly due to the decreased activity in repos (EUR -1.6bn)
- **Average commercial direct funding:** EUR 69bn in 2Q19, increased by EUR 1.2bn vs. 1Q19 (+1.8% QoQ), mainly on retail customers
- **Group's direct funding market share at 3.74%*** in April 2019, a 12bps YoY decrease
- **Unencumbered Counterbalancing Capacity** at EUR 22.9bn, 17.4% of total assets (vs. 16.2% in Dec-18), consisting almost entirely of cash deposited with ECB (EUR 6.8bn) and unencumbered BTPs (EUR 15.8bn)
- **LCR:** c. 201% (c. 198% in Mar-19, c. 190% in Dec-18)**
- **NSFR:** c.113% (c. 111% in Mar-19, c. 112% in Dec-18)

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

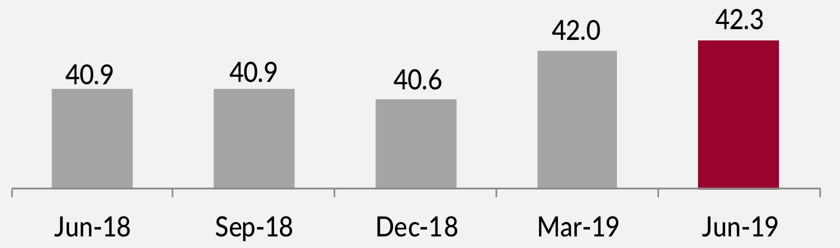
** LCR calculated taking into account clarifications provided by supervisory authorities. Dec-18 and Mar-19 data adjusted accordingly.

Wealth Management and Assets Under Custody

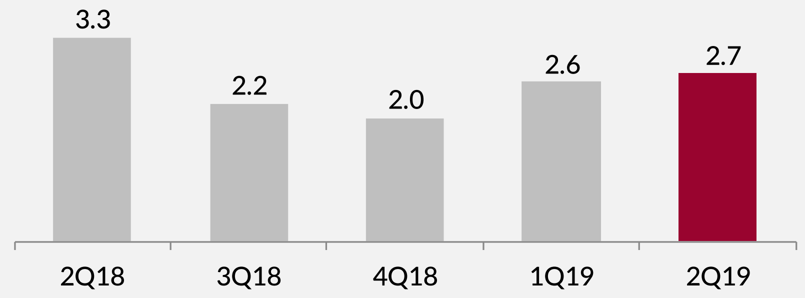
Wealth Management Mix *(€/bn)*



Assets Under Custody *(€/bn)*

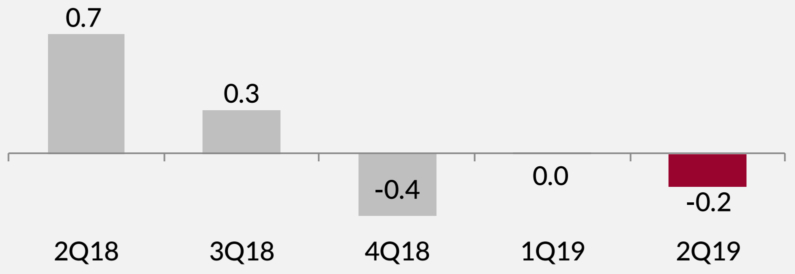


Wealth Management gross inflows* *(€/bn)*



of which Bancassurance (€/bn): 1.3 | 0.9 | 0.8 | 1.2 | 1.2

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



of which Bancassurance (€/bn): 0.5 | 0.3 | 0.2 | 0.3 | 0.3

- Wealth Management stock up by EUR 0.2bn mainly due to positive market effect (EUR +0.4bn)

Mutual funds stock market share: 2.67%**

Bancassurance savings market share: 6.31%**

(+74bps YoY)

Bancassurance protection market share: 5.68%*** (motor market share 9.66%***)

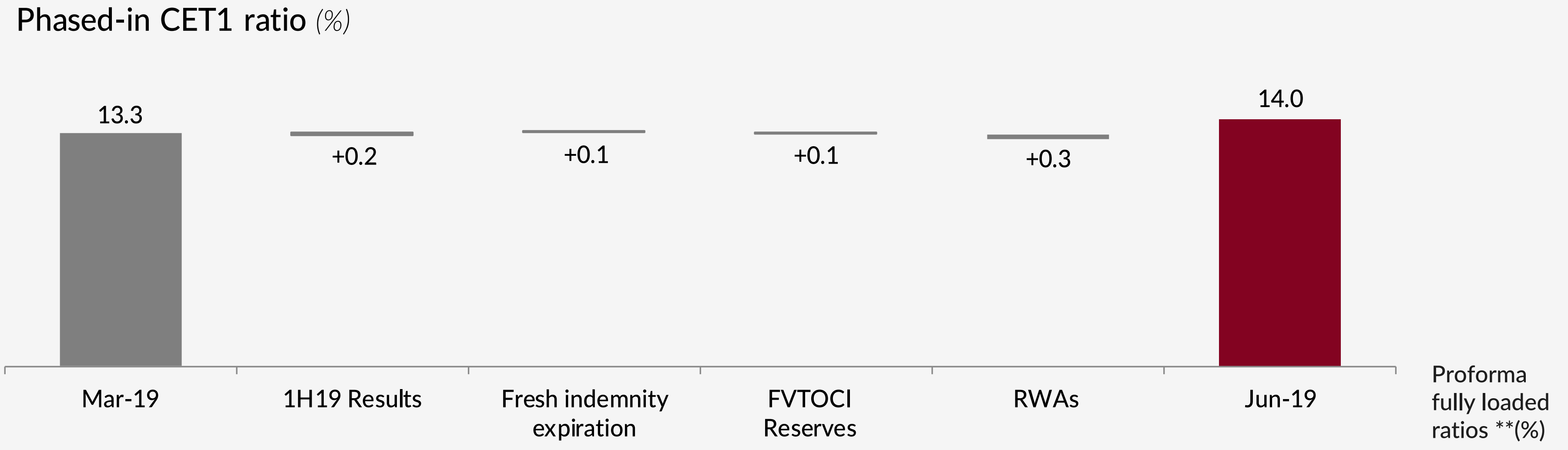
* Bancassurance + Mutual Fund/Sicav flows + Individual Portfolios Under Management.

** Market share related to AXA products as at April 2019. Latest available data.

*** Market share related to AXA products as at March 2019. Latest available data.

Capital Structure

(€/bn)	1Q19	2Q19
TBV	8.9	9.2
Transitional CET1	8.0	8.2
Fully loaded CET1*	6.7	7.0
RWAs	59.9	58.5



	Mar-19	Jun-19	Proforma fully loaded ratios **(%)
Fully loaded CET1* (%)	11.2	11.9	12.3
Total Capital (%)	14.7	16.0	
Fully loaded Total Capital* (%)	12.6	13.9	14.3

Including EUR 0.3bn T2 issued in July

- Phased-in CET1 at 14.0% (+c.70bps vs. 1Q19). Total Capital at 16.0% (including EUR 0.3bn T2 issued in July, 15.5% stated figure)
- Quarterly phased-in CET1 evolution affected by:
  - 1H19 net income***
  - Cancellation of the indemnity related to Fresh 2008
  - FVOCI reserves, positively impacted by the decline of the BTP-Bund spread
  - RWA decrease mainly driven by credit risk (c. EUR -1bn, also for the deconsolidation of MP Belgio)

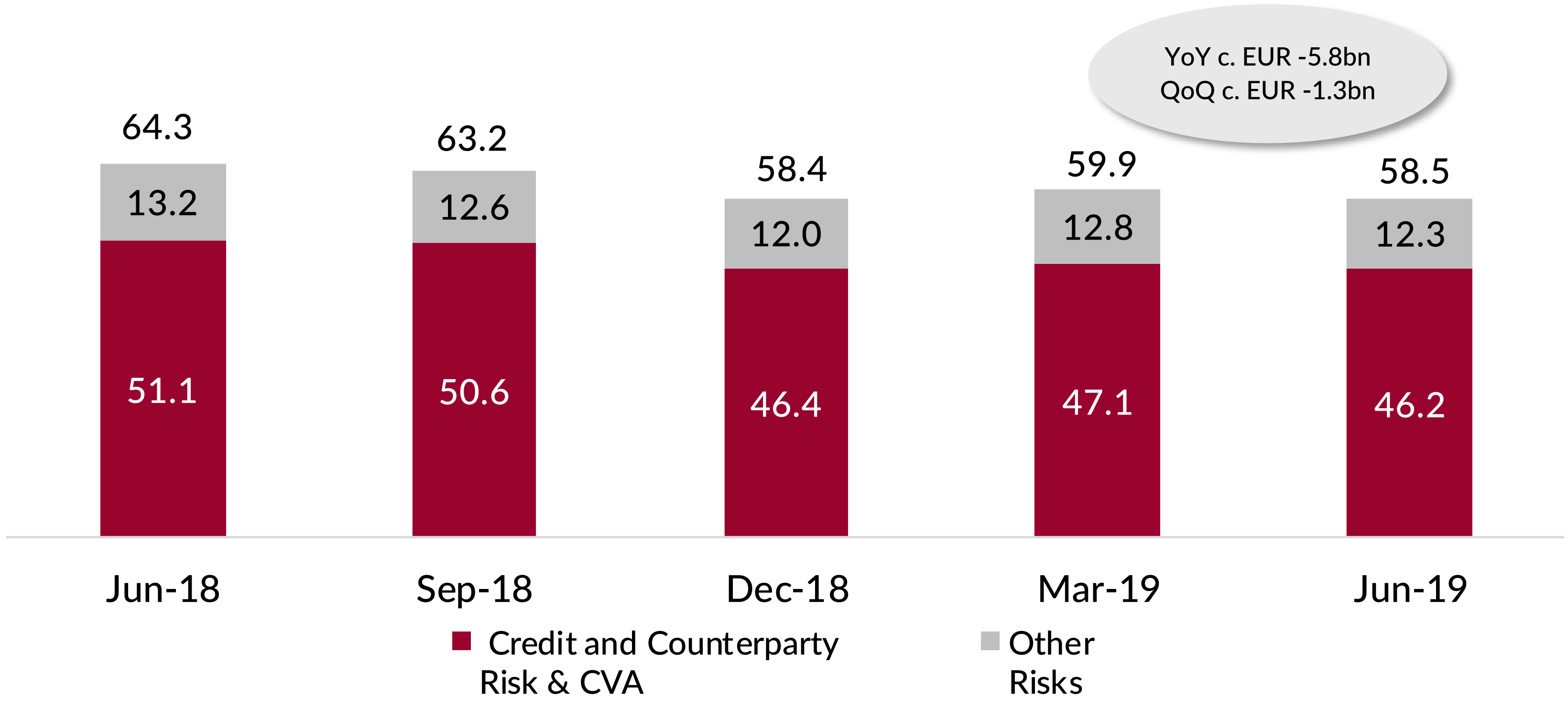
* Including EUR 1.4bn full impact of IFRS9 FTA.

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

*** Subject to authorization from authority.

RWA dynamic confirms improvement & derisking activity

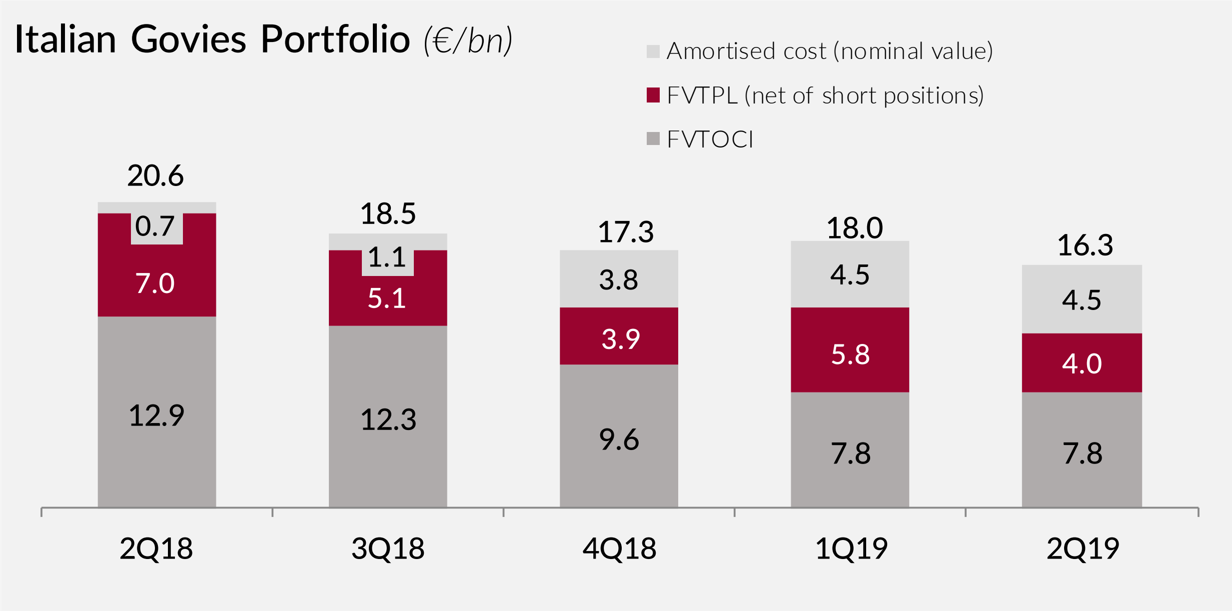
Total RWAs *(€/bn)*

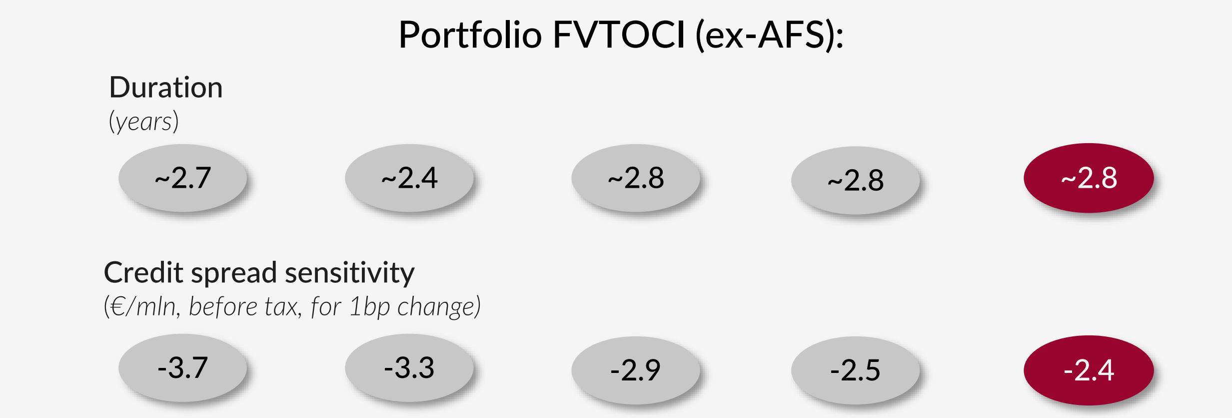


RWA quarterly reduction for c. EUR 1.3bn

mainly due to EUR -1bn credit risk, partly for the deconsolidation of MP Belgio (c. EUR -0.6bn)

Focus on Italian Govies Portfolio*





Total portfolio decreases QoQ mainly in the FVTPL component:

- FVTPL (trading) portfolio decreases to EUR 4.0bn (c. EUR -1.8bn QoQ), due to the cyclical nature of MPS Capital Services' activity as primary dealer for Italian government bonds
  - Average portfolio duration : ~0.7 years
  - Credit spread sensitivity: c. EUR -0.1mln, before tax, for 1bp change (EUR -0.2mln in Mar-19)
- FVTOCI stable QoQ at EUR 7.8bn
  - Gross FVTOCI** reserves at c. EUR -0.1bn, slightly improving vs. Mar-19 (EUR -0.2bn)
  - Average portfolio duration: ~2.8 years, in line with 1Q19
  - Credit spread sensitivity: c. EUR -2.4mln, before tax, for 1bp change (c. EUR -2.5mln in 1Q19)
- AC portfolio stable QoQ
  - Average portfolio duration of 7.8 years, in line with 1Q19

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

** Net FVTOCI reserve deducted from capital for regulatory purposes: c. EUR -74mln in Jun-19 (c. EUR -108mln in Mar-19).

Key events

- On 21 May subsidiary Perimetro Gestione Proprietà Immobiliari S.p.A. was merged into BMPS and, on 12 June, the Casaforte securitisation notes were reimbursed, thus allowing a more flexible management of the Bank's real-estate assets
- On 14 June BMPS finalised the sale of Banca Monte Paschi Belgio to funds managed by Warburg Pincus
- On 19 June DBRS Ratings GmbH confirmed all ratings assigned to BMPS
- On 30 June BMPS unwinding of ten-year servicing contract entered into with Juliet S.p.A., thereby paving the way to the revision of the Bank's NPE strategy
- On 2 July BMPS completed the securitisation of a c. EUR 2.3bn performing loan portfolio
- On 4 July BMPS issued a EUR 500mln fixed-rate senior preferred unsecured bond
- On 12 July Fitch Ratings confirmed all ratings assigned to BMPS
- On 12 July BMPS launched a competitive procedure for the sale of a real estate portfolio, receiving, from national and international players, more than 80 expressions of interest on entire portfolio and others on selected properties
- On 16 July BMPS issued a EUR 300mln fixed-rate Tier 2 subordinated bond

Agenda

- 2Q19 Results
- Details on 2Q19 Results
- Focus on Asset Quality

2Q19 P&L: Highlights

€ mln	1Q19	2Q19	Change (QoQ%)	1H18	1H19	Change (YoY%)
Net Interest Income	409	404	-1.1%	870	813	-6.5%
Net Fees	359	364	+1.4%	810	723	-10.7%
Financial revenues*	43	42	-3.1%	42	85	n.m.
Other operating income/expenses	-8	-63	n.m.	-13	-71	n.m.
Total revenues	803	747	-7.0%	1,709	1,549	-9.3%
Operating Costs	-569	-577	+1.4%	-1,154	-1,146	-0.7%
of which personnel costs	-369	-357	-3.0%	-734	-726	-1.1%
of which other admin expenses	-140	-152	+9.1%	-308	-292	-5.2%
Pre-provision profit	233	169	-27.4%	555	403	-27.4%
Total provisions**	-164	-88	-46.7%	-247	-252	+2.1%
of which net impairment losses	-164	-87	-47.2%	-245	-251	+2.3%
Net Operating Result	69	82	+18.5%	308	151	-51.0%
Non-operating items***	-92	-47	-48.8%	-116	-140	+20.0%
Profit (Loss) before tax	-23	35	n.m.	192	11	-94.1%
Taxes	57	34	-39.3%	109	91	-16.6%
PPA & Other Items	-6	-4	-31.7%	-13	-9	-25.0%
Net profit (loss)	28	65	n.m.	289	93	-67.7%

N.B.: 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.
** Include net impairment losses on financial assets measured at amortised cost and on financial assets at FVTOCI.
*** 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)*

	Jun-18	Mar-19	Jun-19	QoQ%	YoY%
Customer loans	87,010	89,376	87,484	-2.1%	0.5%
Loans to banks	8,636	11,097	12,474	12.4%	44.4%
Financial assets	29,257	20,569	19,892	-3.3%	-32.0%
PPE and intangible assets	2,790	2,978	2,921	-1.9%	4.7%
Other assets*	8,029	8,103	8,767	8.2%	9.2%
Total Assets	**135,723**	**132,122**	**131,539**	**-0.4%**	**-3.1%**

Total Liabilities *(€/mln)*

	Jun-18	Mar-19	Jun-19	QoQ%	YoY%
Deposits from customers and securities issued	96,834	92,686	92,216	-0.5%	-4.8%
Deposits from banks	20,795	22,170	21,137	-4.7%	1.6%
Other liabilities**	9,097	8,175	8,847	8.2%	-2.7%
Group equity	8,995	9,089	9,336	2.7%	3.8%
Minority interests	2	2	2	-16.7%	-9.1%
Total Liabilities	**135,723**	**132,122**	**131,539**	**-0.4%**	**-3.1%**

N.B.: 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)*

	Jun-18	Dec-18	Mar-19	Jun-19	QoQ%	YoY%
Current accounts	5,474	4,941	4,997	4,710	-5.7%	-13.9%
Mortgages	48,347	48,217	48,878	49,328	0.9%	2.0%
Other forms of lending	18,117	15,615	16,310	15,828	-3.0%	-12.6%
Reverse repurchase agreements	2,244	3,395	4,033	3,121	-22.6%	39.1%
Loans represented by securities	4,636	7,386	8,025	7,944	-1.0%	71.4%
Impaired loans	8,193	7,302	7,132	6,552	-8.1%	-20.0%
Total	**87,010**	**86,856**	**89,376**	**87,484**	**-2.1%**	**0.5%**

Direct Funding *(€/mln)*

	Jun-18	Dec-18	Mar-19	Jun-19	QoQ%	YoY%
Current accounts	57,122	53,156	54,652	56,150	2.7%	-1.7%
Time deposits	8,927	8,871	9,441	9,439	0.0%	5.7%
Repos	10,956	10,137	7,943	6,355	-20.0%	-42.0%
Bonds	12,390	11,052	11,958	11,576	-3.2%	-6.6%
Other types of direct funding	7,439	7,255	8,691	8,696	0.1%	16.9%
Total	**96,834**	**90,472**	**92,686**	**92,216**	**-0.5%**	**-4.8%**

Focus on Commercial Net Interest Income*

Net interest income (€/mln)	2Q18 average volume	2Q18 average rate	3Q18 average volume	3Q18 average rate	4Q18 average volume	4Q18 average rate	1Q19 average volume	1Q19 average rate	2Q19 average volume	2Q19 average rate
Commercial Loans	78.7	2.42%	77.9	2.33%	77.2	2.32%	74.6	2.31%	74.9	2.25%
Retail (including small businesses)	39.8	2.62%	39.6	2.54%	39.8	2.50%	39.5	2.49%	39.7	2.45%
Corporate	33.0	2.07%	32.7	1.97%	31.9	1.99%	30.3	2.01%	30.7	1.94%
Non-Performing	5.9	3.03%	5.5	2.97%	5.5	2.98%	4.8	2.80%	4.5	2.65%
Commercial Direct funding	73.5	-0.34%	71.8	-0.32%	69.4	-0.31%	67.8	-0.32%	69.0	-0.32%
Retail (including small businesses)	46.9	-0.35%	45.9	-0.32%	45.6	-0.31%	45.6	-0.31%	46.5	-0.31%
Corporate	20.7	-0.21%	19.5	-0.17%	18.9	-0.19%	18.2	-0.27%	18.3	-0.25%
Non-Performing	0.3	-0.09%	0.3	-0.08%	0.3	-0.08%	0.3	-0.07%	0.3	-0.04%
Other Customers	5.6	-0.81%	6.1	-0.81%	4.5	-0.80%	3.7	-0.72%	4.0	-0.75%
Commercial NII	445.3		426.3		430.9		391.0		382.6	
Non-Commercial NII**	3.2		15.8		-0.1		18.0		21.7	
Total Interest Income	448.5		442.1		430.8		409.0		404.3	

* Figures from operational data management system.

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

Funding strategy implementation: Institutional bonds and TLTROs

2019-2021 Expected/planned

- 2019-2021 Institutional Bond and TLTRO maturities:
  - 2019: c. EUR 0.75bn senior unsecured
  - 2020: c. EUR 8bn GGBs* + EUR 16.5bn TLTROs
  - 2021: c. EUR 1bn covered bonds
- 2019-2021 Planned Bond Issues:
  - Senior unsecured: c. EUR 1.5/1.75bn per year
  - Covered: c. EUR 1.5/1.75bn per year
  - Subordinated Tier 2: c. EUR 0.7bn
- New TLTRO III not included in the Plan (which prudentially estimated no renewal of TLTROs by the ECB), to be integrated over the next few months

1H19 - actual

- Matured Institutional bonds :
  - ✓ EUR 0.75bn senior unsecured reimbursed on 1 April 2019
- Successfully completed new issues:
  - ✓ EUR 1bn covered bond issued on 23 January 2019
  - ✓ EUR 500mln senior bond issued on 4 July 2019
  - ✓ EUR 300mln T2 bond issued on 16 July 2019
- Time and amounts of actual participation of BMPS to the new TLTRO III will be decided based on liquidity position and interest rate reduction mechanism
- Reimbursement of maturing GGBs (EUR 8bn) planned using available cash (EUR 6.8bn at Jun-19) or funding on the market part of unencumbered BTPs (EUR 15.8bn at Jun-19)

* 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.

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	1H19
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. 1Q19)
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 1.4bn (EUR +0.1bn vs. 1Q19)
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. 1Q19)
4 DTAs not recorded in balance sheet	o DTAs not recorded in balance sheet due to the probability test	➢ N.A.	EUR 1.8bn (EUR -0.1bn vs. 1Q19)

* 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 and on provisions for diamonds claims

Legal risks from financial information

- As at 30 June 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 2bn, versus EUR 1.6bn at the end of March 2019. The increase in *petitum* has not affected provisioning, since the increase regards risks deemed "not probable" (claims for 2012-2015) or risks deemed "probable" (claims for 2008-2011) for which provisions are based on actual investments made by investors in given time bands
- 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*	30/06/19	31/03/19
Civil Litigation brought by the shareholders	896	895
Threatened Litigations	846	609
Admitted Civil Parties Proceeding nº 29634/14*	191	42
Admitted Civil Parties Proceeding nº 955/16*	76	76
Total	2.009	1.622

Diamonds claims

Current situation *€/mln*

Total diamond purchase volumes	344
Total estimated diamond claims	297

Following unexpected claims received in 2Q19, estimated total potential claims increased to EUR 297mln, corresponding to 86% of total purchased diamonds, from c. 72% in 1Q19

BMPS Provisions dynamic *€/mln*

Total provisions at 31/12/2018	133
Net provisions in 1Q19	47
New provisions in 2Q19	41
Total provisions for diamond claims at 30/06/2019 (gross of reimbursement)	221

* Not all claiming parties have quantified damages.

Agenda

- 2Q19 Results
- Details on 2Q19 Results
- Focus on Asset Quality

Focus on Loan Loss Provisions: 1H19 main components

	1Q19	2Q19	1H19
Full coverage on small-ticket portfolios	-21		-21
Updated macroeconomic scenario	-37		-37
Unwinding of Juliet agreement		457	457
Revised NPE strategy		-248	-248
Specialised lending rating attribution		34	34
Changed threshold for analytical/collective provisioning		19	19
Annual update of LGD models		-106	-106
Coverage increase	-19	-121	-140
Other effects	-87	-122	-209
Total loan loss provisions	-164	-87	-251

	FY18	1Q19	2Q19
Coverage of NPE portfolio	53.1%	53.1%	53.8%

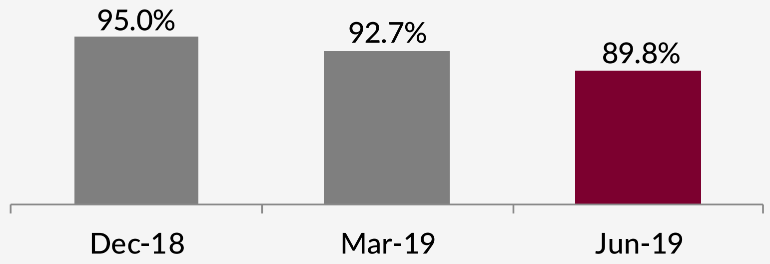
Increased NPE coverage:
c. +70bps Jun-19 vs. Mar-19

Focus on Asset Quality

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

	Gross Book Value excluding interest in arrears on defaulted assets		Net Book Value		Coverage	
	1Q19	*1H19*	*1Q19*	*1H19*	*1Q19*	*1H19*
Bad loans *(sofferenze)*	8,385	8,307	3,234	3,169	61.4%	61.9%
Unlikely-to-Pay loans	7,645	7,434	4,206	4,053	45.0%	45.5%
Past due/overdue exposures	199	160	165	120	17.5%	25.2%
Total NPEs	16,229	15,902	7,605	7,342	53.1%	53.8%

Texas Ratio* *(%)*



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

Restructured unlikely-to-pay loans*

Breakdown by Guarantees *(€/bn)*

	# Tickets	GBV	Coverage	NBV	% NBV
Secured	193	0.6	41.1%	0.4	21.4%
Personal guarantees	158	0.4	56.0%	0.2	10.1%
Unsecured	480	2.5	51.3%	1.2	68.5%
Total	**831**	**3.5**	**50.0%**	**1.8**	**100.0%**
of which Pool other banks		*3.2*		*1.7*	*94.5%*

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	0.6	18.4%	81.6%
Personal guarantees	0.4	26.2%	73.8%
Unsecured	2.5	30.0%	70.0%
Total	**3.5**	**27.5%**	**72.5%**

Breakdown by Industry (€/bn)

	GBV	NBV	% on NBV
Construction	0.6	0.2	11.0%
Real estate	0.5	0.2	11.2%
Holdings	0.1	0.0	1.1%
Transportation and logistics	0.2	0.1	7.9%
Other industrial**	1.4	0.9	51.0%
Households	0.0	0.0	1.2%
Other	0.7	0.3	16.5%
Total	**3.5**	**1.8**	**100.0%**

- Average coverage of 50%, above Italian average. Net book value EUR 1.8bn (21.4% secured)
- Corporate and PMI sectors >84% of total restructured UTPs
- Positions with GBV >EUR 1mln represent >97% of total restructured UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 22% 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	8,463	1.9	27.2%	1.4	61.5%
Personal guarantees	9,877	0.7	50.5%	0.3	14.2%
Unsecured	96,771	1.3	57.9%	0.6	24.2%
Total	**115,111**	**3.9**	**41.5%**	**2.3**	**100.0%**
of which Pool other banks		*2.1*		*1.2*	*54.2%*

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	1.9	63.3%	36.7%
Personal guarantees	0.7	69.9%	30.1%
Unsecured	1.3	60.1%	39.9%
Total	**3.9**	**63.3%**	**36.7%**

Breakdown by Industry *(€/bn)*

	GBV	NBV	% on NBV
Construction	0.7	0.4	16.8%
Real estate	0.5	0.3	13.6%
Holdings	0.0	0.0	0.3%
Transportation and logistics	0.1	0.0	1.0%
Other industrial**	1.0	0.5	22.4%
Households	0.7	0.5	21.6%
Other	1.0	0.6	24.2%
Total	**3.9**	**2.3**	**100.0%**

- Average coverage of 41.5, above Italian average. Net book value EUR 2.3bn (c. 61.5% secured)
- PMI and Small Business sectors represent about 71% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV >EUR 1mln represent less than 54% of total other UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 30% of total net other UTPs

* Figures from operational data management system.

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

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