

**THIRD SUPPLEMENT DATED 3 DECEMBER 2020 TO THE PROSPECTUS DATED 22 JULY 2020**



**Banca Monte dei Paschi di Siena S.p.A.**  
*(incorporated as a joint stock company in the Republic of Italy)*

**€20,000,000,000 Covered Bond Programme**  
**unconditionally and irrevocably guaranteed as to payments of interest and principal by**

**MPS Covered Bond S.r.l.**  
*(incorporated as a limited liability company in the Republic of Italy)*

**BY APPROVING THIS SUPPLEMENT, THE *COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER* GIVES NO UNDERTAKING AS TO THE ECONOMIC OR FINANCIAL OPPORTUNENESS OF THE TRANSACTION OR THE QUALITY AND SOLVENCY OF THE ISSUER IN LINE WITH THE PROVISIONS OF ARTICLE 6 (4) OF THE LUXEMBOURG LAW DATED 16 JULY 2019 ON PROSPECTUSES FOR SECURITIES.**

This third Supplement (the "**Supplement**") to the base prospectus dated 22 July 2020, as supplemented by the first supplement dated 8 September 2020 (the "**Prospectus**") and the second supplement dated 15 October 2020 constitutes a supplement for the purposes of Article 23 of Regulation EU 2017/1129 (as subsequently amended, the "**Prospectus Regulation**") and is prepared in connection with the €20,000,000,000 covered bond programme (the "**Programme**") established by Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Issuer**") and guaranteed by MPS Covered Bond S.r.l. (the "**Guarantor**").

Capitalised terms used in this Supplement, and not otherwise defined herein, shall have the same meaning ascribed to them in the Prospectus.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* ("**CSSF**"), which is the Luxembourg competent authority for the purposes of the Prospectus Regulation and Luxembourg Prospectus Law, as a supplement issued in compliance with the Prospectus Regulation and relevant implementing measures in Luxembourg for the purposes of updating the sections of the Prospectus headed "*Documents incorporated by Reference*", "*Banca Monte dei Paschi di Siena S.p.A.*", and "*General Information*".

Copies of this Supplement and the document incorporated by reference in this Supplement can be obtained free of charge from the registered office of the Issuer and are available on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)) and on the Issuer's website (<https://www.gruppomps.it/investor-relations/programmi-di-emissione-e-prospetti/emissioni-internazionali-obbligazioni-mps-2020-emtn-e-obg.html>).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme since the publication of the Prospectus.

### **Purpose of this Supplement**

The purpose of the submission of this Supplement is to update the information contained in the Prospectus and, in particular:

1. the "*Risk factors*" section of the Prospectus;
2. the "*Documents incorporated by reference*" section of the Prospectus to incorporate by reference (i) the BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020 (as defined below); and (ii) the press release headed "Assessment on the fulfilment of the conditions precedent to the demerger. Execution of the deed of the partial non-proportional demerger with asymmetric option of banca Monte dei Paschi di Siena S.P.A. in favor of AMCO S.P.A." dated 25 November 2020;
3. the "*Banca Monte dei Paschi di Siena S.p.A.*" section of the Prospectus; and
4. the "*General Information*" section of the Prospectus.

## 1. RISK FACTORS

The "*Risk Factors*" section of the Prospectus is amended as follows:

- 1.1 The risk factor "*Risks associated with the general economic/financial scenario*" under category "Risks relating to the Issuer's financial position" of section titled "Risk Factors – Risk Factors relating to the Issuer and the Group" on pages 33-36 of the Prospectus is deleted in its entirety and replaced as follows:

*"Risks associated with the general economic/financial scenario*

The results of the Issuer and the companies belonging to the Group are significantly affected by general economic conditions and financial markets dynamics and, in particular, by the performance of the economy of the Republic of Italy (determined, *inter alia*, by factors such as the soundness perceived by investors, expected growth perspectives of the economy and credit reliability). In particular, since the Republic of Italy is the country in which the Bank operates on an almost exclusive basis and in which respect the Group has a relevant credit exposure, the Bank's business is particularly sensitive to investor perception of the country's reliability and solidity of its financial condition as well as prospects of its economic growth.

In particular, the outset of 2020 marked the outbreak of the coronavirus ("**COVID-19**") which began in China at the end of January and has expanded globally in a few months, with particular intensity in Europe and the United States, enough to force the World Health Organization to declare COVID-19 as a pandemic. The large number of victims forced the majority of affected countries to enter "lockdown" which included enacting measures of social distancing and strict containment, the closure of schools, the suspension of public events, restrictions on the movement of people and the interruption of other productive activities. Italy was the first country affected by COVID-19 in the EU, but the number of infections also rapidly increased in Spain, France, Germany, as well as in the United Kingdom and the United States, forcing such countries to implement strict containment measures in line with the ones implemented in Italy. Since spring 2020, with a gradual exit from lockdowns, the main advanced countries' economies have resumed activity: China, the first country to emerge from the emergency, has reached, if not exceeded, pre-pandemic activity levels. However since September 2020, a second wave of contagion has spread in several economies, especially in Europe and US (which is facing also a difficult political transition period after elections), prompting countries to introduce new restrictions, stricter measures and lockdowns trying to contain the diffusion of the pandemic. The consequence was the stop of the economic recovery. Italy has introduced differentiated lockdown measures based on the severity of the infection across the country.

Despite the actions taken by the Italian government, the regulatory bodies of the European Union ("**EU**") and relevant member states ("**Member States**") to mitigate the negative impacts of the lockdown and support a gradual recovery of the economic activity, significant uncertainties remain about the evolution of the macroeconomic scenario both in Italy and internationally. The current pandemic could cause further negative impacts on the global and domestic economy, disruption in global financial markets, the rising of sovereign debt tensions and a persistent and severe recession, with a consequent collapse of consumptions. The recent announcement of the effectiveness of vaccines against COVID-19 which should begin to be distributed to the population in early 2021 and valid pharmaceutical treatments to cure the virus represent the real hope for a favourable outcome of the crisis.

In response to the second wave of contagion the Italian government has adopted further measures in order to support the economy. Even EU Institutions confirmed support to European Countries but concerns remain for possible tensions about the effective implementation in 2021 of the Next Generation EU (with a budget of Euro 750 billion) and the maximum flexibility on the public deficit required by the most affected countries such as Italy. Finally, the occurrence of tensions in Italy at a political level could negatively affect the country's economic response to the health and economic emergency.

The prospects of the Italian banking system seem to be afflicted by the effects of the recession.

The liquidity crisis that hit Italian companies due to pandemic has found the response of the Italian government through the banking system, which has supported lending to sectors and companies of different sizes. Nonetheless, the lockdown imposed at a global level has led to a reduction in revenues on the majority of the corporate customers, an increase of costs related to the actions necessary to contain and prevent the spread of COVID-19, which has consequential impacts on the ability to pay existing debt and current employment levels. This will lead to a progressive increase in the probability of default on performing loans, with a consequent increase in loans classified as stage 2 and a likely increase of defaults. Similarly, with respect to non-performing loans, there has been a progressive extension of the average recovery time (due, for example, to the closure of the courts), a necessary revision of the existing restructuring agreements on loans likely to default, whose probability of remedy could be significantly reduced. Such effects could lead in 2021 to a progressive increase in the cost of credit for Italian banks and of the NPE stock, which would only see a decline in the medium-long term. As a result, with reference to the capital requirements, there will be an increase of risk weighted assets ("**RWA**") due to an increase in the probability of default. In this respect, please also see the paragraphs "*Risks associated with the Group's exposure to Impaired Loans*", "*Credit risk and risk of credit quality deterioration*" and "*Risks associated with capital adequacy*" below.

The actions taken by the Italian government should lead to a reduction in both the deterioration in the quality of performing loans and RWA. With regard to the deterioration in quality, the moratoria introduced by law, the new loans assisted by the State guarantee and the redundancy fund should make it possible to better realign future cash flows with the rescheduling of debt, with a potential significant reduction in past due/overruns. With regard to RWA and the cost of credit, the guarantees issued by SACE S.p.A. and the Central Guarantee Fund could instead lead to a reduction in both expected and unexpected losses, lowering the expected impact of the worsening of the parameters of the internal models. In 2021 non-performing positions will increase due to the possible stop of those credit support measures and also the increased flows of loans.

In a scenario conditioned by the effects of the pandemic and uncertainties about future prospects for recovery, the recovery of economic margins could be further halted.

On the credit supply side, the Italian government's measures will continue to drive business credit growth in the short term; volumes of loans to households will contract in 2020 and rise again as the recessionary phase is overcome and the availability of the European funds will allow a recovery of investments and consumption. Credit supply policies should remain relaxed because of the monetary measures adopted, which will guarantee ample liquidity and a low cost of funding, helping to keep interest rates on loans stable. Despite the higher credit volumes expected in 2020, the margin of traditional credit and savings intermediation will still be penalized by the banking spread which remains compressed, in the presence of negative money market rates for a long time to come. The overall interest margin between 2020 and 2021, in any case, will be supported by the ECB's measures, thanks to the exceptional conditions of the TLTRO. With respect to the other revenues, a context of high uncertainty about the evolution

of the health crisis, will keep the preference for liquidity and low-risk forms of investment high, confirming a limited profitability of asset management in 2020. Other commissions will be negatively affected by the slowing down of commercial activity and the lower propensity to consume (fewer transactions on payment systems, reduction in consumer credit flows). After the acute phase of the crisis, in 2021 still very low interest rates will support the demand for managed savings, with investors looking for more attractive returns.

The COVID-19 pandemic may have significant effects on the Group's liquidity situation in 2020. In order to address potential impacts on commercial liquidity position, and a limited access to the institutional funding market during 2020, the Bank has benefitted from the significant amount made available by the ECB through the targeted longer-term refinancing operations ("**TLTROs**"), that will be a key instrument to pursue liquidity objectives, maintaining adequate levels for both the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). In this respect, please also see the paragraph "*Liquidity risk*" below.

In addition, the COVID-19 pandemic and the relevant consequences on the global and domestic economic environment and public debt may have an impact on the volatility of the government securities market even if the action of the ECB should ensure the easing of excessive market pressures. For further details on the effects of the volatility of government securities on the Bank and/or the Group please see paragraph "*Risks associated with the Group's exposure to sovereign debt*" below.

On the capital adequacy side, the above mentioned effects on income could lead to a reduction in own funds while the increase in capital absorption could be counterbalanced by the provision of state guarantees introduced by the Italian government. As at the date of the Prospectus, it emerges a shortfall scenario with respect to the SREP capital requirements, for which capital strengthening initiatives are being evaluated. In this respect, please also see the paragraph "*Risks associated with capital adequacy*" below.

For further details on the impact of the COVID-19 pandemic on the Bank, please also see paragraph "*Operational Risk*" below and refer to the Unaudited Consolidated Interim Report as at 30 September 2020, incorporated by reference in this Prospectus."

- 1.2 The risk factor "*Risks associated with capital adequacy*" under category "Risks relating to the Issuer's financial position" of section titled "Risk Factors – Risk Factors relating to the Issuer and the Group" on pages 38- 42 of the Prospectus is deleted in its entirety and replaced as follows and shall rank as first risk factor of such category "Risks relating to the Issuer's financial position":

*"Risks associated with capital adequacy*

The capital adequacy evaluation under a regulatory perspective is based on the constant monitoring of own funds, RWA as well as on the comparison with the minimum regulatory requirements, including the additional excess requirements to be met over time as communicated to the Group after the SREP, and the additional capital buffers provided for by the applicable legislative provisions.

For a description of the capital adequacy requirements applicable to BMPS please refer to subparagraph "*Basel III and the CRD IV Package*" of paragraph 2 "*Regulations and Supervision of the ECB, Bank Of Italy, CONSOB and IVASS*" of section *Regulatory Aspects* of this Prospectus.

As at the date of this Prospectus, the banks must meet the own funds requirements provided by article 92 of (EU) Regulation 575/2013 of the European Parliament and European Council of 26 June 2013 concerning prudential requirements for credit institutions and investment firms

(the "**CRR**"): (i) the Common Equity Tier 1 Ratio must be equal to at least 4.5 per cent. of the total risk exposure amount of the Bank; (ii) the Tier 1 Ratio must be equal to at least 6 per cent. of the total risk exposure amount of the Bank; and (iii) the Total Capital Ratio must be equal to at least 8 per cent. of the total risk exposure amount of the Bank.

Further to the minimum regulatory requirements, banks must meet the combined buffer requirement provided by EU Directive 2013/36 of the European Parliament and European Council in relation to credit institutions' activities, credit institutions' prudential supervision and investment undertakings (the "**CRD IV**") (the "**Combined Buffer Requirement**").<sup>1</sup>

Banks that do not satisfy the combined capital requirement, or even just the capital conservation buffer, are subject to the capital conservation measures provided for by Circular No. 285 (as defined below). The capital conservation measures impose restrictions on, *inter alia*, distributions of dividends, with greater restrictions being imposed as the breach becomes more significant. It further provides for banks to adopt a capital conservation plan which shall set out the measures (among which further capital increases cannot be excluded) the Bank intends to adopt to restore, within an appropriate timeframe, the necessary capital level to maintain capital reserves in line with the requirements. Should these conditions not be satisfied (i.e., failed compliance with the combined capital requirement, or even just the capital conservation buffer), and/or changes to the methodologies and parameters to estimate impaired loans (as defined in Circular No. 272 issued by the Bank of Italy on 30 July 2008 and amendments thereto, the "**Impaired Loans**") adjustments or amendments to the internal models to calculate RWAs occur, the need may then arise for further capital enhancements of the Issuer, such as calling in investors to participate in further capital increase transactions.

As a result of the conclusion of the SREP conducted with reference to the figures as at 31 December 2018 and taking into account the information received after such date, the ECB issued on 10 December 2019 the 2019 SREP Decision asking BMPS to maintain from 1 January 2020 a consolidated total SREP capital requirement ("**TSCR**") level of 11%, which includes 8% as a minimum capital requirement pursuant to article 92 of the CRR and 3% Pillar II capital requirement ("**Pillar II**"), fully comprised of CET1.

In light of the potential impacts linked to the COVID-19 pandemic on significant banks, on 8 April 2020 the ECB notified to BMPS the amendment, applicable retroactively from 12 March 2020, of the 2019 SREP Decision, with reference to the composition of the additional Pillar II capital requirement. In particular, the additional Pillar II capital requirement to be held in the form of CET1 must be met by at least 56.25% CET1 and at least 75% by Tier 1.

Accordingly, the Group shall meet the following requirements at the consolidated level as at 30 September 2020:

- CET1 Ratio of 8.82%;
- Tier 1 Ratio of 10.88%; and
- Total Capital Ratio of 13.63%.

---

<sup>1</sup> For information on the Combined Buffer Requirement please refer to sub-paragraph "*Basel III and the CRD IV Package*" of paragraph 2 "*Regulations and Supervision of the ECB, Bank Of Italy, CONSOB and IVASS*" of section *Regulatory Aspects* of this Prospectus.

These ratios include, in addition to the Pillar II capital requirement, 2.5% for the capital conservation buffer, 0.13% for the O-SII Buffer, and 0.001% for the countercyclical capital buffer<sup>2</sup>.

Furthermore, the ECB notified the Issuer of the expectation for the Group to comply with an additional 1.3 per cent. threshold ("**Pillar II capital guidance**") to be fully satisfied with Common Equity Tier 1, in addition to the Overall Capital Requirement (OCR).

In relation to the above, it should be noted that failure to comply with such capital guidance would not constitute a failure to comply with capital requirements; however, in the event of capital dropping below the level including the Pillar II capital guidance, the supervisory authority, which shall be promptly informed in detail by the Issuer on the reasons for the failed compliance with the aforementioned level, will take into consideration, on a case-by-case basis, possible appropriate and proportional measures (including the possibility of implementing a plan aimed at restoring compliance with the capital requirements – inclusive of capital enhancement requests – in accordance with article 16, paragraph 2 of the Council Regulation (EU) 1024/2013, as amended from time to time (hereinafter the "**SSM Regulation**")).

It should also be noted that in March 2020 the ECB announced a series of supervisory measures that include a greater flexibility in supervisory burdens in order to mitigate the impact of COVID-19 on the European banking system. In particular, the ECB announced that it will allow banks to temporarily operate below the capital level defined by Pillar II capital guidance, the capital conservation buffer and the LCR. These temporary measures are in addition to the decrease in countercyclical buffer rates applied by some national authorities.

With particular reference to the SREP, it should also be noted that it is conducted by the ECB at least on a yearly basis (without prejudice in any case to the ECB supervisory powers and prerogatives which can be exercised on an on-going basis during the course of the year) and, accordingly, it cannot be excluded that, following future SREPs, the supervisory authority may prescribe to the Issuer, *inter alia*, the maintenance of capital adequacy standards higher than the ones currently applicable. Furthermore, the ECB, following future SREPs, may impose on the Issuer specific corrective measures, among which, *inter alia*: (i) requesting that the Issuer holds capital resources greater than the regulatory level specified for credit, counterparty, market and operational risks; (ii) interventions aimed at enhancing systems, procedures and processes referring to risk management, control mechanisms and capital adequacy evaluation; (iii) imposing limits on the distribution of profits or other asset items, as well as, in relation to financial instruments eligible as own funds, the prohibition to pay interest; and (iv) prohibitions to carry out certain transactions, also of a corporate nature, for the purpose of limiting the level of risks.

For more information on the SREP, please see paragraph 3.2 "*SREP Decisions*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Prospectus.

Depending on the outcomes of the legislative process underway in Europe, the Issuer might be compelled to adapt to changes in the regulations (including, for example, the treatment of deferred tax assets) and in their construction and/or implementation procedures adopted by the supervisory authorities, with potential adverse effects on the Issuer's assets, liabilities and financial situation.

Furthermore, among the main risk factors which could lead to a change in capital requirements, there is the differential yield between Italian and German government bonds (BTP-Bund

---

<sup>2</sup> Calculated considering the exposure as at 30 September 2020 in the various countries in which BMPS Group operates and the requirements established by the competent national authorities.

spread), the increase of which leads to a reduction in capital reserves (FVTOCI Reserve, as defined below) with a consequent decrease in regulatory capital. As of 31 March 2020, the sensitivity to the credit spread of such reserve, calculated gross of tax, was Euro -1.36 million (rounded) for each basis point of change in the BTP-Bund spread.

In 2019, the Group, like the other major European banks subject to the Single Supervisory Mechanism ("SSM"), completed its work on Targeted Review of Internal Models ("TRIM") the final outcome of which, as a result of feedback from the ECB, will result in further methodological changes to the current internal models with significant impacts on RWA. In particular, the introduction of the new definition of default (expected by 1 January 2021) and the introduction of specific standards for calculating Loss Given Default ("LGD") on Defaulted Assets and Expected Loss Best Estimate ("ELBE") could imply a major revision of all Probability of Default ("PD") and LGD, with a consequent possible change in capital requirements. In this case, it cannot be excluded that the Issuer may have to resort to capital strengthening measures and that it may not be able to establish and/or maintain the capital requirements determined, from time to time, by the supervisory authority.

In light of the above, investors should consider that supervisory authorities may impose further requirements and/or parameters for the purpose of calculating capital adequacy requirements or may adopt interpretation approaches of the legislation governing prudential fund requirements unfavourable to the Issuer, with consequent inability of the Bank to comply with the requirements imposed and with a potential negative impact, even material, on the business and capital, economic and financial conditions of the Issuer and the Group, which may give rise to the need to adopt further capital enhancement measures.

Furthermore, the evaluation of the capital adequacy level is affected by various variables, among which the need to deal with the impacts deriving from the new and more demanding requirements under a regulatory standpoint announced by the EU regulator, the need to support functional plans for a swifter reduction of the stock of Impaired Loans – even in addition to the assignment of the NPL Portfolio as described in "*Risks associated with the Group's exposure to Impaired Loans*" and/or the assessment of market scenarios which promise to be particularly challenging and which will require the availability of adequate capital resources to support the level of assets and investments of the Group. It should also be noted that the current level of capital ratios has been achieved through precautionary recapitalisation, which has an exceptional nature.

As at the date of this Prospectus, the BMPS Group is also active in France through the subsidiary Monte Paschi Banque S.A. ("**MP Banque**") and, accordingly, the Group results are also affected by the results and operations of such company belonging to the Group. Any deterioration of the profitability conditions and variables affecting the capital adequacy level of MP Banque, also related to specific requests made by the competent authority, may require the Group to support functional plans for the restoration of capital resources and to support the level of assets and investments of the subsidiary and may also have negative impacts on the economic, capital and/or financial condition of the Group.

In this respect, it should be noted that as regards the relevance of MP Banque within the Group, as at 30 September 2020 MP Banque's contribution to the Group RWA was equal to 0.87 per cent. However, it should be further noted that MP Banque has no additional requirements imposed as from 1 January 2020 in accordance with the relevant 2019 SREP Decision.

Finally, it is specified that the assignment of foreign subsidiaries (in particular, following the assignment of Banca Monte dei Paschi Belgio S.A. to funds managed by Warburg Pincus on 14 June 2019, the assignment of MP Banque) constitutes one of the Restructuring Plan's Commitments, and, therefore, in the event of the failed realisation of the sale of MP Banque,



the Issuer will have to adopt alternative measures, such as a severely restricting the business of the subsidiary with consequent negative impact on the economic, capital and/or financial condition, also due to the significant restructuring costs and any reduction in deposit collection.

In particular, with respect to MP Banque, the Issuer has already resolved to start an orderly winding-down process by setting up a plan in compliance with the provisions set out in Commitment no.14 "Disposal of Participations and business". Should the Issuer be unable to achieve this Commitment, in whole or in part, it might suffer the adverse effects of any orders adopted by the European Commission *vis-à-vis* the Italian State as a consequence of the failure to comply with the Commitments undertaken as part of the Restructuring Plan, with potential adverse effects, including material adverse effects, on the Issuer's and/or Group's assets, liabilities and financial situation.

For more information on risks associated with the failed compliance with the Restructuring Plan's Commitments, reference is made to paragraph "*Risks associated with the failed realisation of the Restructuring Plan*" above.

Investors should also consider that it cannot be excluded that in the future the Issuer may be required, also in light of external factors and unforeseeable events outside its control and/or after further requests by the supervisory authority, to look for capital enhancement interventions; also, it cannot be excluded that the Issuer or the Group may not be able to achieve in the prescribed times and/or maintain (both at individual and consolidated level) the minimum capital requirements provided for by the legislation in force from time to time or established from time to time by the supervisory authority, with potential material negative impact on the business and capital, economic and financial condition of the Issuer and/or the Group.

In this circumstance, it cannot be excluded that the Issuer and/or the Group may be subject to extraordinary actions and/or measures by competent authorities, which may include, *inter alia*, the application of the resolution tools as per Legislative Decree No. 180 of 16 November 2015, as amended from time to time ("**Decree 180**"), implementing Directive 2014/59/EU for the recovery and resolution of credit institutions ("**BRRD**") in Italy.

With respect to the potential impact of the project of partial, non-proportional demerger with asymmetric option from BMPS in favor of Asset Management Company S.p.A. ("**AMCO**") on Bank's capital position, please refer to letter z) "*Partial, non-proportional demerger with asymmetric option from BMPS in favor of AMCO*" of paragraph 3.1 "*Recent developments*" of section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Prospectus and the BMPS Press Release (incorporated by reference in this Prospectus).

Regarding to the prospective assessment of capital adequacy, following i) the significant provisions on legal risks made in the third quarter of 2020, ii) the prospective effects of the partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO, iii) the penalising impact of the COVID-19 pandemic on the macroeconomic scenario and iv) regulatory headwinds, a capital shortfall is expected with respect to SREP capital requirements. For such reasons the Bank is reviewing its *capital plan* and evaluating capital strengthening measures with the full support of the controlling shareholder. For more information on risk deriving from judicial and administrative proceedings please refer to paragraph "*Risks deriving from judicial and administrative proceedings*" of this Prospectus.

In this context, the Ministry of Economy and Finance (MEF), as the controlling shareholder, reiterated its support for the partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO; its intention to respect the commitments undertaken by the Italian Republic towards the European Union and to carry out a market transaction identifying an anchor investor and/or banking partner of adequate standing, in order to restore and ensure the

Bank's competitiveness; any capital support that may become necessary in the future to ensure compliance with minimum capital requirements.

For further information on the risks associated with the capital adequacy, please also refer to paragraph "*Strategy and Restructuring Plan*" of the Consolidated Half-yearly report as at 30 June 2020, and paragraph "*Strategy and Restructuring Plan*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020."

- 1.3 The third paragraph of the risk factor "*Liquidity Risk*" under category "Risks relating to the Issuer's financial position" of section titled "Risk Factors – Risk Factors relating to the Issuer and the Group" on pages 45-46 of the Prospectus is deleted in its entirety and replaced as follows:

"For further details on the abovementioned indicators and the relevant levels reference is made to the financial statements of the Issuer incorporated by reference into this Prospectus."

- 1.4 The risk factor "*Risks deriving from judicial and administrative proceedings*" under category "Risks relating to the judicial and administrative proceedings and the inspections of the supervisory authorities" of section titled "Risk Factors – Risk Factors relating to the Issuer and the Group" on pages 50-52 of the Prospectus is deleted in its entirety and replaced as follows:

*"Risks deriving from judicial and administrative proceedings*

As at the date of this Prospectus, a number of judicial proceedings (including civil, criminal and administrative actions) are pending against the Issuer. Some of these derive from the extraordinary and exceptional context related to criminal investigations ordered by courts involving the Issuer in 2012 and 2013. In addition to this litigation, there are also: (i) disputes deriving from the Bank's ordinary course of business; (ii) labour disputes; (iii) tax disputes; and (iv) disputes arising from Burden Sharing.

On 30 September 2020, the following legal disputes and out of court claims were pending:

- legal disputes with a *petitum*, where quantified, of Euro 5.4 billion (rounded). In particular:
  - Euro 2.8 billion (in claims regarding disputes for which there is a "probable" risk of losing the case, for which provisions of Euro 0.9 billion (rounded) have been allocated;
  - Euro 1.0 billion (rounded) in claims attributable to disputes for which there is a "possible" risk of losing the case;
  - Euro 1.6 billion (rounded) in claims attributable to the remaining disputes, for which there is a "remote" risk of losing the case;
- out of court claims totalling, where quantified, Euro 4.6 billion (rounded). In particular:
  - Euro 4.6 billion (rounded) in claims for which there is a "probable" risk of losing the case;
  - Euro 0.02 billion (rounded) in claims for which there is a "possible" risk of losing the case.

On 30 September 2020, the overall *petitum* in relation to disputes and out of court claims related to financial information distributed in the 2008-2015 period, amounted to Euro 5.6 billion (rounded). Specifically, Euro 1.1 billion (rounded) of the civil proceedings related to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases of which, Euro 314 million requested by civil claimants, where quantified, relating to the criminal proceedings no. 29634/14 and no. 955/16 which the Issuer is part of (for further information, please see the section titled "*Legal Proceedings*", respectively under paragraph 11.2.5 "*Disputes deriving from ordinary business*" and letter a) "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of paragraph 11.2.3 "*Civil Proceedings*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Prospectus

and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Half-yearly report as at 30 June 2020, and paragraph "*Main types of legal risks*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020) and Euro 4.5 billion (rounded) in relation to extra-judicial claims received by the Issuer in relation to such capital increases. The increase related to extra-judicial claims compared to 31 December 2019, can be attributed to out-of-court claims received on 31 July 2020 from the MPS Foundation (for further information, please see paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Half-yearly report as at 30 June 2020, and paragraph "*Main types of legal risks*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020). The overall *petitum* for tax proceedings of the Group is equal to Euro 107 million (rounded) (of which Euro 102 million relating to the Bank) while the overall *petitum* relating to the passive labour proceedings is equal to Euro 75 million (including the labour proceedings brought by certain employees of Fruendo S.r.l.) almost entirely relating to the Bank.

As of 30 September 2020, the *petitum* for disputes arising from Burden Sharing, is equal to Euro 47.9 (rounded) million for which provisions for risks of Euro 28.3 (rounded) million have been set aside and included in the Bank judicial proceedings relating to investment service activities. In such proceedings the relevant plaintiffs are claiming the violation of the general principles set forth by the Consolidated Finance Act and the general principles of correctness, transparency and duty of care with respect to the sale of such securities.

In light of the estimates made on the risk of adverse outcome in the aforementioned proceedings, as at 30 September 2020, provisions for "legal and tax disputes" included under the item "provision for risks and charges", amount to Euro 904 million (rounded), comprising claw-backs of Euro 28 million (rounded), legal disputes of Euro 859 million (rounded) and tax disputes for Euro 17 million (rounded). Furthermore, as at the same date, in addition to the above, the "provision for risks and charges" includes labour disputes (both passive and active) for Euro 50 million (rounded).

Allocations to item provision for risks and charges have been made for amounts representing the best possible estimate relating to each dispute, quantified with sufficient reasonableness and, in any case, in accordance with the criteria set forth in the Issuer's policies. Among the components of the overall provision for risks and charges are included, in addition to the allocations provided for "legal disputes", also allocations versus expected losses on estimated disbursements for client complaints. The estimate of liabilities is based on the information available from time to time and in any case it implies multiple and significant evaluation elements, due to several uncertain factors characterising the different judicial proceedings. In particular, sometimes it is not possible to produce a reliable estimate such as in case of proceedings that have not been initiated, in case of possible counterclaims or in the presence of uncertainties in law or in fact so as to make any estimate unreliable. In particular, for further information relating to the methodology used to account allocations into the "provision for risks and charges" with respect to civil and criminal legal proceedings, including threatened litigations, relating to the purchase of securities issued in connection with the capital increase transactions of 2008, 2011, 2014 and 2015, and/or in connection with trading activities based on the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2015, reference is made to paragraph 11 "*Legal proceedings*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Prospectus.

Accordingly, although the Bank believes the overall provision for risks and charges recorded in the financial statement are considered adequate in respect of the liabilities potentially consequent to negative impacts, if any, of the aforementioned disputes, it may occur that the provision, if any, may be insufficient to fully cover the charges, expenses, sanctions as well as

the compensation and restitution requests associated with the pending proceedings, also in relation to the bringing of civil actions, or that the Group may in the future be called to satisfy compensation and restitution costs and obligations not covered by provisions, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In relation to disputes in which the Bank is involved, it has to be specified that, as at the date of the Prospectus, it cannot be excluded that disputes against the Bank may increase in number, also in consideration of the criminal proceedings pending and/or concluded before the Courts of Milan as well as the extraordinary transactions put in place by the Bank, in particular in relation to the civil plaintiffs in the context of such proceedings and/or the filing of civil claims for damages following the conviction sentence of the Courts of Milan on 8 November 2019 (for more information, reference is made to the paragraph 11 "*Legal proceedings*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Prospectus).

Unfavourable outcomes, if any, for the Bank of the disputes it is a party to, specifically those with larger media impact or the arising of new disputes, may have negative impacts, even significant, on the Bank and/or the Group, with a consequent potential negative impact on the business and the economic, capital and/or financial condition thereof.

In relation proceedings 29634/14 and 955/16, investors must take into account that, as at the date of the Prospectus, a precise monetary figure relating to the total of the compensatory requests and accordingly the economic burden the Bank will have to bear cannot be predicted, except to the extent of the relevant *petitum*. Furthermore, there is the risk that, should the Bank and/or other Group companies or their representatives (including the Bank's former representatives) be convicted, such circumstance may have an impact on the reputation of the Bank and/or the Group, as well as entail a liability under the Legislative Decree No. 231/2001. For further information, reference is made to paragraph "*Risks associated with the organisation and management model pursuant to Legislative Decree 231/2001*" below and to paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Half-yearly report as at 30 June 2020, and to paragraph "*Main types of legal risks*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020.

For further information on BMPS' risks deriving from judicial and administrative proceedings, reference is also made to Part E "*Information on risks and hedging policies*" of section "*Notes to the consolidated financial statements*" of the 2019 Consolidated Financial Statements, to paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Half-yearly report as at 30 June 2020, and to paragraph "*Main types of legal risks*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020, incorporated by reference into this Prospectus. In particular, investors should note that the assessment of such legal risks is specified as "key aspects of the auditing" in the auditors' report included in the 2019 Consolidated Financial Statements.

Furthermore, while carrying out its ordinary business, the Group is subject to inspections promoted by the supervisory authorities that may give rise to requests for organisational interventions and enhancement of safeguards aimed at remedying any deficiencies found. The results of such inspections may lead to sanctioning proceedings against the relevant company's representatives and employees and, as a consequence thereof, compensatory requests, fines imposed by supervisory authorities, other sanctions and/or reputational damage. For further information, reference is made to paragraph 11.2.8 "*Sanctioning procedures*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Prospectus."

- 1.5 The last paragraph of the risk factor "*Risks associated with the organisation and management model pursuant to Legislative Decree No. 231/2001*" under category "Risks relating to the judicial and administrative proceedings and the inspections of the supervisory authorities" of section titled "Risk Factors – Risk Factors relating to the Issuer and the Group" on pages 54-55 of the Prospectus is deleted in its entirety and replaced as follows:

"As at the date of this Prospectus, the Bank was indicted in the context of certain proceedings for administrative liability profiles pursuant to Legislative Decree No. 231/2001. For further information on such proceedings please refer to paragraphs 11.2.9 "*Judicial proceedings pursuant to Italian Legislative Decree 231/2001*" and 11.2.10 "*Administrative offences pursuant to Legislative Decree 231/2001 challenged in relation to the sale of investment diamonds based on alleged self-laundering crime (article 648-ter of the Italian Criminal Code)*" of section Banca Monte dei Paschi di Siena S.p.A. of this Prospectus and to paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Half-yearly report as at 30 June 2020, and to paragraph "*Main types of legal risks*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020."

- 1.6 The risk factor "*Operational Risk*" under category "Risks relating to the Issuer's business activity and industry" of section titled "Risk Factors – Risk Factors relating to the Issuer and the Group" on pages 59-60 of the Prospectus is deleted in its entirety and replaced as follows:

*Operational Risk*

In carrying out its business, the Group is exposed to the so-called operational risk, namely the risk to incur losses deriving from the inadequacy or malfunctioning of corporate procedures, errors and shortcomings of human resources, internal processes or IT systems, or external events. Such risk includes losses deriving from fraud, human errors, discontinuation of operations, unavailability of systems and increasing resorting to atomisation and outsourcing of corporate functions, contractual non-fulfilments, natural catastrophes, low IT security and legal risks, while strategic and reputational risks are excluded.

As at the date of this Prospectus, the Issuer's exposure to operational risk is mainly linked to the legal risk exposure. The operational risk capital requirement includes also the capital requirement for legal risk exposure.

For further details on the capital requirement in respect of operational risks, please refer to the 2019 Consolidated Financial Statements and the 2018 Consolidated Financial Statements incorporated by reference into this Prospectus.

For further information on legal proceedings and related risk, please see the section titled "*Legal Proceedings*", respectively under paragraph 11.2.5 "*Disputes deriving from ordinary business*" and letter a) "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of paragraph 11.2.3 "*Civil Proceedings*" of section Banca Monte dei Paschi di Siena S.p.A. and paragraph "*Risks deriving from judicial and administrative proceedings*" of this Prospectus and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Half-yearly report as at 30 June 2020, and paragraph "*Main types of legal risks*" of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020.

In relation to the calculation of capital requirements, the Basel committee published a consultation document with the amendment proposals to the regime of capital requirements in respect of operational risks. A variation, if any, of calculation criteria may entail increased requirements and have an impact on the Group's capital adequacy.

Although the Issuer deems to have adequate organisational and control measures in place, there is the risk that certain types of risk may still occur in the future, even due to unforeseeable events, fully or partially outside the Group's control (including, without limitation, frauds, scams or losses deriving from employee disloyalties and/or the violation of control procedures, the attack of IT viruses or the malfunctioning of electrical and/or telecommunication services, possible terrorist attacks).

In addition, the rise of the COVID-19 pandemic (for further information on the risks associated with the COVID-19 pandemic, please see paragraph "*Risks associated with the general economic/financial scenario*" above) has increased the Group's level of exposure to further operational risks.

On one hand, the threat of cyber criminals has intensified, exploiting the attention and emotion generated by the COVID-19 pandemic theme to bring targeted attacks through email and webpages, aimed at stealing access credentials to information systems and payment instruments (phishing) and disseminating malicious programs. On the other hand, phenomena such as the massive shift to smart working, the further acceleration in the use of banking services through remote access channels, the use of ecommerce and, more generally, the digitization of interpersonal relationships, give rise to new vulnerabilities, related to the level of preparation of users against threats from the network and the use of personal devices and home networks.

Moreover, the revision and/or extension of certain existing processes (such as those relating to digital services, web collaboration tools and smart working) and the impossibility of implementing standard business processes inevitably exposes the Group to higher operational risks as a result of possible legal disputes, potential fraud and cyber attacks.

This situation also increases the potential risks to which the Group is exposed for business continuity, due to the increased dependence on infrastructure and network equipment to ensure users' access to the IT system. The continuation of the emergency and lockdown situation could aggravate exposure to such risks.

The Bank has adopted numerous initiatives to control and lower such risks, such as the strengthening of the control and monitoring system, also to comply with the regulations implemented by the Italian government to support the country in a time of health emergency and protect its productive sector."

## 2. DOCUMENTS INCORPORATED BY REFERENCE

### **BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020**

On 5 November 2020, the Board of Directors of the Issuer approved the unaudited consolidated interim financial report as at 30 September 2020, which has not been reviewed by the auditors (the "**BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020**") and which is available at [https://www.gruppomps.it/static/upload/int/interim-report-on-operations\\_30092020.pdf](https://www.gruppomps.it/static/upload/int/interim-report-on-operations_30092020.pdf).

On 25 November 2020, the Issuer has published on the Issuer's website the press release headed "Assessment on the fulfilment of the conditions precedent to the demerger. Execution of the deed of the partial non-proportional demerger with asymmetric option of banca Monte dei Paschi di Siena S.P.A. in favor of AMCO S.P.A." (the "**November 2020 Press Release**") which is available at [https://www.gruppomps.it/static/upload/eng/eng\\_comunicato-stipula-atto-di-scissione-amco.pdf](https://www.gruppomps.it/static/upload/eng/eng_comunicato-stipula-atto-di-scissione-amco.pdf).

A copy of each of the BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020 and the November 2020 Press Release has been filed with the CSSF and, by virtue of this Supplement, is incorporated by reference in, and forms part of, the Prospectus.

The "*Documents Incorporated by Reference*" section on pages 95-97 of the Prospectus is hereby supplemented with the following:

\* \* \*

<b>Document</b>	<b>Information Incorporated</b>	<b>Page Reference</b>
BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020	Introduction	p 3
	Results in brief	pp 4-6
	Executive summary	pp 7-9
	Reference context	pp 10-11
	Regulatory and supervisory interventions by institutions within the context of the COVID-19 pandemic	pp 12-26
	MPS Group initiatives within the context of the COVID-19 pandemic	pp 27-32
	Shareholders	p 33
	Information on the BMPS share	pp 33-34

Significant events in the first nine months of 2020	pp 35-36
Significant events after 30 September 2020	p 37
Strategy and Restructuring Plan	pp 38-41
"Hydra M" transaction - partial non-proportional demerger with asymmetric option of a set of non-performing loans by MPS in favour of AMCO	pp 42-43
Explanatory Notes	pp 44-55
Reclassified Income Statement	pp 56-65
Reclassified Balance Sheet	pp 66-80
Disclosure on risks	pp 81-87
Results by Operating Segment	pp 88-98
Prospects and outlook on operations	pp 99-101
Declaration of the financial reporting officer	p 102

<b>Document</b>	<b>Information Incorporated</b>	<b>Page Reference</b>
November 2020 Press Release headed "Assessment on the fulfilment of the conditions precedent to the demerger. Execution of the deed of the partial non-proportional demerger with asymmetric option of banca Monte dei Paschi di Siena S.P.A. in favor of AMCO S.P.A" dated 25 November 2020	Entire document	All



For the purposes of Article 19(1) of Regulation (EU) 2017/1129, the information incorporated by reference that is not included in the cross-reference list above are either deemed not relevant for an investor or are otherwise covered elsewhere in this Supplement and, for the avoidance of doubt, unless specifically incorporated by reference into the Prospectus, information contained on the website does not form part of the Prospectus.

### 3. **BANCA MONTE DEI PASCHI DI SIENA S.P.A.**

- 3.1 The last paragraph of sub-paragraph J) "*Disposals of non-performing loans for a total amount of Euro 3.5 billion*" of paragraph 3.1 "Recent developments" of section "Banca Monte dei Paschi di Siena S.p.A." on pages 214-215 of the Prospectus is deleted in its entirety and replaced as follows:

"J) *Disposals of non-performing loans for a total amount of Euro 3.5 billion*

The entire disposal programme was factored into the 2018 financial statements, with a marginal impact on the income statement. Merlino and Alfa 2 were completed in 2018.

Morgana, expected to be completed in 2019, has been partially (67 million) postponed to 2020. As there is currently no high probability of the sale of the residual portfolio, for a GBV of 167 million, for which the expiry date of the option of purchase in favour of Bain Capital Credit is set for 15 January 2021, the related receivables have been reported under current assets in the interim financial statements of MPS Leasing & Factoring S.p.A. as at 30 June 2020."

- 3.2 The sub-paragraph Z) "*Partial, non-proportional demerger with asymmetric option from BMPS in favor of AMCO*" of paragraph 3.1 "Recent developments" of section "Banca Monte dei Paschi di Siena S.p.A." on page 218 of the Prospectus is deleted in its entirety and replaced as follows:

"Z) *Partial, non-proportional demerger with asymmetric option from BMPS in favor of AMCO*

On 29 June 2020, the Board of Directors of BMPS and the Board of Directors of AMCO approved the project related to the partial, non-proportional demerger with asymmetric option from BMPS in favor of AMCO (the "**Transaction**") of a compendium consisting of NPEs, DTAs, other assets, financial debts, other liabilities and net equity, subject to certain conditions, first of all the positive scrutiny by the ECB. On 27 August 2020, the Bank's Board of Directors acknowledged receipt from the ECB of the draft decision regarding the Transaction and resolved to inform the ECB of the absence of comments on its part. The ECB draft decision set out the conditions to which the ECB's authorisation to carry out the Transaction is subject, as further detailed in the August 2020 Press Release. On 2 September 2020 BMPS received the ECB final decision confirming the draft decision received by the Bank on 27 August 2020. On 4 October 2020, the Extraordinary Shareholders' meeting of BMPS resolved to (i) approve the partial proportional demerger project of MPS Capital Services in favour of BMPS which consists in a partial proportional demerger of MPS Capital Services in favour of the Bank to be implemented through the assignment by MPS Capital Services to the Bank of a portion of its assets and liabilities (including a portfolio of non-performing exposures) and which will be subsequently transferred to AMCO as a result of the Transaction; (ii) approve the Transaction with the granting of an asymmetric option to the shareholders of BMPS, other than the MEF; and (iii) amend the Bank's by-laws (with respect to the Bank's share capital) following the approval of the Transaction. On 25 November 2020 the deed for the partial non-proportional demerger from BMPS in favor of AMCO with the granting of an asymmetric option to BMPS' shareholders, other than the Ministry of Economy and Finance, has been executed following the assessment, by the Board of Directors of BMPS, on the fulfilment of the conditions precedent which such demerger is subject to, including – in particular – the enrolment with the Companies' Register of Arezzo-Siena of the deed for the partial demerger of MPS Capital Services in favor of the Bank which has been executed on 19 November 2020, enrolled with such Companies' Register on 20 November 2020 and is effective as of 26 November 2020. Subject to the enrolments with the competent companies' register of the demerger deed executed on 25 November 2020 being fulfilled within the envisaged timing, the Transaction will be effective (towards third parties) as of 1 December 2020. For more information in this

respect, reference is made to the BMPS Press Release, the August 2020 Press Release, the September 2020 Press Release, the October 2020 Press Release and the November 2020 Press Release (all incorporated by reference to this Prospectus)."

- 3.3 The following paragraph shall be deemed to be included in paragraph 3.1 "Recent developments" of section "Banca Monte dei Paschi di Siena S.p.A." on pages 205-219 of the Prospectus

*"DD) First instance ruling against Mr. Alessandro Profumo, Mr. Fabrizio Viola and Mr. Paolo Salvadori and Issuer's liability pursuant to Legislative Decree 231/01*

On 15 October 2020, a first instance ruling was issued against Mr. Fabrizio Viola and Mr. Alessandro Profumo for false disclosure in relation to the half-yearly report as at 30 June 2015 and for market manipulation for press releases relating to the approval of the financial statements as at 31 December 2012, 31 December 2013 and 31 December 2014 and the half-yearly report as at 30 June 2015 as well as with respect to Mr. Paolo Salvadori for the sole offence of false disclosure in relation to the half-yearly report as at 30 June 2015.

With regard to the offence of false disclosure, it was instead ruled that the case could not proceed with respect to the financial statements as at 31 December 2012 as the statute of limitations had been reached and all defendants were acquitted because there was no case to answer in relation to the financial statements as at 31 December 2013 and 31 December 2014.

The Issuer was declared liable for the administrative offences pursuant to Legislative Decree 231/01 and ordered to pay an administrative fine of EUR 800,000.

For further information in respect of the above, please refer to "Criminal proceeding no. 955/16" of paragraph "Main types of legal risks" on page 84 of the BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020."

- 3.4 The paragraph 4 "Ratings" of section "Banca Monte dei Paschi di Siena S.p.A." on pages 222-223 of the Prospectus is deleted in its entirety and replaced as follows:

#### **"4. RATINGS**

During the months of March and April 2020, in view of the strong impact of the Covid-19 pandemic on the Italian economic and market environment, the main rating agencies revised the ratings for most Italian banks, including BMPS.

In June and July DBRS and Fitch completed their annual review of the Bank's credit profile and Moody's placed the bank's main ratings under review for upgrade on the derisking transaction with Asset Management Company S.p.A. (AMCO). The latest rating actions for BMPS are listed below:

- On 21 July 2020, Moody's placed the Bank's "b3" standalone Baseline Credit Assessment and long-term ratings (including the "Caa1" long-term senior unsecured rating and "B1" long-term bank deposits rating) under review for upgrade. The long-term outlook was changed from "Developing" (assigned in spring during the "Covid-19" revision) to "Rating under Review".
- On 2 July 2020, Fitch revised the "rating watch" on BMPS long-term ratings from "negative" (assigned in spring during the "Covid-19" revision) to "evolving".

- On 19 November 2020, DBRS revised the outlook on the Group's long-term ratings to "stable" from "negative". All BMPS ratings were confirmed, including the Long-Term Issuer Rating of "B (high)", Long-Term Senior Debt of "B (high)" and Long-Term Deposits of "BB (low)".

Ratings Agencies	Long term rating	Outlook	Short term rating	Outlook	Last updated
Moody's	Caa1 <sup>3</sup> (RUR UP) <sup>4</sup>	Rating Under Review	NP <sup>5</sup>	-	21 July 2020
Fitch	B	Rating Evolving Watch	B <sup>6</sup>	-	2 July 2020
DBRS	B (High)	Stable	R-4 <sup>7</sup>	Stable	16 June 2020

"

- 3.5 The last paragraph of sub-paragraph 10.7 "Inspection activity on anti-money laundering" of paragraph 10 titled "ECB/Bank of Italy inspections concluded during the period 2015-2020" on pages 232-234 of the Prospectus is deleted in its entirety and replaced as follows:

"By way of a letter dated 7 February 2020, the Bank of Italy has requested the Bank to increase its efforts to complete the remedial action plan initiated, asking to provide updates within 31 March 2020. A response was approved by the Board of Directors on 31 March 2020 and sent within the required deadline. The remedial action plan has not yet been closed, limited to the recovery of missing or outdated customer information and the identification of beneficial owners. The COVID-19 emergency has in fact significantly slowed down the activities in contact with customers and made it necessary to extend the completion data to 31 December 2020. Progress is periodically monitored by the Board of Directors and communicated to the Supervisory Authority."

- 3.6 The sub-paragraph 10.14 "Inspection activity on internal governance (Deep Dive Internal Governance)" of paragraph 10 titled "ECB/Bank of Italy inspections concluded during the

<sup>3</sup> Long Term Debt.

<sup>4</sup> RUR UP: Rating under review for upgrade

<sup>5</sup> Pursuant to the rating scale of Moody's Investor Service, "NP" rating refers to issuers rated "Not Prime", *i.e.* that do not fall within any of the "Prime" rating categories.

<sup>6</sup> Pursuant to the rating scale of Fitch Ratings, "B" rating refers to minimal capacity for timely payment of financial commitments, plus heightened vulnerability to adverse changes in financial and economic conditions in the in short term.

<sup>7</sup> Pursuant to the rating scale of DBRS, "R-4" rating refers to a short-term security (or to a short-term securities portfolio) with a highly speculative grade whose short-term redemption capacity is uncertain.

period 2015-2020" on pages 235 of the Prospectus is deleted in its entirety and replaced as follows:

"During the years 2018 – 2019, the ECB carried out an off-site inspection (deep dive) on internal governance with a specific focus on the functioning of the management body. On 31 August 2020, the Bank received the follow up letter. Compared to the conclusions derived from the thematic review on governance carried out in 2015, the Joint Supervisory Team noted some progress. Nevertheless, the authority set out 5 findings, related to the board's ability to provide effective oversight to the management function, and to critically challenge and review proposals and information provided to it, as already stated in the 2019 SREP Decision."

- 3.7 The sub-paragraph 10.17 "Inspection activity on Liquidity Allocation and Internal Funds' Transfer Pricing (OSI 4356)" of paragraph 10 titled "ECB/Bank of Italy inspections concluded during the period 2015-2020" on page 237 of the Prospectus is deleted in its entirety and replaced as follows:

"During the period between 18 October 2019 and 23 January 2020, the ECB conducted an on-site inspection on the liquidity allocation and internal funds' transfer pricing. On 16 September 2020, the ECB sent the inspection report setting out 10 findings, basically referred to the liquidity risk measurement, the data quality checks on the liquidity risk measurement and the funds transfer pricing (FTP) framework."

- 3.8 The following sub-paragraph shall be deemed to be included in paragraph 10 titled "ECB/Bank of Italy inspections concluded during the period 2015-2020" on pages 230-238 of the Prospectus is deleted in its entirety and replaced as follows:

**"10.22 Inspection activity relating to the new definition of default "DoD" (Internal Model Investigation IMI 4857)**

ECB announced to start in November 2020 an internal model investigation (IMI) focused on new DoD application package submitted by the Bank."

- 3.9 The sub-paragraph (J) "Complaint to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code" of paragraph 11.2.6 "Civil disputes arising in connection with the ordinary business of the Issuer" of section "Banca Monte dei Paschi di Siena S.p.A." on page 258 of the Prospectus is deleted in its entirety and replaced as follows:

"(J) *Complaint to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code*

As at the date of the Prospectus, the Board of Statutory Auditors received several communications and/or complaints, one of which named "*Complaint in accordance with articles 2408 and 2409 of the Italian Civil Code*" was presented by way of a letter dated 19 February 2019 by the Associazione Buon Governo MPS and by Norberto Sestigiani, Romolo Semplici and Sergio Burrini.

This complaint set out certain "issues" (BMPS's economic, financial and asset situation as at 31 December 2018; total fines paid by BMPS; performance of the BMPS stock on the stock exchange) and the report concludes with a few requests for verification of such matters. Furthermore, according to such complaint, the current and previous directors of BMPS have not faced "*the situation with the necessary determination, trying to take time and thus worsening the situation with a deterioration of the assets and serious damage to all shareholders as well as to the civil parties involved in the two criminal proceedings pending before the Court of Milan [omissis]*".

At the end of a detailed investigation, the Board of Statutory Auditors concluded that such complaints are weak.

On 24 December 2019, the Board of Statutory Auditors received a complaint pursuant to article 2408 of the Italian civil code filed by the Bank's shareholder Bluebell Partners Limited. Such complaint highlighted the alleged incompatibility of consultants who carry out their activities both in favour of the Bank and in favour of the Bank's former directors within the context of proceedings in which the Bank is a potentially liable party. As at the date of this Prospectus, the Board of Statutory Auditors has concluded that there are no grounds for such complaint.

Except for the above, the other complaints filed with the Board of Statutory Auditors, also pursuant to article 2408 of the Italian Civil Code, are under evaluation by the Board of Statutory Auditors.

The Board always takes specific actions to determine whether such complaints carry sufficient weight in order to solve the relevant issues, especially in regard to internal managerial issues or activities of the Bank that are not considered fully appropriate."

- 3.10 The sub-paragraph (K) "Anti-money laundering" of paragraph 11.2.6 "Civil disputes arising in connection with the ordinary business of the Issuer" of section "Banca Monte dei Paschi di Siena S.p.A." on page 259 of the Prospectus is deleted in its entirety and replaced as follows:

"(K) *Anti-money laundering*

As at 11 November 2020, 13 judicial proceedings are pending before the ordinary judicial authority in opposition to sanctioning decrees issued by the MEF in the past years against some employees of BMPS and the Bank (as a jointly liable party for the payment) for infringements of reporting obligations on suspicious transactions pursuant to Legislative Decree No. 231/2007. The overall amount of the opposed monetary sanctions is equal to Euro 4.8 million (rounded), of which Euro 2,900,000.00 (rounded) has already been paid.

The Bank's defence in the context of such proceedings aims, in particular, at illustrating the impossibility to detect, at the time of events, the suspicious elements of the transactions/subject matter of the allegations, usually emerging only after an in-depth analysis carried out by the tax authority and/or other competent authority. The upholding of the Bank's position may entail the avoidance by the judicial authority of the sanctioning measure imposed by the MEF and, in case the payment of the sanction has already been executed, the recovery of the related amount.

For the sake of completeness, it is worth noting that, as at 30 September 2020, 119 administrative proceedings are pending in addition to the abovementioned proceedings in respect of which the opposition proceeding are in progress and are instituted by the competent authorities for the alleged violation of the anti-money laundering regime. The overall amount of the *petitum* (the maximum amount of the applicable penalties) related to the abovementioned administrative proceedings is equal to Euro 43.4 million (rounded)."

- 3.11 The tenth paragraph of sub-paragraph 11.2.9 "Judicial proceedings pursuant to Italian Legislative Decree 231/2001" of paragraph 11 titled "Legal Proceedings" on pages 265-266 of the Prospectus is deleted in its entirety and replaced as follows:

"The PHJ at the Courts of Forlì ordered the indictment of the defendants, including BMPS, for profiles of administrative liability of entities. The proceedings are still ongoing and, in particular, the hearings for the examination of witnesses have begun. The calendar of hearings was initially set by the Court every two months, but it was postponed due to the COVID-19."

#### 4. MANAGEMENT OF THE BANK

The "Management of the Bank" section on pages 271-277 of the Prospectus is amended as follows:

##### *Board of Directors*

The table set out in paragraph "Board of Directors" of section "Management of the Bank" on pages 271-272 of the Prospectus is deleted in its entirety and replaced as follows:

	<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Main activities outside the Bank, deemed significant</b>
1.	Patrizia Grieco (*)	Chairperson	Milano, 1 February 1952	Director of Ferrari N.V.  Director of Amplifon S.p.A. Director of Endesa S.A. Chairperson of Italian Corporate Governance Committee
2.	Guido Bastianini	Chief Executive Officer and General Manager	Gavorrano (GR), 10 April 1958	
3.	Francesca Bettio (**)	Deputy Chairperson	Piove di Sacco (PD), 1 October 1950	
4.	Rita Laura D'Ecclesia (**)	Deputy Chairperson	Foggia, 30 September 1960	Chairperson of Lumen Ventures SIS S.p.A.
5.	Luca Bader (**)	Director	Milano, 18 May 1974	
6.	Alessandra Giuseppina Barzaghi (**)	Director	Giussano (MP), 29 April 1955	
7.	Marco Bassilichi (*)	Director	Firenze, 3 October 1965	Deputy Chairperson of NEXI Payments S.p.A. Director of Ith S.p.A.  Member of Santa Chiara Lab Committee (University Innovation Lab)
8.	Francesco Bochicchio (**)	Director	Roma, 19 August 1956	Chairperson, Member of Monitoring Committee of Cassa di Risparmio della Provincia di Chieti in liquidazione coatta amministrativa Member of Monitoring Committee of Banca Padovana di credito cooperativo società cooperativa in liquidazione coatta amministrativa

	<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Main activities outside the Bank, deemed significant</b>
9.	Rosella Castellano (**)	Director	Catania, 27 June 1965	
10.	Olga Cuccurullo	Director	Roma, 17 November 1972	Director of Office III of Treasury Department - Finance and Privatization Division within the Italian Ministry of the Economy and Finance
11.	Paola De Martini (**)	Director	Genova, 14 June 1962	
12.	Raffaele Di Raimo (**)	Director	Roma, 3 June 1965	
13.	Marco Giorgino (**)	Director	Bari, 11 December 1969	Director, Member of Control and Risk, Corporate Governance and Sustainability Committee and Chairperson of Related Party Committee of Terna S.p.A. Director of RealStep SICAF Chairperson of V-Finance Auditor of RGI S.p.A. Auditor of Luce Capital S.p.A.
14.	Nicola Maione (**)	Director	Lamezia Terme (CZ), 9 December 1971	
15.	Roberto Rao (**)	Director	Roma, 3 March 1968	

(\*) *Independent director pursuant to the Consolidated Finance Act.*

(\*\*) *Independent director pursuant to the by-laws (Consolidated Finance Act and the Corporate Governance Code for Listed Companies).*

#### *Managers with strategic responsibilities*

The table set out in paragraph "Managers with strategic responsibilities" of section "Management of the Bank" on pages 272-273 of the Prospectus is deleted in its entirety and replaced as follows:

	<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Main activities outside the Bank, deemed significant</b>
1.	Guido Bastianini	Chief Executive Officer and General Manager	Gavorrano (GR), 10 April 1958	
2.	Giovanni Ametrano	Head of Performing Loans Division	6 April 1965	Deputy Chairperson of MPS Leasing & Factoring S.p.A.



<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Main activities outside the Bank, deemed significant</b>
3. Maurizio Bai	Head of Network Division	23 July 1967	Director of MPS Leasing & Factoring S.p.A.
4. Leonardo Bellucci	Chief Risk Officer	21 February 1974	
5. Vittorio Calvanico	Chief Operating Officer	Napoli, 8 February 1964	Director of Ausilia S.r.l. Chief Executive Officer of Consorzio Operativo Gruppo Montepaschi S.c.p.a.
6. Ettore Carneade	Compliance Officer	Mola di Bari (BA), 16 June 1961	
7. Nicola Massimo Clarelli	Chief Financial Reporting Officer	Caserta, 22 October 1971	
8. Pierfrancesco Cocco	Chief Audit Executive	Pisa, 7 June 1954	
9. Roberto Coita	Chief Human Capital Officer	Milano, 28 January 1972	Director of Widiba S.p.A.
10. Fiorella Ferri	Chief Safety Officer	Sovicille (SI), 5 June 1962	
11. Fabiano Fossali	Head of Markets and Products Division	Venezia, 22 March 1968	
12. Fabrizio Leandri	Chief Lending Officer	Roma, 21 April 1966	Deputy Chairperson of Monte Paschi Banque S.A. Director of MPS Capital Services Banca per le Imprese S.p.A. Director of Nuova Sorgenia S.p.A.
13. Pasquale Marchese	Chief Commercial Officer	Pescara, 2 June 1961	Deputy Chairperson of Widiba Director of AXA MPS Assicurazioni Danni S.p.A. Director of AXA MPS Assicurazioni Vita S.p.A. Director of Bancomat S.p.A.
14. Ettore Minnella	Head of Operations Division	Taranto, 18 September 1960	
15. Marco Palocci	Head of Institutional Relations, Communication and Sustainability Division	Roma, 2 December 1960	Deputy Chairperson of the Board of Directors of Fondazione Banca Agricola Mantovana Member of the Board of Directors of Fondazione Banca Antonveneta

<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Main activities outside the Bank, deemed significant</b>
16 Riccardo Quagliana	Group Counsel	General Milano, 4 February 1971	Deputy Chairperson of MPS Capital Services Banca per le Imprese S.p.A. Director of Conciliatore Bancario e Finanziario
17 Giuseppe Sica	Chief Officer General Manager	Financial Deputy Salerno, 19 April 1977	Chairperson of AXA MPS Assicurazioni Danni S.p.A.  Chairperson of AXA MPS Assicurazioni Vita S.p.A. Director of MPS Capital Services Banca per le Imprese S.p.A. Director of Fondo Interbancario per la tutela dei depositi Director of Schema volontario Fondo Interbancario tutela dei depositi
18 Lucia Savarese	Head of Performing Division	Non-Loans Pompei (NA), 30 March 1964	Director of MPS Leasing & Factoring S.p.A.
19 Federico Vitto	Head of Management Division	Wealth Roma, 14 November 1968	Chairperson of MPS Fiduciaria S.p.A.  Director of AIPE - Associazione Italiana Private Banking

#### *Board of Statutory Auditors*

The table set out in paragraph "Board of Statutory Auditors" of section "Management of the Bank" on pages 273-276 of the Prospectus is deleted in its entirety and replaced as follows:

<b>Name</b>	<b>Position</b>	<b>Place and date of birth</b>	<b>Main activities outside the Bank, deemed significant</b>
1. Enrico Ciai	Chairperson	Roma, 16 January 1957	
2. Luigi Soprano	Auditor	Napoli, 22 February 1959	Sole Director of Asiago Immobiliare S.r.l.  Sole Director of Crapolla S.r.l

Sole Director of Unico di H &  
B Immobiliare S.r.l.

Director of Interservice  
S.p.A.

Auditor of Del Bo Società  
Consortile Stabile A

Chairperson of the Board of  
Statutory Auditors of Del Bo  
Impianti S.r.l.

Chairperson of the Board of  
Statutory Auditors of Del Bo  
Roma S.r.l.

Chairperson of the Board of  
Statutory Auditors of Del Bo  
S.p.A.

Chairperson of the Board of  
Statutory Auditors of Del Bo  
Servizi S.p.A.

Auditor of SIA S.p.A.

Liquidator of Italgrani S.r.l.  
in liquidazione

Liquidator of Italsilos S.r.l.

Sole auditor of Aedifica S.r.l.

Auditor of La. Me.s. S.p.A.

Chairperson of the Board of  
Statutory Auditors of Tufano  
Holding S.p.A.

Auditor of A.R.I.N. Azienda  
Speciale

Auditor of Consorzio Meditech

Administrator of Fallimento IAP S.r.l.

Auditor of Fondazione Donnaregina per le arti contemporanee

---

3. Alessia Bastiani Auditor Firenze, 12 July 1968 Auditor of Savino del Bene S.p.A.

Auditor of Aprile S.p.A.

Auditor of AGC Biologics S.p.A.

Auditor of Publiacqua S.p.A.

Auditor of Albatrans S.p.A.

Auditor of Firenze Fiera S.p.A.

Auditor of Commercial Department Container CDC S.p.A.

Auditor of CNA Servizi e Consulenze S.r.l.

Auditor of Arimar International S.p.A. a socio unico

Chairperson of the Board of Statutory Auditors of Azzurra Aeroporti S.p.A.

Sole auditor of Ambiente e impresa S.r.l.

Auditor of INFOBLU S.p.A.

Chairperson of the Board of Statutory Auditors of I Praticelli S.p.A.

Chairperson of the Board of Statutory Auditors of Paper Interconnector S.c.p.a.

Auditor of Interconnector Energy Italia S.c.p.a.

Chairperson of the Board of Statutory Auditors of Monita Interconnector S.r.l.

Chairperson of the Board of Statutory Auditors of Leonardo Energia società consortile a r.l.

Sole auditor of Consorzio Energy Paper S.c.a.r.l.

Chairperson of the Board of Statutory Auditors of COMIECO Consorzio Nazionale Recupero e Riciclo degli imballaggi a base cellulosica

Auditor of Museo Nazionale Romano

---

4. Piera Vitali

Alternate  
auditor

Mede (PV), 8 June  
1949

Chairperson of the Board of Statutory Auditors of Piaggio & C. S.p.A.

Chairperson of the Board of Statutory Auditors of Value Retail Milan S.r.l.

Auditor and Chairperson of ODV ex D. Lgs. 231/2001 Capitalfin S.p.A.

---

---

5. Lorenzo Chieppa (*)	Alternate auditor	Andria (BT), November 1959	4 -
------------------------	----------------------	-------------------------------	-----

---

*(\*) Lorenzo Chieppa has resigned from the office of alternate auditor with effect from 11 September 2020 and the substitute alternate auditor will be appointed in the next following Ordinary Shareholders' meeting of the Bank.*

## 5. GENERAL INFORMATION

- 5.1 The paragraph titled "Trend Information / No Significant Change" on pages 403-404 of the Prospectus is deleted in its entirety and replaced as follows:

### **"Trend Information / No Significant Change**

Save as disclosed (i) in the section "*Risk Factors – Risk Factors relating to the Issuer and the Group*", under paragraphs "*Risks associated with the general economic/financial scenario*" with respect to the impact of COVID-19, "*Risks associated with capital adequacy*", and "*Risks deriving from judicial and administrative proceedings*", (ii) in the section "*Banca Monte dei Paschi di Siena S.p.A.*", under paragraph "*3.1 Recent developments – z) Partial, non-proportional demerger with asymmetric option from BMPS in favor of AMCO*" of the Prospectus, and (iii) in the section "*Strategy and Restructuring Plan*" on pages 38-41 of BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020, since 30 September 2020 there has been no significant change in the financial performance or position of the Issuer and/or the Group and since 31 December 2019 there has been no material adverse change in the prospects of the Issuer and/or the Group.

Since 31 December 2019 there has been no material adverse change in the prospects of the Guarantor and since 31 December 2019 there has been no significant change in the financial position of the Guarantor."

- 5.2 The paragraph titled "Legal and Arbitration Proceedings" on page 403 of the Prospectus is deleted in its entirety and replaced as follows:

### **"Legal and Arbitration Proceedings**

Save as disclosed in (i) the "Banca Monte dei Paschi di Siena S.p.A." section, paragraph 11 (*Legal Proceedings*), (ii) in the section "*Risk Factors – Risk Factors relating to the Issuer and the Group*", in paragraph "*Risks deriving from judicial and administrative proceedings*", and (iii) paragraph "*Main types of legal risks*" on pages 83-85 of the BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2020, neither BMPS nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BMPS is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of BMPS or the Group."

- 5.3 The paragraph titled "Documents Available" on pages 404-405 and ss. of the Prospectus shall be updated as follows (underlined and strikethrough show the amendments made):

### **"Documents Available**

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where

necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

- (a) the by-laws of the Issuer (which is also available on: [https://www.gruppomps.it/static/upload/sta/statuto\\_eng\\_april\\_2019.pdf](https://www.gruppomps.it/static/upload/sta/statuto_eng_april_2019.pdf)) and the constitutive documents of the Guarantor;
- (b) the unaudited consolidated interim financial report as at 30 September 2020;
- (c) the unaudited consolidated first half financial report as at 30 June 2020;
- (d) the unaudited consolidated interim financial statements of the Issuer for the period ended 31 March 2020, contained in the consolidated interim report as at 31 March 2020;
- (e) the consolidated audited annual financial statements of the Issuer as at and for the years ended 31 December 2018 and 31 December 2019;
- (f) the financial statements of the Guarantor as at and for the years ended 31 December 2018 and 31 December 2019;
- (g) the auditors' reports for the Issuer for the financial year ended 31 December 2018 and for the year ended 31 December 2019;
- (h) the auditors' reports for the Guarantor for the financial year ended 31 December 2018 and for the year ended 31 December 2019;
- (i) a copy of this Prospectus;
- (j) any future offering circular, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;
- (k) each of the following documents (as amended and restated from time to time, the "**Programme Documents**"), namely:
  - Guarantee;
  - Subordinated Loan Agreements;
  - Master Assets Purchase Agreement;
  - Cover Pool Management Agreement;
  - Warranty and Indemnity Agreement;
  - Master Servicing Agreement;
  - Asset Monitor Agreement;
  - Quotaholders' Agreement;
  - Cash Allocation, Management and Payments Agreement;
  - English Account Bank Agreement;



- Covered Bond Swap Agreements;
- Asset Swap Agreements;
- Mandate Agreement;
- Deed of Pledge;
- Deed of Charge
- Intercreditor Agreement;
- Guarantor Corporate Services Agreement;
- Programme Agreement; and
- Master Definitions Agreement"