MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Credit Risk Reporting

update to March 2018

Direzione Chief Risk Officer
Area Lending Risk Officer

May, 2018

Executive Summary – Highlights of March 2018 Results

- **RWAs at 34,7 €/mld**, up by 513 €/mln (+1,5%) vs December 2017. **RWAs of AIRB Portfolio**, up by approx. +608 €/mln, due to the increase of the EAD of performing Portfolio (+888 €/mln), mainly impacted by the grow of commercial activity
- **Shortfall** down by 1,3 €/bn vs December 2017, mainly due to the IFRS9 FTA effects
- **Average PD** as of March 2018 at 2,17%, substantially flat vs. December 2017 (+3 bps). The figures are affected by a few position (Cinecittà, Wolt), excluding them the average PD down by 9 bps
- **Average LGD** increases at 26,5%, from 26,1% of 2017 end, due to the grow of the weight of the corporate unsecured position
- **Performing Loans Exposure** at approx. 77 €/bn, +1 €/mld vs December: **Stage 1 exposure** at 59,4 €/bn, +864 €/mln vs. December 2017 (excluding Bankit), with a grow on better Rating Classes (A-C), and **Coverage**, at 15 bps (-1 bps);
- **Stage 3 exposure** at 21,3 €/bn (excluding bad loans in Valentine Perimeter), substantially flat vs December 2017, with a reduction of IP Rete and Rischio Anomalo. The **coverage**, at 57,2% shows a grow of approx. 84 bps, mainly due to the increase of coverage of Rischio Anomalo and Ristrutturati
- **Net Loan Loss Provision** for the IQ 2018 at 126,8 €/mln vs. 162 €/mln of the Budget. The cost for the Quarter is affected by a reversal of provision of about 39 €/mln, due to a reduction of Bad Loans in the Valentine perimeter. Excluding this component the cost of credit would be approx. 166 €/mln higher than Budget despite a low default flow
- **Total strengthening flow in line with the budget** (+25 €/mln): the over budget of Corporate Division (+700 €/mln) and Widiba (+9 €/mln) is substantially off-set by the Retail (-648 €/mln) and Wealth (-36 €/mln). **Total overhauling flows lower than the budget** (-65,5%) due to the Corporate Division (+48 €/mln) and Retail Division (+39 €/mln)
- **Default Flows** for the first quarter 2018 significantly lower than expected (-96 €/mln vs. budget), mainly thank to **Corporate** (-40% vs Budget)
- **Cure of Past Due e IP Rete by CCO Division** better than expected (180 €/mln, +39 €/mln vs. budget), thank to Corporate, whereas the **cure of Restructured and Rischio Anomalo allocated on DCNP** is lower than the target (59 €/mln, -159 €/mln vs. budget). Lower than expected also **Recovery on bad loans** positions (-46%) and **Flows from Restructured and Rischio Anomalo to Bad Loans** (243 €/mln, -256 €/mln vs. Budget)
- As of 31/3/2018 it is reported 15 breaches of the limits. The breaches are substantially related to the Cure Rate on Utop Loans and the Reduction of Utop/Bad Loans for CLO Division; to the Average PD, Exposure Amount on Performing Portfolio and the Worsening flows from Past due to Utop/Bad Loans for COO Division

Total Credit Portfolio: AIRB and Standard

Values in €/mln, regulatory risk measures	RWA by Portfolio Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
Standard	**7.543**	**7.448**				**-1,25%**	**7.057**
- of which Performing	*6.580*	*6.493*				*-1,31%*	*6.169*
- of which Non-Performing	*963*	*955*				*-0,84%*	*888*
AIRB	**26.631**	**27.238**				**2,28%**	**34.544**
- of which Performing	*26.631*	*27.238*				*2,28%*	*28.487*
- of which Non-Performing	*0*	*0*				*0,00%*	*6.058*
TOTAL	**34.173**	**34.687**				**1,50%**	**41.601**

Values in €/mln, regulatory risk measures	EAD by Portfolio Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
Standard	**22.049**	**16.330**				**-25,94%**	**19.231**
- of which Performing	*21.027*	*15.337*				*-27,06%*	*17.555*
- of which Non-Performing	*1.022*	*993*				*-2,82%*	*1.676*
AIRB	**105.671**	**106.133**				**0,44%**	**79.022**
- of which Performing	*62.863*	*63.750*				*1,41%*	*64.194*
- of which Non-Performing	*42.809*	*42.383*				*-0,99%*	*14.828*
TOTAL	**127.721**	**122.463**				**-4,12%**	**98.253**

Values in €/mln, regulatory risk measures	Shortfall Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
Performing	-48	-314				557,36%	-242
Non-Performing	-7.059	-8.090				14,61%	-1386
PD	*16*	*17*				*11,77%*	*27*
UtoP	*-517*	*-1.058*				*104,50%*	*-461*
Sofferenza	*-6.557*	*-7.049*				*7,51%*	*-953*
Total	**-7.107**	**-8.404**				**18,25%**	**-1.628**

- **RWAs at 34,7 €/bn**, up by 513 €/mln (+1,5%) vs December 2017, in particular:
  - ✓ **RWAs of Standard Portfolio**, down by approx. 95 €/mln (-1,25%), impacted by an EAD decrease by approx. 5,3 €/bn, mainly on position zero risk weight (Bankit and other Central Counterparties);
  - ✓ **RWAs of AIRB Portfolio**, up by approx. +608 €/mln, due to the increase of the EAD of performing Portfolio (+888 €/mln), mainly impacted by the growth of commercial activity with Corporate ctps.

- **Shortfall** down by 1,3 €/bn vs December 2017, mainly due to the IFRS9 FTA effects.

Standard Portfolio: Performing (1/2)

Values in €/mln, regulatory risk measures	RWA Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	5.063	5.162				1,95%	4.995
- of which Div.Corporate	*3.805*	*3.814*				*0,23%*	*3.686*
- of which Div.Retail	*1.134*	*1.212*				*6,88%*	*1.113*
- of which Div. Wealth	*12*	*11*				*-11,53%*	*11*
- of which Widiba	*112*	*126*				*11,92%*	*185*
CLO	0	0				-98,38%	0
CFO	572	653				14,07%	910
AD	943	678				-28,15%	264
TOTAL	**6.580**	**6.493**				**-1,31%**	**6.169**

Values in €/mln, regulatory risk measures	EAD Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	9.156	9.506				3,82%	8.063
- of which Div.Corporate	*6.786*	*6.855*				*1,03%*	*5.960*
- of which Div.Retail	*2.107*	*2.338*				*10,95%*	*1.690*
- of which Div. Wealth	*16*	*14*				*-9,19%*	*15*
- of which Widiba	*247*	*298*				*20,39%*	*399*
CLO	0	0				-99,07%	0
CFO	8.742	4.380				-49,90%	2.244
AD	3.129	1.451				-53,61%	7.248
TOTAL	**21.027**	**15.337**				**-27,06%**	**17.555**

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

Values in €/mln, regulatory risk measures	RWA/EAD Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	55,30%	54,31%				-1,80%	61,95%
- of which Div.Corporate	*56,07%*	*55,63%*				*-0,79%*	*61,85%*
- of which Div.Retail	*53,81%*	*51,83%*				*-3,67%*	*65,87%*
- of which Div. Wealth	*77,79%*	*75,79%*				*-2,57%*	*75,78%*
- of which Widiba	*45,41%*	*42,22%*				*-7,04%*	*46,27%*
CLO	57,56%	100,00%				73,74%	0,00%
CFO	6,55%	14,91%				127,67%	40,56%
AD	30,16%	46,71%				54,88%	3,65%
TOTAL	**31,29%**	**42,34%**				**35,30%**	**35,14%**

- **RWAs of Performing Standard Portfolio** at 6,5 €/bn, substantially stable vs December 2017 (-86 €/mln; -1,31%), with slight increase of the COO/CFO Division (+99 €/mln) and reduction of AD (-266 €/mln)
- **EAD** down by approx. 5,7 €/bn, mainly in CFO/AD Division, in particular:
  - ✓ **COO division** shows an increase of approx. 350 €/mln, mainly in Retail
  - ✓ **CFO** down by 4,4 €/bn entirely due to the reduction of the exposure vs. Bankit
  - ✓ **AD** down by 1,7 €/bn mainly due to the reduction of Bank of NY exposure

  The EAD reduction of CFO/AD affects the evolution of RWA/EAD ratio (at 42,3% in March vs. 31,3% in December)

Standard Portfolio includes Specialized Lending

Standard Portfolio: Non-Performing (2/2)

Values in €/mln, regulatory risk measures	RWA Dec-17	RWA Mar-18	RWA Jun-18	RWA Sep-18	RWA Dec-18	Change vs 2017	Expected FY 2018
CCO	172	102				-40,28%	143
- of which Div.Corporate	*38*	*26*				*-32,32%*	*50*
- of which Div.Retail	*130*	*73*				*-43,71%*	*90*
- of which Div. Wealth	*0*	*0*				*399,82%*	*1*
- of which Widiba	*3*	*3*				*4,30%*	*3*
CLO	791	852				7,77%	694
CFO	1	0				-58,76%	44
AD	0	0				-37,23%	6
TOTAL	**963**	**955**				**-0,84%**	**888**

Values in €/mln, regulatory risk measures	EAD Dec-17	EAD Mar-18	EAD Jun-18	EAD Sep-18	EAD Dec-18	Change vs 2017	Expected FY 2018
CCO	176	108				-38,38%	154
- of which Div.Corporate	*44*	*30*				*-32,88%*	46
- of which Div.Retail	*129*	*76*				*-40,97%*	104
- of which Div. Wealth	*0*	*0*				*255,50%*	0
- of which Widiba	*2*	*2*				*-2,52%*	3
CLO	845	884				4,63%	1.485
CFO	1	0				-58,53%	32
AD	0	0				157,33%	5
TOTAL	**1.022**	**993**				**-2,82%**	**1.676**

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

Values in €/mln, regulatory risk measures	RWA/EAD Dec-17	RWA/EAD Mar-18	RWA/EAD Jun-18	RWA/EAD Sep-18	RWA/EAD Dec-18	Change vs 2017	Expected FY 2018
CCO	97,5%	94,5%				-3,1%	93,3%
- of which Div.Corporate	*86,0%*	*86,7%*				*0,8%*	*107,4%*
- of which Div.Retail	*100,9%*	*96,2%*				*-4,7%*	*86,7%*
- of which Div. Wealth	*101,8%*	*143,1%*				*40,6%*	*132,9%*
- of which Widiba	*129,9%*	*139,0%*				*7,0%*	*95,2%*
CLO	93,6%	96,4%				3,0%	46,7%
CFO	100,6%	100,0%				-0,6%	138,8%
AD	546,0%	133,2%				-75,6%	117,3%
TOTAL	**94,3%**	**96,2%**				**2,0%**	**53,0%**

- **RWAs and EAD** substantially stable

Standard Portfolio includes Specialized Lending

AIRB Portfolio: Performing (1/2)

Values in €/mln, regulatory risk measures	RWA Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	26.630	27.238				2,28%	28.484
- of which Div.Corporate	*18.268*	*19.020*				*4,12%*	*19.489*
- of which Div.Retail	*8.237*	*8.095*				*-1,74%*	*8.870*
- of which Div. Wealth	*125*	*124*				*-0,77%*	*125*
CLO	0	0				0,00%	0
CFO	0	0				-86,36%	0
AD	0	0				-90,15%	2
TOTAL	**26.631**	**27.238**				**2,28%**	**28.487**

Values in €/mln, regulatory risk measures	EAD Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	62.862	63.750				1,41%	64.192
- of which Div.Corporate	*25.466*	*26.489*				*4,02%*	*26.159*
- of which Div.Retail	*36.847*	*36.731*				*-0,31%*	*37.457*
- of which Div. Wealth	*549*	*530*				*-3,54%*	*576*
CLO	0	0				0,00%	0
CFO	0	0				-77,65%	0
AD	0	0				-69,83%	2
TOTAL	**62.863**	**63.750**				**1,41%**	**64.194**

Values in €/mln, regulatory risk measures	PD Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	2,14%	2,17%				1,17%	1,81%
- of which Div.Corporate	*2,64%*	*2,73%*				*3,59%*	*2,25%*
- of which Div.Retail	*1,83%*	*1,79%*				*-2,15%*	*1,52%*
- of which Div. Wealth	*1,73%*	*1,95%*				*12,48%*	*1,45%*
CLO	0,00%	0,00%				0,00%	0,00%
CFO	0,13%	0,05%				-61,54%	0,13%
AD	3,81%	6,53%				71,39%	2,43%
TOTAL	**2,14%**	**2,17%**				**1,17%**	**1,81%**

Values in €/mln, regulatory risk measures	LGD Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Change vs 2017	Expected FY 2018
CCO	26,14%	26,54%				1,53%	28,84%
- of which Div.Corporate	*37,54%*	*38,11%*				*1,50%*	*41,25%*
- of which Div.Retail	*18,82%*	*18,79%*				*-0,19%*	*20,76%*
- of which Div. Wealth	*19,27%*	*19,23%*				*-0,23%*	*19,06%*
CLO	0,00%	0,00%				0,00%	0,00%
CFO	38,00%	46,41%				22,12%	42,19%
AD	33,55%	11,09%				-66,95%	44,40%
TOTAL	**26,14%**	**26,54%**				**1,53%**	**28,84%**

Perimeter: MPS, MPS CS, MPS LF

- **RWAs of AIRB Performing Portfolio**, up by approx. +608 €/mln, due to the increase of the EAD (+888 €/mln), affected exclusively by the activity of the **COO Division**. In particular, **Corporate** shows an increase (+752 €/mln of RWAs vs December 2017 and +1.023 €/mln of EAD), thank to the grows of loans, while **Retail** is substantially flat vs December 2017.
- **The average Pd** increases by 3 bps vs December, due to Corporate (+9 bps, of which +20 bps due to worsening in E3 of Cinecittà and Wolt Spa) and Wealth (+22 bps), whereas Retail decreases (-4 bps)

AIRB Portfolio: Non-Performing (2/2)

Values in €/mln, regulatory risk measures	RWA					Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18		
CCO	0	0				0,00%	292
- of which Div.Corporate	*0*	*0*				*0,00%*	*125*
- of which Div.Retail	*0*	*0*				*0,00%*	*166*
- of which Div. Wealth	*0*	*0*				*0,00%*	*2*
CLO	0	0				0,00%	5.765
CFO	0	0				0,00%	0
AD	0	0				0,00%	0
TOTAL	**0**	**0**				**0,00%**	**6.058**

Values in €/mln, regulatory risk measures	EAD					Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18		
CCO	1.753	1.410				-19,57%	1.197
- of which Div.Corporate	*746*	*499*				*-33,19%*	*407*
- of which Div.Retail	*1.004*	*909*				*-9,40%*	*780*
- of which Div. Wealth	*3*	*2*				*-31,23%*	*9*
CLO	40.997	40.965				-0,08%	13.631
CFO	2	0				-100,00%	0
AD	57	8				-86,42%	0
TOTAL	**42.809**	**42.383**				**-0,99%**	**14.828**

Values in €/mln, regulatory risk measures	SHORTFALL					Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18		
CCO	56	-45				-180,95%	-9
- of which Div.Corporate	*43*	*5*				*-88,10%*	*15*
- of which Div.Retail	*12*	*-50*				*-515,50%*	*-25*
- of which Div. Wealth	*0*	*0*				*-361,87%*	*1*
CLO	-7.095	-8.041				13,33%	-1.378
CFO	0	0				-100,00%	0
AD	-19	-4				-79,39%	0
TOTAL	**-7.059**	**-8.090**				**14,61%**	**-1.386**

Values in €/mln, regulatory risk measures	LGD					Change vs 2017	Expected FY 2018
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18		
CCO	28,55%	26,25%				-8,04%	26,95%
- of which Div.Corporate	*36,40%*	*33,43%*				*-8,17%*	*36,06%*
- of which Div.Retail	*22,74%*	*22,33%*				*-1,78%*	*22,41%*
- of which Div. Wealth	*19,54%*	*20,65%*				*5,68%*	*19,79%*
CLO	49,72%	49,96%				0,49%	43,07%
CFO	71,01%	0,00%				-100,00%	37,72%
AD	67,20%	50,16%				-25,36%	41,93%
TOTAL	**48,86%**	**49,16%**				**0,61%**	**41,74%**

- **The RWAs on defaulted assets** are expected to be introduced in IIH 2018
- **Shortfall** down by 1,3 €/bn vs December 2017, mainly due to the IFRS9 FTA effects

AIRB Performing Portfolio: PD Evolution vs. 2017 Year-End (1/3)

Total

Values in €/mln, regulatory risk measures	EAD		AVG PD		
	Dec-17	Mar-18	Dec-17	Mar-18	Δ bps
Upgrading	7.177	7.307	3,45%	1,68%	-21
Stable	45.374	45.776	1,82%	1,77%	-4
Downgrading	7.102	7.066	2,23%	5,10%	33
Default flow	258	*256*	15,21%	*100,00%*	-5
Out	1.441	0	3,04%	0,00%	-2
Cured	*195*	175	*100,00%*	12,66%	3
New Inputs	0	1.862	0,00%	1,71%	-1
Total Performing	**61.352**	**62.187**	**2,14%**	**2,17%**	**3**

+ 8 bps (Upgrading, Stable, Downgrading)

Corporate

Values in €/mln, regulatory risk measures	EAD		AVG PD		
	Dec-17	Mar-18	Dec-17	Mar-18	Δ bps
Upgrading	2.501	2.641	3,58%	1,77%	-19
Stable	17.955	18.699	2,42%	2,30%	-9
Downgrading	2.735	2.743	2,64%	6,47%	42
Default flow	77	*77*	14,10%	*100,00%*	-3
Out	702	0	3,43%	0,00%	-2
Cured	*53*	45	*100,00%*	11,25%	2
New Inputs	0	813	0,00%	2,62%	0
Total Performing	**23.970**	**24.941**	**2,64%**	**2,73%**	**9**

+ 14 bps (Upgrading, Stable, Downgrading)

Retail

Values in €/mln, regulatory risk measures	EAD		AVG PD		
	Dec-17	Mar-18	Dec-17	Mar-18	Δ bps
Upgrading	4.581	4.571	3,38%	1,63%	-22
Stable	27.084	26.750	1,42%	1,40%	-1
Downgrading	4.243	4.209	2,00%	4,25%	26
Default flow	112	*110*	16,94%	*100,00%*	-5
Out	812	0	3,62%	0,00%	-4
Cured	*94*	85	*100,00%*	13,88%	3
New Inputs	0	1.100	0,00%	1,46%	-1
Total Performing	**36.832**	**36.716**	**1,83%**	**1,79%**	**-4**

+ 3 bps (Upgrading, Stable, Downgrading)

Wealth

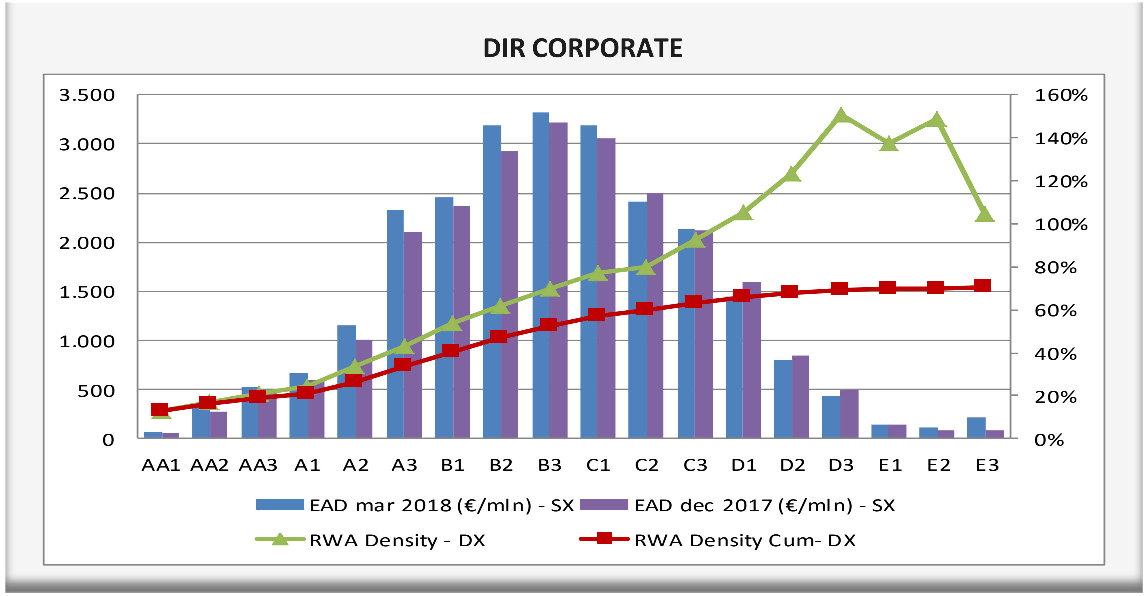
Values in €/mln, regulatory risk measures	EAD		AVG PD		
	Dec-17	Mar-18	Dec-17	Mar-18	Δ bps
Upgrading	91	91	3,38%	1,55%	-30
Stable	322	313	1,50%	1,52%	1
Downgrading	121	111	1,04%	3,55%	53
Default flow	0	*0*	18,87%	*100,00%*	0
Out	15	0	2,19%	0,00%	-1
Cured	*0*	0	*100,00%*	21,83%	1
New Inputs	0	15	0,00%	1,01%	-3
Total Performing	**549**	**530**	**1,73%**	**1,95%**	**22**

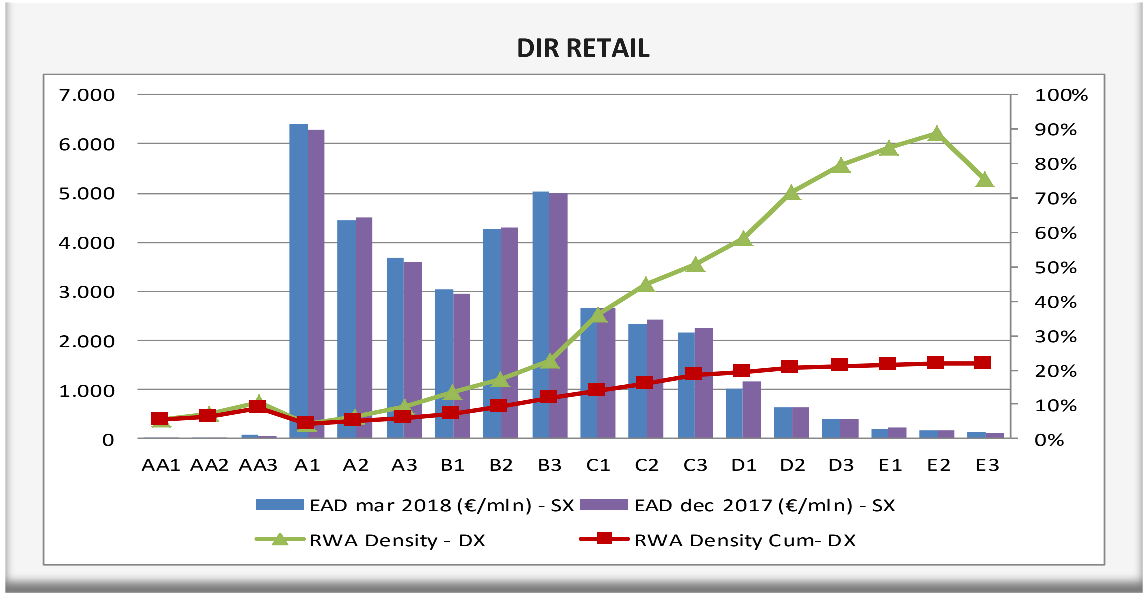
+ 24 bps (Upgrading, Stable, Downgrading)

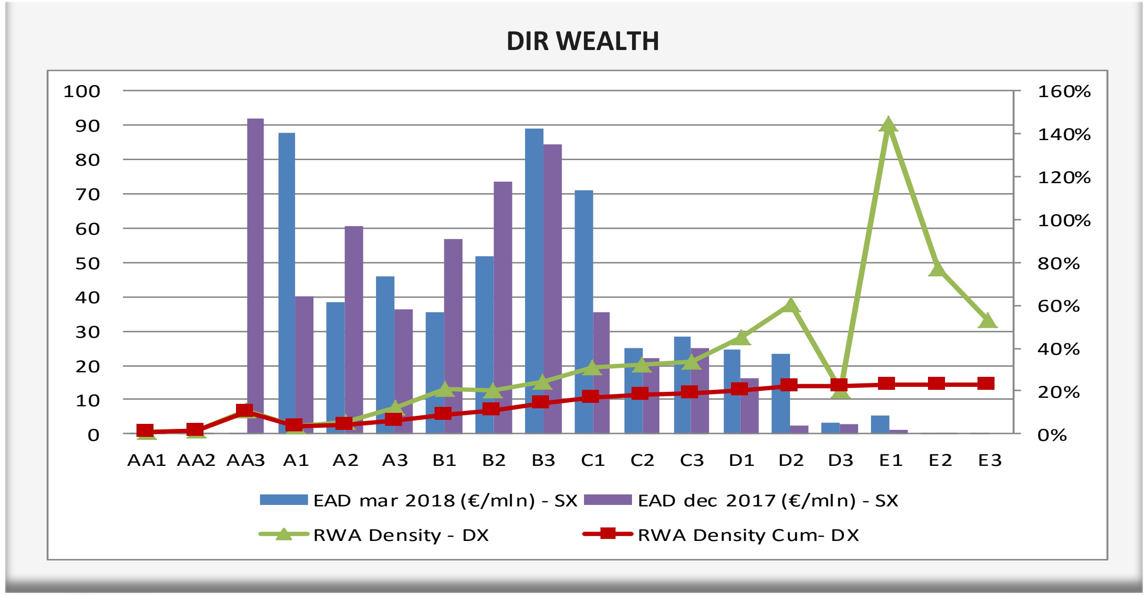
Perimeter: MPS, MPS CS, MPS LF

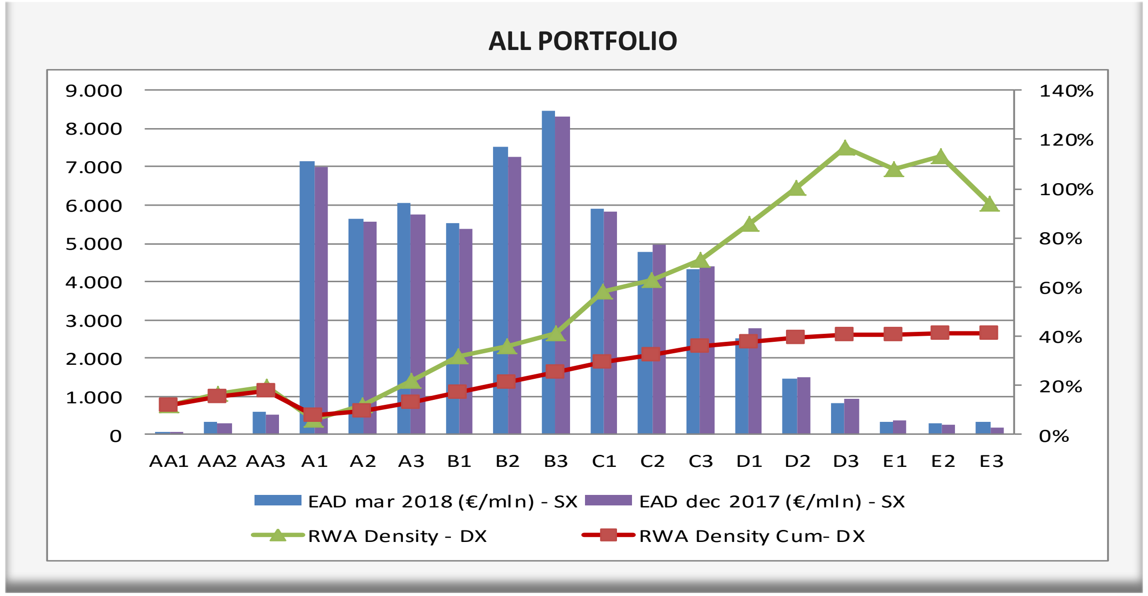
- **Average PD** as off March 2018 at 2,17%, substantially flat vs. December 2017 (+3 bps): the contribution of position classified performing from begin of the year (+8 bps, affected by Downgrading, 7 €/bn with a PD increase of +277 bps from 2017 end, due to Cinecittà and Wolt Spa of about 70 bps) and the position cured (+3 bps) is substantially off-set by the benefit of default flows (-5 bps), outputs (-2 bps) and new production (-1 bps)
- **PD Retail** down by 4 bps; **PD Corporate** up by 9 bps, due to an higher effect of downgrading (+42 bps) and lower effect of Default Flow (-3 bps)

AIRB Performing Portfolio: RWA Density by Rating Classes (2/3)









AIRB Performing Portfolio: LGD by type of Collateral (3/3)

Total

Values in €/mln, regulatory risk measures	Dec-17		Mar-18		Jun-18	Sep-18	Dec-18
FINANCIAL COLLATERAL	406	0,7%	367	0,6%			
LGD	0,00%		0,00%				
REAL ESTATE COLLATERAL	37.051	60,4%	36.472	58,6%			
LGD	16,15%		16,02%				
PERSONAL GUARANTEES	1.226	2,0%	1.393	2,2%			
LGD	37,43%		37,58%				
UNSECURED	22.670	37,0%	23.955	38,5%			
LGD	42,32%		42,32%				
TOTAL EAD	**61.352**	**100%**	**62.187**	**100%**			
AVERAGE LGD	**26,14%**		**26,54%**				

Perimeter: MPS, MPS CS, MPS LF

Corporate

Values in €/mln, regulatory risk measures	Dec-17		Mar-18		Jun-18	Sep-18	Dec-18
FINANCIAL COLLATERAL	122	0,5%	106	0,4%			
LGD	0,00%		0,00%				
REAL ESTATE COLLATERAL	7.500	31,3%	7.005	28,1%			
LGD	24,70%		24,70%				
PERSONAL GUARANTEES	694	2,9%	793	3,2%			
LGD	37,33%		37,61%				
UNSECURED	15.654	65,3%	17.037	68,3%			
LGD	44,00%		43,88%				
TOTAL EAD	**23.970**	**100%**	**24.941**	**100%**			
AVERAGE LGD	**37,54%**		**38,11%**				

Perimeter: MPS, MPS CS, MPS LF

Retail

Values in €/mln, regulatory risk measures	Dec-17		Mar-18		Jun-18	Sep-18	Dec-18
FINANCIAL COLLATERAL	236	0,6%	215	0,6%			
LGD	0,00%		0,00%				
REAL ESTATE COLLATERAL	29.326	79,6%	29.252	79,7%			
LGD	13,99%		13,96%				
PERSONAL GUARANTEES	529	1,4%	597	1,6%			
LGD	37,54%		37,52%				
UNSECURED	6.741	18,3%	6.651	18,1%			
LGD	39,05%		38,95%				
TOTAL EAD	**36.832**	**100%**	**36.716**	**100%**			
AVERAGE LGD	**18,82%**		**18,79%**				

Perimeter: MPS, MPS CS, MPS LF

Wealth

Values in €/mln, regulatory risk measures	Dec-17		Mar-18		Jun-18	Sep-18	Dec-18
FINANCIAL COLLATERAL	47	8,6%	45	8,6%			
LGD	0,00%		0,00%				
REAL ESTATE COLLATERAL	224	40,9%	214	40,4%			
LGD	13,58%		13,37%				
PERSONAL GUARANTEES	3	0,5%	3	0,6%			
LGD	40,95%		40,38%				
UNSECURED	275	50,1%	267	50,4%			
LGD	26,99%		26,96%				
TOTAL EAD	**549**	**100%**	**530**	**100%**			
AVERAGE LGD	**19,27%**		**19,23%**				

Perimeter: MPS, MPS CS, MPS LF

- **Average LGD** increases at 26,5%, from 26,1% of 2017 end, due to the increase of the weight of the unsecured position of Corporate
- **Average LGD Retail and Wealth** substantially flat

Credit Portfolio - Performing and Non-Performing Exposures

Values in €/mln

Stage 1

		Dec-17 IAS39			Dec-17 FTA			Mar-18		
		GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage
RATING	A	30.729	12,8	0,04%	30.729	8,6	0,03%	26.338	11,3	0,04%
	A**	24.117	12,8	0,05%	24.117	9	0,04%	24.516	11,3	0,05%
	B	22.339	54,1	0,24%	22.339	36	0,16%	22.477	31,1	0,14%
	C	11.229	81,0	0,72%	11.229	39	0,35%	11.523	36,7	0,32%
	D	840	21,3	2,53%	840	8	0,96%	870	9,7	1,11%
	E	57	6,4	11,08%	57	2	3,48%	60	1,8	3,08%
	TOTAL**	**58.582**	**175,5**	**0,30%**	**58.582**	**93,9**	**0,16%**	**59.447**	**90,6**	**0,15%**

- **Stage 1 exposure** at 59,5 €/bn, +864 €/mln vs. December 2017 (excluding Bankit), with moderate growth on the best rating classes (A-C).
- Consequently, in IQ 18 **the coverage**, at 15 bps shows a slight decrease (-1 bps) .
- **IFRS9 FTA effect on stage 1** provisions equal to -82 €/mln (-14 bps of coverage).

Values in €/mln

Stage 2

		Dec-17 IAS39			Dec-17 FTA			Mar-18		
		GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage
RATING	A	870	1	0,15%	870	8	0,90%	1.068	8	0,71%
	B	1.839	17	0,91%	1.839	37	1,99%	2.016	31	1,54%
	C	8.034	79	0,98%	8.034	234	2,91%	7.613	217	2,85%
	D	5.711	180	3,15%	5.711	342	5,99%	5.717	321	5,62%
	E	1.148	92	8,00%	1.148	124	10,81%	1.337	163	12,17%
	TOTAL	**17.602**	**368,7**	**2,09%**	**17.602**	**744,3**	**4,23%**	**17.751**	**739,6**	**4,17%**

- **Stage 2 exposure** at 17,8 €/bn, +149 €/mln vs. December 2017, with a grow on Classes A/B/C and a decrease on class C.
- In IQ 18 **Coverage,** at 4,17%, down by 6 bps.
- **IFRS9 FTA effect on** provisions equal to +376 €/mln (+213 bps of coverage) mainly due to the use of PD Lifetime in the calculation of the ECL.

Values in €/mln

Stage 3

		Dec-17 IAS39			Dec-17 FTA			Mar-18		
		GBV	Provisions	Coverage	GBV	Provisions	Coverage	GBV	Provisions	Coverage
DEFAULT	Past due	530	140	26,35%	530	195	36,79%	479	173	36,12%
	IP Rete	1.532	451	29,42%	1.532	554	36,13%	1.205	429	35,64%
	Ristrutturati	3.888	1.578	40,58%	3.888	1.702	43,76%	4.069	1.851	45,48%
	Massivo	774	303	39,07%	774	387	49,94%	986	476	48,33%
	Rischio Anomalo	5.312	2.332	43,90%	5.312	2.610	49,13%	4.929	2.446	49,63%
	Sofferenze ***	9.295	5.966	64,18%	9.295	6.567	70,65%	9.590	6.775	70,65%
	TOTAL	**21.332**	**10.768**	**50,48%**	**21.332**	**12.014**	**56,32%**	**21.257**	**12.150**	**57,16%**

Budget format - Loans on/off balance sheet and related provisions both inclusive of default interest ***net of exposures to Bankit* *** net of Valentine Perimeter

- **Stage 3 exposure** at 21 €/bn (excluding Valentine Perimeter), substantially flat vs December 2017 (-74 €/mln), with a reduction of IP Rete and Rischio Anomalo
- In IQ 18 **coverage**, at 57,16%, up by 84 bps, mainly due to the increase of coverage of Ristrutturati and Rischio Anomalo
- **IFRS9 FTA effect** on provisions equal to approx. +1,2 €/bn (+584 bps of coverage) mainly due to the "sale scenario" and the cost of workout Platform (Sirio)
- **Global IFRS9 FTA Effects** approx. 1,5 €/bn

The GBV includes the loans that breach SPPI test, and that are designated at FVTPL; consequently the provisions include the difference between nominal value and fair value of these assets
The GBV and Provision include also interests for late payments

Credit Portfolio – Transition Matrix

		Stock t0	PE	Past due/ Ip rete	Ip r.a./ Ip ristr	Bad Loans	Output	Bonis	Past due/ Ip rete	Ip r.a./ Ip ristr	Bad Loans
			State t0 - Exposure t0					State t0 - Exposure t1			
State T0	PE	76.185	75.045	230	56	22	832	75.849	226	55	23
	Past due/Ip rete	2.062	180	1.467	337	60	18	160	1.454	355	62
	Ip r.a./Ip ristr	9.974	61	1	9.567	221	124	58	1	9.541	224
	Bad Loans	9.295	4	3	9	9.226	54	3	2	8	9.264
	New Clients							1.128	1	25	17
	Total	**97.516**	**75.290**	**1.700**	**9.969**	**9.529**	**1.028**	**77.198**	**1.684**	**9.984**	**9.590**

Default Flow	**304**
Worsening	**640**
Cure	**244**

		Stock t0	PE	Past due/ Ip rete	Ip r.a./ Ip ristr	Bad Loans	Output	Bonis	Past due/ Ip rete	Ip r.a./ Ip ristr	Bad Loans
			State t0 - Exposure t0					State t0 - Exposure t1			
State T0	Bonis	100,0%	98,5%	0,3%	0,1%	0,0%	1,1%		0,3%	0,1%	0,0%
	Past due/Ip rete	100,0%	8,7%	71,2%	16,3%	2,9%	0,9%	7,8%		17,2%	3,0%
	Ip r.a./Ip ristr	100,0%	0,6%	0,0%	95,9%	2,2%	1,2%	0,6%	0,0%		2,2%
	Soff	100,0%	0,0%	0,0%	0,1%	99,3%	0,6%	0,0%	0,0%	0,1%	

		Stock t0	Past due/ Ip rete	Ip r.a./ Ip ristr	Bad Loans	Total Default Flow	Past due/ Ip rete	Ip r.a./ Ip ristr	Bad Loans	Total Default Folow
		State t0 - Exposure t1					%			
State T0	**PE**	**76.185**	**226**	**55**	**23**	**304**	**0,3%**	**0,1%**	**0,0%**	**0,4%**
	Stage 1	58.582	22	8	3	32	0,0%	0,0%	0,0%	0,1%
	Stage 2	17.602	205	47	21*	272	1,2%	0,3%	0,1%	1,5%
	% stage2 su tot	23,10%	90,46%	85,52%	88,79%	89,44%				

	Stock t0	-Def Flow	+ Cure	-Closed Facility	+ New Facility	- Out From Other Stage	+ In to Other Stage	Loan change	Stock t1
Stage 1	58.582	-36	13	-7.592	10.584	-2.561	2.029	-1.573	59.447
Stage 2	17.602	-272	209	-1.605	1.585	-1.991	2.565	-342	17.751
Total	**76.185**	**-308**	**221**	**-9.196**	**12.170**	**-4.552**	**4.594**	**-1.915**	**77.198**

** Of Which 9 mln "Comune di Penne" and Comune di Castel Nuovo Berardenga"*

Credit Portfolio: Non Performing Exposures by Vintage*

Values in €/mln	PAST DUE					
	Dec - 17 IAS 39		Dec - 17 FTA		Mar - 18	
	GBV	Coverage	GBV	Coverage	GBV	Coverage
0-6	*207*	23,10%	*207*	30,22%	*232*	25,94%
6-12	*99*	19,96%	*99*	28,27%	*72*	31,03%
>12	*223*	32,20%	223	46,67%	176	51,65%
TOTAL	**530**	**26,35%**	**530**	**36,79%**	**479**	**36,12%**

- Reduction of the Past Due focused on older vintage classes. The vintage class > 12 month down by approx. 47 €/mln, consequently the related weigth decreases by from approx. 42% to 37%

Values in €/mln	UtoP					
	Dec - 17 IAS 39		Dec - 17 FTA		Mar - 18	
	GBV	Coverage	GBV	Coverage	GBV	Coverage
0-12	*1.830*	39,47%	*1.830*	44,31%	*1.809*	47,94%
12-24	*1.239*	35,73%	*1.239*	41,74%	*1.196*	42,90%
24-36	*1.353*	37,50%	*1.353*	44,62%	*1.307*	43,40%
>36	*7.084*	42,21%	7.084	46,86%	6.876	47,33%
TOTAL	**11.507**	**40,52%**	**11.507**	**45,64%**	**11.188**	**46,50%**

- Decrease of Utop focused on Vintage Cass > 24 years. Composition by Vintage substantially unchanged

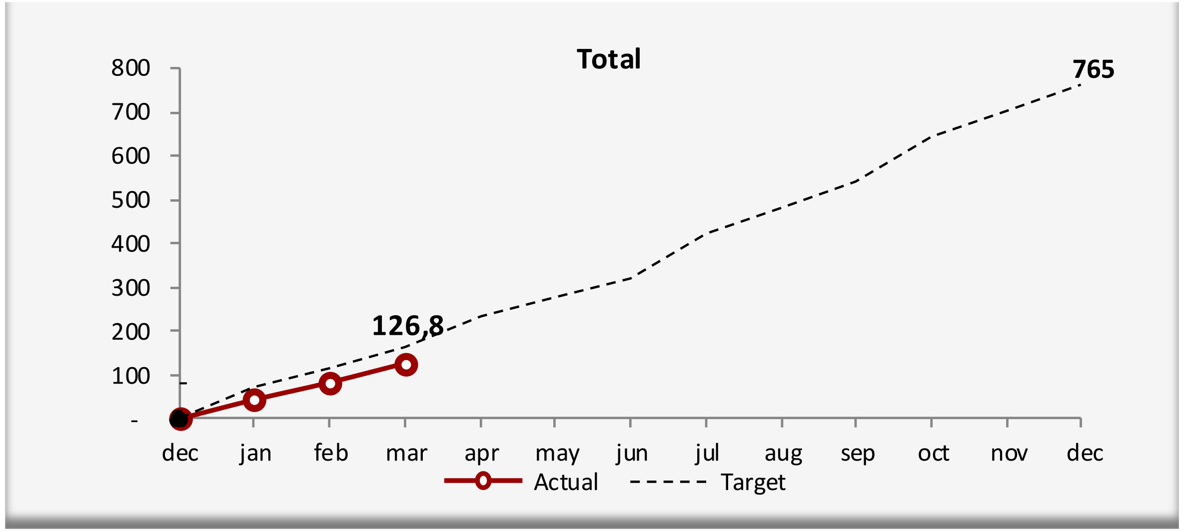
Values in €/mln	BAD LOANS					
	Dec - 17 IAS 39		Dec - 17 FTA		Mar - 18	
	GBV	Coverage	GBV	Coverage	GBV	Coverage
1	*3.917*	59,93%	*3.917*	66,35%	*4.069*	65,96%
2	*1.602*	53,86%	*1.602*	60,91%	*1.658*	61,87%
3	*647*	58,08%	*647*	67,04%	*664*	67,46%
4	*495*	60,99%	*495*	68,06%	*501*	67,94%
5	*408*	66,80%	*408*	75,01%	*417*	75,41%
>5	*2.227*	81,10%	2.227	86,05%	2.281	86,04%
TOTAL	**9.295**	**64,18%**	**9.295**	**70,65%**	**9.590**	**70,65%**

- Composition of Bad Loans Portfolio by Vintage substantially stable vs. December. Increase of the coverage in vintage Classes 2 3 and 5 years

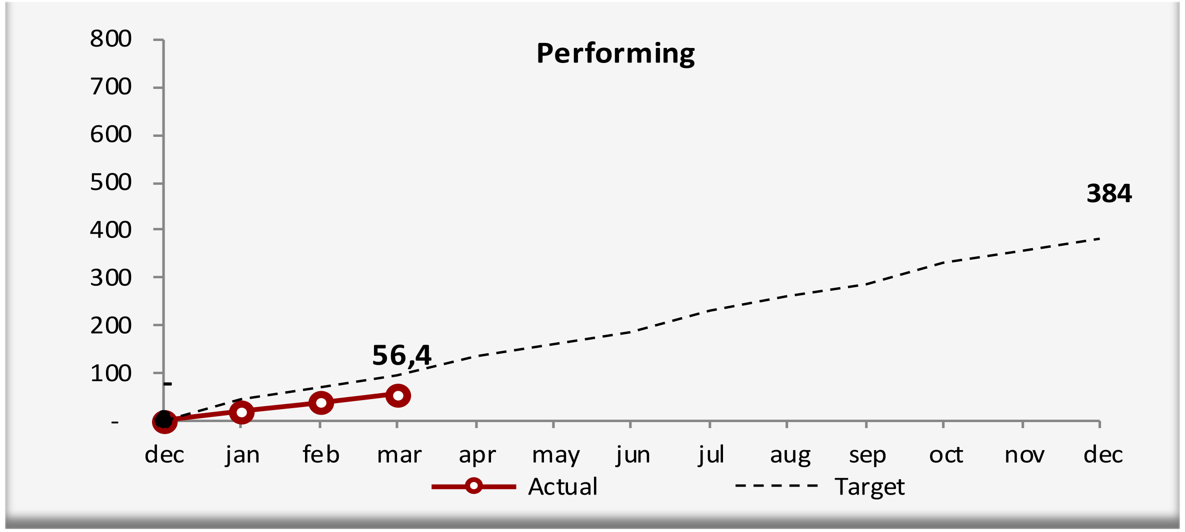
Perimeter: MPS, MPS CS, MPS LF, Widiba
Bad loans not included Valentine

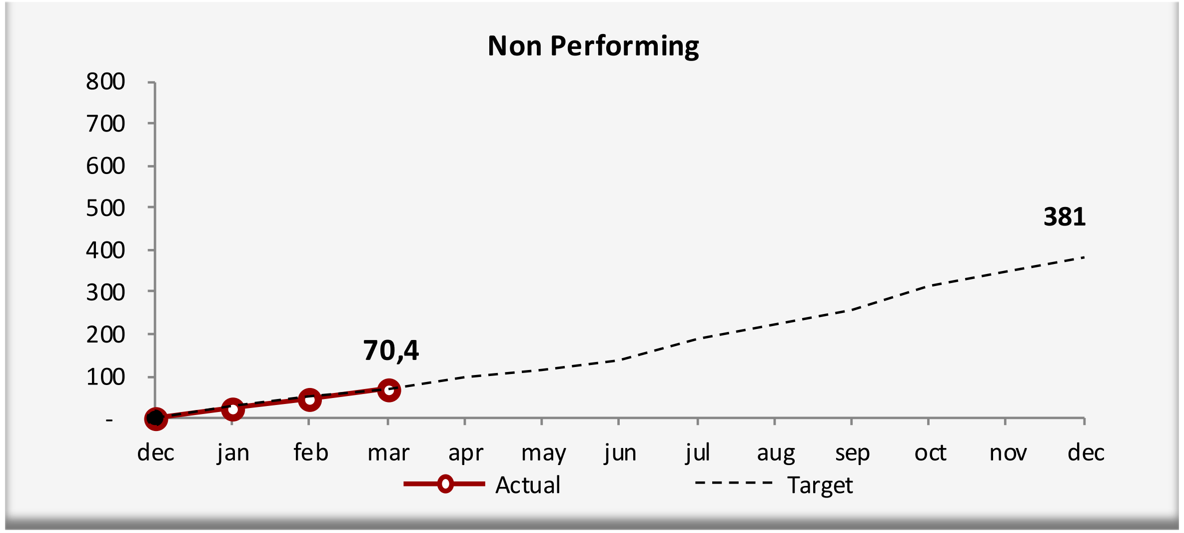
** Vintage = from the last day on performing*

Net Loan Loss Provision: Cost of Performing and Non-Performing Loans (1/3)



- **Net Loan Loss Provision** for the IQ 2018 at 126,8 €/mln vs. 162 €/mln of the Budget
- The cost for the Quarter is affected by a reversal of provision of about 39 €/mln, due to a reduction of Bad Loans in the Valentine perimeter, related to so called "Fidi Toscana" (GBV 233 €/mln), subject to a precedent clause until 31/3/2018 according to agreements with Questio. Excluding this component the cost of credit would be approx. 166 €/mln. In particular:
  - ✓ **Cost of the Performing Loans** at 56,4 €/mln vs 94 €/mln of the Budget
  - ✓ **Cost of the Non Performing Loans** at 70,4 €/mln vs. 67,7 €/mln of the Budget. Excluding reversal of provision related to the change in Valentine, the cost of Non Performing would be 109 €/mln, over the Budget

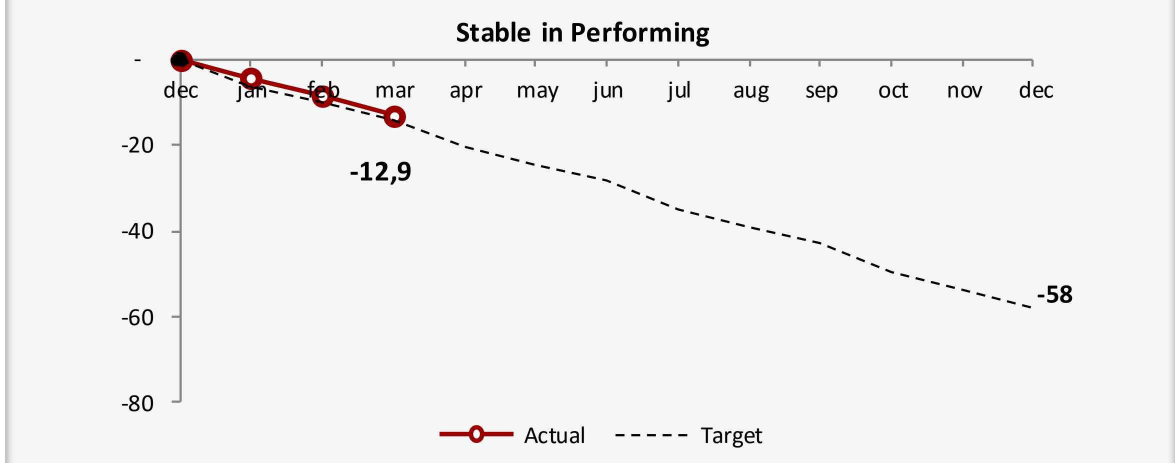


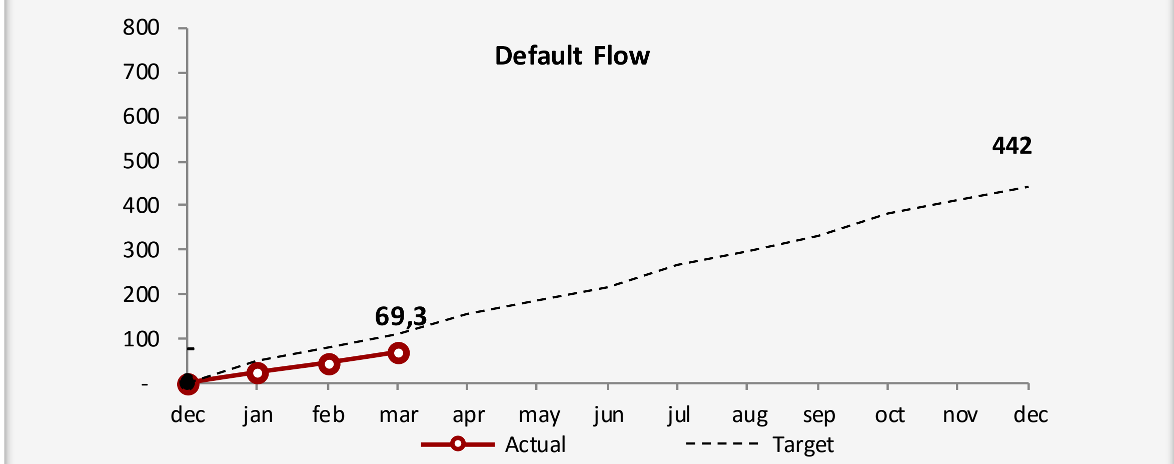


Perimeter: MPS, MPS CS, MPS LF, Widiba

Perimeter: MPS, MPS CS, MPS LF, Widiba

Net Loans Loss Provision: Cost of Performing Loans (2/3)



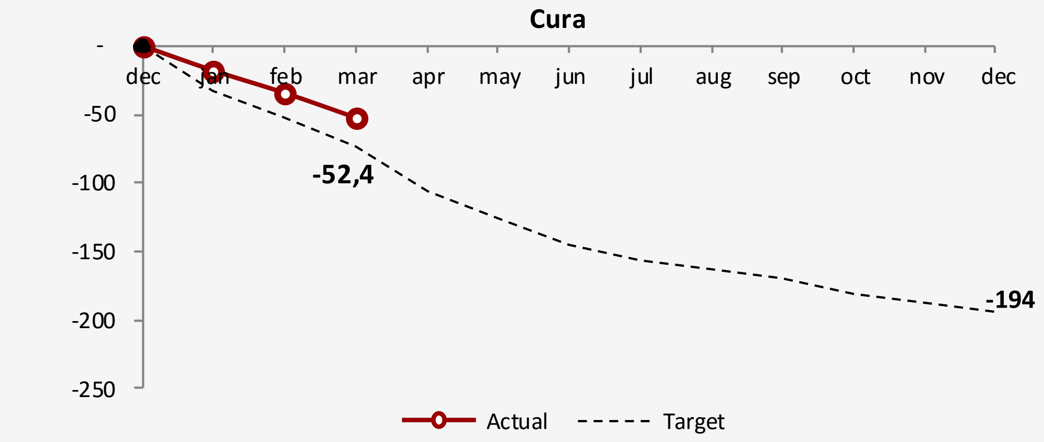


Values in €/mln	Default Flow Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	dec-18
Actual	304									
Budget	*412*	*618*	*722*	*825*	*1.031*	*1.134*	*1.237*	*1.443*	*1.546*	*1.649*

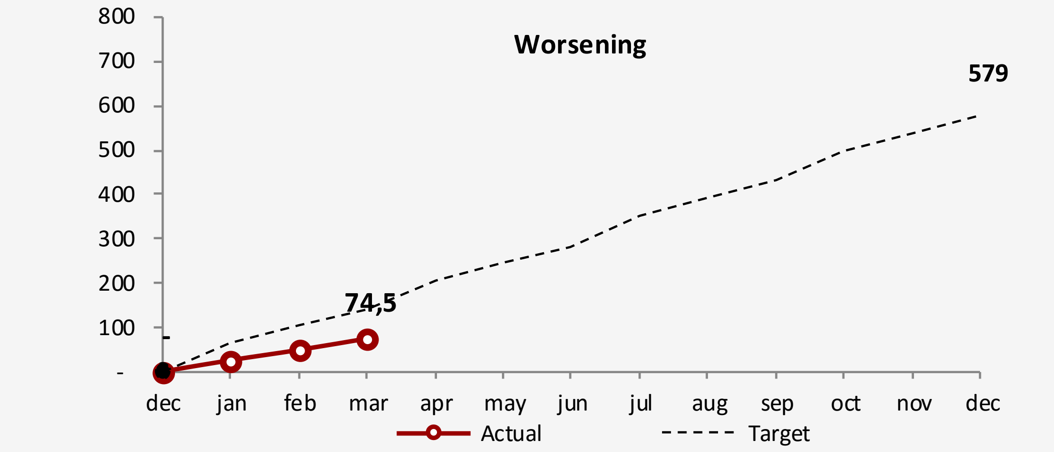
- **Cost of the Performing Loans** at 56,4 €/mln vs 94 €/mln of the Budget. In particular:
  - ✓ the **stable positions** in Performing from the beginning of the year show a reversal of provision of about 12,9 €/mln, substantially in line with the Budget, mainly related to the closing exposure of Carraro (-11 €/mln)
  - ✓ **Cost of the default flow** at 69,3 €/mln, vs 108 of the Budget, -38,8 €/mln, thank to lower flows from PE than expected (304 €/mln vs 412 €/mln of the budget)

Perimeter: MPS, MPS CS, MPS LF, Widiba

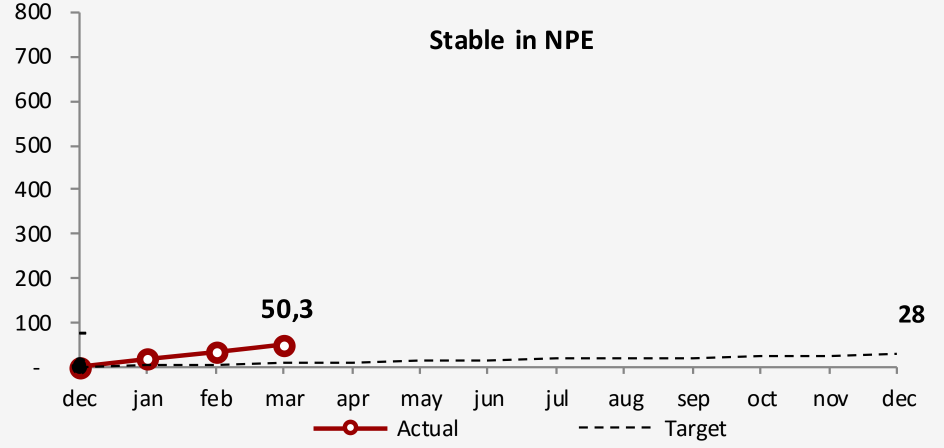
Net Loans Loss Provision: Cost of Non Performing Loans (3/3)



Values in €/mln	Cure									
	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	dec-18
Actual	244									
Budget	371	495	619	742	784	825	866	907	948	990



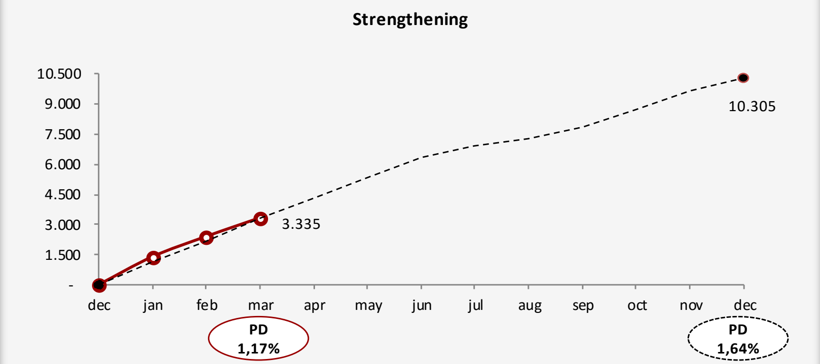
Values in €/mln	Worsening									
	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	dec-18
Actual	640									
Budget	816	1.089	1.361	1.633	1.905	2.177	2.449	2.722	2.994	3.266

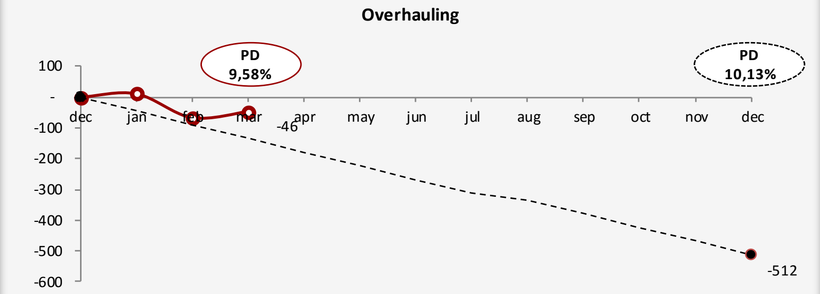


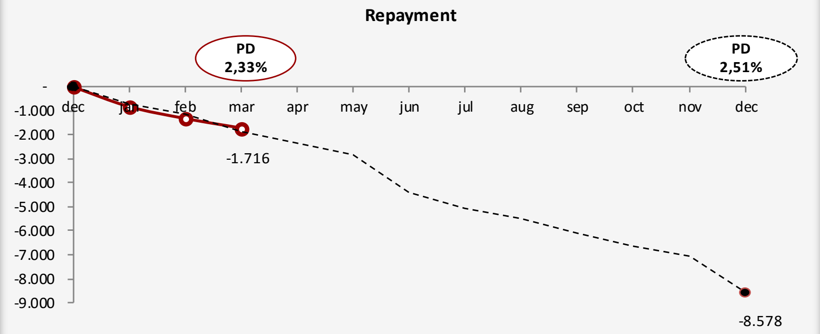
- **Cost of the Non Performing Loans** at 70,4 €/mln vs. 67,7 €/mln of the Budget, in particular:
  - ✓ **Reversal of Provision related to Cured Position** at 52,4 €/mln, vs 72,9 of the Budget mainly due to to lower flows from NPE to PE than expected (244 €/mln vs 371 €/mln of the budget);
  - ✓ **Cost of Worsening of NPE Loans** at 74,5 €/mln, significantly better of the budget (equal to 141,7 €/mln), mainly due to a lower flows from UTP managed by Restructured and Rischio Anomalo Division to Bad Loans;
  - ✓ **Cost of stable position** at 50,3 €/mln vs -1 €/mln of the Budget.

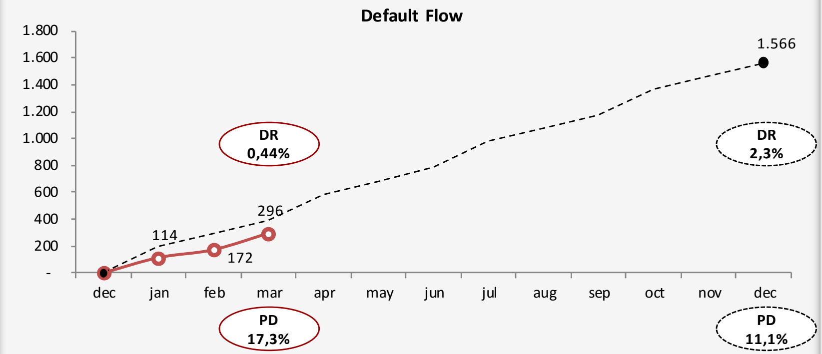
Perimeter: MPS, MPS CS, MPS LF, Widiba

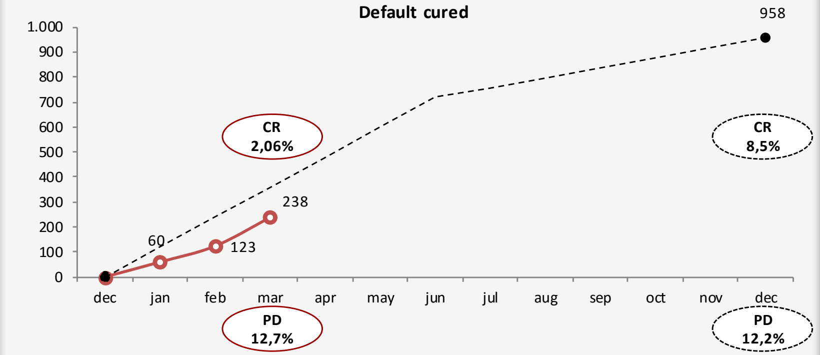
Dashboard: Parameters - Credit Policies*

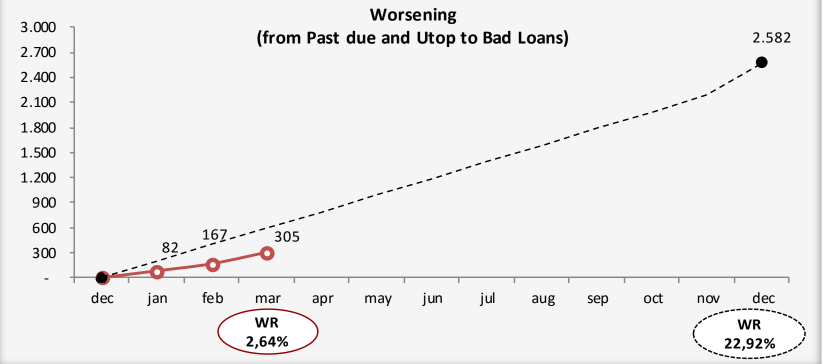


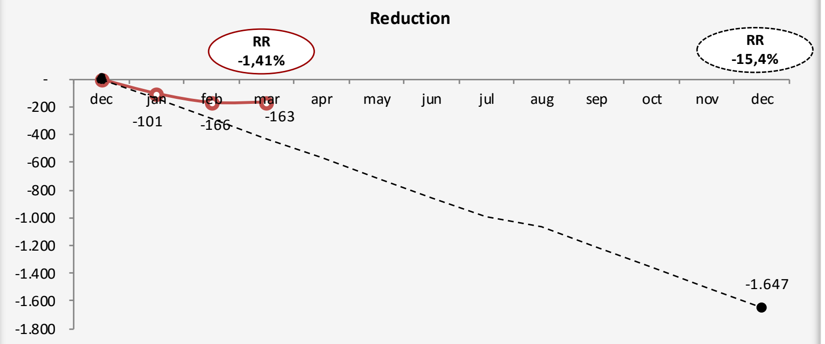


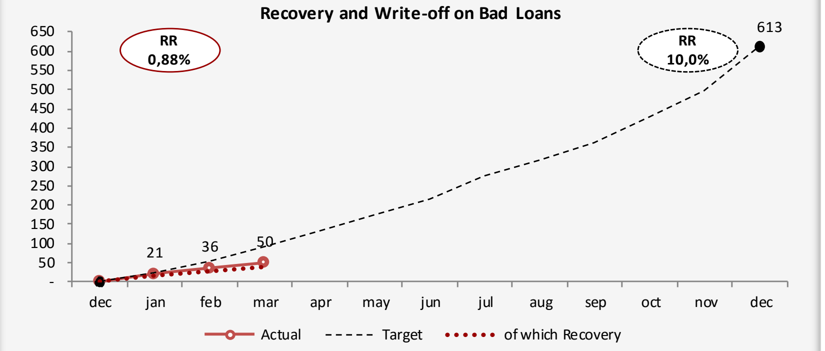












- Lower **Default Flows**, mainly thanks to the Corporate customers
- **Cure** lower than the target, due to loans in «Rischio Anomalo» and «Restructured»
- Lower **Worsening** due to loans in «Rischio Anomalo»
- **Reduction** and **Recovery** lower than budget

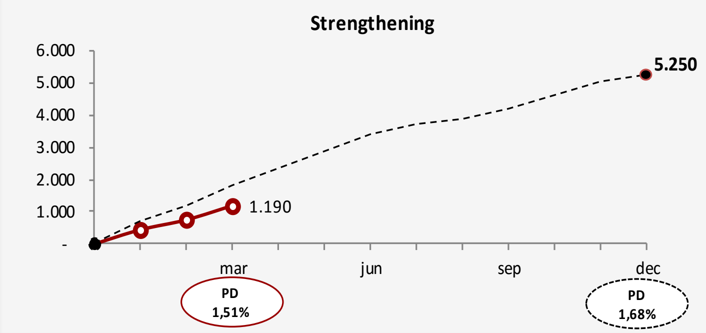
Actual

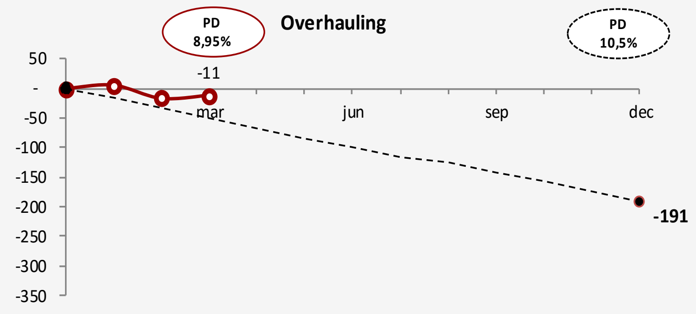
Target

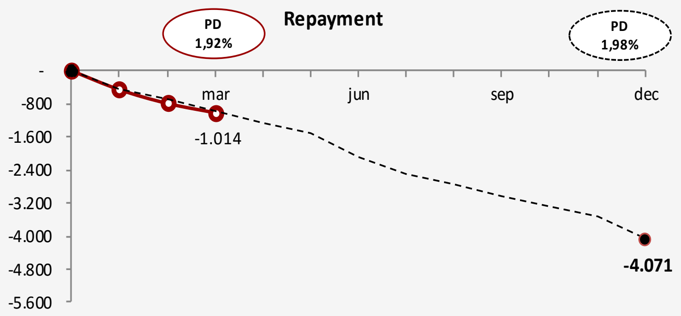
* Included only on balance exposures and commercial exposures

Retail and Corporate: strengthening, overhauling and repayment flows (1/2)

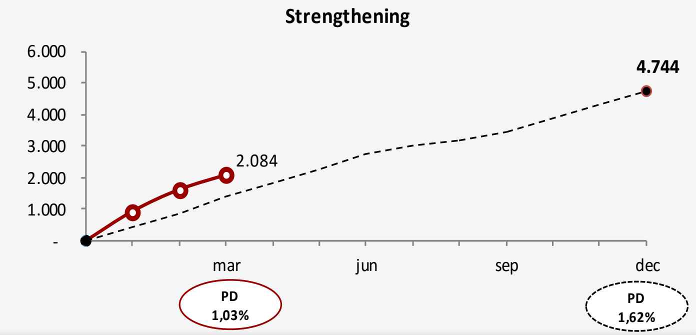
R E T A I L

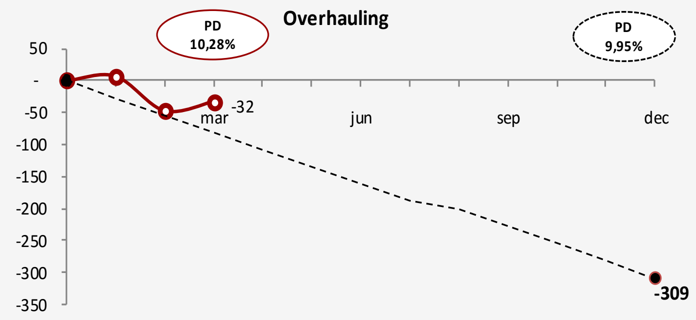


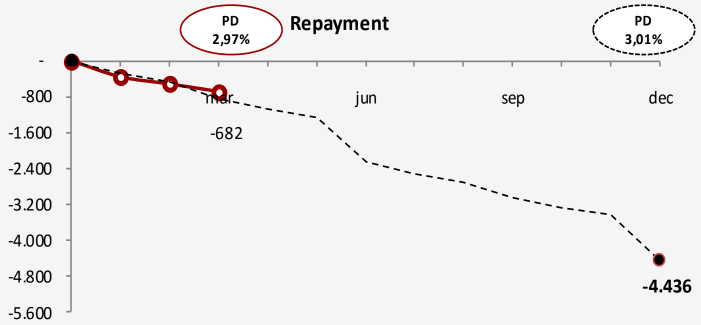




C O R P O R A T E







Retail = Valore, Premium e Small Business

Corporate = PMI, Enti, Corporate Top, Grandi Gruppi, Filiali Estere, MPS CS e MLS LF

Actual

Target

The figures include only to on-balance exposures

Wealth and Widiba: strengthening, overhauling and repayment flows (2/2)

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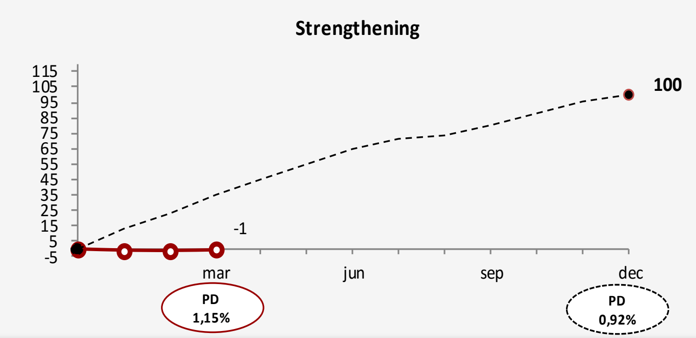

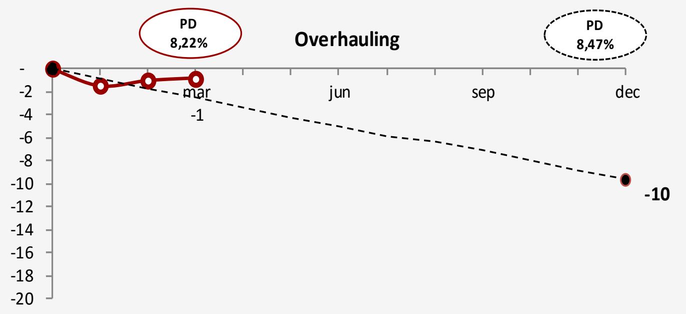

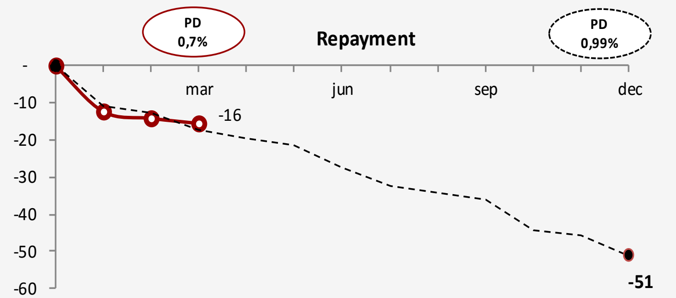

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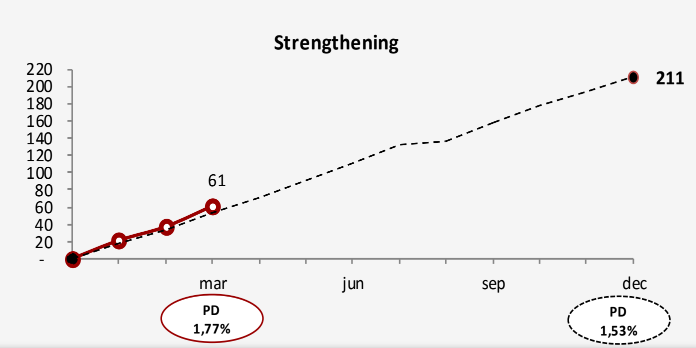
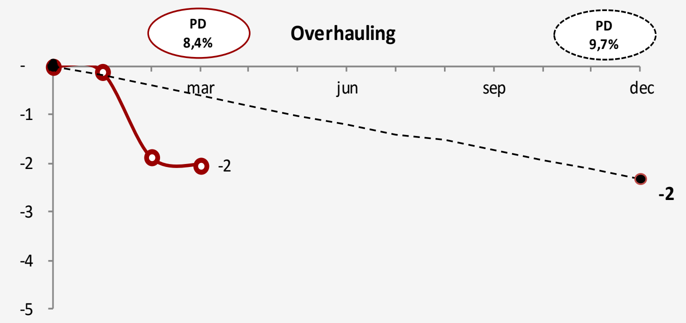
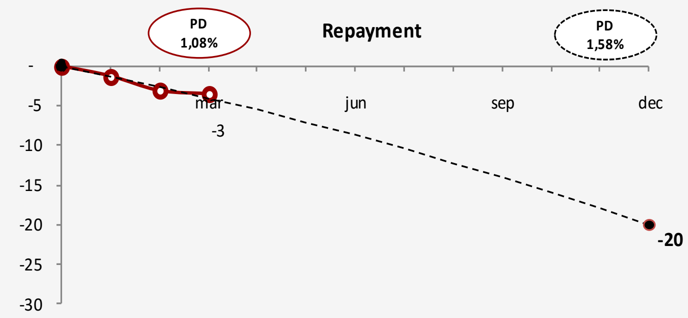






Retail = *Valore, Premium e Small Business*

Corporate = *PMI, Enti, Corporate Top, Grandi Gruppi, Filiali Estere, MPS CS e MLS LF*

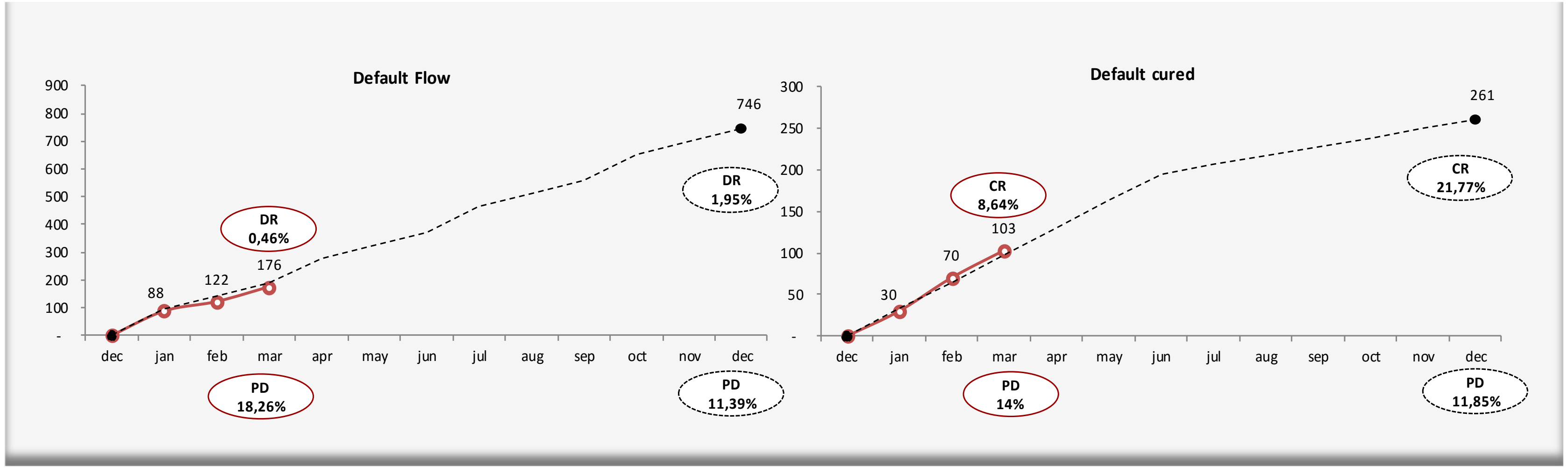
Actual

Target

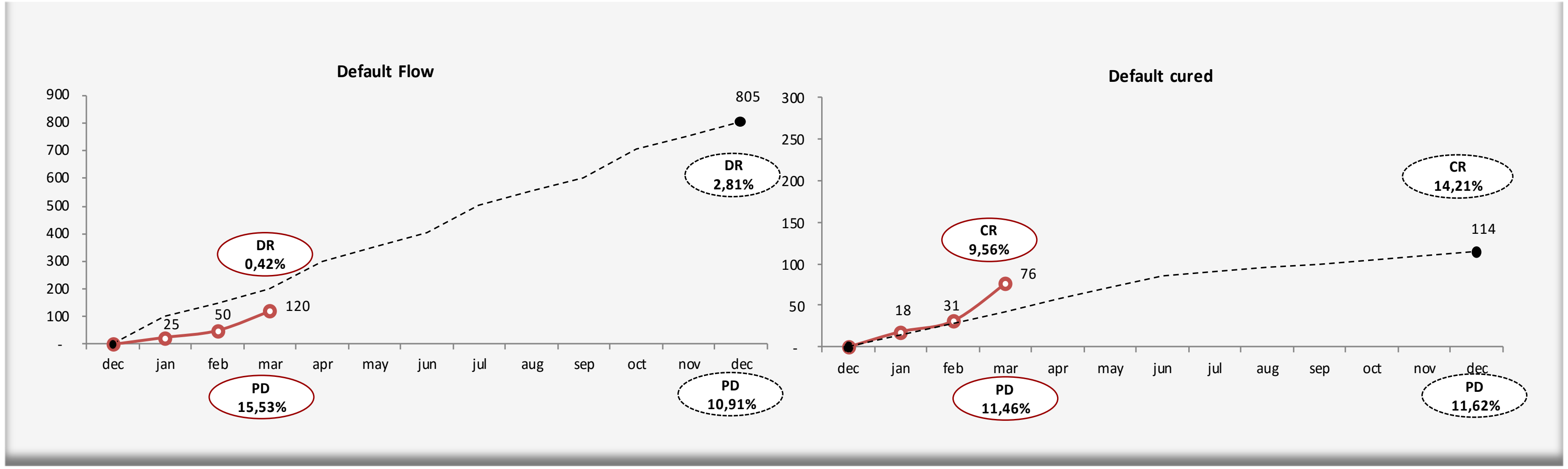
The figures include only to on-balance exposures

Retail and Corporate: Cure and Default Flow (1/2)

RETAIL



CORPORATE



- **Default Flows** for the first quarter 2018 at 296 €/mln, -96 €/mln vs. budget:
  - ✓ **Retail** at 176 €/mln, -10 €/mln vs. Budget
  - ✓ **Corporate** at 120 €/mln, -81 €/mln vs. Budget

- **Default cured** at 180 €/mln, +39 €/mln vs. budget, thank to Corporate, in particular:
  - ✓ **Retail** at 103 €/mln, +5 €/mln vs. Budget, mainly thank to the Small Business
  - ✓ **Corporate** at 76 €/mln, +33 €/mln vs. Budget, mainly due to same big tickets (in particular Aedifica SRL, SDS Navigation SRL) in Capital Services

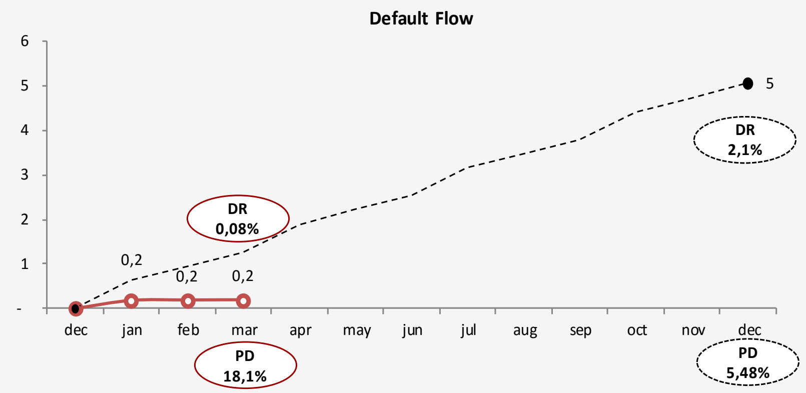
Actual

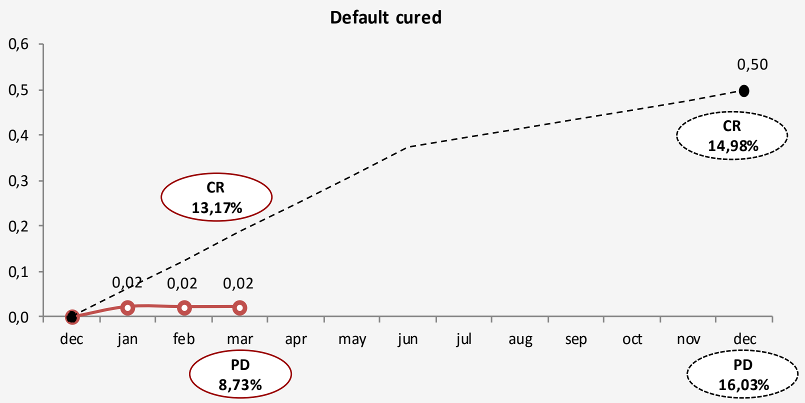
Target

The figures include only to on-balance exposures

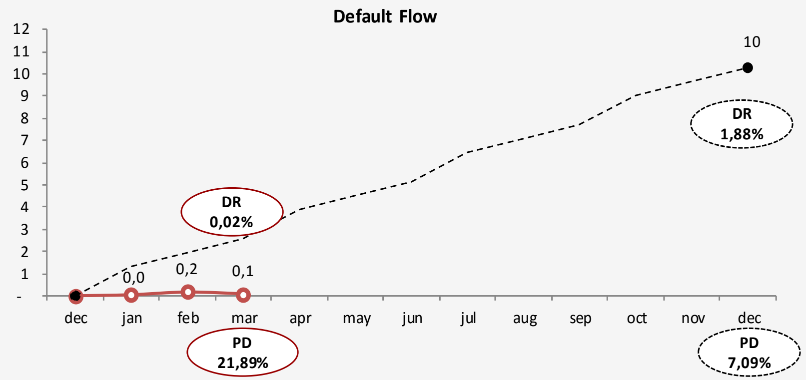
Widiba and Wealth: Cure and Default Flow (2/2)

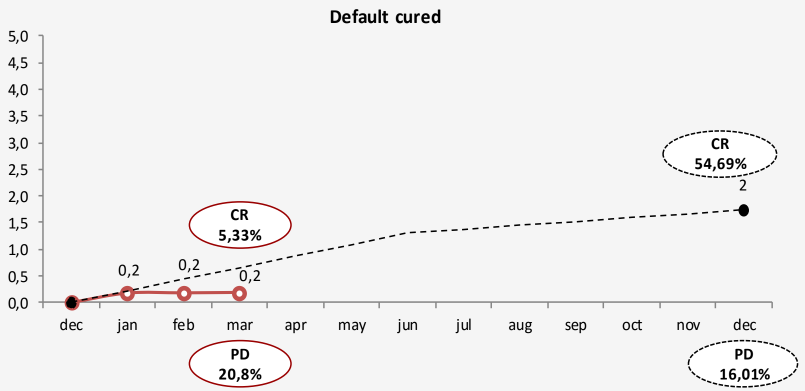
W I D I B A





W E A L T H





- **Default flows**, better than budget for Widiba and Wealth
- **Default cured**, lower than budget for both divisions

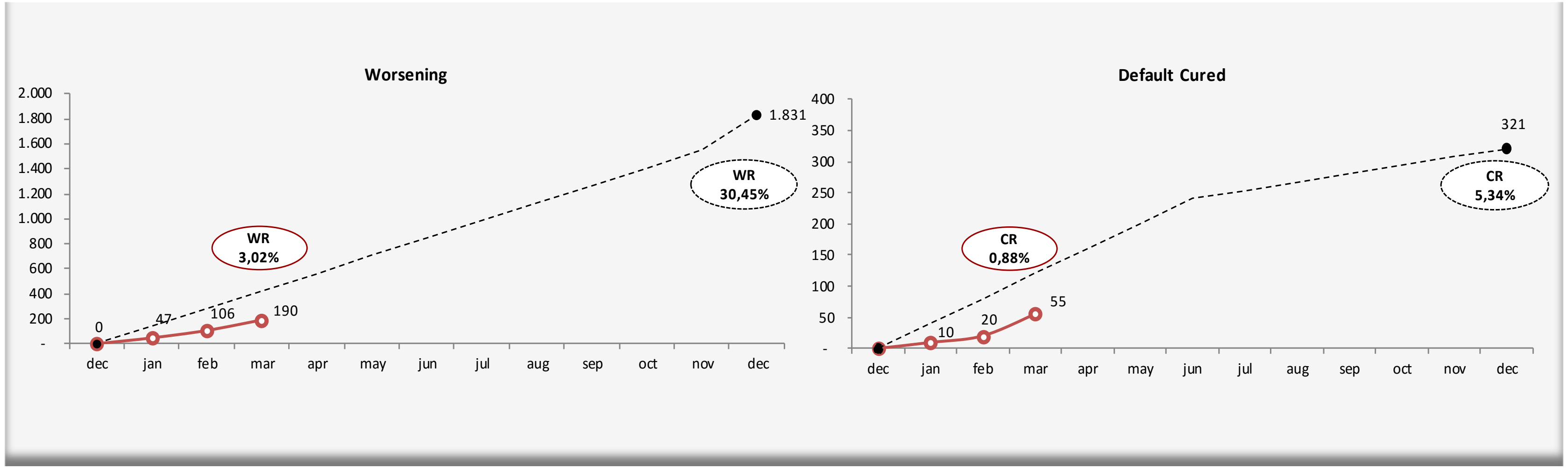
Actual

Target

The figures include only to on-balance exposures

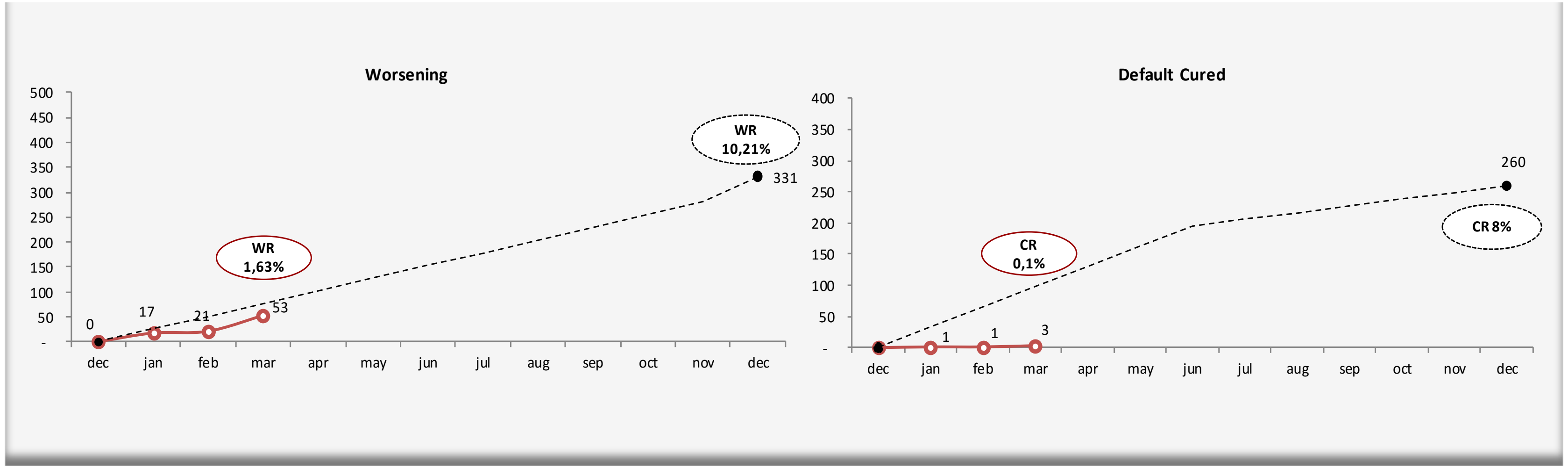
DCNP: Default Cured and Flows to Bad Loans (1/2)

RISCHIO ANOMALO



- **Flows from «Rischio Anomalo» and «Rescructured» to Bad Loans** for I quarter 2018 at 243 €/mln, -256 €/mln vs. Budget:
  - ✓ **«Rischio Anomalo»** at 190 €/mln, -233 vs Budget
  - ✓ **«Restructured»** at 53 €/mln, -23 €/mln vs Budget

RISTRUTTURATI



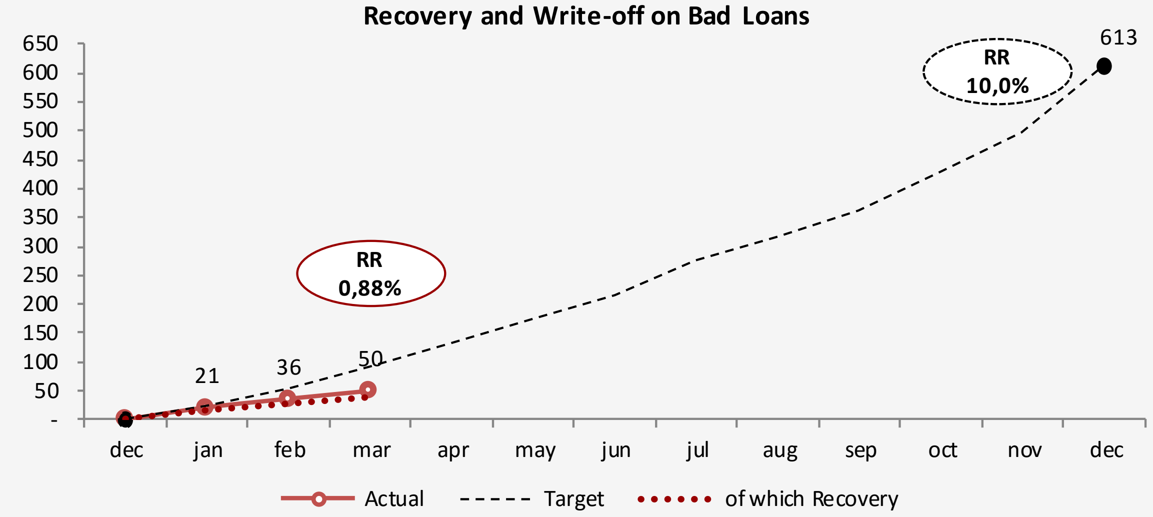
- **Default Cured** at 59 €/mln, -159 €/mln vs. budget:
  - ✓ **«Rischio Anomalo»** at 56 €/mln, -65 vs Budget
  - ✓ **«Restructured»** at 3 €/mln, -94 €/mln vs Budget

Actual

Target

The figures include only to on-balance exposures

DCNP: Recovery on Bad Loans and Business Plan (2/2)



- **Recovery on bad loans** positions lower than expected (-46%)

Values in €/mln

		GBV						
		Dec-17		Mar-18		Jun-18	Sep-18	Dec-18
BAD LOANS	**Without Business Plan**	**2.427**	**38%**	**2.600**	**39%**			
	With Business Plan	**3.966**	**62%**	**4.083**	**61%**			
	- of which Validated	1.416	22%	1.991	30%			
	- of which No Validated	2.550	40%	2.092	31%			
TOTAL		**6.394**	**100%**	**6.683**	**100%**			

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

- **Bad loans with Business Plan Validated** increase by approx. 540 €/mln

The graph includes only on-balance exposures
The table includes on and off balance exposures

Credit Risk Limits: Summary of limits breach (1/8)

Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	LIMITS mar-18	jun-18	sep-18	dec-18
Cure Rate on UtoP Loans	CLO	4,04%	0,62%	>	1,93%	3,86%	4,50%	5,15%
Reduction (UtoP Loans)	CLO	1.706	185	>	311	621	879	1.190
Reduction (Bad Loans)	CLO	1.231	49	>	83	196	330	558
Average Pd (Airb)	CCO	2,13%	2,17%	<	2,08%	2,03%	1,98%	1,93%
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO	1.442	383	<	258	516	775	1.119
Average Pd (Airb)	CCO Corporate	2,64%	2,73%	<	2,58%	2,51%	2,45%	2,39%
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO Corporate	841	273	<	132	264	396	572
Exposures Amount (Performing)	CCO Corporate	32.853	34.074	<	33.398	33.298	33.198	33.098
Average Pd (Airb)	CCO Retail	1,83%	1,79%	<	1,78%	1,73%	1,69%	1,64%
Cure Rate on UtoP Loans	MPS CS	8,00%	1,43%	>	2,34%	4,67%	5,45%	6,23%
Reduction (UtoP Loans)	MPS CS	453	58	>	64	129	182	246
Reduction (Bad Loans)	MPS CS	152	9	>	16	38	64	108
Average Pd (Airb)	MPS LF	2,68%	2,74%	<	2,68%	2,60%	2,51%	2,42%
Cure Rate on UtoP Loans	MPS LF	3,16%	0,91%	>	1,56%	3,13%	3,65%	4,17%
Average PD (AIRB) on New Lending	WIDIBA	1,08%	1,77%	<	1,73%	1,73%	1,73%	1,73%

- The table above summarizes the limits breaches as at 31/3/2018.
- The breaches of the limits on the Pd (stock and new lending) and on the Exposure Amount are not particularly relevant and are mostly due to technical reasons or commercial opportunities.
- On the other hand, the low cure rate of the impaired portfolio and the non-recoveries on the portfolio classified as bad loans are relevant. The limit on the reduction of Utop discounts the recent start of the sales program that should undergo a decisive acceleration in the second and third quarter.

Please note that the limits on credit are respected if the data observed in the month of analysis is between the ends of the reference quarter

Credit Risk Limits: CCO (2/8)

The table below shows the monitoring of the operational limits of the Division with **the deviations highlighted in yellow:**

Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	LIMITS			
					mar-18	jun-18	sep-18	dec-18
Average Pd (Airb)	CCO	2,13%	2,17%	<	2,08%	2,03%	1,98%	1,93%
Average Lgd (Airb)	CCO	26,10%	26,54%	<	26,83%	26,83%	29,57%	29,57%
Net Default Flow	CCO	2.190	304	<	428	855	1.283	1.710
Cured Exposures	CCO	270	180	>	126	252	294	336
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO	1.442	383	<	258	516	775	1.119
Exposures Amount (Performing)	CCO	72.262	73.741	<	73.848	73.848	73.848	73.848

- As at 31/03/2018, it is reported the breach of the limits of the following indicators:
  - ✓ **Average Pd (Airb)**, at 2,17% vs 2,08% of the limit. The breach is mainly related to the Corporate Division, affected by the worsening in E3 of Cinecittà and Wolt Spa, with an impacts an average PD of about 9 bps
  - ✓ **Portfolio worsening** at 383 €/mln vs 258 €/mln of the limit, mainly related to the BMPS Corporate, due to some big ticket (Atac, Grandi Lavori e Trevi Finanziaria), moved from IP Rete to Restructured loans.

Credit Risk Limits: Corporate Division (3/8)

The table below shows the monitoring of the operational limits of the Division with **the deviations highlighted in yellow:**

Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	LIMITS			
					mar-18	jun-18	sep-18	dec-18
Average Pd (Airb)	CCO Corporate	2,64%	2,73%	<	2,58%	2,51%	2,45%	2,39%
Average Lgd (Airb)	CCO Corporate	37,54%	38,11%	<	38,23%	38,23%	41,94%	41,94%
Net Default Flow	CCO Corporate	1.289	130	<	227	453	680	906
Cured Exposures	CCO Corporate	100	68	>	37	74	87	99
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO Corporate	841	273	<	132	264	396	572
Exposures Amount (Performing)	CCO Corporate	32.853	34.074	<	33.398	33.298	33.198	33.098

- As at 31/03/2018, it is reported the breach of the limits of the following indicators:
  - ✓ **Average Pd (Airb)**, at 2,73% vs 2,58% of the limit. The brach is mainly related to worsening in E3 of Cinecittà and Wolt Spa (about +20 bp)
  - ✓ **Portfolio worsening**, at 273 €/mln vs 132 €/mln of the limits, mainly due to some big ticket (among which Atac, Grandi Lavori Fincosit, Trevi Finziaria, Soil Mec, Pasta Zara, Inedil with total exposure of about 150 €/mln), moved from IP Rete to Restructured
  - ✓ **Exposure Amount** (performing), at 34 €/bn vs 33,4 €/bn of the limits, mainly due to strengthening flows, about 700 €/mln over the limit, and repayment, -178 € less than expected

Credit Risk Limits: Retail Division (4/8)

The table below shows the monitoring of the operational limits of the Division, with **the deviations highlighted in yellow**:

					LIMITS			
Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	mar-18	jun-18	sep-18	dec-18
Average Pd (Airb)	CCO Retail	1,83%	1,79%	<	1,78%	1,73%	1,69%	1,64%
Average Lgd (Airb)	CCO Retail	18,82%	18,79%	<	19,58%	19,58%	21,52%	21,52%
Net Default Flow	CCO Retail	896	174	<	196	392	588	784
Cured Exposures	CCO Retail	170	111	>	86	173	202	230
Portfolio worsening towards UtoP / Bad Loans (flow)	CCO Retail	601	109	<	123	246	369	533
Exposures Amount (Performing)	CCO Retail	38.605	38.822	<	40.016	39.916	39.816	39.716

- As at 31/03/2018, it is reported the breach of the limits on **Average Pd (Airb)**, at 1,79% vs 1,78%

Credit Risk Limits: CLO (5/8)

The table below shows the monitoring of the operational limits of the Division with **the deviations highlighted in yellow:**

Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	LIMITS			
					mar-18	jun-18	sep-18	dec-18
Average PD (AIRB) on New Lending	CLO	1,24%	1,17%	<	1,70%	1,70%	1,70%	1,70%
Cure Rate on UtoP Loans	CLO	4,04%	0,62%	>	1,93%	3,86%	4,50%	5,15%
Danger Rate on UtoP Loans	CLO	24,50%	2,20%	<	5,16%	10,33%	15,49%	22,37%
Reduction (UtoP Loans)	CLO	1.706	185	>	311	621	879	1.190
Reduction (Bad Loans)	CLO	1.231	49	>	83	196	330	558

- As at 31/03/2018, it is reported the breach of the limits of the following indicators:
  - ✓ **Cure Rate on Utop Loans**, at 0,62% vs 1,93% of the limit, related both to Rischio Anomalo and Rescrucured Division
  - ✓ **Reduction on UtoP Loans**, at 185 €/mln vs 311 €/mln of the limits, related both to Rischio Anomalo and Restructured Division
  - ✓ **Reduction on Bad Loans**, at 49 €/mln vs 83 €/mln of the limits

Credit Risk Limits: MPS Capital Services (6/8)

The table below shows the monitoring of the operational limits of the Division with **the deviations highlighted in yellow:**

Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	LIMITS mar-18	jun-18	sep-18	dec-18
Average Pd (Airb)	MPS CS	3,32%	3,18%	<	3,22%	3,11%	3,01%	2,91%
Average Lgd (Airb)	MPS CS	33,38%	33,79%	<	34,09%	34,09%	37,39%	37,39%
Average PD (AIRB) on New Lending	MPS CS	0,90%	0,96%	<	1,82%	1,82%	1,82%	1,82%
Net Default Flow	MPS CS	170	34	<	50	99	149	199
Cure Rate on UtoP Loans	MPS CS	8,00%	1,43%	>	2,34%	4,67%	5,45%	6,23%
Danger Rate on UtoP Loans	MPS CS	16,82%	0,49%	<	4,56%	9,12%	13,69%	19,77%
Reduction (UtoP Loans)	MPS CS	453	58	>	64	129	182	246
Reduction (Bad Loans)	MPS CS	152	9	>	16	38	64	108
Exposures Amount (Performing)	MPS CS	4.435	4.504	<	4.514	4.393	4.271	4.150

- As at 31/03/2018, it is reported the breach of the limits of the following indicators:
  - ✓ **Cure Rate on Utop Loans**, at 1,43% vs 2,34% of the limit
  - ✓ **Reduction on UtoP Loans**, at 58 €/mln vs 64 €/mln of the limits
  - ✓ **Reduction on Bad Loans**, at 9 €/mln vs 16 €/mln of the limits

Credit Risk Limits: MPS Leasing & Factoring (7/8)

The table below shows the monitoring of the operational limits of the Division, with **the deviations highlighted in yellow**:

Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	LIMITS			
					mar-18	jun-18	sep-18	dec-18
Average Pd (Airb)	MPS LF	2,68%	2,74%	<	2,68%	2,60%	2,51%	2,42%
Average Lgd (Airb)	MPS LF	32,23%	32,00%	<	33,09%	33,09%	36,87%	36,87%
Average PD (AIRB) on New Lending	MPS LF	1,11%	1,12%	<	1,70%	1,70%	1,70%	1,70%
Net Default Flow	MPS LF	117	12	<	26	52	79	105
Cure Rate on UtoP Loans	MPS LF	3,16%	0,91%	>	1,56%	3,13%	3,65%	4,17%
Danger Rate on UtoP Loans	MPS LF	23,49%	0,89%	<	4,54%	9,09%	13,63%	19,69%
Exposures Amount (Performing)	MPS LF	3.745	3.643	<	3.869	3.854	3.839	3.819

- As at 31/03/2018, it is reported the breach of the limits of the following indicators:
  - ✓ **Average Pd (Airb)**, at 2,74% vs 2,68% of the limit
  - ✓ **Cure Rate on Utop Loans**, at 0,91% vs 1,56% of the limit

Credit Risk Limits: Widiba (8/8)

The table below shows the monitoring of the operational limits of the Division, with **the deviations highlighted in yellow**:

					LIMITS			
Risk Limits	Aggregation Level	FY17	31/03/2018	EXPECTED SIGN	mar-18	jun-18	sep-18	dec-18
Net Default Flow	WIDIBA	0,8	0,3	<	1,4	2,8	4,3	5,7
Average PD (AIRB) on New Lending	WIDIBA	1,08%	1,77%	<	1,73%	1,73%	1,73%	1,73%
Exposures Amount (Performing)	WIDIBA	241	297	<	432	432	432	432

- As at 31/03/2018, it is reported the breach of the limits on **Average Pd (Airb)**, at 1,77% vs 1,73%

Forborne: Performing (1/2)

Values in €/mln	GBV Performing by Rating				
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
A	5	4			
B	59	23			
C	922	1.015			
D	936	918			
E	426	486			
NR	34	35			
TOTAL	**2.381**	**2.480**			

- Forborne Perfoming up by approx. 100 €/mln, mainly on rating classes C and E
- Forborne past due for more than 30 days down at 142 €/mln from 174 €/mln of 31/12/2017

Values in €/mln	GBV Performing by Vintage										Change			
	Dec-17		Mar-18		Jun-18		Sep-18		Dec-18		MoM		Vs. 31/12/17	
		Of which past due > 30 d		*Of which past due > 30 d*		*Of which past due > 30 d*		*Of which past due > 30 d*		*Of which past due > 30 d*	Foreborne	*Of which past due > 30 d*	Foreborne	*Of which past due > 30 d*
Good	**1.602**	**141**	**1.668**	**114**							**67**	**-27**	**67**	**-27**
0-12	795	*69*	822	*50*							26	*-20*	26	*-20*
12-24	543	*47*	624	*45*							81	*-2*	81	*-2*
24-36	119	*11*	96	*4*							-23	*-7*	-23	*-7*
>36	144	*14*	126	*16*							-17	*1*	-17	*1*
Bad, of which:	**780**	**33**	**812**	**28**							**32**	**-5**	**32**	**-5**
0-12	139	*7*	156	*5*							17	*-2*	17	*-2*
12-24	283	*12*	303	*13*							20	*1*	20	*1*
24-36	197	*6*	169	*4*							-28	*-2*	-28	*-2*
>36	162	*7*	184	*6*							22	*-1*	22	*-1*
TOTAL	**2.381**	**174**	**2.480**	**142**							**99**	**-32**	**99**	**-32**

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

Forborne: Non Performing (2/2)

Valori in €/mln		IV Q 2017	I Q 2018	II Q 2018	III Q 2018	IV Q 2018
UTOP FORBORNE	***Initial Stock***	7.014,9	6.563,4			
	Cure Rate	1,44%	1,93%			
	Danger Rate	6,50%	1,36%			
	Exposures Reduction on open positions	-3,30%	-1,92%			
	Exposures Reduction on closed positions	-1,63%	-0,78%			
UTOP NO FORBORNE	***Initial Stock***	5.348,1	5.027,8			
	Cure Rate	0,28%	0,47%			
	Danger Rate	14,35%	4,53%			
	Exposures Reduction on open positions	-0,20%	-2,04%			
	Exposures Reduction on closed positions	-1,28%	-1,80%			
	Forborne/Total	56,74%	56,62%			
	No Forborne/Total	43,26%	43,38%			

- Utop Forborne down by approx. 450 €/mln., mainly thank to the cure process and the exposure reduction on open positions. Ratio between Utop Forborne and total UTOP substantially unchanged
- Total non performing forborne down by approx. 90 €/mln, with decrease of the higher vintage classes and increase of exposure of younger position

Values in €/mln	GBV Non-Performing by Vintage										Change			
	Dec-17		Mar-18		Jun-18		Sep-18		Dec-18		MoM		Vs. 31/12/17	
		Of which past due > 30 d		*Of which past due > 30 d*		*Of which past due > 30 d*		*Of which past due > 30 d*		*Of which past due > 30 d*	Foreborne	*Of which past due > 30 d*	Foreborne	*Of which past due > 30 d*
One concession, of which	**4.541**	**2.455**	**4.387**	**2.349**							**-154**	**-107**	**-154**	**-107**
0-12	736	131	968	117							232	-14	232	-14
12-24	540	202	548	225							8	23	8	23
24-36	1.051	566	776	439							-274	-127	-274	-127
>36	2.213	1.557	2.094	1.568							-119	11	-119	11
Two or more concessions, of which	**1.494**	**454**	**1.583**	**470**							**89**	**16**	**89**	**16**
0-12	678	*202*	577	*109*							-101	*-93*	-101	*-93*
12-24	442	*213*	613	*299*							171	*86*	171	*86*
24-36	338	*35*	357	*56*							19	*20*	19	*20*
>36	37	*4*	37	*6*							0	*2*	0	*2*
TOTAL	**6.035**	**2.909**	**5.970**	**2.818**							**-65**	**-91**	**-65**	**-91**

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

Watchlist

Values in €/mln	EXPOSURE PERFORMING									
	Dec-17 *		Mar-18		Jun-18		Sep-18		Dec-18	
Non Past Due	74.462	97,5%	74.986	97,0%						
Past due 1 day	295	0,4%	763	1,0%						
Past due 30 days	606	0,8%	678	0,9%						
Past Due 60 days	205	0,3%	240	0,3%						
Past Due 90 days	362	0,5%	340	0,4%						
Past due > 90 days	428	0,6%	335	0,4%						
TOTAL	**76.358**	**100,0%**	**77.342**	**100,0%**						
of which Forborne	*2.265*		*2.451*							

Perimeter: MPS, MPS CS, MPS LF, WIDIBA

- As at March, the Exposure performing past due increases vs December in the classes since 60 days, mainly 1 day. The classes 90 days and over show a reduction

* *The figure as of 31/12/2017 is done using past due classes as of 28/02/2018*

Annex: Net Loan Loss Provision - Main KPI

FLOWS AND COST OF CREDIT

Values in €/mln (AIRB + STD)

			Actual Ytd	Budget ytd	Delta
PERFORMING PORTFOLIO	Stage 1	Volumes	61.142	82.618	-21.475
Beginning of year stock (dic -17): 82.670		Volumes Net Bankit	59.321	76.007	-16.686
Stock at te reporting date: 78.978		Cost	-40,9	-11,1	-29,8
	Stage 2	Volumes	17.531	0	17.531
		Cost	28,0	-3,0	31,0
	Total Performing Portfolio *	Volumes	76.852	76.007	845,3
		Cost	-12,9	-14,1	1,2
	Net default flow (from PE to NPE)	Volumes	304	412	-108
		Cost	69,3	108,1	-38,8
	Sub Total Cost of Performing Portfolio		**56,4**	**93,9**	**-37,5**
DEFAULT	Cure of default (from NPE to PE)	Volumes	244	371	-127
Beginning of year stock (dic -17): 20.218**		Cost	-52,4	-72,9	20,6
Stock at te reporting date: 20.175**	Worsening	Volumes	640	816	-176
		Cost	74,5	141,7	-67,2
	Improvements	Volumes	11	0	11
		Cost	-2,0	0,0	-2,0
	Stable**	Volumes	19.219	19.062	158
		Cost	50,3	-1,0	51,4
	*of which bad loans***	*Volumes*	*9.014*	*8.464*	*550*
		Cost	*4,5*	*6,7*	*-2,3*
	of which other default	*Volumes*	*10.205*	*10.598*	*-393*
		Cost	*57,6*	*-7,8*	*65,4*
	Sub Total Cost of Non-Performing		**70,4**	**67,7**	**65,8**
	TOTAL COST		**126,8**	**161,6**	**-34,8**
KPI***	% default flow		1,47%	1,99%	-0,52%
	% default flow coverage		28,42%	30,06%	-1,64%
	% cure rate		5,40%	8,15%	-2,75%
	% flow to bad loans from other Npe categories		10,29%	21,58%	-11,28%

Perimeter: MPS, MPS CS, MPS LF, Widiba
** Excluded Bank of Italy*
*** Excluded Bad Loans in Valentine Perimeter*
**** Annualized Value*
***** The GBV (volumes) excludes SPPI test*

Annex Credit Policies - strengthening, overhauling and repayment flows

Values in €/mln		DYNAMIC FLOWS STRENGTHENING AND OVERHAULING														Budget YtD		Delta volumes from bdg	
		2017		Jan-18		Feb-18		Mar-18		Jun-18		Sep-18		Dec-18					
		volumes	pd	volumes	pd	volumes	pd	volumes	pd	volumes	pd	volumes	pd	volumes	pd	volumes	pd	Δ	Δ%
Div. RETAIL	Strengthening	3.315	1,41%	441	1,64%	747	1,59%	1.190	1,51%							1.838	1,68%	-648	-35,2%
	Overhauling	-268	9,38%	6	9,05%	-17	9,07%	-11	8,95%							-50	10,50%	39	-77,7%
	Repayment	-5.092	2,00%	-456	1,79%	-788	1,87%	-1.014	1,92%							-986	1,98%	-28	2,8%
Div. CORPORATE	Strengthening	2.142	1,16%	927	1,06%	1.621	1,05%	2.084	1,03%							1.384	1,62%	700	50,6%
	Overhauling	-493	10,79%	7	11,28%	-47	10,40%	-32	10,28%							-81	9,95%	48	-60,2%
	Repayment	-4.137	2,78%	-355	2,70%	-514	2,95%	-682	2,97%							-860	3,01%	178	-20,6%
Div. WEALTH MANAGEMENT	Strengthening	38	1,01%	-1	1,06%	-1	1,10%	-1	1,15%							35	0,92%	-36	-101,7%
	Overhauling	-9	6,76%	-1	5,12%	-1	8,44%	-1	8,22%							-3	8,47%	2	-68,6%
	Repayment	-57	1,06%	-12	0,63%	-14	0,71%	-16	0,70%							-17	0,99%	2	-9,8%
WIDIBA	Strengthening	202	1,08%	21	1,12%	37	1,22%	61	1,77%							53	1,53%	9	16,2%
	Overhauling	4	7,40%	0	6,25%	-2	7,05%	-2	8,40%							-1	9,70%	-1	233,8%
	Repayment	-6	1,42%	-1	6,92%	-3	8,27%	-3	1,08%							-4	1,58%	1	-13,9%
TOTAL	Strengthening	5.696	1,24%	1.388	1,22%	2.404	1,20%	3.335	1,17%							3.309	1,64%	25	0,8%
	Overhauling	-766	10,05%	11	10,13%	-67	9,69%	-46	9,58%							-134	10,13%	88	-65,5%
	Repayment	-9.291	2,34%	-825	2,18%	-1.320	2,29%	-1.716	2,33%							-1.868	2,51%	152	-8,1%

Perimeter: BMPS, MPS LF, MPS CS , Widiba – Cash Loans

Retail = Valore, Premium e Small Business
Corporate = PMI, Enti, Corporate Top, Grandi Gruppi, Filiali Estere, MPS CS e MLS LF
Wealth Management = Private e Private Top

- **Total strengthening flow in line with the budget** (+25 €/mln): the over budget of Corporate Division (+700 €/mln) and Widiba (+9 €/mln) is substantially off-set by the Retail (-648 €/mln) and Wealth (-36 €/mln). Please note that Retail shows an improvement of the strengthening flows in March (443 €/mln vs. 307 €/mln of February)

- **Total overhauling flows lower than the budget** (-65,5%) due to the Corporate Division (+48 €/mln) and Retail Division (+39 €/mln)

The figures include only to on-balance exposures

Annex: Dynamic «Sofferenze Allargate»

Values in €/mln

		GROUP MPS - "SOFFERENZE ALLARGATE"*								
		Dec-17	Jan-18	Feb-18	Mar-18	Jun-18	Sep-18	Dec-18	ΔMtD	ΔYtD
CLASSIFICATION	Performing	104	105	108					2,2%	3,5%
	UtoP Network	366	344	329					-4,4%	-10,3%
	UtoP and Restructured	1.388	1.374	1.361					-0,9%	-1,9%
	TOTAL	**1.858**	**1.823**	**1.798**					**-1,4%**	**-3,2%**

** Positions classified as bad loans by the system but not by the MPS Group*

- The "**Sofferenze Allargate**" decrease by 1,4% vs December 2017 in February (last data available at the date of the report), mainly on Network UtoP

Values in €/mln

		GROUP MPS - "SOFFERENZE ALLARGATE"*								
		Dec-17	Jan-18	Feb-18	Mar-18	Jun-18	Sep-18	Dec-18	ΔMtD	ΔYtD
Share current accounts group on net system group	up to 25%	390	408	388					-5,0%	-0,7%
	25%-50%	423	407	392					-3,7%	-7,3%
	50%-75%	157	143	142					-0,5%	-9,7%
	over 75%	888	867	877					1,2%	-1,3%
	TOTAL	**1.859**	**1.825**	**1.798**					**-1,4%**	**-3,2%**

** Positions classified as bad loans by the system but not by the MPS Group*

- The "**Sofferenze Allargate**" of the positions where the Group has a low market power (share of wallet up to 25%) decrease by 5%

Values in €/mln

		Share current accounts group on net system group up to 25%								
		Dec-17	Jan-18	Feb-18	Mar-18	Jun-18	Sep-18	Dec-18	ΔMtD	ΔYtD
Share bad loans on current accounts net system group	up to 25%	200	220	199					-9,6%	-0,5%
	25%-50%	59	63	60					-4,2%	1,3%
	50%-75%	28	24	24					-0,1%	-13,1%
	over 75%	104	101	105					3,3%	1,0%
	TOTAL	**390**	**408**	**388**					**-5,0%**	**-0,7%**

- The reduction above is mainly related to position were the Group has a lower loans share vs Banking System (up to 50%)

Annex: Open Gaps (1/2)

Scope	Mitigation	Expiry Date	Work Progress Status - 31/03/18	Risk Highlighted	Owner/Relevance
Classification Alignment with external legislation – Civil Insolvency Institution	Issue of operational indications for the management of the settlement proceedings of the over-indebtedness crisis and of liquidation for non-fallible subjects (gap EC_2015_00003)	30/06/2018 Q1 Q2 Q3 Q4	6%	Absence of operational indications for the correct management of a typology of impaired credit	**CLO** – ACPG **Medium**
Classification Detection Forbearance	Adaptation of the IT tools for the modification of some exclusion rules from the detection engines of Forbearance measures (gap EC_2016_00018)	31/12/2018 Q1 Q2 Q3 Q4	20%	Incorrect classification of impaired exposures due to limits of IT instruments	**CLO** – ACPG **Medium**
Proceeding Control Evaluation and decision of the granting	Adaptation of the PEF application to include all the types of the debtor exposures for the purpose of calculating the overall risk and the related deliberative autonomy (gap EC_2015_00005)	31/03/2019 Q1 Q2 Q3 Q4	51%	Credit assessment and approval with incomplete representation of the exposure volumes of the debtor in question	**CLO** – ACPG **Medium**
Proceeding Control Real Estate re-appraisal Management	Strengthening of the process document on the Management of Real Estate re-appraisal with the definition of specific line controls and responsibilities for action (gap EC_2018_00001)	30/09/2018 Q1 Q2 Q3 Q4	0%	Failure to use in the corporate processes updated elements of judgment already acquired by the Bank	**CLO** – ACPG **Low**

Annex: Open Gaps (2/2)

Scope	Mitigation	Expiry Date	Work Progress Status - 31/03/18	Risk Highlighted	Owner/Relevance
CRM Process Monitoring of collection times for guarantees.	Implementation of adequate monitoring and reports of collection times for guarantees (gap RM_2015_00013).	30/06/2018 Q1 Q2 Q3 Q4	10%	Greater recovery times, losses in P&L and increase in RWA for higher LGD.	**CLO - ACPG** **Low**
CRM Process Monitoring of guarantees and implementation of adeguate reporting.	Implementation of adequate monitoring of guarantees and adequate reporting according to the internal CRM Process regulations (gap RM_2015_00011).	30/06/2018 Q1 Q2 Q3 Q4	30%	Greater recovery times, losses in P&L and increase in RWA for higher LGD.	**CLO - ACPG** **High**
CRM Process Process of re-appraisal of real estate collateral.	Definition and application of a process that ensure, with regard to real estate guarantees, the identification of the re-appraisal to be carried out, their execution and subsequent update bank's system (gap RM_2017_00006).	30/09/2018 Q1 Q2 Q3 Q4	50%	Non-eligibility of real estate collateral for CRM purpose with a consequent increase in RWA.	**CLO – ACPG** **Medium**
CRM Process Real estate monitoring reporting for CRM purpose.	Structuring of a reporting activity that provides for half-yearly monitoring of value of the real estate collateral (gap RM_2017_00005).	30/09/2018 Q1 Q2 Q3 Q4	50%	Non-eligibility of real estate collateral for CRM purpose with a consequent increase in RWA.	**CLO – ACPG** **Medium**

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