



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

3Q16 BMPS Results

Marco Morelli

CEO & General Manager

Milan 25th October 2016

Executive Summary

1 Profitability highlights

- Q3 2016 net income of -EUR 1,151mln impacted by -EUR 750mln of extraordinary loan loss provisions related to the increase in unlikely to pay coverage reflecting the credit policy review* being finalised and fully in line with the announced approx. 42% coverage target
- Pre-provision profit at ca. EUR 423mln, with NII almost stable vs. the previous quarter (-0.7% QoQ), commissions down (-4.6% QoQ) due to the seasonality in the placement of wealth management products and operating costs up (+2.6% QoQ)
- Total provisions excluding one off related to credit policy review* at EUR 552mln

2 Asset quality

- Net NPE stock down EUR 1bn vs. Jun-16. Gross NPE slightly up vs. Jun 2016
- Unlikely to pay coverage up ca. 550bps to 34.5% in Q3 2016 from 28.9% in Q2 2016

3 Balance Sheet

- Loans down 2.7% QoQ mainly due to a decrease in commercial lending and in net NPEs
- Direct funding (-EUR 6.6bn) impacted by outflows concentrated at the beginning of the quarter
- Unencumbered counterbalancing capacity: EUR 14.6bn as at 30 September 2016
- CET1 transitional at 11.5% due to the loss of the 3Q 2016, partially offset by RWA reduction



Overview on 3Q16 and 9M2016 results

P&L (€/mln)	3Q16	2Q16	Change (QoQ %)
Net interest income	483.5	486.9	-0.7%
Fees and commissions	461.7	483.8	-4.6%
Total revenues	1,073.0	1,159.1	-7.4%
Operating costs	(650.3)	(633.8)	2.6%
Pre-provision profit	422.7	525.4	-19.5%
Loan loss provisions	(1,303.3)	(372.4)	n.m.
Net income (loss)	(1,150.7)	208.9	n.m.

	9M16	9M15	Change* (YoY %)
	1,518.7	1,717.5	-11.6%
	1,402.4	1,358.3	3.2%
	3,417.5	4,098.0	-16.6%
	(1,929.1)	(1,967.0)	-1.9%
	1,488.4	2,131.0	-30.2%
	(2,021.6)	(1,413.9)	43.0%
	(848.7)	584.7	n.m.

Balance Sheet (€/bn)	3Q16	2Q16	Change (QoQ %)
Loans to customers	104.6	107.5	-2.7%
Direct funding	105.5	112.0	-5.9%
Total assets	160.1	164.4	-2.6%

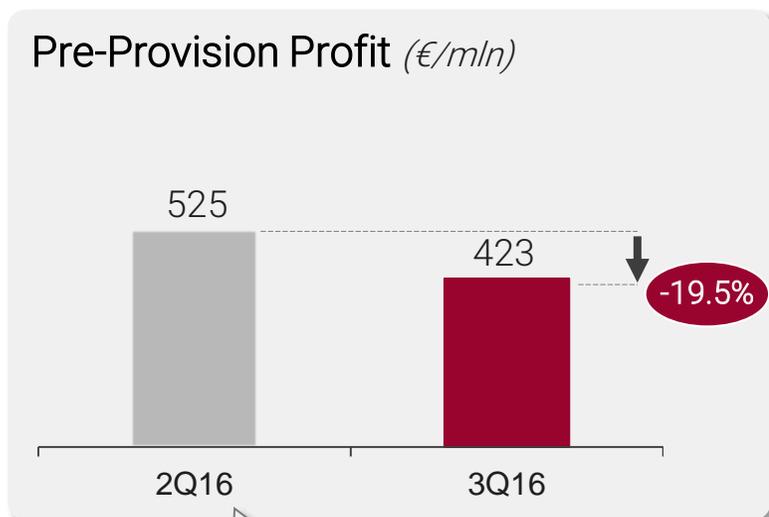
	9M16	9M15	Change* (YoY %)
	104.6	112.5	-7.0%
	105.5	122.7	-14.1%
	160.1	170.1	-5.9%

Ratio (%)	3Q16	2Q16	Change (QoQ bps)
CET1 phased-in	11.5	12.1	-62
CET fully-loaded	10.7	11.8	-110

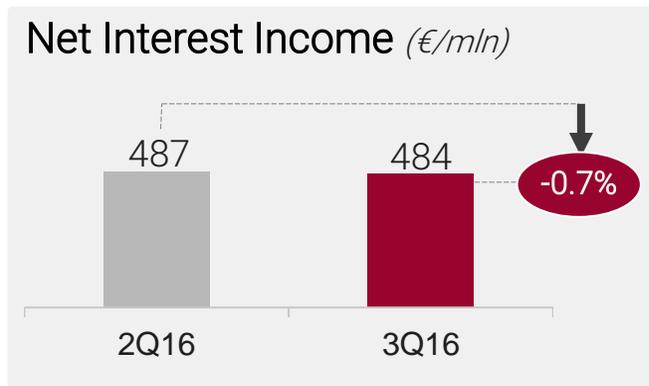
	9M16	9M15**	Change (YoY bps)
	11.5	12.0	-49
	10.7	11.7	-100



Pre-Provision Profit

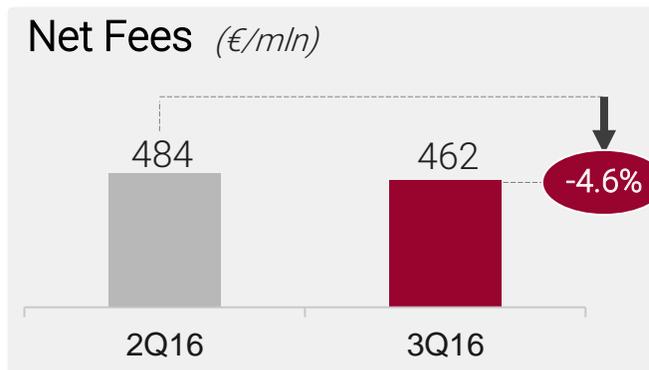


2Q16 impacted by some one-offs accounted among Other Revenues



Main drivers:

- Lower interests on interest-earning assets due volume and rate effect only partially offset by lower cost of funding
- Lower contribution from AFS/HFT portfolio



Main drivers:

- Net fees and commissions impacted by seasonality both in the distribution of WM product (-7.4%) and in credit facility fees (-11.7%)

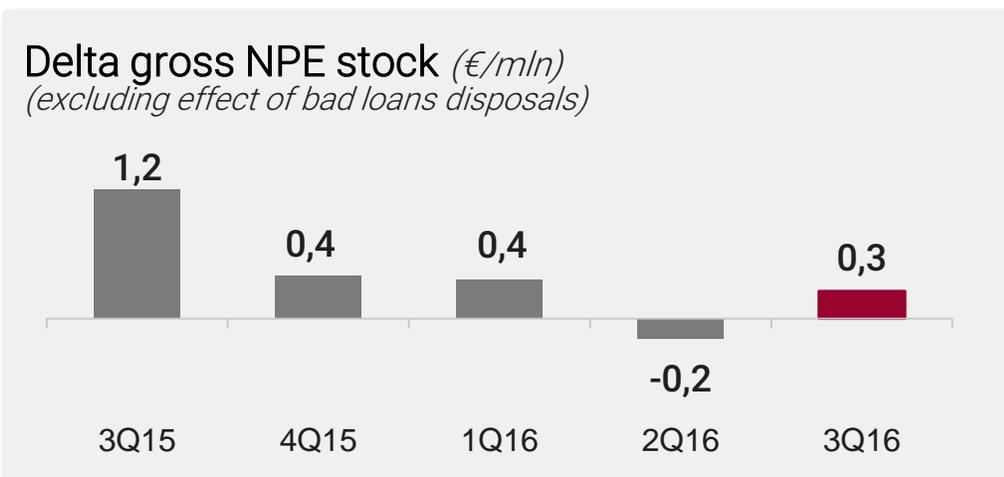
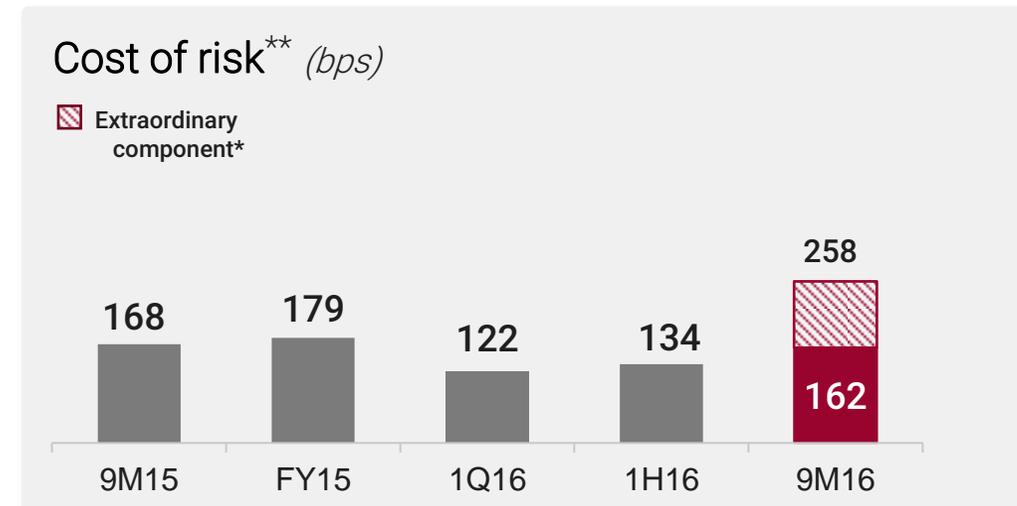
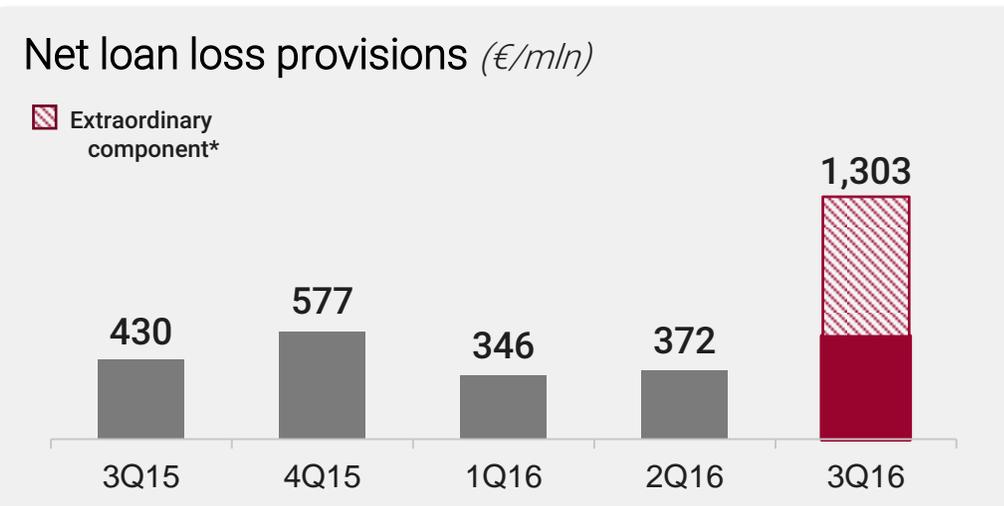


Main drivers:

- Personnel expenses up 3.7% vs. the previous quarter which was impacted also by one-off components
- Other Admin Expenses -1.1% QoQ



Focus on asset quality



Non-performing exposures coverage (%)

	Sep-15	Jun-16	Sep-16	QoQ
Bad Loans (sofferenze)	64.0	61.2	61.4	+16bps
Unlikely to pay	30.8	28.9	34.5	+554bps
Past Due	23.4	21.6	22.8	+128bps
Total NPE	48.6	48.0	50.6	

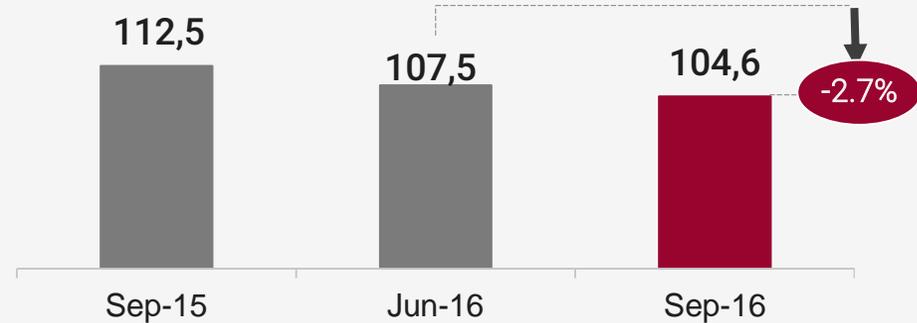
* Review related to the amendment of the methodology for calculating impairment provisioning of unlikely-to-pay loans and to the raising of the threshold for the analytical assessment of unlikely-to-pay loans, considering the instructions contained in the "Draft guidance to banks on non-performing loans" published by the ECB last September

**Net loan provisions since the beginning of the period (annualized) / End-of-period loans

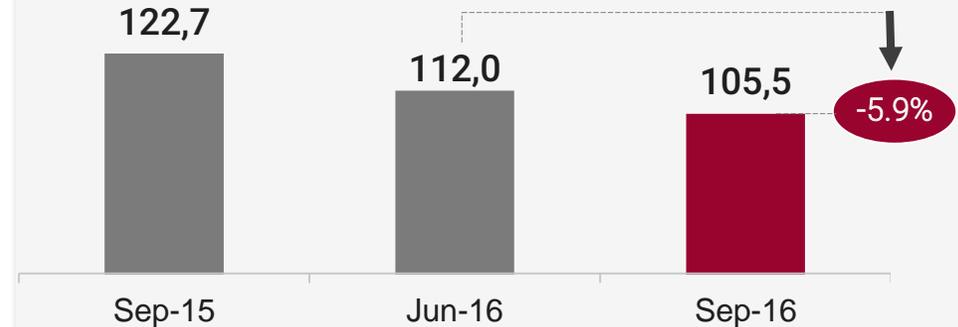


Balance sheet

Total lending (€/bn)



Direct funding (€/bn)



CET1 ratio (%)



1. **Customer loans** down by approx. EUR 3bn QoQ, due to the reduction in net NPEs (ca EUR -1bn) and commercial lending (-ca. EUR 2bn) especially in mortgages and current accounts
2. **Direct funding** down by ca. EUR 6.6bn QoQ with outflows concentrated at the beginning of the quarter driven by the financial market turmoil and the outcome of the Stress Test
3. **Counterbalancing capacity** at approx. EUR 14,6bn; TLTRO2 exposure at EUR 16.5bn
4. **CET1 ratio transitional** at 11.5%



Annexes



3Q16 and 9M16 P&L: Highlights

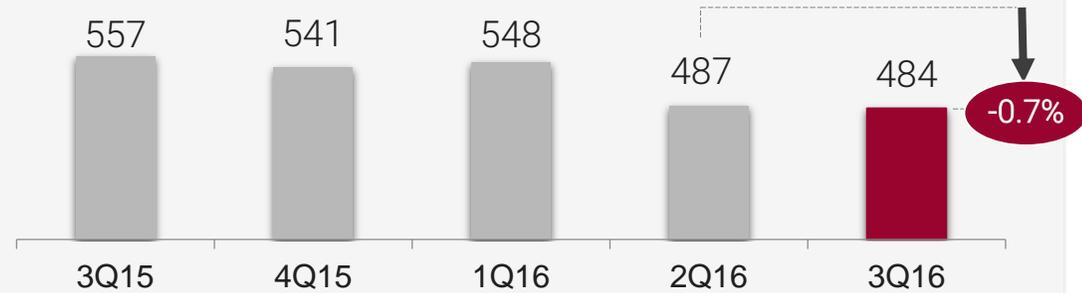
€ mln	3Q16	2Q16	Change (QoQ%)
Net Interest Income	483.5	486.9	(0.7%)
Net Fees	461.7	483.8	(4.6%)
Other revenues	127.8	188.5	(32.2%)
Total revenues	1,073	1,159.1	(7.4%)
Operating Costs	(650.3)	(633.8)	2.6%
Personnel costs	(418.4)	(403.4)	3.7%
Other admin expenses	(176.7)	(178.7)	(1.1%)
Pre-provision profit	422.7	525.4	(19.5%)
Total provisions	(1,301.6)	(368.0)	n.m.
Non-operating items	(59.8)	(79.1)	(24.4%)
Profit(Loss) before tax	(938.7)	78.3	n.m.
Taxes	(203.9)	139.2	n.m.
PPA & Other Items	(8.1)	(8.6)	(5.5%)
Net income	(1,150.7)	208.9	n.m.

	9M16	9M15*	Change (YoY%)
	1,518.7	1,717.5	(11.6%)
	1,402.4	1,358.3	3.2%
	496.4	1,022.2	(51.4%)
	3,417.5	4,098.0	(16.6%)
	(1,929.1)	(1,967.0)	(1.9%)
	(1,239.4)	(1,256.5)	(1.4%)
	(532.5)	(553.9)	(3.9%)
	1,488.4	2,131.0	(30.2%)
	(2,018.8)	(1,417.7)	42.4%
	(207.8)	65.8	n.m.
	(738.2)	779.1	n.m.
	(85.4)	(163.5)	(47.8%)
	(25.1)	(29.6)	(18.8%)
	(848.7)	584.7	n.m.



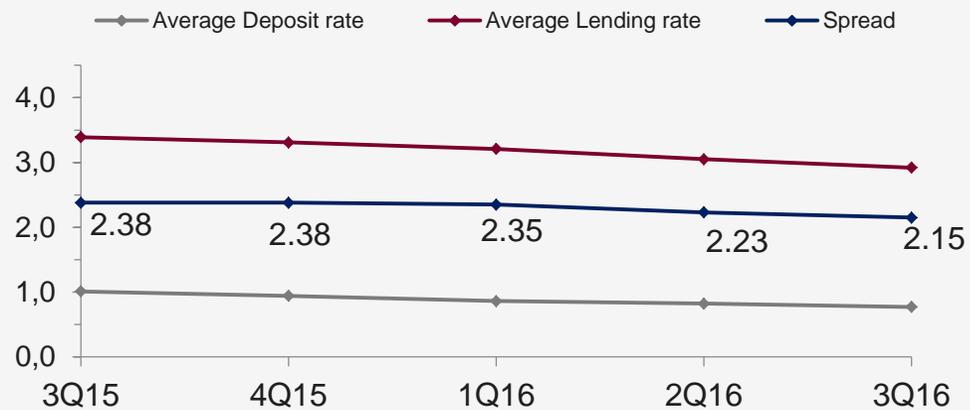
Net interest income

Net Interest Income (€/mln)



Net Interest Income almost stable (-0.7% QoQ) negatively impacted by lower volumes (including run off of ex-Consum.it portfolio) and lower interest rates partially offset by cost of funding reduction

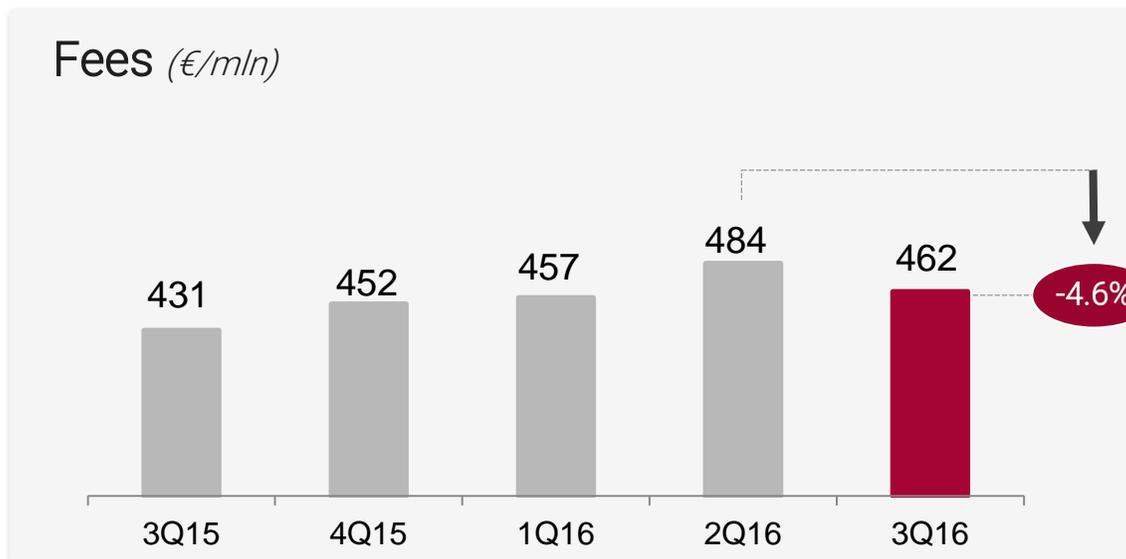
Spread trend (%)



QoQ	YoY
-5bps	-24bps
-8bps	-22bps
-13bps	-46bps



Fees and commissions income



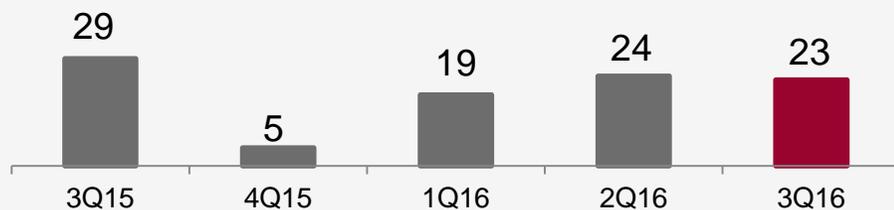
€/mln	3Q15	2Q16	3Q16	3Q16/2Q16	3Q16/3Q15
Wealth Management fees, o/w	184	194	180	-7.4%	-2.5%
<i>WM Placement</i>	88	95	81	-14.6%	-7.4%
<i>Continuing</i>	72	75	78	3.3%	7.7%
<i>Bond Placement</i>	15	14	12	-10.5%	-16.9%
<i>Protection</i>	9	10	8	-16.4%	-11.8%
Traditional Banking fees, o/w	302	323	301	-6.9%	-0.4%
<i>Credit facilities</i>	136	149	131	-11.7%	-3.3%
<i>Trade finance</i>	19	20	17	-13.2%	-8.4%
<i>Payment services and client expense recovery</i>	147	154	152	-1.4%	3.4%
Other	-55	-33	-19	-43.8%	-66.0%
Total Net Fees	431	484	462	-4.6%	7.1%

1. Net fees and commissions decreased by 4.6% QoQ driven by seasonality in the placement of wealth management products (-14.6% QoQ) and in credit facilities fees (-11.7% QoQ)
2. Asset management stock at EUR 57bn, up EUR 1.4bn vs. Jun-16 driven by net inflows and market performance
3. Assets under custody stock at EUR 41.6bn (-EUR 0.6bn)

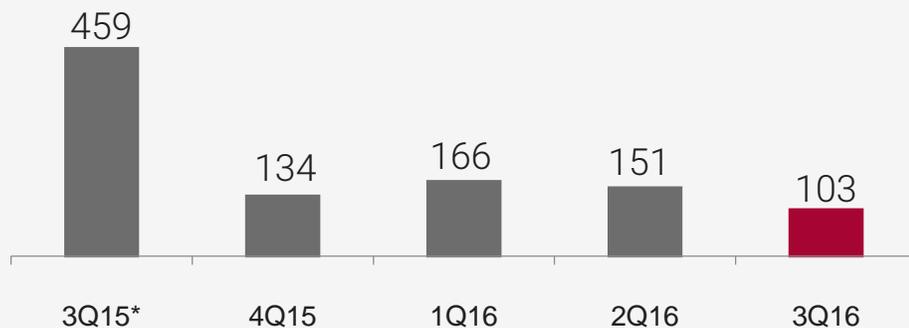


Dividends and Trading Income

Dividends /Income from investments (€/mln)



Trading/disposal/valuation of financial assets (€/mln)



1. Dividends similar income and gains (losses) on investments stable vs. 2Q16 (which included also the Bank of Italy dividends), with an increase in the contribution from AXA

1. Trading/disposal/valuation of financial assets in 3Q16 at EUR 103mln vs. EUR 151mln in 2Q16 which was impacted by one-off items**. The main components of the 3Q16 results are:

- +EUR 25mln due to optimization of AFS portfolio
- +EUR 39mln from the reduction of the value of the liabilities at FV
- +EUR 35mln from trading and other components



*Restated figure

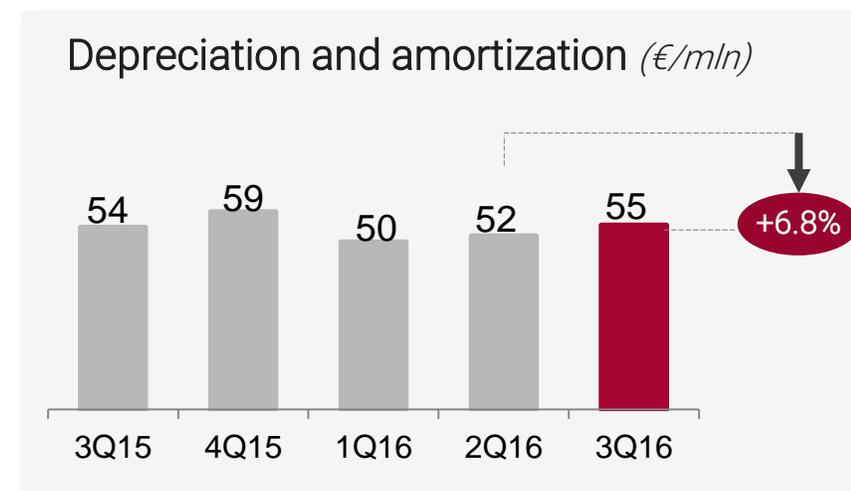
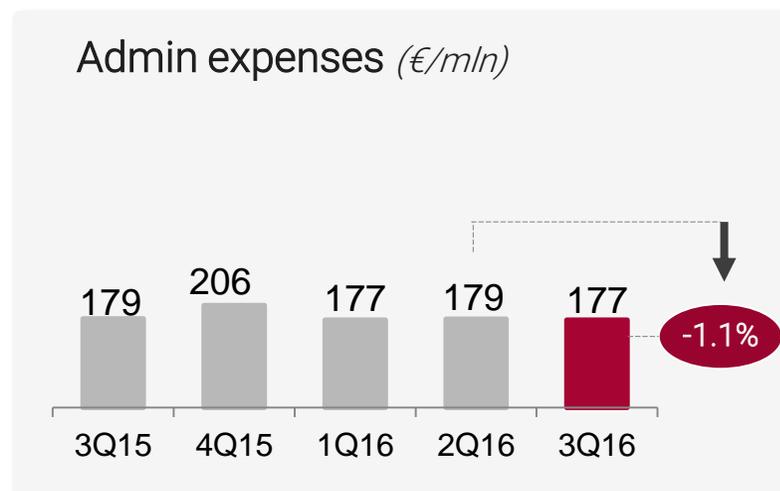
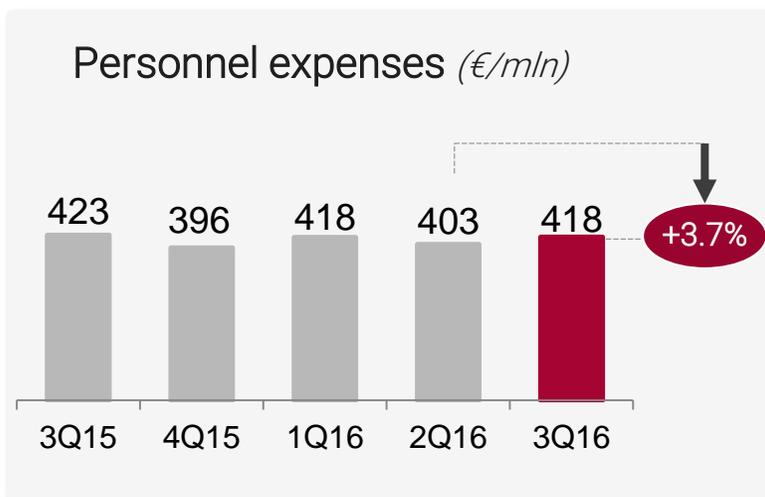
**+EUR 24mln of capital gain on Visa Europe and +EUR 42mln of repurchase of financial liabilities (mainly due to TLTR01)

Operating costs



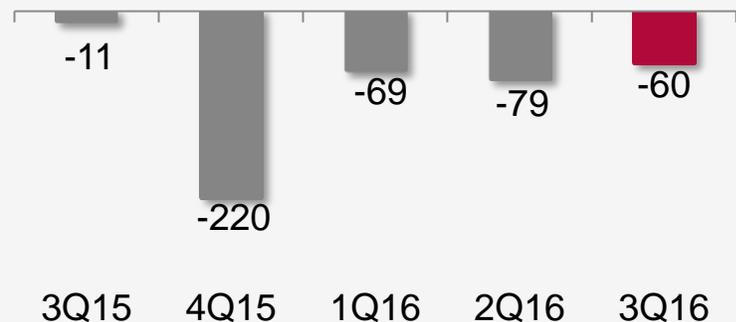
1. Total operating costs up 2.6% QoQ due to:

- Personnel expenses up 3.7% vs. the previous quarter which was affected by one-off components
- Other Admin Expenses down 1.1% QoQ due to seasonality trend
- Depreciation up 6.8% QoQ due to software amortization



Non-operating income and Taxes

Non-operating income (€/mln)



1. Non-operating income (-EUR 60mln) includes:

- -EUR 31mln of the full year contribution to the DGS fund
- -EUR 16mln of the DTA fees introduced by the Law Decree 59/2016 and related to third quarter

€/mln	3Q15	4Q15	1Q16	2Q16	3Q16
DGS & SRF	-55	-141	-71		-31
DTAs Fees	-	-	-	-109	-16
Other*	44	-79	2	29	-13



Assets & Liabilities trends

Total Assets

€/mln	Sep-15*	Jun-16	Sep-16	QoQ%	YoY%
Customer loans	112,513	107,548	104,612	-2.7%	-7.0%
Loans to banks	6,432	7,953	7,669	-3.6%	19.2%
Financial assets	36,297	36,023	35,748	-0.8%	-1.5%
PPE and intangible assets	3,090	3,060	3,017	-1.4%	-2.4%
Other assets **	11,794	9,802	9,082	-7.3%	-23.0%
Total Assets	170,126	164,386	160,129	-2.6%	-5.9%

Total Liabilities

€/mln	Sep-15*	Jun-16	Sep-16	QoQ%	YoY%
Deposits from customers and securities issued	122,717	112,045	105,461	-5.9%	-14.1%
Deposits from banks	17,805	19,466	25,282	29.9%	42.0%
Other liabilities ***	19,848	22,920	20,613	-10.1%	3.9%
Group equity	9,730	9,929	8,746	-11.9%	-10.1%
Minority interests	26	26	27	1.9%	3.9%
Total Liabilities	170,126	164,386	160,129	-2.6%	-5.9%



Lending & Direct Funding

Total Lending

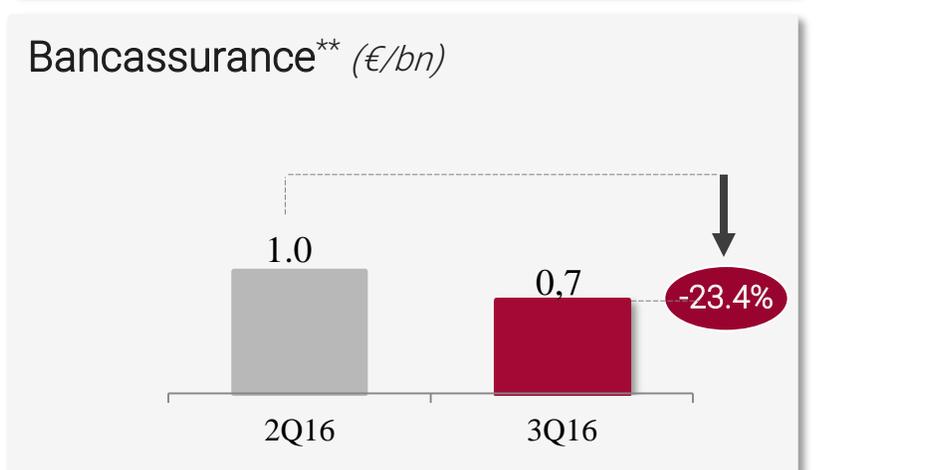
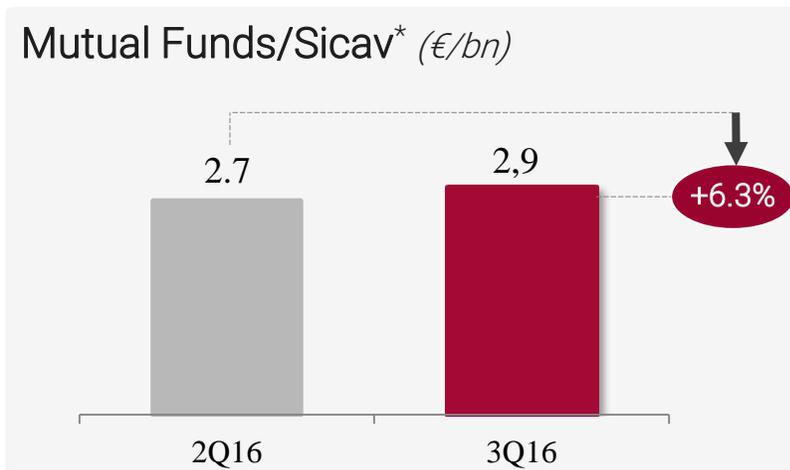
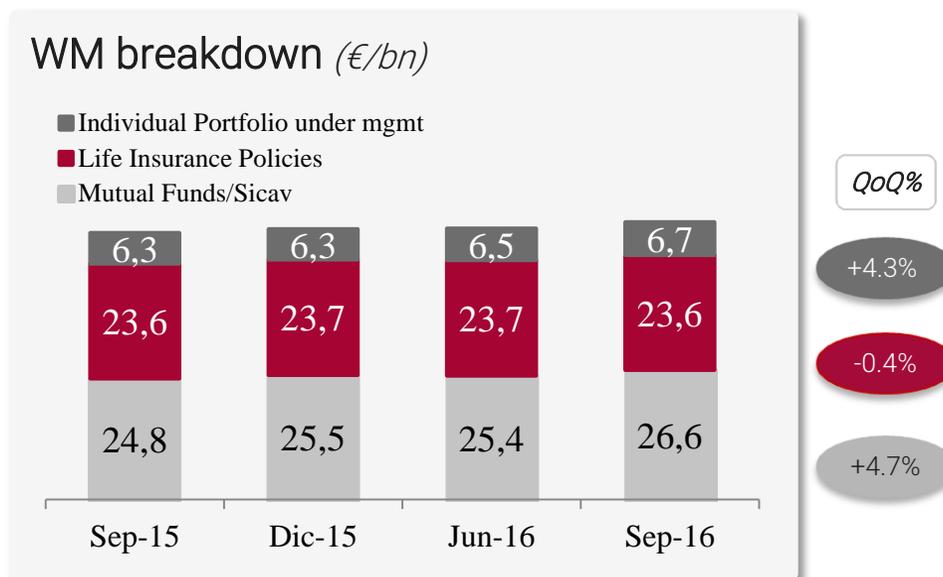
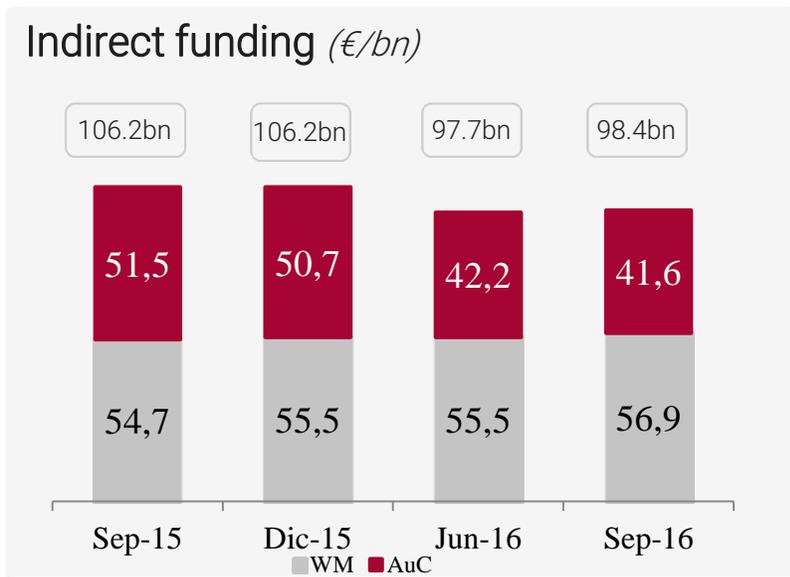
€/mln	Sep-15*	Jun-16	Sep-16	QoQ%	YoY%
Current accounts	8,004	7,627	7,192	-5.7%	-10.1%
Mortgages	53,472	51,511	50,476	-2.0%	-5.6%
Other forms of lending	22,191	22,383	22,042	-1.5%	-0.7%
Reverse repurchase agreements	3,508	1,419	1,249	-12.0%	-64.4%
Loans represented by securities	951	1,043	1,144	9.6%	20.2%
Impaired loans	24,387	23,565	22,509	-4.5%	-7.7%
Total	112,513	107,548	104,612	-2.7%	-7.0%

Direct funding

€/mln	Sep-15*	Jun-16	Sep-16	QoQ%	YoY%
Current accounts	55,889	52,924	47,621	-10.0%	-14.8%
Time deposits	13,863	13,233	11,787	-10.9%	-15.0%
Repos	13,012	9,958	13,719	37.8%	5.4%
Bonds	30,623	28,726	26,198	-8.8%	-14.5%
Other types of direct funding	9,330	7,205	6,137	-14.8%	-34.2%
Total	122,717	112,045	105,461	-5.9%	-14.1%



Indirect funding



* Placement of gross Mutual Fund and Sicav products in 3Q16
 ** Placement of AXA-MPS Saving products (gross amount) in 3Q16

Financial assets: focus on Italian Govies portfolio

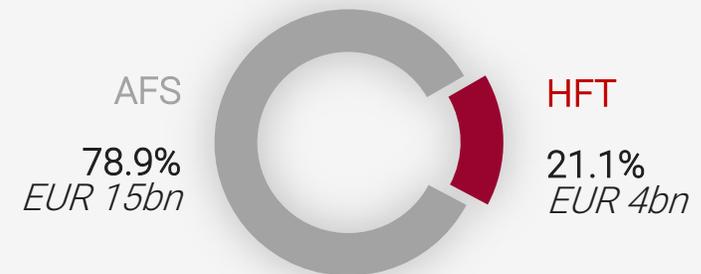
Financial Assets (€/mln)

	Sep-16	QoQ%	YoY%
HFT	18,746	+0.8%	+14.2%
AFS	17,002	-2.4%	-14.5%
Total	35,748	-0.8%	-1.5%

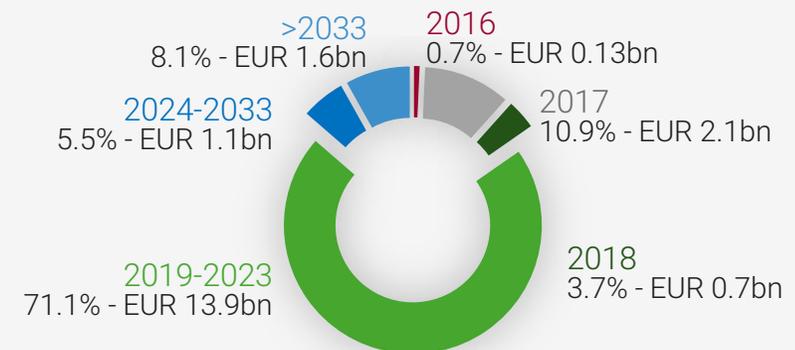
1. Total Italian Government Bond portfolio duration 4.8 years as at Sep-16
2. Total AFS Italian Government Bond portfolio duration 5.2 years as at Sep-16

Italian Government Bonds: ~EUR 20bn* (Market Value)

Breakdown by IAS category



Breakdown by maturity



* Figures from operational data management system



Asset Quality

Non Performing Exposures (NPE)

<i>(€ mln)</i>	Net	QoQ (%)	YoY (%)	Gross	QoQ (%)	YoY (%)	Coverage (%)
Bad loans (<i>sofferenze</i>)	10,903	3.1	15.1	28,230	3.6	7.3	61.4
Unlikely to Pay	10,067	-11.3	-17.1	15,359	-3.8	-12.5	34.5
NP past due / overdue exposures	1,539	-6.4	-44.5	1,995	-4.9	-44.9	22.8
Total NPE	22,509	-4.5	-7.7	45,584	0.6	-4.0	50.6
NPE ratio (%)	21.5	-	-	35.5	-	-	-



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Any forward-looking statements in this document are subject to a number of risks and uncertainties. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Group’s ability to achieve its projected objectives or results is dependent on many factors which are outside Group’s control. Actual results may differ materially from those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. Moreover, such forward-looking information contained herein has been prepared on the basis of a number of assumptions which may prove to be incorrect and, accordingly, actual results may vary. All forward-looking statements included herein are based on information available to the Company as of the date hereof. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

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Pursuant to paragraph 2, article 154-bis of the Consolidated Finance Act, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this document corresponds to the document results, books and accounting records

