BMPS 2Q20 Results

6 August 2020

Highlights of 2Q20 Results

Pre-provision profit

EUR 186mln

(+2.9% vs. 1Q20)

Revenues: almost stable for the positive contribution of financial income

Fees: impacted by the slowdown of commercial activity due to Covid-19, but with recovery from June

Costs: contained, despite Covid-19 contingency expenses

Cost of risk

EUR 205mln

of which EUR 107mln additional provisions related to the impact of more adverse macroeconomic forecasts

89bps

Including 1H20 additional provisions related to Covid-19

53bps

Ordinary component

Net result

EUR -845mln

impacted by non-operating costs for EUR 384mln and the write-down of EUR 476mln previously recorded DTAs

Gross NPE ratio

11.8%

(stable vs. Mar-20)

10.4% (EBA definition)*

pro forma ratio after AMCO deal**

<4%

(c. 3% according to EBA definition)

CET1

13.4% (transitional)

11.4% (fully loaded)***

Total Capital

16.0% (transitional)

14.0% (fully loaded)***

Liquidity indicators

>150% LCR

>100% NSFR

EUR 25bn

Unencumbered Counterbalancing Capacity (c.17.7% of total assets)

Results based on multiannual internal estimates of income statement and balance sheet figures that exclude the impacts of the deal with AMCO, as the transaction is subject to approval by the ECB

* As per EBA guidelines, ratio between gross impaired loans to customers and banks, net of assets held for sale, and total gross loans to customers and banks, net of assets held for sale. As at 31 March 2020 the ratio stood at 11.1%.

** Potential de-risking deal with AMCO under scrutiny by the ECB.

*** Including full impact of IFRS9 and FVTOCI reserve on govies.

Unwavering support to our customers*

- Complete roll-out of all «Cura Italia» & «Liquidità» government decree measures
- Dedicated task-force of 550 people
- Ongoing support to our customers:
  - EUR 15.5bn loans suspended
  - EUR 3.2bn new loans requests accepted
  - revocable lines of credit and advances for c. EUR 4bn subject to irrevocability or extension pursuant to Art. 56, par. 2 of «Cura Italia» decree
- Market shares above Group's loan market share (4.64% as at April 2020):
  - moratoria: 6%
  - loans up to EUR 30k (100% guaranteed): 7%

Moratoria

	Applications			
	#	€/bn	Accepted (€/bn)	% of loan book
Performing customers	111k	15.8	15.5	23%
Households	48k	4.6	4.6	14%
Corporates & Institutions	64k	11.2	10.9	33%
Non-performing customers	3k	0.9	0.4	18%

New guaranteed loans

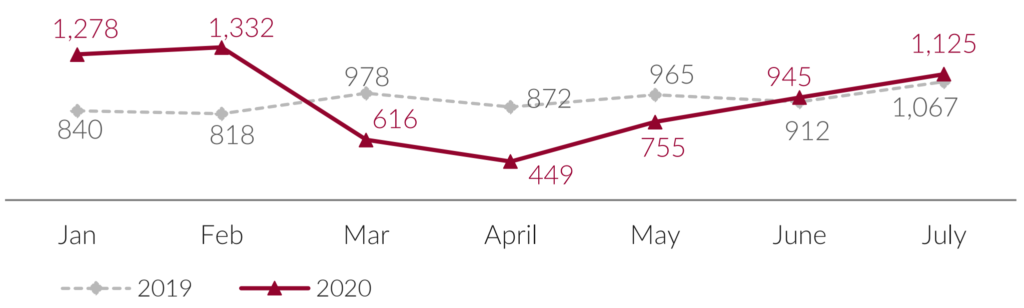
	Applications		
	#	€/bn	Accepted (€/bn)
Total guaranteed loans	65.8k	5.5	3.2
100% guaranteed (≤€30k)	57.7k	1.1	1.1
90% guaranteed	5.1k	2.5	1.4
80% guaranteed	2.9k	0.9	0.3
guaranteed by SACE	0.1k	1.0	0.4

* Figures related to MPS Group. Latest update: 30 June for Moratoria and 31 July for new guaranteed loans.

Good commercial flows after lockdown, confirming franchise strength

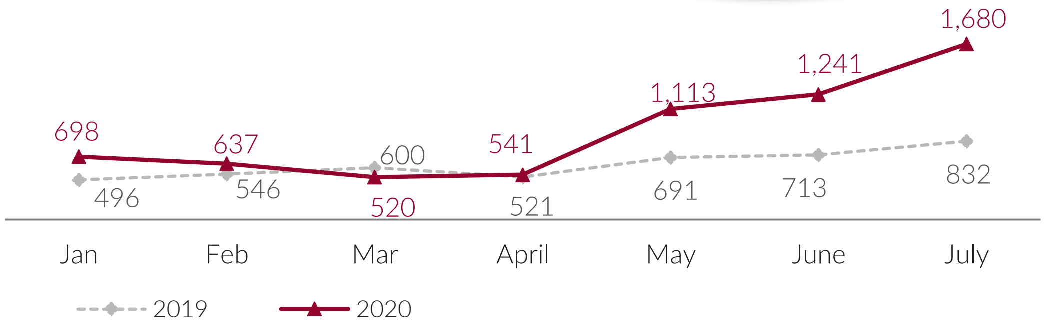
1H20 WM flows stable YoY despite lockdown

Wealth management gross inflows* *(€/mln)*



Support to customers through financial relief & other measures

New mortgage flows** *(€/mln)*



Commercial activity of branches fully restored in June

- April and May commercial dynamics impacted by lockdown; starting from June, commercial trend revitalised with the resumption of ordinary activity in branches
  - ✓ WM gross flows at c. EUR 5.4bn in 1H20, stable YoY (notwithstanding 3-month lockdown), and at c. EUR 2.1bn in 2Q20 (-33% vs. 1Q20)
  - ✓ New mortgage flows at EUR 4.7bn in 1H20 (+33% YoY), EUR 2.9bn in 2Q20, c. +56% vs. 1Q20, partly reflecting the roll-out of the government's recent financial support measures

* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.

** New mortgage flows: closings.

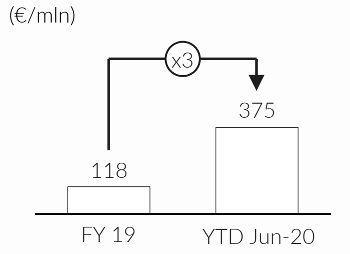
Widiba continues its constant growth in all areas

widiba

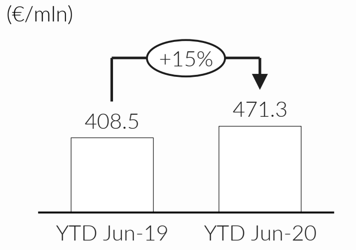
Business Growth

Banking, customers & advisory activities did not slow down during lockdown, showcasing on the contrary significant progress in all areas

Net Flows



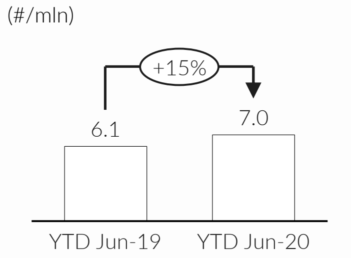
Investment placements



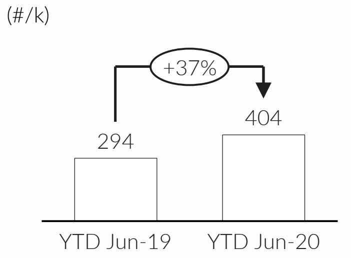
Transaction Growth

Transactions increased sharply, especially in the advisory business

Banking transactions



Investment Transactions

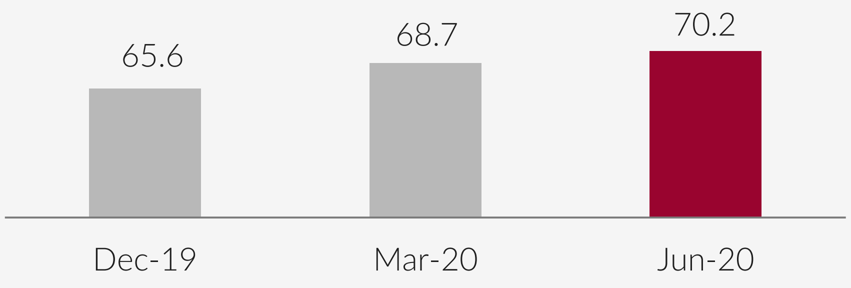


- Widiba's growth continued unabated despite the Covid-19 emergency, sporting a **double-digit increase in all areas**: business, transactions and economics
- **Significant growth in funding net flows**: tripled the FY19 result
- **+30k new accounts** (+18% YoY)
- Operational but also innovation continuity under **full smart-working conditions. Many new solutions were launched**: updated mobile app, open banking infrastructure, full digitalisation of insurance and pension products

Positive trend in commercial direct funding & solid liquidity position

Market confidence confirmed quarter by quarter

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



✓ Commercial direct funding continues its positive trend in 2Q20:

- Current accounts and time deposits increase by c. EUR 1.5bn vs. Mar-20 and by c. EUR 4.6bn vs. Dec-19
  - c. 70% households and small businesses
  - c. 30% corporates
- Cost of funding decreases by 6bps vs. 2Q19

Main liquidity indicators above requirements

Counterbalancing Capacity	LCR	NSFR
EUR 25bn (c.17.7% of total assets)	>150%	>100%

✓ Liquidity position further improved thanks also to the new TLTRO III and to positive commercial dynamics

2020-2022 funding strategy:

Funding Strategy reviewed according to the evolving scenario, so as to support liquidity indicators and manage impact on NII

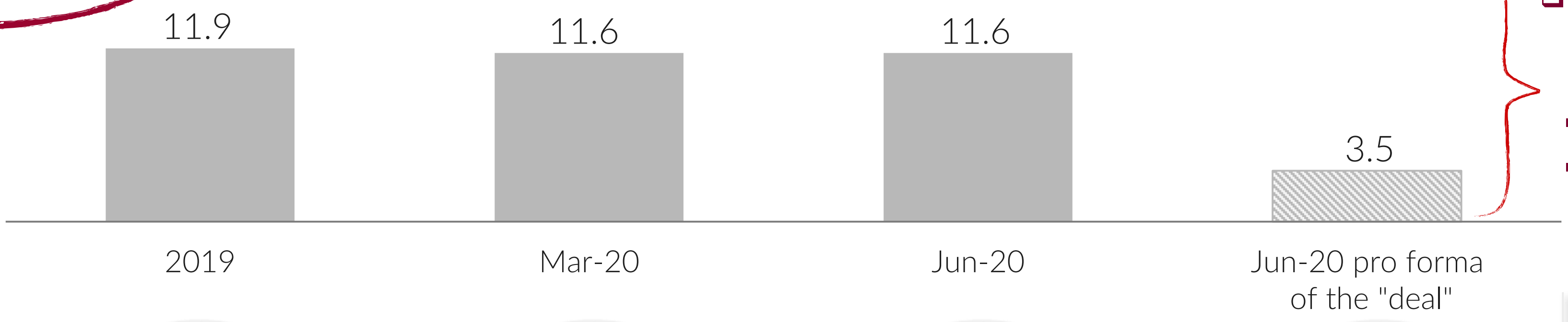
- Planned bond issues:
  - **Senior Unsecured:** EUR 0.5bn in 2020*, EUR 2bn in 2021**, EUR 1.75bn in 2022
  - **Covered:** EUR 0.5bn in 2020, EUR 0.75bn in 2021, EUR 1bn in 2022
- TLTRO III:
  - access in 2Q20 for EUR 17bn
  - overall exposure at EUR 21bn, vs. limit of around EUR 27bn

* In addition to the EUR 0.75bn issue completed in January this year.
** Of which EUR 1.75bn in SNP format, in compliance with recent SRB recommendations.

Gross NPEs stable QoQ, with a potential decrease thanks to the deal with AMCO*

NPE stock evolution *(€/bn)*

Restructuring Plan target for 2021YE: 12.9%



- NPEs for EUR 8.1bn will be transferred to AMCO through the demerger of the Compendium (figures as at 31/12/2019):
  - EUR 4.8bn bad loans (NBV: EUR 2.3bn)
  - EUR 3.3bn UTPs (NBV: EUR 1.8bn)

	2019	Mar-20	Jun-20	Jun-20 pro forma of the "deal"
Gross NPE ratio	12.4%	11.8%	11.8%	<4.0%
Net NPE ratio	6.8%	6.4%	6.3%	<2.0%
Texas Ratio**	86%	86%	90%	c. 40%

- ✓ better than the Italian banking industry average
- ✓ below the 5% adequacy threshold set by the EBA

- **In 2Q20 resilient quality of loan portfolio:** default rate at 1.2% (vs. 1.1% in 1Q20 and 1.4% in 2019), danger rate at 11.1% (vs. 15.7% in 1Q20 and 8.8% in 2019)
- **Pro-active management of loan portfolio to mitigate Covid-19 impacts**, with the revision of credit strategies in order to better support our customers and to catch any deterioration sign sooner
- **Potential acceleration in the de-risking process,** far beyond the Restructuring Plan targets, already achieved in 2019. The transaction is subject to approval by the ECB

* Potential de-risking deal with AMCO under scrutiny by the ECB.
** Gross NPEs / (tangible equity + provision funds for NPEs).

De-risking deal with AMCO

- Acceleration of MPS' de-risking process by means of a partial, non-proportional demerger of a «Compendium» composed of NPEs, DTAs, funding and share capital
  - **Deconsolidation of NPEs for EUR 8.1bn GBV**, equal to EUR 4.2bn NBV
  - **Demerger at net book value**, both companies being controlled by the Ministry of Economy and Finance («MEF»)*

The Compendium

(figures as at 31/12/2019)

Assets		Liabilities and equity	
Bad loans	2,313	Liabilities	3,179
UTPs	1,843	Equity	1,087
DTAs & other	110		
Total	4,266	Total	4,266

Strategic rationale

- **Gross NPE ratio <4%,** better than the Italian banking industry average and below the 5% adequacy threshold set by the EBA
- Impacts on capital ratios** partially offset by expected improvement of future profitability coming from
  - **Lower loan loss provisions**, partially offset by lower interest income from the demerged assets
  - **Lower cost of funding** due to the re-rating effect of de-risking
- **Increased ease of access to credit in the institutional market** due to the bank's improved risk profile

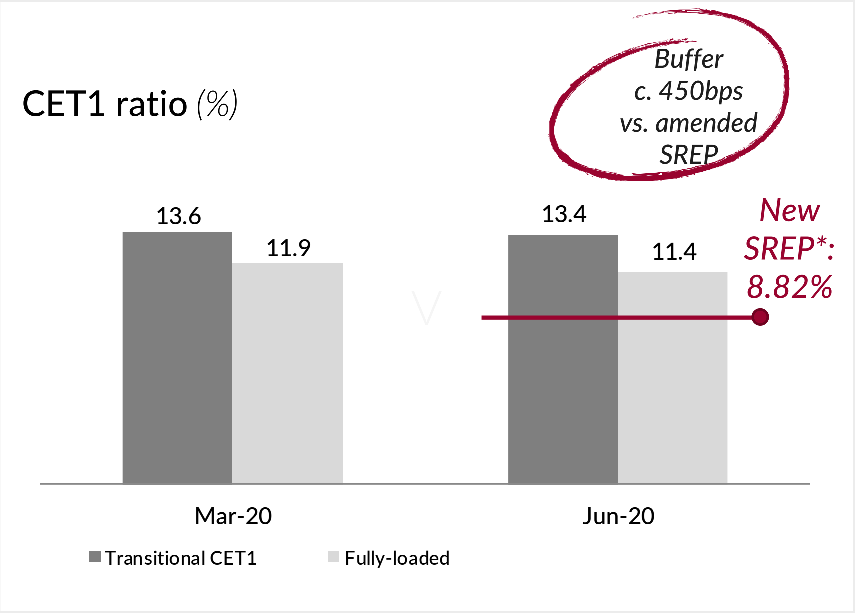
Tentative timeline

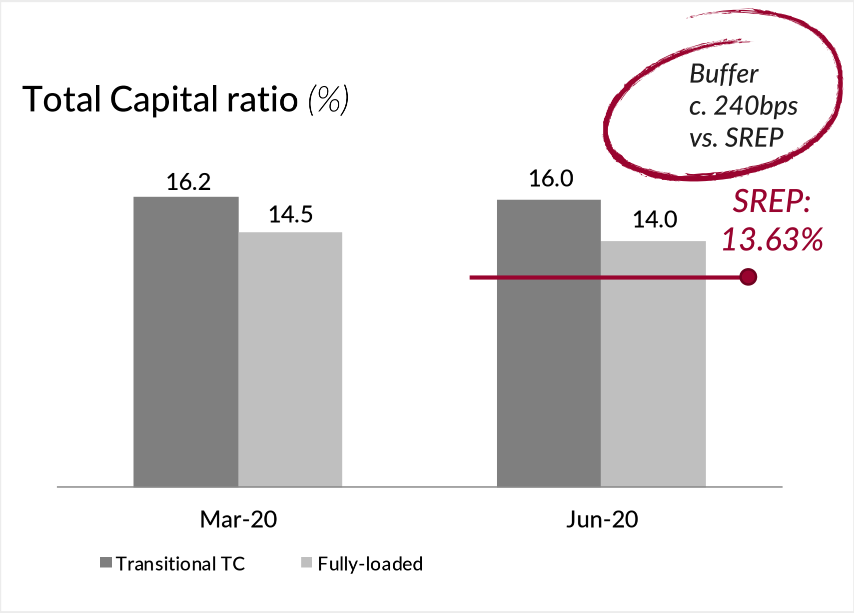
September/ October 2020 *(30 days after ECB authorisation)*	Approval of transaction by MPS & AMCO extraordinary shareholders' meetings
November 2020	Demerger deed execution
December 2020	Effectiveness of the deed of demerger

The transaction received the go-ahead from DG Comp in terms of compatibility with state aid rules and is subject to approval by the ECB and by the shareholders' meetings of MPS and AMCO

* The demerger will have no economic effect, as it involves two companies under common control.
** Estimated impact on transitional capital ratios: c. -130/140bps.

Capital ratios above regulatory requirements





Estimated impact of the deal with AMCO on transitional capital ratios**:
c. -130/140bps

- ❑ Expected recovery of profitability thanks to lower loan loss provisions and lower cost of funding
- ❑ Capital Plan under review with potential issuance of subordinated debt instruments in the coming years

- ❑ Capital ratios slightly decreasing QoQ: negative impact from 2Q20 result partly offset by IFRS 9 transitional rules (add-back to CET1 of increases in provisions on performing loans), decreased RWAs for the early introduction of revised SME Supporting Factor and improved FVTOCI reserves
- ❑ Expected by year end:
  - c. EUR 3.5bn RWA increase*** from TRIM/update models
  - c. +15bps from the exemption of certain software assets from capital deduction
  - c. +14bps from the sale of real estate portfolio****

* New SREP requirement with art. 104 relief measures on P2R. Original requirement: 10.13%.
** Potential de-risking deal with AMCO under scrutiny by the ECB.
*** MPS internal estimates, to be confirmed by the ECB.
**** On 30 June BMPS signed the preliminary agreement for the sale of a real estate portfolio to Ardian.

Agenda

- 2Q20 Results

- Details on 2Q20 Results

2Q20 P&L: highlights

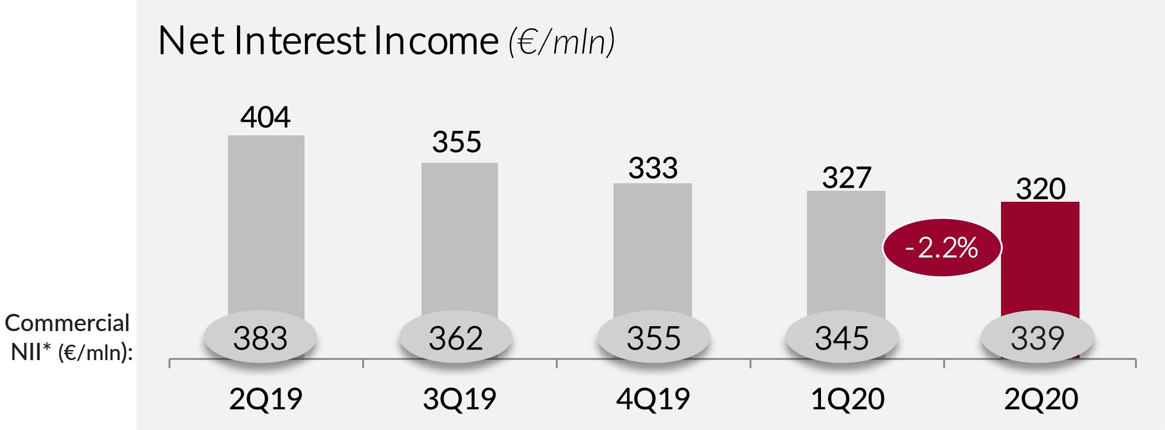
P&L (€/mln)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Net Interest Income	409	404	355	333	327	320
Fees and commissions	359	364	356	371	370	324
Financial revenues*	45	77	141	151	39	100
Other operating income/expenses	-8	-63	-11	2	-6	-21
Total revenues	**804**	**782**	**840**	**857**	**729**	**723**
Operating costs	-569	-577	-549	-594	-548	-537
Pre-provision profit	**235**	**205**	**291**	**263**	**181**	**186**
Total provisions**	-144	-110	-139	-194	-316	-209
Net operating result	**91**	**95**	**152**	**69**	**-135**	**-23**
Non-operating items	-114	-60	-70	-109	-112	-384
Profit (Loss) before tax	**-23**	**35**	**82**	**-40**	**-246**	**-407**
Tax expense/recovery	57	34	13	-1,179	4	-438
PPA & other items	-6	-4	-1	-1	-1	-1
Net income (loss)	**28**	**65**	**94**	**-1,220**	**-244**	**-845**

- **Pre-provision profit at EUR 186mln:**
  - NII mainly affected by ongoing pressure on average lending rates and by the full impact of the increased cost of wholesale funding for the bonds issued in Jan-20
  - Fees & commissions mainly impacted by the sharp decrease in wealth management placement flows and in the intermediation activity on consumer credit caused by the Covid-19 lockdown
  - Positive results from trading and from govies portfolio
  - Ongoing reduction of operating costs, despite additional costs incurred for the implementation of Covid-19 safety measures in branches and offices
- **Cost of risk at 89bps,** affected by additional provisions effected in 1H20 for the changed macroeconomic scenario emerging from the spread of the pandemic; **ordinary cost of risk at 53bps**
- **Net result at EUR -845mln,** including non-operating costs for EUR 384mln and a EUR 476mln write-down of recorded DTAs due to the evolution of the macro scenario on future taxable income

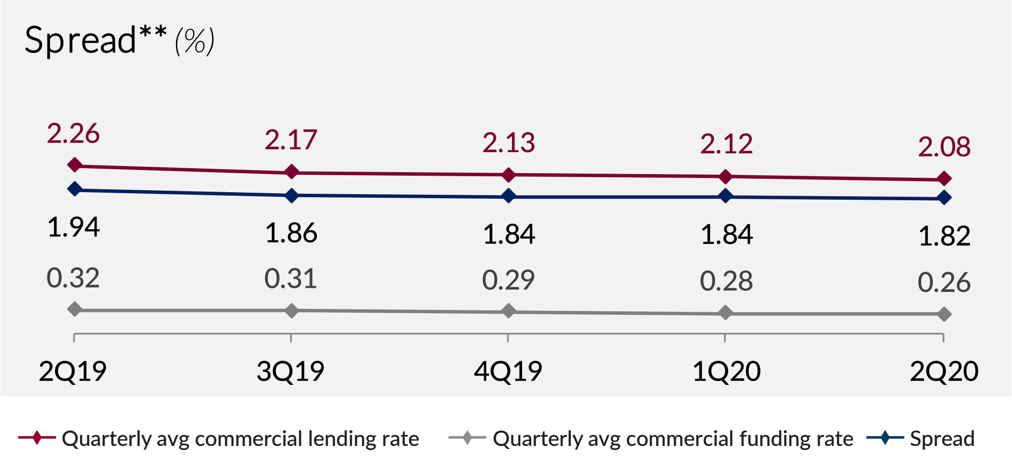
* Financial revenues include: dividends/income from trading investments, net result from trading/hedging, gains/losses on disposals/repurchases, net result from financial assets/liabilities at FVTPL.

** Includes the new item "Cost of customer loans", provisions on securities at amortised cost and FVTOCI, and provisions on loans to banks.

Net Interest Income



- **Net interest income** down by 2.2% QoQ, mainly impacted by the persisting pressure on lending rate partly offset by slightly increased average lending volumes (EUR +0.7bn in the quarter) and reduced cost of customer funding
- **1H20 NII** at EUR 647mln, decreasing 20% YoY, partly for the initiatives implemented to comply with Restructuring Plan commitments related to NPE disposals, issuances on wholesale market and sale of MP Belgio

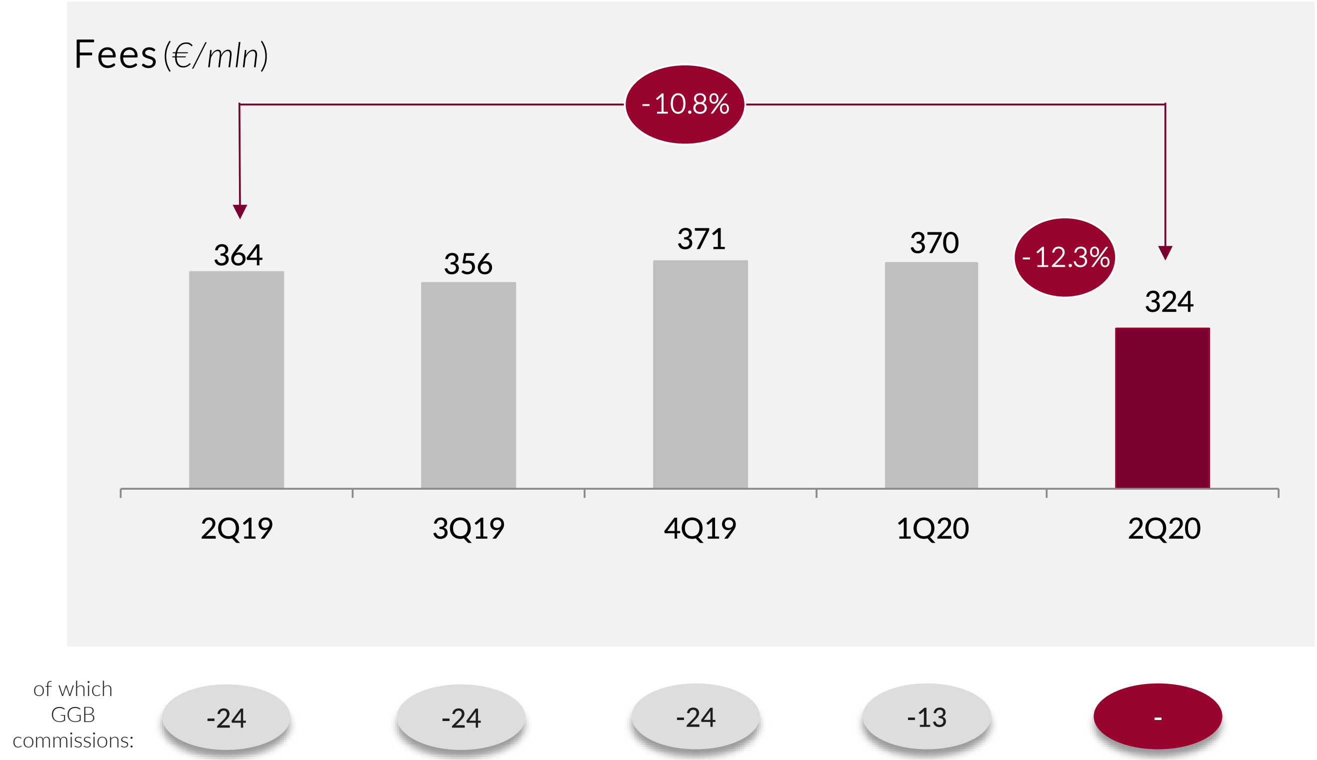


Average rates on new mortgage flows**

	2Q19	3Q19	4Q19	1Q20	2Q20
Households	2.0%	1.6%	1.7%	2.1%	1.6%
Small businesses	3.0%	2.8%	2.5%	2.4%	1.5%
Corporates	1.9%	2.1%	1.5%	1.3%	1.4%
Total	2.2%	1.8%	1.8%	1.8%	1.5%

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

Fee and Commission Income



€/mln	1Q20	2Q20	2Q20 vs. 1Q20	1H19	1H20	1H20 vs. 1H19
Wealth Management fees:	174	139	-20.1%	313	312	-0.3%
WM Placement	63	35	-44.7%	101	98	-3.5%
Continuing	88	82	-7.2%	170	170	0.2%
Custody	10	12	19.8%	19	23	19.4%
Protection	12	9	-20.5%	23	21	-6.1%
Traditional Banking fees:	228	203	-11.0%	496	430	-13.3%
Credit facilities	107	91	-14.6%	238	198	-16.8%
International business	13	11	-15.5%	26	23	-9.0%
Payment services and client expense recovery	108	101	-7.0%	233	209	-10.2%
Other	-31	-17	-46.3%	-87	-48	-44.6%
TOTAL NET FEES	370	324	-12.3%	723	694	-3.9%

- Net fees and commissions impacted by the sharp slowdown in operations linked to the Covid-19 lockdown:
  - WM fees decrease by c. 20% QoQ, despite the post-lockdown pick-up observed in June, but are almost stable YoY, sustained by the significant placement flows observed in the first months of the year and by the recovery in June
  - Traditional banking fees mainly impacted by reduced income from credit facilities, particularly Compass and short-term customer loans
- Following the reimbursement of Government-Guaranteed Bonds (EUR 4bn in January and EUR 4bn in March), no cost for the State guarantee

Financial Revenues*

Dividends/Income from investments (€/mln)

	2Q19	3Q19	4Q19	1Q20	2Q20
Dividends/Income from investments	27	37	15	12	35

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

	2Q19	3Q19	4Q19	1Q20	2Q20
Net result from trading/hedging	23	31	-8	-25	47
Gains/losses on disposals/repurchases	13	91	8	52	24
Net result from financial assets/liabilities at FVTPL	15	-19	136	0	-6
Total	50	104	135	27	66

Starting from 1Q20, the portion relating to loans to customers of P&L items 100a, 110b, 130a and 140, plus item 200a, have been traced back to a single aggregate called «Cost of customer loans», with main impacts on items «Financial revenues», «Total provisions» and «Non-operating items». 2019 figures were restated to ease the comparison of the Group's performance results.

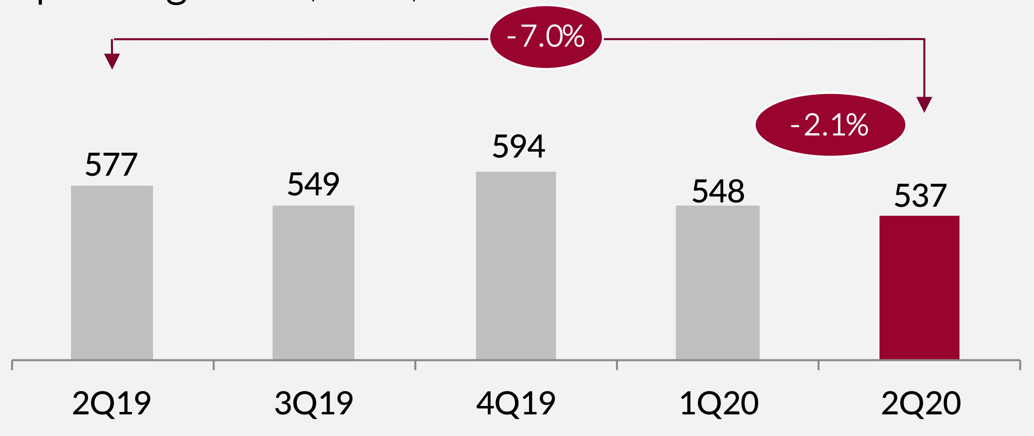
- **Dividends, similar income and gains (losses) on equity investments** include the contribution from the joint venture with AXA and the dividend from Bankit

- **Trading/disposal/valuation/hedging of financial assets/others:**
  - EUR +47mln from trading/hedging, mainly due to MPS Capital Services results, boosted by the financial markets' upturn observed in the quarter
  - EUR +24mln from positive results of govies portfolio
  - EUR -6mln net result from financial assets/liabilities at FVTPL

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

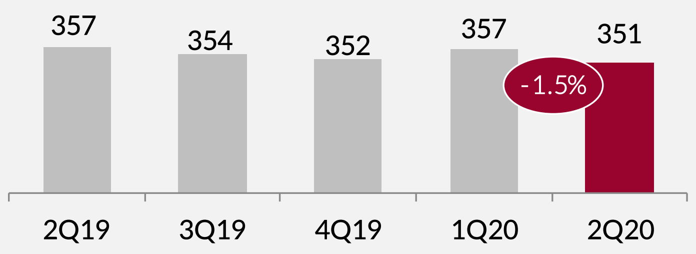
Operating Costs

Operating Costs *(€/mln)*



- Operating costs for 2Q20 decrease -2.1% QoQ and -7.0% vs. 2Q19
  - Personnel expenses decrease by 1.5% QoQ, partly for the reduced ordinary activity in the branches during the Covid-19 emergency. Further benefits expected by year-end from a new Solidarity Fund initiative related to 500 exits
  - Other admin expenses are down by 5.4% QoQ and by 9.1% YoY, despite greater costs incurred for the implementation of Covid-19 safety measures in branches and offices (EUR 7mln in H1)
  - Depreciation & Amortisation is almost stable QoQ and down by EUR 16mln YoY

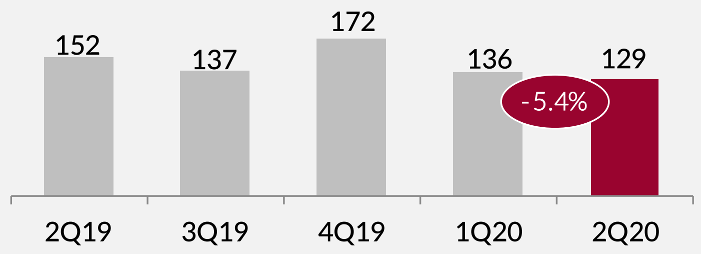
Personnel Expenses *(€/mln)*



22.2K	22.2K	22.0K	22.1K	22.1K

FTEs* — -0.4% YoY

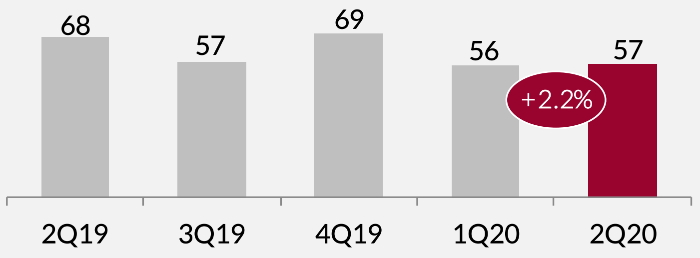
Other Admin Expenses *(€/mln)*



1,529	1,529	1,422	1,421	1,421

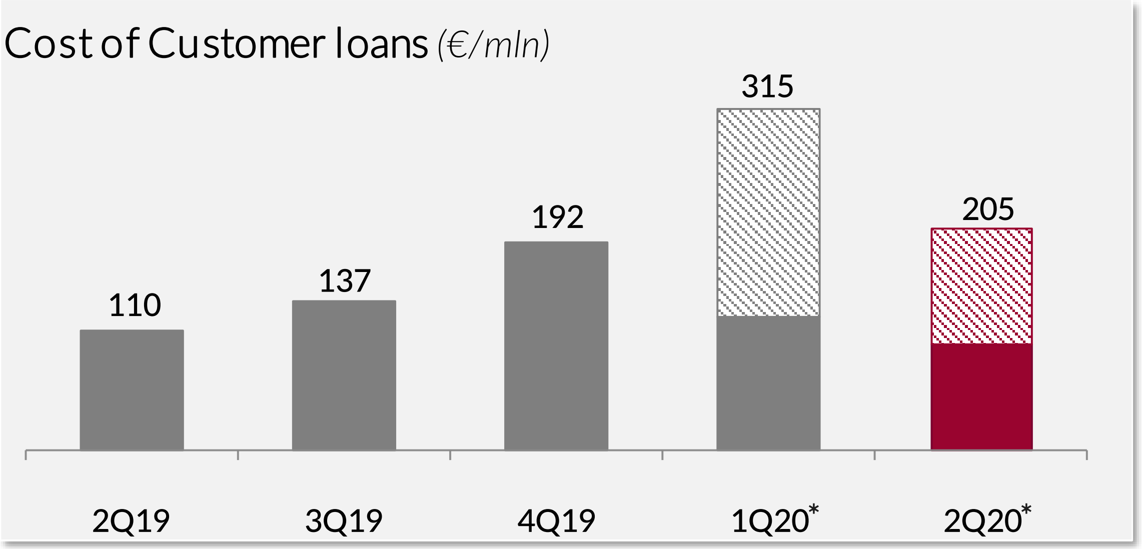
Branches — -7.1% YoY

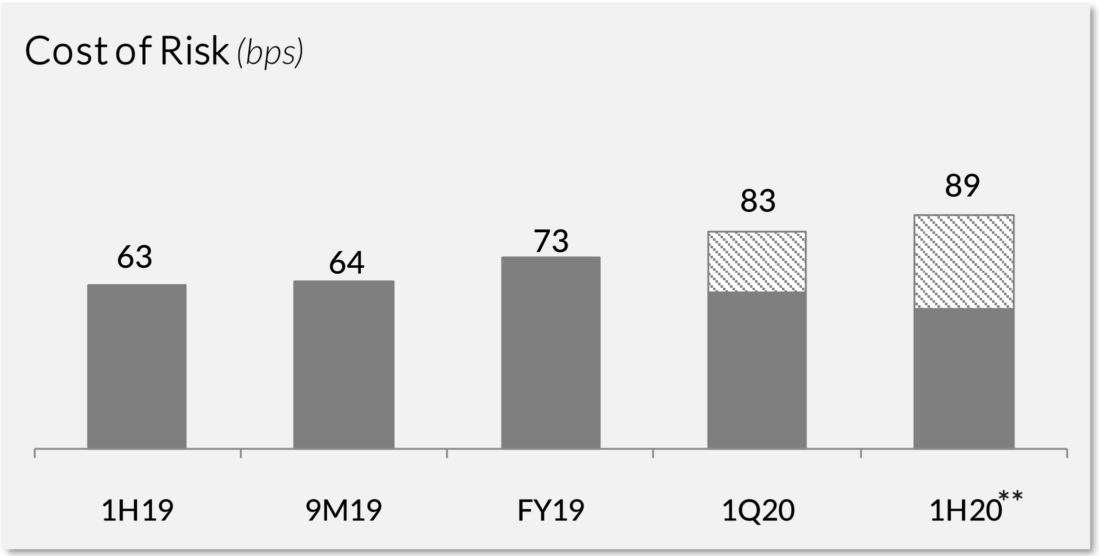
Depreciation & Amortisation *(€/mln)*



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

Cost of Risk & Coverage





Non-performing Exposures Coverage *(%)*

	Dec-19	Mar-20	Jun-20
Bad Loans *(sofferenze)*	53.6	54.5	54.5
Unlikely-to-Pay Loans	43.4	44.3	44.3
Past Due Loans	23.5	25.4	23.8
Total NPEs	**48.7**	**49.6**	**49.5**

- Cost of customer loans at EUR 205mln for the quarter, prudentially including c. EUR 107mln additional provisions related to post-Covid-19 macroeconomic scenario update (see next slide)
- Cost of risk at 89bps, 53bps excluding 1H20 additional provisions (mainly on performing loans) related to the more adverse macroeconomic forecasts
- NPE coverage almost stable QoQ and increased vs. Dec-19

* Including additional provisions related to updated post Covid-19 macroeconomic scenario (c. EUR 193mln in 1Q20 and c. EUR 107mln in 2Q20).

** Net loan loss provisions since the beginning of the period (annualised ordinary component + extraordinary component)/end-of-period loans. Cost of Risk at 53bps net of additional provisions for new scenario.

Focus on Cost of customer loans: Covid-19 impacts

For the second consecutive quarter cost of risk was affected by the downward revision of GDP growth estimates induced by the changed macroeconomic scenario emerging from the spread of Covid-19 (c. 4.4% cumulative drop in GDP expected in 2020-21)

(€/mln)	1Q20	2Q20
Extraordinary reassessment of loans to include macro scenario update for Covid-19 crisis	193	107
o.w. additional provisions on PE portfolio	119	86
o.w. additional provisions on NPE portfolio	74	21
Ordinary cost of customer loans	122	97
Total cost of customers loans	315	205

PE portfolio*: prudentially, performing exposures portfolio was revised following the more adverse macroeconomic forecast outlined during 2Q20. Worsening scenario lead to the migration of EUR 1.0bn from Stage 1 to Stage 2

PE portfolio	Cost of credit impact (€/mln)	Exposures pre-update (€/bn)	Coverage pre-update (%)	Exposures post-update (€/bn)	Coverage post-update (%)
Stage 1	8	78.6	0.12%	77.6	0.14%
Stage 2	78	14.4	3.66%	15.4	3.93%
Total	86	93.0	0.67%	93.0	0.76%

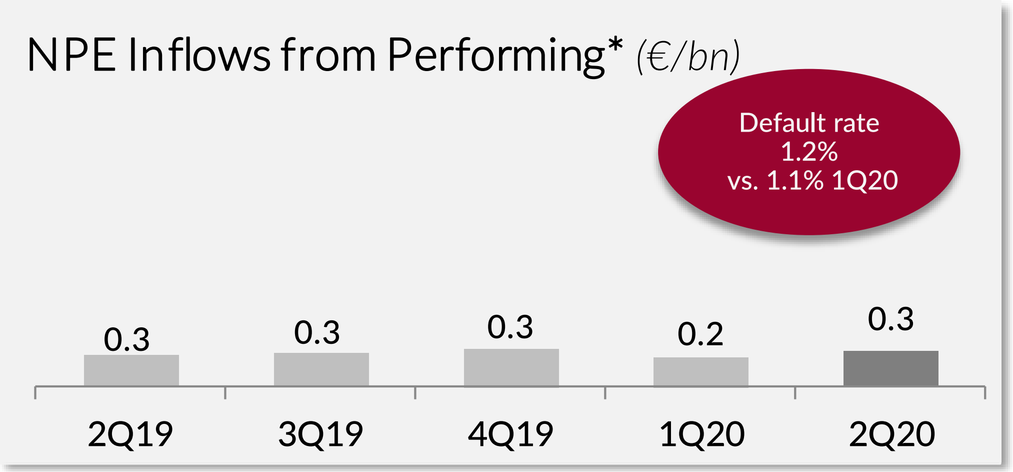
NPE portfolio: reassessment of the portfolio subject to statistical evaluation (35% of total loan book GBV), on the basis of the more adverse scenario

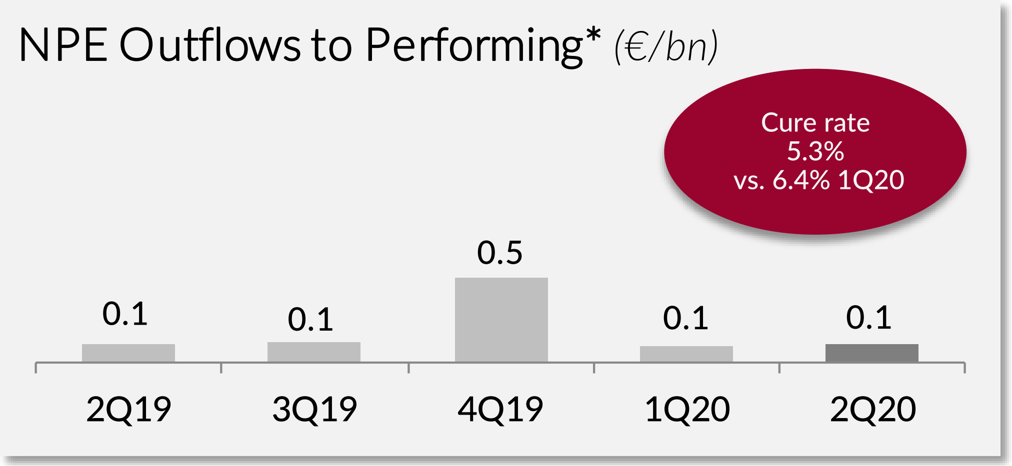
NPEs	Cost of credit impact (€/mln)	Exposures subject to update (€/bn)	Coverage pre-update (%)	Coverage post-update (%)
Past due	0.3	0.2	24.15%	24.29%
UTP	6	1.6	37.45%	37.82%
Bad loans	15	3.3	43.12%	43.57%
Total	21	5.2	40.57%	40.98%

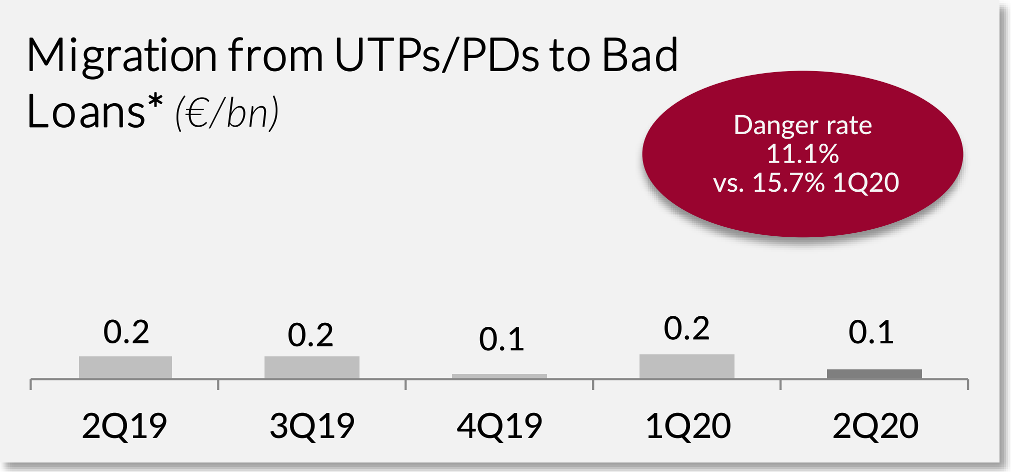
Review of the remaining part of the NPE portfolio, subject to analytical assessment, will be carried out in the course of 2020, based on the analysis of debtors' situations at the time

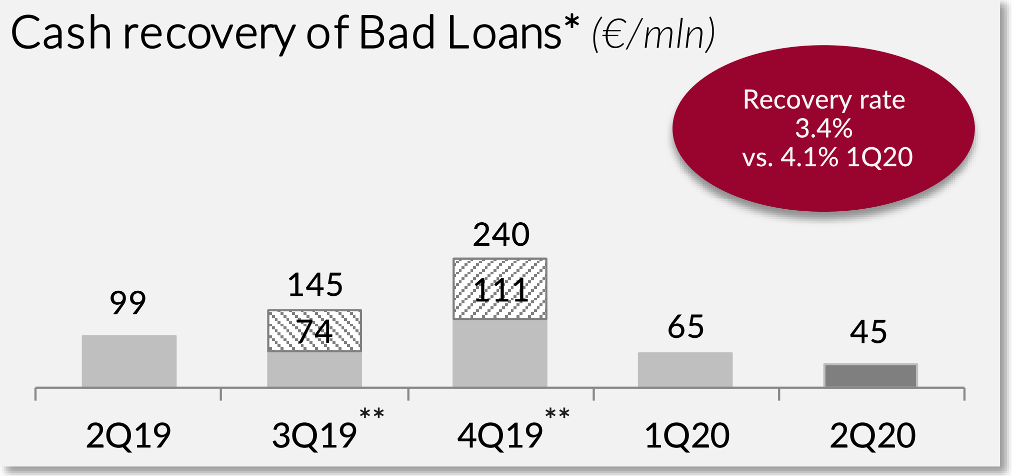
* PE portfolio: on- and off-balance sheet loans to customers and banks.

Asset Quality Migration Matrix





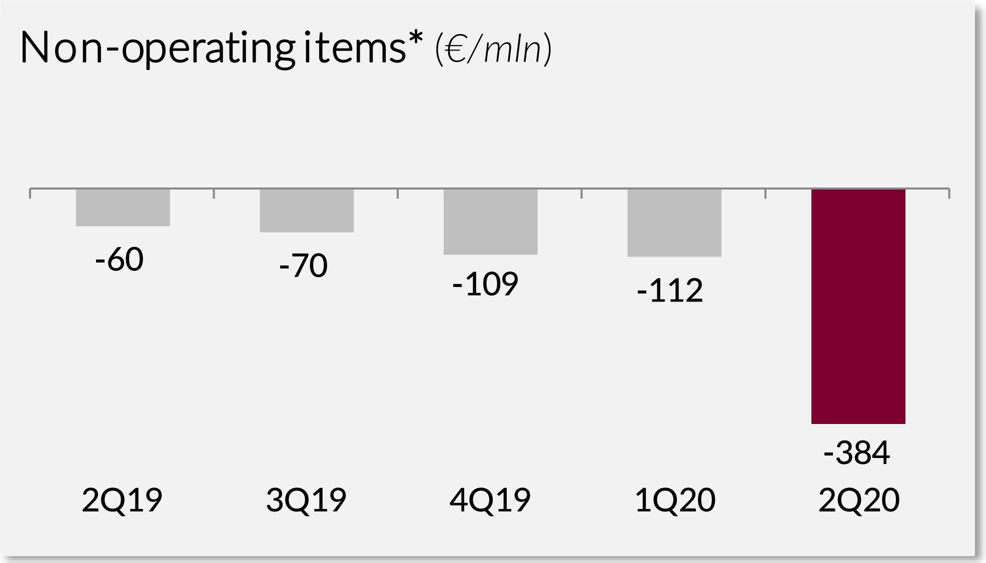




* Data from operational data management system. For 2020: cash + signature + FV. For 2019: cash + signature.

** Including recoveries on bad loan disposals. EUR 185mln recoveries on bad loan disposals in 3Q19 & 4Q19.

Non-Operating Items and Taxes



	2Q19	3Q19	4Q19	1Q20	2Q20
DGS, NRF & SRF	-27	-36	0	-58	-18
DTA Fees	-17	-18	-18	-18	-18
Other	-16	-17	-91	-35	-348
Total	-60	-70	-109	-112	-384

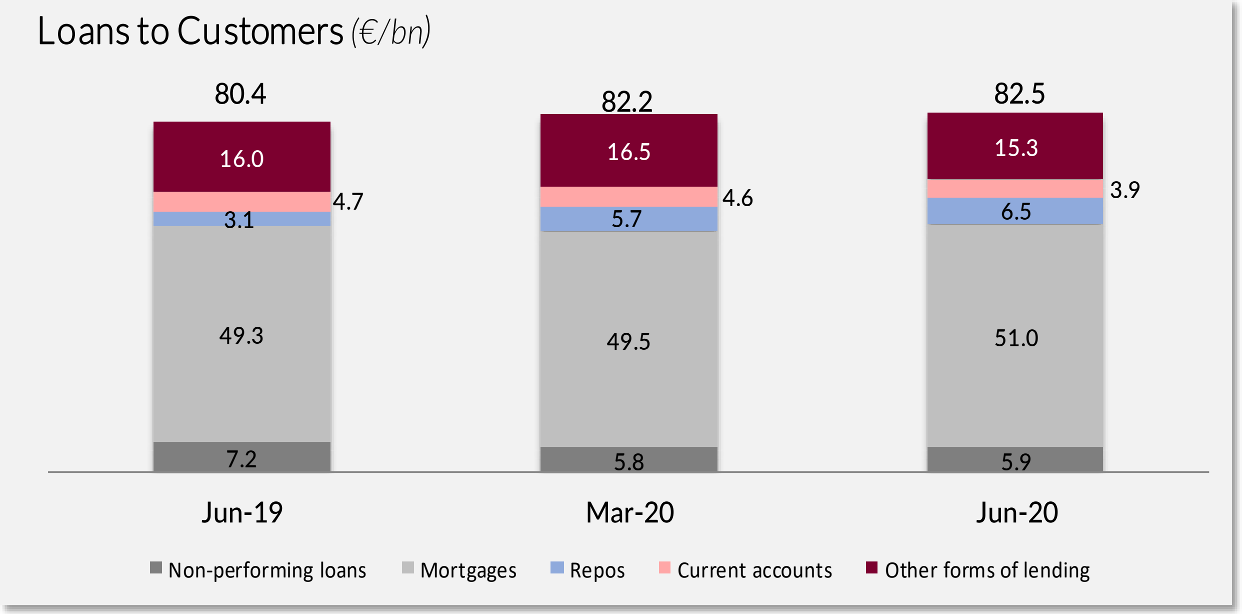
- Non-operating items at EUR -384mln including:
  - EUR -18mln for the extraordinary contribution to the National Resolution Fund
  - EUR -18mln for quarterly DTA fees introduced by Law Decree 59/2016
  - EUR -348mln, of which c. EUR -317mln for provisions for risks and charges connected to legal claims and contractual agreements (mainly related to disposed assets) and c. EUR -30mln restructuring costs (mainly for the prospective deal with AMCO)

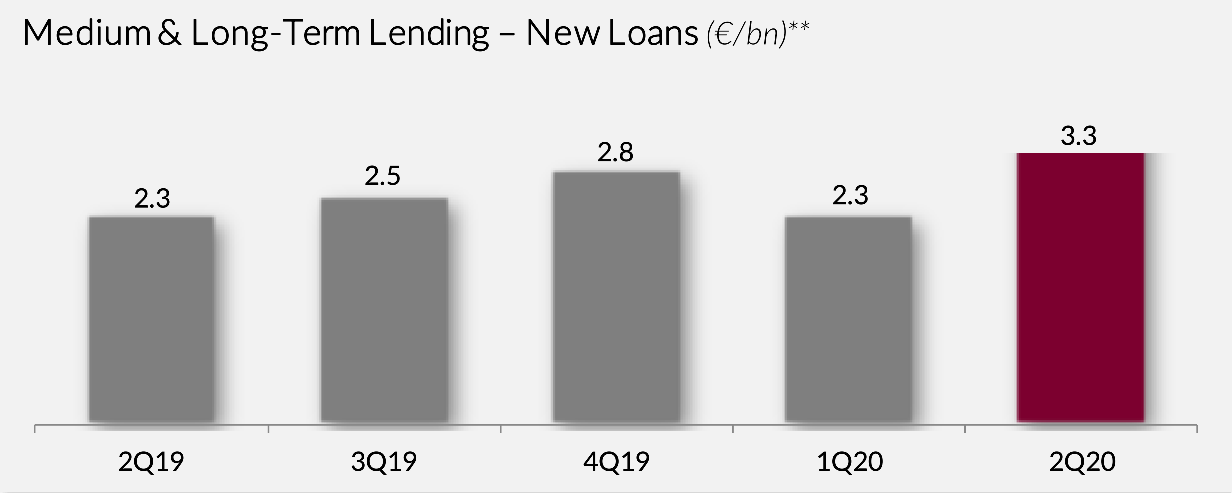
- Taxes for the quarter at EUR -438mln, heavily impacted by the write-down of DTAs previously recorded in the balance sheet, carried out in order to take into account the effects of the evolution of the macroeconomic scenario on future taxable income

Starting from 1Q20, the portion relating to loans to customers of P&L items 100a, 110b, 130a and 140, plus item 200a, have been traced back to a single aggregate called «Cost of customer loans», with main impacts on items «Financial revenues», «Total provisions» and «Non-operating items». 2019 figures were restated to ease the comparison of the Group's performance results

* 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.

Customer Loans





- Customer loans up by c. EUR 0.3bn QoQ:
  - c. EUR +1.4bn increase in mortgages, sustained by the effect of disbursements and moratoria connected with the government's recent financial support measures
  - c. EUR +0.7bn increase in repos
  - c. EUR -1.8bn decrease in other forms of lending and current accounts
- Average commercial loans: EUR 73.3bn in 2Q20, increased by EUR 0.7bn vs. 1Q20 (+1.0% QoQ), mainly on corporate customers
- Group's loan market share at 4.64%* as at Apr-20, down by 17bps YoY

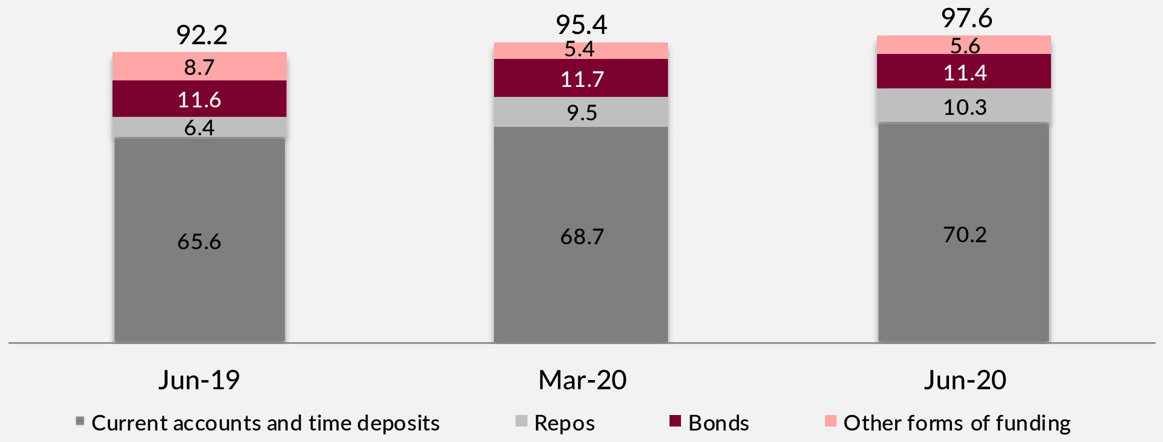
Starting from 1Q20, the reclassified balance sheet was revised in order to ensure greater consistency of the aggregates with the instruments that constitute them. Among the main changes, the introduction of the "Loans" aggregate, subdivided, according to the counterparty, into "Loans to central banks", "Loans to banks" and "Loans to customers". These items comprise credit instruments, regardless of their accounting allocation among financial assets measured at AC or measured at FVTPL or among non-current assets/groups of assets held for sale. 2019 figures were restated to favour the comparison of the Group's performance results

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

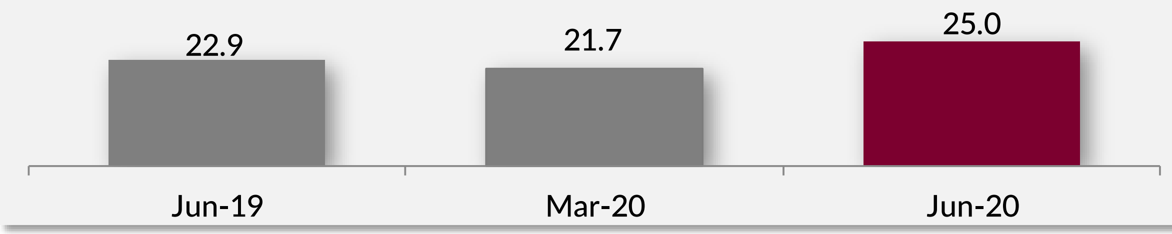
** Figures from operational data management system.

Direct Funding and Liquidity

Direct Funding *(€/bn)*



Unencumbered Counterbalancing Capacity *(€/bn)*



% of Total Assets	17.4%	16.1%	17.7%

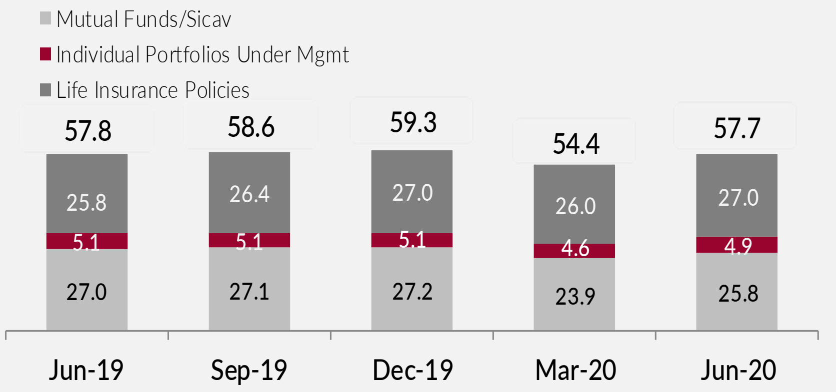
- Total direct funding up by c. EUR 2.2bn QoQ
  - EUR +2.6bn increase in commercial direct funding, equally distributed between corporate and retail customers (the latter chiefly from disbursements to small businesses connected with the government's recent financial support measures)
  - EUR -0.8bn in the current account deposit held by an institutional client due to its operational activities
  - EUR +0.4bn from institutional counterparties (of which c. EUR +0.8bn repos)
- Average commercial direct funding: EUR 73.1bn in 2Q20, up by EUR 2bn vs. 1Q20 (+2.8% Q/Q), mostly from retail/small-business customers
- Group's direct funding market share at 3.80%* as at Apr-20, up by 10bps vs. 2019YE
- Unencumbered Counterbalancing Capacity at EUR 25bn, 17.7% of total assets (vs. 16.1% in Mar-20)
- LCR: >150% and NSFR: >100%

* 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.

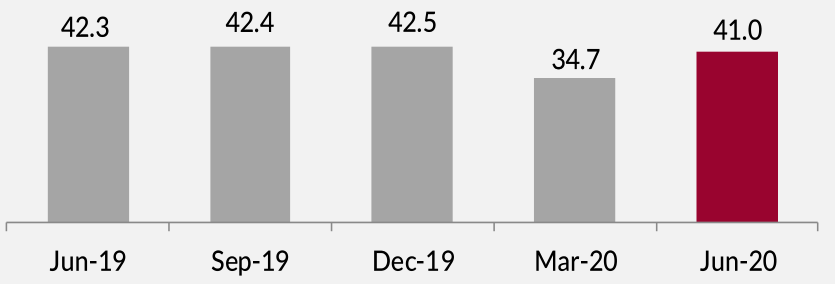
Wealth Management and Assets Under Custody

- **Stock of assets under management** up by EUR 3.3bn QoQ, thanks to **new net inflows for EUR +0.6bn** and to market effect
- **Stock of assets under custody** up by EUR 6.3bn QoQ, boosted by new net inflows (EUR 4.8bn) from a corporate customer and by positive market effect
- **Market shares:**
  - Mutual funds stock: 4.6%**
  - Bancassurance savings: 7.4%** (+111bps YoY)
  - Bancassurance protection: 6.0%*** (o/w motor 9.5%***)

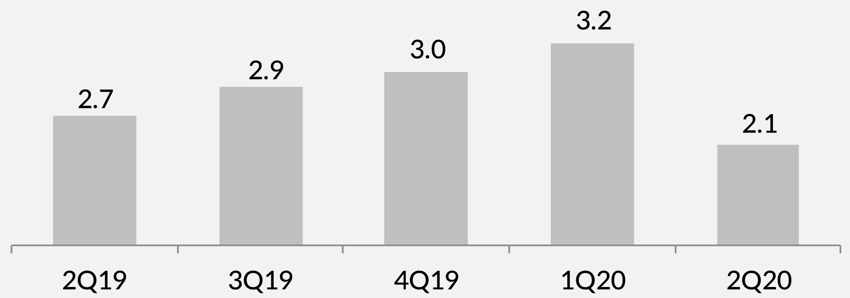
Wealth Management Mix *(€/bn)*



Assets Under Custody *(€/bn)*

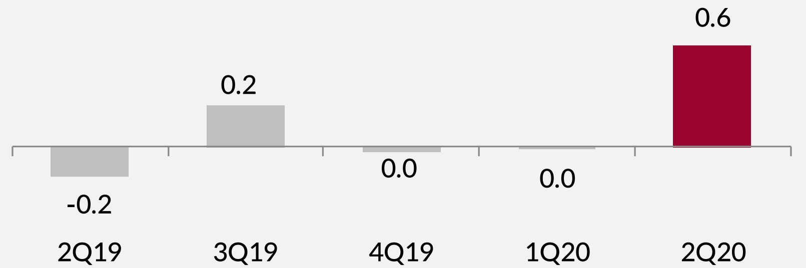


Wealth Management gross inflows* *(€/bn)*



of which Bancassurance (€/bn): 1.2 | 1.2 | 1.3 | 1.3 | 0.7

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



of which Bancassurance (€/bn): 0.3 | 0.3 | 0.3 | 0.4 | 0.2

* Bancassurance + pension funds + mutual funds/sicav + individual portfolios under management.

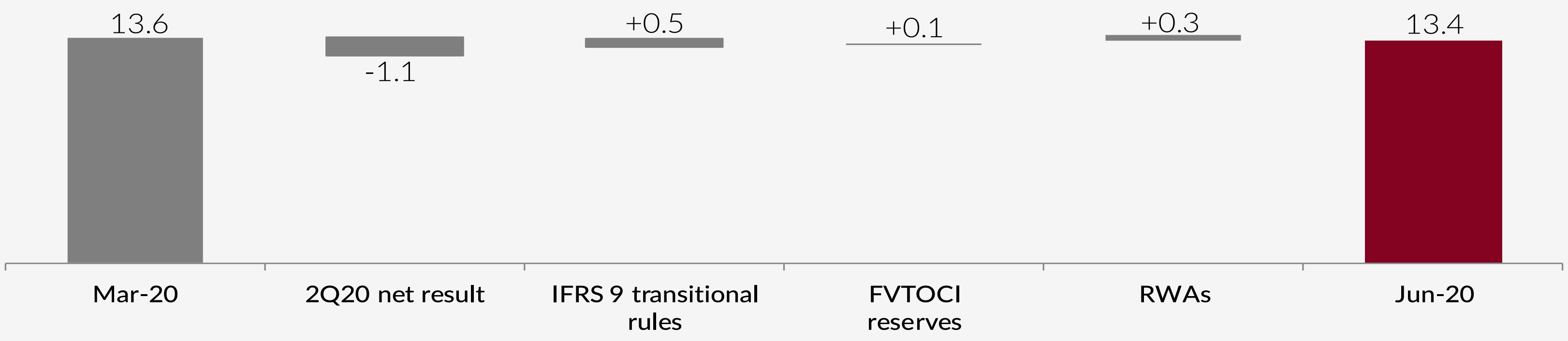
** Mutual funds market share as at Apr-20, bancassurance savings products market share related to AXA products as at Apr-20. Latest available data.

*** Market share related to AXA products as at Mar-20. Latest available data.

Capital Structure

(€/bn)	1Q20	2Q20
TBV	7.8	7.0
Transitional CET1	8,0	7.7
Fully-loaded CET1*	7.0	6.6
RWAs	59.3	57.8

Phased-in CET1 ratio *(%)*



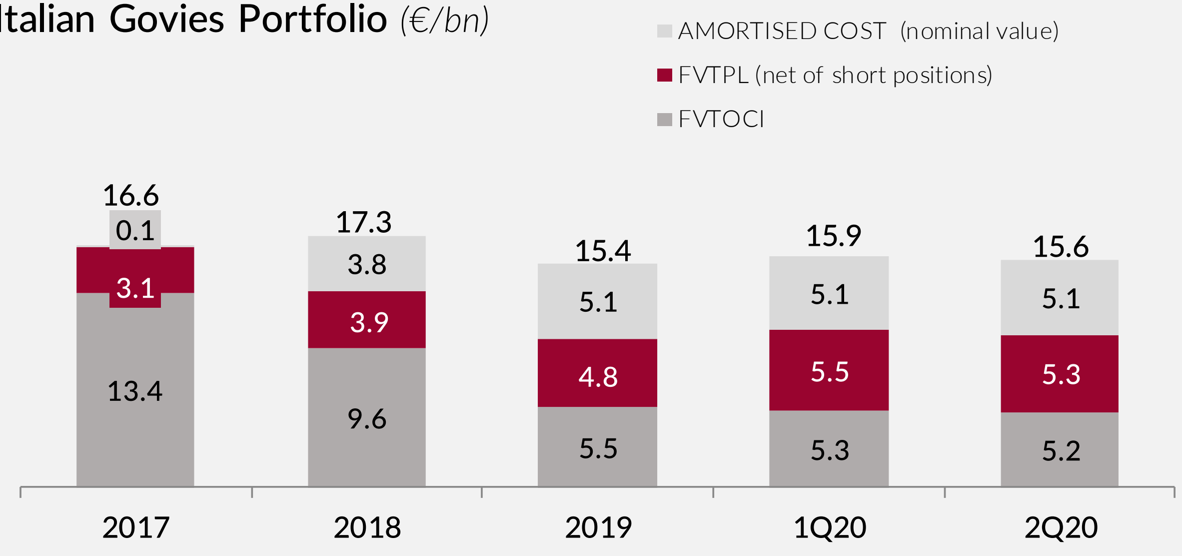
	Mar-20	Jun-20
Fully-loaded CET1* (%)	11.9	11.4
Total Capital (%)	16.2	16.0
Fully-loaded Total Capital* (%)	14.5	14.0

- Quarterly phased-in CET1 evolution mainly affected by:
  - 2Q20 net result
  - IFRS 9 transitional rules, with the add-back to CET1, starting from 1/1/2020, of increases in provisions on performing loans and improved FVTOCI reserves
  - Decreased RWAs (c. EUR -1.5bn) mainly due to the early introduction of the revised SME Supporting Factor, with increased operational risk (c. EUR +0.7bn) offset by decreased market risk & other risks

* Including full impact of IFRS9 and FVTOCI reserve on govies.

Focus on Italian Govies Portfolio*

Italian Govies Portfolio *(€/bn)*



Portfolio at FVTOCI:

Duration *(years)*

2017	2018	2019	1Q20	2Q20
~3.6	~2.8	~2.3	~2.3	~2.4

Credit spread sensitivity *(€/mln, before tax, for 1bp increase in the BTP/Bund spread)*

2017	2018	2019	1Q20	2Q20
-5.6	-2.9	-1.5	-1.4	-1.3

- Italian Govies portfolio slightly decreases QoQ, mainly due to the FVTPL component. Marginal portfolio re-composition of the banking book (FVTOCI/AC), with a c. EUR 24mln positive impact on P&L. Sensitivities virtually unchanged
  - FVTPL (trading) portfolio decreases due to lower MPS Capital Services' activity in Italian government bonds
    - Average portfolio duration: ~0.8Y
    - Credit spread sensitivity: c. EUR –0.1mln, before tax, for 1bp change (c. EUR -0.3mln in Mar-20)
  - FVTOCI slightly decreases with maturities/sales more than offsetting purchases
    - Gross FVTOCI** reserves negative at c. EUR -30mln, improved vs. March (EUR -59mln), favoured by the reduced BTP-Bund spread at the end of the quarter
  - AC portfolio stable QoQ for the compensation between purchases and maturities/sales
    - Average portfolio duration: c. 9Y (8Y in Mar-20)

* 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 -20mln in Jun-20 (c. EUR -40mln in Mar-20).

Agenda

- 2Q20 Results
- Details on 2Q20 Results

2Q20 P&L: Highlights

€ mln	1Q20	2Q20	Change (QoQ%)	1H19	1H20	Change (YoY%)
Net Interest Income	327	320	-2.2%	813	647	-20.5%
Net Fees	370	324	-12.3%	723	694	-3.9%
Financial revenues*	39	100	n.m.	122	139	+13.9%
Other operating income/expenses	-6	-21	n.m.	-71	-28	-61.4%
Total revenues	**729**	**723**	**-0.9%**	**1,586**	**1,453**	**-8.4%**
Operating Costs	**-548**	**-537**	**-2.1%**	**-1,146**	**-1,085**	**-5.3%**
of which personnel costs	-357	-351	-1.5%	-726	-708	-2.5%
of which other admin expenses	-136	-129	-5.4%	-292	-265	-9.1%
Pre-provision profit	**181**	**186**	**+2.9%**	**440**	**367**	**-16.5%**
Total provisions**	**-316**	**-209**	**-33.7%**	**-254**	**-525**	**n.m.**
of which cost of customer loans	-315	-205	-34.9%	-254	-519	n.m.
Net Operating Result	**-135**	**-23**	**+82.9%**	**185**	**-158**	**n.m.**
Non-operating items***	-112	-384	n.m.	-174	-495	n.m.
Profit (Loss) before tax	**-246**	**-407**	**-65.2%**	**11**	**-653**	**n.m.**
Taxes	4	-438	n.m.	91	-434	n.m.
PPA & Other Items	-1	-1	-33.3%	-9	-2	-79.8%
Net profit (loss)	**-244**	**-845**	**n.m.**	**93**	**-1,089**	**n.m.**

Starting from 1Q20, the portion relating to loans to customers of P&L items 100a, 110b, 130a and 140, plus item 200a, have been traced back to a single aggregate called «Cost of customer loans», with main impacts on items «Financial revenues», «Total provisions» and «Non-operating items». 2019 figures were restated to ease the comparison of the Group's performance results

* Including dividends/income from investments, trading/disposal/valuation/hedging of financial assets.

** Includes the new item "Cost of customer loans" , provisions on securities at amortized cost and FVTOCI, and provisions on loans to banks.

*** 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-19	Dec-19	Mar-20	Jun-20	QoQ%	YoY%
Loans to Central banks	6,932	9,405	8,110	15,038	85.4%	n.m.
Loans to banks	4,777	5,543	4,939	5,757	16.6%	20.5%
Loans to customers	80,386	80,135	82,206	82,511	0.4%	2.6%
Securities assets	24,860	24,185	26,006	25,569	-1.7%	2.9%
Tangible and intangible assets	2,943	2,909	2,871	2,851	-0.7%	-3.1%
Other assets*	11,641	10,019	10,138	9,930	-2.0%	-14.7%
Total Assets	**131,539**	**132,196**	**134,269**	**141,656**	**5.5%**	**7.7%**

Total Liabilities *(€/mln)*

	Jun-19	Dec-19	Mar-20	Jun-20	QoQ%	YoY%
Deposits from customers	80,640	80,063	83,680	86,140	2.9%	6.8%
Securities issued	11,576	14,154	11,687	11,445	-2.1%	-1.1%
Deposits from central banks	16,567	16,042	15,998	21,331	33.3%	28.8%
Deposits from banks	4,571	4,137	4,752	4,854	2.1%	6.2%
Other liabilities**	8,847	9,520	10,223	10,727	4.9%	21.2%
Group net equity	9,336	8,279	7,927	7,158	-9.7%	-23.3%
Non-controlling interests	2	2	2	1	-17.6%	-30.0%
Total Liabilities	**131,539**	**132,196**	**134,269**	**141,656**	**5.5%**	**7.7%**

Starting from 1Q20, the reclassified balance sheet was revised in order to ensure greater consistency of the aggregates with the instruments that constitute them. The main changes concerned:

- The introduction, in the Assets side, of a “Loans” aggregate, subdivided, according to the counterparty, into "Loans to central banks", "Loans to banks" and "Loans to customers". These items comprise credit instruments, regardless of their accounting allocation among financial assets measured at amortised cost or measured at fair value through profit & loss, or among non-current assets/groups of assets held for sale
- The introduction, in the Assets side, of a “Securities assets” aggregate, which includes the more specifically financial instruments, regardless of their accounting allocation among financial assets measured at fair value through profit & loss, measured at fair value through other comprehensive income or measured at amortised cost, or among non-current assets/groups of assets held for sale
- The introduction, in the Liabilities side, of a "Securities issued" aggregate, separating it from the previous reclassified item "Deposits from customers and securities issued"

* Cash and cash equivalents, derivatives assets, equity investments, tax assets, other assets.

** Financial liabilities held for cash trading, derivatives, provisions, tax liabilities, other liabilities.

Lending & Direct Funding

Total Lending *(€/mln)*

	Jun-19	Dec-19	Mar-20	Jun-20	QoQ%	YoY%
Current accounts	4,710	4,626	4,552	3,896	-14.4%	-17.3%
Mortgages	49,328	49,046	49,549	50,979	2.9%	3.3%
Other forms of lending	15,976	15,921	16,550	15,331	-7.4%	-4.0%
Reverse repurchase agreements	3,121	4,434	5,723	6,450	12.7%	n.m.
Impaired loans	7,250	6,108	5,833	5,855	0.4%	-19.2%
Total	**80,386**	**80,135**	**82,206**	**82,511**	**0.4%**	**2.6%**

Direct Funding * *(€/mln)*

	Jun-19	Dec-19	Mar-20	Jun-20	QoQ%	YoY%
Current accounts	56,150	56,046	59,299	60,943	2.8%	8.5%
Time deposits	9,439	9,594	9,449	9,273	-1.9%	-1.8%
Repos	6,355	6,174	9,516	10,283	8.1%	61.8%
Bonds	11,576	14,154	11,687	11,445	-2.1%	-1.1%
Other types of direct funding	8,696	8,250	5,416	5,640	4.1%	-35.1%
Total	**92,216**	**94,217**	**95,367**	**97,585**	**2.3%**	**5.8%**

* Deposits from customers and Securities Issued.

Focus on commercial net interest income*

Net interest income (€/mln, %)	2Q19 average volumes	2Q19 average rates	3Q19 average volumes	3Q19 average rates	4Q19 average volumes	4Q19 average rates	1Q20 average volumes	1Q20 average rates	2Q20 average volumes	2Q20 average rates
Commercial Loans	74.9	2.26%	73.5	2.17%	73.2	2.13%	72.5	2.12%	73.3	2.08%
Retail (including small businesses)	39.7	2.46%	39.8	2.38%	40.4	2.32%	40.5	2.30%	40.5	2.28%
Corporate	30.7	1.94%	29.6	1.87%	29.3	1.86%	28.6	1.84%	29.4	1.80%
Non-performing	4.5	2.66%	4.1	2.29%	3.5	2.23%	3.4	2.26%	3.3	2.10%
Commercial Direct funding	69.0	-0.32%	69.9	-0.31%	71.0	-0.29%	71.1	-0.28%	73.1	-0.26%
Retail (including small businesses)	46.5	-0.31%	47.9	-0.31%	48.5	-0.31%	48.3	-0.29%	49.6	-0.27%
Corporate	18.3	-0.25%	17.7	-0.21%	18.8	-0.17%	18.3	-0.13%	18.7	-0.11%
Non-performing	0.3	-0.04%	0.3	-0.02%	0.4	-0.02%	0.3	-0.02%	0.3	-0.02%
Other customers	4.0	-0.75%	4.0	-0.75%	3.4	-0.75%	4.2	-0.75%	4.5	-0.75%
Other commercial components**	17		14		13		12		7	
Commercial NII	383		362		355		345		339	
Non-commercial NII***	21		-8		-21		-18		-19	
Total Interest Income	404		355		333		327		320	

* Figures from operational data management system.
** Including commissions on advances, amortised cost, interest on arrears, interest adjustments.
*** 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.

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	2Q20
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	EUR 0.9bn (EUR -0.1bn vs.1Q20)
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 0.1bn (EUR -0.3bn vs.1Q20)
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 0.3bn (EUR -0.2bn vs.1Q20)
4 **DTAs not recorded in balance sheet**	o DTAs not recorded in balance sheet due to the probability test	➢ N.A.	EUR 3.6bn (EUR +0.5bn vs.1Q20)

* 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

Legal risks at 30/06/20

c. EUR 5.2bn total *petita*, classified by disbursement risk profile:

- Probable: c. EUR 2.1bn (for which provisions of EUR 0.5bn have been allocated)
- Possible: c. EUR 1.7bn (no provisions are allocated for such disputes: as required by accounting standards, significant amounts are disclosed)
- Remote: c. EUR 1.4bn (no provisions are allocated and no disclosures are provided for such disputes)

c. EUR 1bn threatened litigations (of which EUR 0.7bn classified as "probable" and EUR 0.3bn as "possible")

Legal risks from financial information

- 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 1.9bn at the end of June 2020
- The Bank deems the risk of disbursement "probable" for claims regarding the 2008-2011 period (legal proceeding n° 29634/14, threatened litigations) and thus recognises provisions, while deems risk "not probable" for claims (legal proceeding n° 955/16, threatened litigations) relating to the 2012-2015 period, for which no provisioning has been booked
- The Bank does not disclose booked provisions, inasmuch this information could seriously affect its position in the existing litigations and in the negotiations of potential out-of-court settlement agreements

Claims related to disclosed financial information (2008-2015) *€/mln*	30/06/20	31/03/20
Civil litigations brought by shareholders	830	795
Threatened litigations*	843	809
Admitted civil parties proceeding n° 29634/14**	137	137
Admitted civil parties proceeding nº 955/16**	95	95
Total	1,905	1,836

- On 31 July 2020, additional extrajudicial claims for EUR 3.8bn were received from Fondazione MPS. These claims were assessed for the purposes of the condensed consolidated half-year financial statements. Taking into account these claims, total threatened litigations rise to EUR 4.8bn

* Threatened litigations are not included in the total *Petitum* amount.
** Not all claiming parties have quantified damages.

Focus on Asset Quality

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

	Gross Book Value excluding interest in arrears on defaulted assets		Net Book Value		Coverage	
	1Q20	*2Q20*	*1Q20*	*2Q20*	*1Q20*	*2Q20*
Bad loans *(sofferenze)*	6,265	6,295	2,853	2,862	54.5%	54.5%
Unlikely-to-Pay loans	5,182	5,105	2,887	2,845	44.3%	44.3%
Past due/overdue exposures	125	195	94	148	25.4%	23.8%
Total NPEs	11,572	11,595	5,833	5,855	49.6%	49.5%

Pro-forma NPEs post-AMCO deal* *(€/mln)*

	Gross Book Value	Net Book Value	Coverage
	2Q20	*2Q20*	*2Q20*
Bad loans *(sofferenze)*	1,366	515	62.3%
Unlikely-to-Pay loans	1,666	976	41.4%
Past due/overdue exposures	195	148	23.8%
Total NPEs	3,227	1,639	49.2%

* Pro forma figures based on the Compendium data as of 31.12.2019. The transaction is subject to approval by the ECB.

Restructured unlikely-to-pay loans*

Breakdown by Guarantees *(€/bn)*

	# Tickets**	GBV	Coverage	NBV	% NBV
Secured	145	0.4	35.2%	0.3	23.5%
Personal guarantees	141	0.3	55.4%	0.1	12.1%
Unsecured	455	1.5	52.8%	0.7	64.4%
Total	**741**	**2.3**	**50.0%**	**1.1**	**100.0%**
of which Pool other banks		***1.9***		***1.0***	***85.8%***

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	0.4	22.6%	77.4%
Personal guarantees	0.3	25.7%	74.3%
Unsecured	1.5	41.6%	58.4%
Total	**2.3**	**36.0%**	**64.0%**

Breakdown by Industry *(€/bn)*

	GBV	NBV	% on NBV
Construction	0.4	0.1	10.5%
Real estate	0.3	0.1	9.9%
Holdings	0.0	0.0	1.3%
Transportation and logistics	0.2	0.1	13.1%
Other industrial***	0.9	0.5	43.0%
Households	0.0	0.0	0.9%
Other	0.5	0.2	21.4%
Total	**2.3**	**1.1**	**100.0%**

- Average coverage of 50%, above Italian average. Net book value at EUR 1.1bn (23.5% secured)
- Corporate and SME sectors= 79.3% of total restructured UTPs
- Positions with GBV > EUR 1m represent > 95% of total restructured UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 20.4% of total net restructured UTPs

* Figures from operational data management system.

** The Borrower's exposures may have been tranched based on the underlying collateral.

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

Other Unlikely-to-Pay*

Breakdown by Guarantees *(€/bn)*

	# Tickets**	GBV	Coverage	NBV	% NBV
Secured	8,585	1.3	22.4%	1.0	60.9%
Personal guarantees	8,081	0.5	51.9%	0.2	14.1%
Unsecured	57,893	1.0	57.6%	0.4	25.0%
Total	**74,559**	**2.9**	**40.0%**	**1.7**	**100.0%**
of which Pool other banks		***1.5***		***0.9***	***50.7%***

Breakdown by Vintage *(€/bn)*

	GBV	< 3Y	> 3Y
Secured	1.3	63.3%	36.7%
Personal guarantees	0.5	59.5%	40.5%
Unsecured	1.0	55.8%	44.2%
Total	**2.9**	**60.0%**	**40.0%**

Breakdown by Industry *(€/bn)*

	GBV	NBV	% on NBV
Construction	0.4	0.2	13.6%
Real estate	0.3	0.2	12.5%
Holdings	0.0	0.0	0.3%
Transportation and logistics	0.0	0.0	0.9%
Other industrial***	0.8	0.4	23.5%
Households	0.7	0.5	28.4%
Other	0.6	0.4	20.9%
Total	**2.9**	**1.7**	**100.0%**

- Average coverage of 40%, above Italian average. Net book value at EUR 1.7bn (c. 60.9% secured)
- SME and Small Business sectors represent the 67% of total other UTPs
- Lower vintage compared to restructured UTPs
- Positions with GBV > EUR 1m represent less than 42% of total other UTPs
- No specific industry concentration. Construction and real estate sectors amount to c. 26% of total net other UTPs

* Figures from operational data management system.
** The Borrower's exposures may have been tranched based on the underlying collateral.
*** Other Manufacturing (excluding Construction, Real Estate and Transportation).

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